

# STUDENT LOAN AUTHORITY

## Enabling Laws

Act 1216 of 2007  
A.C.A. §6-81-101 et seq.

## History and Organization

Since the Authority was created in 1977, its enabling legislation has been amended six times:

Act 633 of 1979

- delineated membership of the Authority board and
- expanded authorized investments.

Act 296 of 1981

- defined the term "obligation",
- increased the obligation "cap" from \$15 million to \$50 million,
- required repayment from the next sale of revenue bonds of any outstanding obligation(s) other than revenue bonds, and
- repealed the requirement that student loans qualify for payment of federal interest benefits.

Act 937 of 1983

- defined the term "bond",
- removed the 10% limit on bond interest rates,
- reduced the notice period for public sale of bonds to ten days, and
- expanded authorized investments.

Act 39 of the 1983 First Extraordinary Session

- increased the obligation "cap" from \$50 to \$100 million.

Act 51 of the 1983 First Extraordinary Session

- authorized negotiated sales of obligations.

Act 429 and 449 of 1985 (identical acts)--

- authorized the Authority to make and purchase PLUS (parent) loans
- re-defined the term "obligation" to authorize the Authority to issue taxable and/or non-taxable debt, and
- designated the Authority as a public body politic and corporate.

Act 705 and 631 of 1985 (identical acts)--

- authorized the Authority to make or purchase loans from any qualified guarantor of its choice,
- removed the limitation on obligations that may be issued by the Authority, and,
- permitted the issuance of obligations, the proceeds of which may be used to acquire investment contracts.

Act 377 of 1989

- authorized the Authority to sell guaranteed educational loan notes where appropriate to its operation

Arkansas Student Loan Authority (ASLA) is a state agency created to provide a comprehensive student loan program for the State's citizens. In 1977, as the number of student loan providers dwindled, the Arkansas General Assembly established ASLA to ensure an enduring source of affordable student loans to

the citizens. It is ASLA's mission to make affordable educational funding available to any citizen who has the desire to attend an institution of higher learning. ASLA provides a full service student loan program for the students and parents of the State and for all participating state banks. The following services are provided by ASLA.

**Education Loans** are provided to students and parents who select an ASLA participating lender as their lender of choice. ASLA believes that a student should exhaust all avenues of college funding available before taking a student loan and then never more than they can repay. If a student loan is needed, ASLA provides interest rate and origination fee discounts to the greatest level possible. **The Arkansas EdLoan** provides teachers, nurses, paramedics, law enforcement officers, and National Guard personnel in Arkansas with a 1% to 4% reduction in their interest rates just for remaining in our State. Student loan borrowers, other than those entering the career fields listed above, are eligible for an interest rate discount up to 2% for making payments in a timely manner.

**The Student Outreach Services Program (S.O.S)** identifies and secures scholarships and grants for students and support school counselors' efforts, which help students get a positive start in college selection and career discovery. ASLA participates in over 100 college fairs and financial seminars to help families understand the federal and state financial aid application processes and to help students understand that higher education can be an affordable option for most any Arkansas citizen. ASLA has partnered with the Winthrop Rockefeller Foundation with the Fund My Future web portal which is used to identify resources to address the shortage of nurses and teachers in the state. All services are provided free of charge.

