ALASKA COMMISSION ON POSTSECONDARY EDUCATION

AlaskAdvantage® Programs

Education: Connecting Alaska Citizens to Alaska Careers

Annual Report to Alaskans - Year Ending June 30, 2006

ALASKA STUDENT LOAN CORPORATION

Mission Statement

Through its AlaskAdvantage Programs, the Alaska Commission on Postsecondary Education promotes, supports, and provides access to postsecondary education for Alaskans and in Alaska.

Core Services

- ★ Outreach and early awareness programs
- ★ Financial aid for postsecondary education and training
- ★ Advocacy for postsecondary education participation in Alaska
- ★ Education consumer protection through institutional authorization and consumer complaint investigation

Higher Education Access is Vital to Alaskans and Our Economy

For Individuals

- ✓ Increases personal income
- ✓ Increases career opportunities
- ✓ Increases capacity for leisure activities
- ✓ Improves access to healthcare and longer lifespan
- ✓ Increases life satisfaction
- ✓ Improves likelihood for healthy, successful children

For Communities

- ✓ Increases resident hire opportunity
- ✓ Decreases unemployment rates
- ✓ Decreases crime rates
- ✓ Decreases reliance on public assistance
- ✓ Attracts new business and investment
- ✓ Strengthens economic base for healthcare and school systems

The Alaska Student Loan Corporation (ASLC) finances core services of the Alaska state higher education access agency. There is no cost to state taxpayers, and ASLC income is used to reduce higher education costs for Alaska's students.



Dear Alaskan:

We are pleased to provide you the 2006 annual report on your state higher education access agency. While these statistics touch upon our 2006 successes, we also take this opportunity to inform you about our leadership emphasis for 2007. Driven by Alaska's students' needs and interests, our focus has two primary themes: 1) expand need-based student aid, and 2) leverage our partnerships with the University of Alaska and other concerned groups to delineate Alaska's alignment of education as a K-16 continuum.

To be effective in this effort, we must be mindful that the fastest growing populations in Alaska are economically needy families with the lowest college-going rates. We must also recognize recent studies conclude that the knowledge and skills needed to be prepared to succeed in college or in workforce training programs, although contextually different, are comparable. So regardless of whether or not Alaska students consider themselves "college bound" or not, to ensure all families are prepared for the training necessary to achieve economic security, we must act now by providing them the tools and financial aid to complete higher education and training. To delay action is to put at risk our chance to build a trained Alaska workforce to staff the coming pipeline-related industries.

In 2006 President Bush and Congress reinforced the need for K-16 alignment by creating the Academic Competitiveness and SMART Grant programs, which offer over $6,000 each in grants to needy students above and beyond their Pell grant aid. To qualify for that aid—enough to pay for University of Alaska tuition—students must have completed an academically rigorous high school curriculum. However, without an academic roadmap by the 9th grade, Alaska's students will miss out on getting their share of the $4.5 billion in mandatory federal funds. Moreover, our state will have foregone the opportunity for financial assistance in preparing the next generation for the strong future economy. To avoid a missed opportunity for Alaska, ACPE and its partners are implementing statewide campaigns to deliver information directly to students and parents.

We believe ACPE's work to meet these goals is critical for Alaska's future. Therefore, it is important to note ACPE's outreach to Alaskans is made possible by those borrowers who have chosen to receive federal education loans through AlaskAdvantage Programs. Increased federal loan volume provides ASLC with a related increase in federal income. Through a strong ASLC income stream, ACPE can expand financial aid and other services to more effectively leverage higher education support for Alaska's workforce and economy – with no drain on the General Fund. Managing this financial model successfully is key to ASLC's ability to maintain a modest annual income as a self-supporting agency while also allocating sufficient and sustainable resources to guarantee affordable higher education for all Alaskans.

To Governor Sarah Palin and Lieutenant Governor Sean Parnell, and to the Alaska Legislature, thank you for your commitment to expanding opportunities for Alaska's people and economy. To Alaska's students, we encourage you to pursue postsecondary education and training as the most certain road to success. To Alaska's education professionals and mentors, and especially to the people of the University of Alaska, we recognize you for the difference you make in individual lives and in communities. Your support in sharing with students information on the benefits of the Commission's federal loans enables us to deliver the lowest cost loans in the nation and, at the same time, expand AlaskAdvantage programs and services so all Alaskans achieve the benefits of higher education access for themselves and for our Alaska economy.

Respectfully,

Randy Simmons, Chair
Alaska Student Loan Corporation

Sharon Guenther Lind, Chair
Alaska Commission on Postsecondary Education

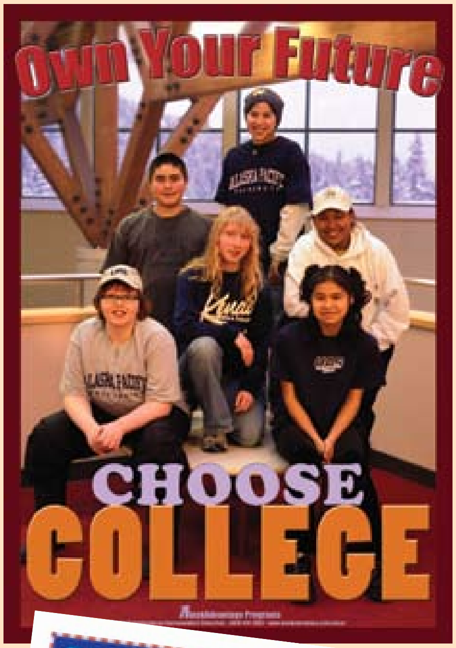
Diane Barrans
Executive Director/Officer
Alaska Commission on Postsecondary Education
Alaska Student Loan Corporation

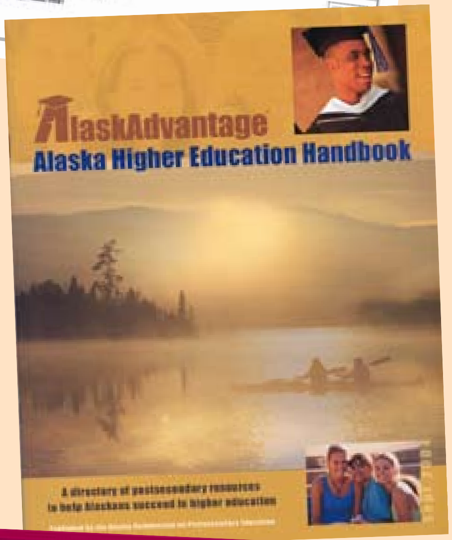
Program Year 2006 Highlights

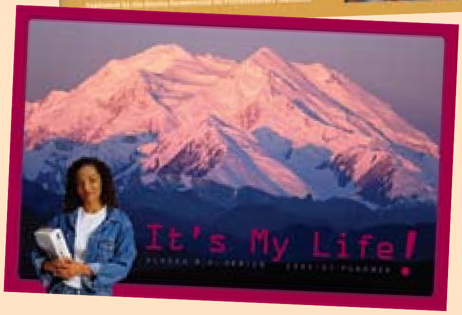
During Program Year 2006, AlaskAdvantage Programs met its mission to make higher education more accessible for Alaskans, without cost to Alaska's General Fund, by:

- ✓ Returning over $13 million in cumulative borrower benefits to Alaska's students borrowing from AlaskAdvantage Loan Programs
- ✓ Providing grants in excess of $500,000 to more than 500 needy Alaska college students
- ✓ Offering borrower benefits to reduce qualifying Alaskans' federal loan costs to as low as 2.5% while in school and 1.55% while in repayment, and supplemental loans to as low as 4.3% while in school and 2.55% while in repayment -- rates recognized in industry rankings as the lowest in the nation
- ✓ Leading the Coalition of Alaskans Supporting Higher Education (CASHE) in expanding Alaska's College Goal Sunday program, which provides free personal assistance to families seeking higher education financial aid, to over 1100 students in 10 Alaska communities statewide
- ✓ Expanding Alaska's I'm Going to College program by bringing over 960 fifth and sixth graders from Title I schools to Alaska college campuses for a day to enable them to envision themselves as going to college (program offered in partnership with NELA)
- ✓ Providing free outreach services and higher education planning assistance to more than 63,000 Alaskans
- ✓ Hosting more than 440 outreach events in 108 communities throughout Alaska's six geographic regions, including public awareness events, career and education planning activities, parent education activities, and support for organizations offering higher education and mentoring
- ✓ Direct-mailing age-appropriate information to help students and parents understand the benefits of preparing to succeed in higher education and the options for success right here in Alaska into the households of every Alaska eighth-grader and high school junior
- ✓ Providing over 1,600 Alaska students with the opportunity to participate in the WICHE Western Undergraduate Exchange, saving their families approximately $11.7 million in tuition costs without forgoing their Alaska residency
- ✓ Providing a cumulative dividend to the Alaska General Fund of over $27 million
- ✓ Supporting Alaska's students and institutions of higher education by providing the lowest-cost higher education financial aid package in the nation, available only to Alaska residents or students attending Alaska's institutions of higher education
- ✓ Attracting out-of-state dollars of almost $6 million invested in Alaska's higher education system by offering financial aid to non-resident students