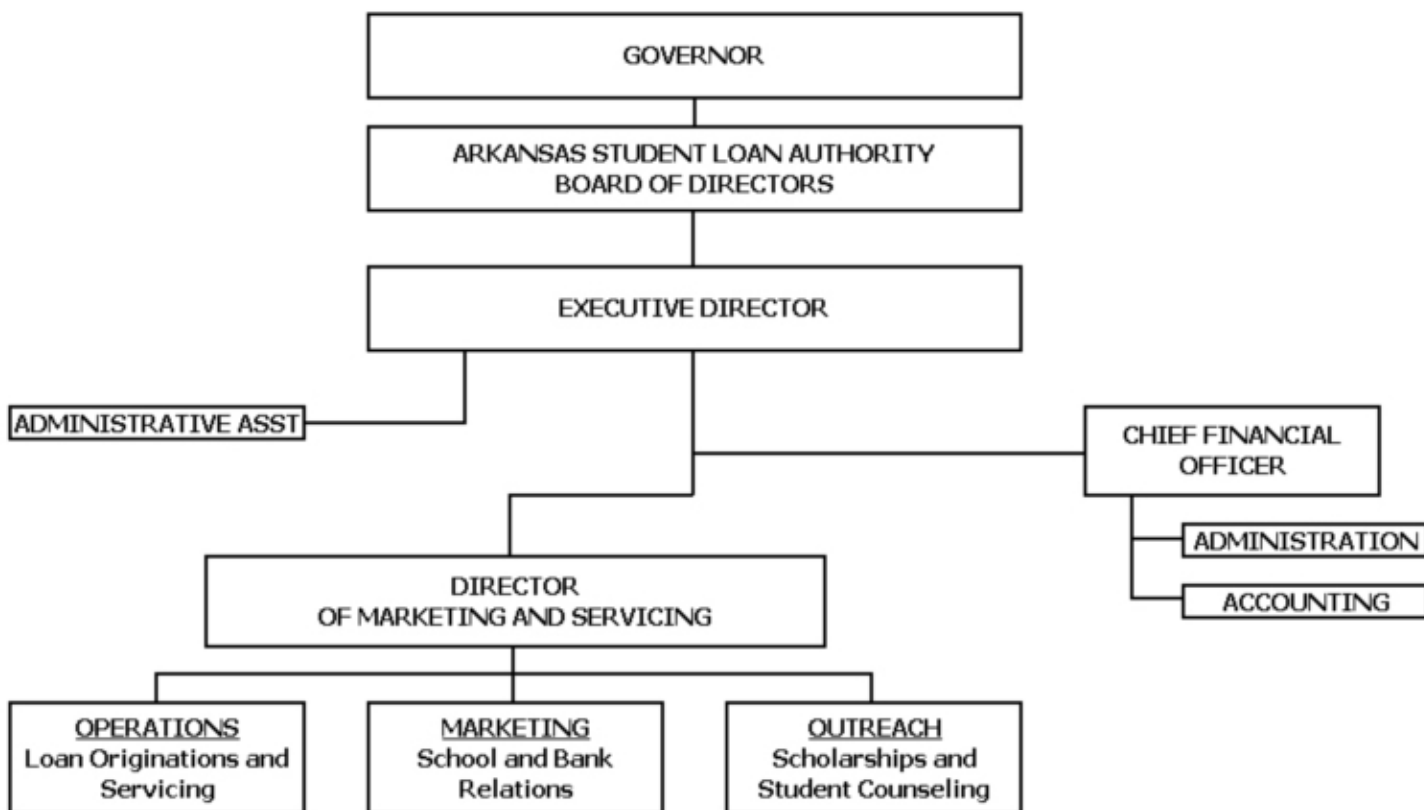
**Secondary Market Services for participating banks** provide banks a market to sell education loans which were made to their customers. Loans sales allow the banks to re-cycle their investment in new student loans. Because ASLA provides life of the loan servicing and never sells its loans to out-of-state entities, banks utilizing ASLA secondary market services ensure investments stay in the State strengthening the Arkansas economy.

**Loan Referral Programs** allow banks to provide student loans to their customers without committing to funding or servicing of the loan. ASLA originates the loan on behalf of the local bank, which creates access to college funding for students in all areas of the State. This program has made it possible and profitable for small Arkansas banks to provide customers an important community service. ASLA provides each participating bank with informational materials and brochures to assist in promoting education loans. Presently, approximately ninety banks participate in this important state program. As with ASLA's secondary market services, the loan referral programs ensure investments stay in the State, which strengthens the Arkansas economy.

**Loan Consolidation** has been offered to student and parent loan borrowers who have loans with multiple lenders or who need to extend their repayment term for more affordable monthly payments. This refinancing tool has been in great demand recently with the tremendous rise in college education costs. ASLA suspended the loan consolidation program in April of 2008 due to yield cuts made by the College Cost Reduction and Access Act of 2007 which made originating the loans economically unfeasible.

ASLA is the designated student loan agency in the state and is authorized to issue taxable and tax-exempt revenue bonds to finance Arkansas' comprehensive student loan program specifically for the benefit of its citizens. The ASLA board of directors is committed to the support of students, the efficient management

of the agency and the protection of the State's individual and corporate investment by keeping student loan funds Arkansas.