Note: The Alaska Student Loan Corporation (ASLC) is committed to providing qualifying AlaskAdvantage federal and supplemental education loan borrowers an annual benefits package that provides Alaska students with the lowest possible financial aid costs. These benefits are provided to reduce borrower-paid costs each year that the ASLC has the financial capacity to do so. A borrower who defaults on a loan forfeits benefits, and interest is charged at the full allowable base rate. ASLC annually reviews its financial condition and determines whether an adjustment, either in the form of an increase or decrease in benefits, is warranted. At any time a change in benefits is made, notice is provided to all affected borrowers. Reductions to interest rates are subject to minimum rates as determined by the ASLC.







FY2006 Loan Origination Summary by Loan Program

	In-State		Out-of-State		Total	
	Loans	Dollars	Loans	Dollars	Loans	Dollars
Stafford Subsidized	2,411	$7,763,611	587	$2,453,128	2,998	$10,216,739
Stafford Unsubsidized	2,390	$9,597,423	564	$2,963,926	2,954	$12,561,349
PLUS	48	$257,786	105	$1,201,880	153	$1,459,666
Federally Guaranteed Total:	***4,849***	***$17,618,820***	***1,256***	***$6,618,934***	***6,105***	***$24,237,754***
ASEL	4,751	$29,196,958	2,596	$19,913,666	7,347	$49,110,624
Family Education Loan	30	$171,042	147	$1,121,069	177	$1,292,111
Teacher Education Loan	61	$429,191	60	$423,310	121	$852,501
State Alt Loan Total:	***4,842***	***$29,797,191***	***2,803***	***$21,458,045***	***7,645***	***$51,255,236***
Grand Total:	*9,691*	*$47,416,011*	*4,059*	*$28,076,979*	*13,750*	*$75,492,990*

Institutions With at Least 50 Borrowers in FY2006

School Name	Total Amount	# of Borrowers	Alternative Loans	Federally Guaranteed
University of Alaska Anchorage	$22,070,560	2,756	$13,774,733	$8,295,827
University of Alaska Fairbanks	$10,190,670	1,414	$8,320,815	$1,869,855
Charter College	$3,845,425	404	$2,087,940	$1,757,485
University of Alaska Southeast	$3,511,022	389	$1,234,663	$2,276,389
Career Academy	$2,592,090	379	$1,083,862	$1,508,228
Alaska Pacific University	$2,866,525	288	$1,442,509	$1,424,016
University of Idaho	$860,047	108	$860,047	$0
AVTEC	$648,691	100	$332,196	$316,495
University of Nevada Reno	$718,095	83	$558,250	$159,845
Montana State University Bozeman	$785,978	82	$538,903	$247,075
Sheldon Jackson College	$527,115	65	$356,590	$170,525
Eastern Washington University	$556,899	62	$388,668	$168,231
University of Nevada Las Vegas	$408,600	56	$408,600	$0
Gonzaga University	$555,717	55	$279,135	$276,582
Northern Arizona University	$428,750	54	$428,750	$0

7,185 or 52% of 2006 loans were originated for borrowers attending school in Alaska. 1,043 or 8% were originated for non-resident students choosing to invest their higher education dollars in Alaska institutions.

Summary of Alaska Student Loan Corporation Annual Cohort Default Rates

Cohort Year	*2004*	*2003*	*2002*	*2001*	*2000*
Alternative Loan Programs					
Alaska Institutions	6.3%	6.1%	5.1%	4.9%	8.4%
Out-of-State Institutions	4.1%	3.4%	2.5%	4.8%	5.9%
Total Institution-Specific Alt Loan Rate	4.9%	4.6%	3.6%	4.8%	7.2%
Federal Loan Programs					
Federally Guaranteed Loans	9.2%	6.5%	n/a	n/a	n/a

The 4.9% 2004 alternative loan default rate, while a slight increase from the previous year, remains below the Commission's target of 5%. The 2004 federal loan default rate reflects the increased number of federal loans made since the Commission began federal lending in 2001. The federal loans are taxpayer entitlements, meaning there is no credit assessment; thus, a federal default rate several points higher than the alternative rate is to be expected. The Commission is reimbursed at 98% for default losses on federally guaranteed loans.

FY 2006 AlaskAdvantage Education Grant Awards

Total Grant Dollars Awarded	$504,302 to 505 Students

Since its inception in 1974, the Commission has provided approximately $1.7 billion in education loans to over 332,000 Alaska students.

Summary Financial Information

Balance Sheet		2006 (in thousands)	2005 (in thousands)
Assets:			
Cash and investments	$	489,254	445,741
Loans receivable		504,372	485,115
Interest receivable		18,679	17,381
Other assets		7,250	7,258
Total assets	$	1,019,555	955,495
Liabilities:			
Bonds payable	$	726,587	632,418
Bond interest payable		10,518	10,073
Arbitrage payable		780	568
Return of capital payment declared		101,710	137,399
Other liabilities		9,556	6,169
Total liabilities		849,151	786,627
Net assets:			
Restricted net assets		128,891	135,614
Unrestricted net assets		41,513	33,254
Total net assets		170,404	168,868
Total liabilities and net assets	$	1,019,555	955,495

Statement of Revenues and Expenses		2006 (in thousands)	2005 (in thousands)
Interest earned from education loan financing	$	36,311	33,997
Operating expenses:			
Provision for:			
Loan losses		5,038	5,049
Forgiveness		306	736
Operations		12,449	10,303
Total operating expenses		17,793	16,088
Operating income		18,518	17,909
Nonoperating revenue (expense):			
Interest income from investments		13,035	11,197
Interest expense		(27,547)	(22,827)
Arbitrage rebate expense		(395)	55
Amortization of bond issuance costs		(927)	(842)
Change in estimate of forgiveness allowances		752	-
Net nonoperating expense		(15,082)	(12,417)
Income before return of capital (statutory net income)		3,436	5,492
Return of capital		(1,900)	(88,100)
Change in net assets		1,536	(82,608)
Total net assets - beginning		168,868	251,476
Total net assets - ending	$	170,404	168,868

Please contact the Commission at (907) 465-6718 to obtain a copy of audited financial statements.

Summary of Cumulative AlaskAdvantage Benefits to Borrowers

	Rate Reductions/Acct Credits	Federal Loan Fee Reductions	Total
FY2002	$1,149,390	n/a	$1,149,390
FY2003	1,822,021	96,211	1,918,232
FY2004	2,895,956	153,754	3,049,710
FY2005	3,670,795	274,754	3,945,549
FY2006	3,284,571	215,824	3,500,395
Total	$12,822,733	$740,543	$13,563,276

Alaska Commission on Postsecondary Education

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Tim Scott, Robert Bell, Randy Simmons, Spike Jorgensen, James Hayes, Richard Mauer.
Seated:
Thomas Wagoner, Sharon Charnell Gherman, Sharon Guenther Lind, Milton Byrd, David Beal.

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Donna Vargas
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***Designee:** Deputy Commissioner Kevin A. Brooks*

Commissioner Emil Notti
Dept of Commerce, Community & Economic Development

***Designee:** Greg Winegar, Director, Division of Investments*

Diane Barrans
Executive Officer

Libby McDonough
Chief Financial Officer

Donna Vargas
Corporation Secretary

Commission Management Team

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Executive Director

Stephanie Butler
Director of Program Operations and Outreach

Kenneth Dodson
Director of Information Support Services

Anna Blackwell, CPA
Inernal Auditor

Libby McDonough
Chief Financial Officer

Frank Love
Administrative Officer

Donna Vargas
Executive Assistant

Kenneth Dodson, Stephanie Butler, Frank Love, Anna Blackwell, Diane Barrans, Donna Vargas

This 2006 Annual Report is presented with special gratitude to:

AlaskAdvantage® Organizational Partners

Alaska Association of Student Financial Aid Administrators (ALASFAA)
Alaska Department of Education and Early Development
Alaska Department of Labor and Workforce Development
Alaska Vocational Technical Education Center (AVTEC)
Consortium of Alaskans Supporting Higher Education (CASHE)
National College Access Network (NCAN)
Northwest Education Loan Association (NELA)
United States Department of Education
University of Alaska
Vermont Student Assistance Corporation - ACPE's Sister Agency

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