### **Agency Commentary**

The Arkansas Student Loan Authority (ASLA) provides an enduring source of affordable higher education funding to Arkansas citizens and non-citizens who attend an Arkansas higher education institution. All funding to support ASLA programs is provided by cash funds generated from loan program operations. ASLA is a self-sufficient agency which does not receive any state revenue dollars.

The Authority is not requesting additional appropriation for personnel at this time. The Authority requests Base Level for the 2009 - 2011 biennium with a reallocation of resources of \$13,500 from Operating Expenses to Capital Outlay for FY10 and FY11. This reallocation will allow the agency to replace or purchase office furniture and/or office equipment.

## Audit Findings

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
ARKANSAS STUDENT LOAN AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2006

Findings	Recommendations
None	None

## Employment Summary

	Male	Female	Total	%
White Employees	3	1	4	67 %
Black Employees	0	1	1	17 %
Other Racial Minorities	0	1	1	16 %
Total Minorities			2	33 %
Total Employees			6	100 %

## Cash Fund Balance Description as of June 30, 2008

Fund Account	Balance	Type	Location
1570000	\$552,059	Checking	Regions Bank, Little Rock

### Statutory/Other Restrictions on use:

A.C.A. §6-8-102 established the Arkansas Student Loan Authority to provide federal guaranteed educational loans through the process of originating, buying and selling educational loan notes. Use of cash fund balances is restricted by Bond Trust indentures.

### Statutory Provisions for Fees, Fines, Penalties:

Proceeds from the repayment of principal and interest on guaranteed educational loans and from investments shall be used to meet expenses of the Authority in the fulfillment of its mission.

### Revenue Receipts Cycle:

Funds collected from the sale of revenue bonds are deposited monthly. Various investment strategies are used to maximize proceeds available to meet necessary costs of the Authority.

### Fund Balance Utilization:

The use of fund balances is restricted by the terms of Trust Indentures that pertain to the maintenance of various funds and reserves, and the investment of such when not needed for authorized purposes.

<b>Fund Account</b>	<b>Balance</b>	<b>Type</b>	<b>Location</b>
1570100	\$48,167	Checking	Simmons National Bank, Little Rock

**Statutory/Other Restrictions on use:**

Use of cash fund balance is restricted by an agreed upon budget with the Winthrop Rockefeller Foundation.

**Statutory Provisions for Fees, Fines, Penalties:**

Funds received from the grant shall be used to meet necessary expenses in the development, operation, and marketing of the www.fundmyfuture.info website.

**Revenue Receipts Cycle:**

Funds are received once a year, normally in July.

**Fund Balance Utilization:**

The use of funds is restricted by the terms of the grant with the Winthrop Rockefeller Foundation and an agreed upon budget with the Foundation.

**Publications**

**A.C.A. 25-1-204**

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution
		Governor	General Assembly		
None	N/A	N	N	0	N/A

## Department Appropriation Summary

### Historical Data

### Agency Request and Executive Recommendation

Appropriation	2007-2008		2008-2009		2008-2009		2009-2010						2010-2011					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
A51 Student Loan Authority - Cash Operations	6,553,229	6	10,120,839	6	13,490,383	6	10,118,806	6	10,118,806	6	10,118,806	6	10,129,232	6	10,129,232	6	10,129,232	6
<b>NOT REQUESTED FOR THE BIENNIUM</b>																		
D29 WRF - Fund My Future	29,455	0	84,944	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6,582,684</b>	<b>6</b>	<b>10,205,783</b>	<b>6</b>	<b>13,490,383</b>	<b>6</b>	<b>10,118,806</b>	<b>6</b>	<b>10,118,806</b>	<b>6</b>	<b>10,118,806</b>	<b>6</b>	<b>10,129,232</b>	<b>6</b>	<b>10,129,232</b>	<b>6</b>	<b>10,129,232</b>	<b>6</b>

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance 4000005	242,141	3.4	600,226	5.4			931,220	8.1	931,220	8.1	931,220	8.1	1,312,414	11.1	1,312,414	11.1	1,312,414	11.1
Cash Fund 4000045	77,622	1.1	36,777	0.3			0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Bond Proceeds 4000125	6,863,147	95.5	10,500,000	94.3			10,500,000	91.9	10,500,000	91.9	10,500,000	91.9	10,500,000	88.9	10,500,000	88.9	10,500,000	88.9
<b>Total Funds</b>	<b>7,182,910</b>	<b>100.0</b>	<b>11,137,003</b>	<b>100.0</b>			<b>11,431,220</b>	<b>100.0</b>	<b>11,431,220</b>	<b>100.0</b>	<b>11,431,220</b>	<b>100.0</b>	<b>11,812,414</b>	<b>100.0</b>	<b>11,812,414</b>	<b>100.0</b>	<b>11,812,414</b>	<b>100.0</b>
Excess Appropriation/(Funding)	(600,226)		(931,220)				(1,312,414)		(1,312,414)		(1,312,414)		(1,683,182)		(1,683,182)		(1,683,182)	
<b>Grand Total</b>	<b>6,582,684</b>		<b>10,205,783</b>				<b>10,118,806</b>		<b>10,118,806</b>		<b>10,118,806</b>		<b>10,129,232</b>		<b>10,129,232</b>		<b>10,129,232</b>	

## Agency Position Usage Report

FY2006 - 2007						FY2007 - 2008						FY2008 - 2009					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
6	6	0	6	0	0.00 %	6	6	0	6	0	0.00 %	6	6	0	6	0	0.00 %

## **Analysis of Budget Request**

**Appropriation:** A51 - Student Loan Authority - Cash Operations

**Funding Sources:** 157 - Student Loan Authority - Cash

The Arkansas Student Loan Authority was created for the purpose of originating and acquiring student loans and support Arkansas' student financial assistance by purchasing loans made by local lenders to higher education students. The process provides liquidity to banks so additional loans may be made to students in need. Funding is based upon Trust Indenture documents which allows the Authority to draw the cost of loan servicing plus 70 basis points or 0.7% of the outstanding loan balance on a monthly basis for program administration and general and administrative costs.

Base Level unclassified positions were changed to classified and the current classified positions reflect the recommendations of the Pay Plan Study. Salaries were adjusted accordingly. A 2.3% Cost of Living Allowance is reflected in the second year of the biennium. The Base Level request for Regular Salaries may include board member Stipend payments and Career Service payments for eligible employees. Personal Services Matching includes a \$75 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$425.

The Authority requests Base Level for the 2009 - 2011 Biennium with a reallocation of resources from Operating Expenses to Capital Outlay of \$13,500 for each year for additional needs of office furniture and general equipment upgrades.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.



## Appropriation Summary

**Appropriation:** A51 - Student Loan Authority - Cash Operations

**Funding Sources:** 157 - Student Loan Authority - Cash

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		2007-2008	2008-2009	2008-2009	2009-2010			2010-2011		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	376,168	375,960	357,347	385,091	385,091	385,091	393,874	393,874	393,874
<b>#Positions</b>		<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
Personal Services Matching	5010003	101,168	95,354	97,562	102,690	102,690	102,690	104,333	104,333	104,333
Operating Expenses	5020002	195,755	253,897	339,546	253,897	240,397	240,397	253,897	240,397	240,397
Conference & Travel Expenses	5050009	16,604	22,839	22,839	22,839	22,839	22,839	22,839	22,839	22,839
Professional Fees	5060010	5,273,270	9,354,289	9,354,289	9,354,289	9,354,289	9,354,289	9,354,289	9,354,289	9,354,289
Building/Land Acquisition	5090005	590,264	0	3,300,000	0	0	0	0	0	0
Data Processing	5090012	0	0	100	0	0	0	0	0	0
Capital Outlay	5120011	0	18,500	18,500	0	13,500	13,500	0	13,500	13,500
Loans	5120029	0	0	200	0	0	0	0	0	0
<b>Total</b>		<b>6,553,229</b>	<b>10,120,839</b>	<b>13,490,383</b>	<b>10,118,806</b>	<b>10,118,806</b>	<b>10,118,806</b>	<b>10,129,232</b>	<b>10,129,232</b>	<b>10,129,232</b>
<b>Funding Sources</b>										
Fund Balance	4000005	242,141	552,059		931,220	931,220	931,220	1,312,414	1,312,414	1,312,414
Bond Proceeds	4000125	6,863,147	10,500,000		10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000
Total Funding		7,105,288	11,052,059		11,431,220	11,431,220	11,431,220	11,812,414	11,812,414	11,812,414
Excess Appropriation/(Funding)		(552,059)	(931,220)		(1,312,414)	(1,312,414)	(1,312,414)	(1,683,182)	(1,683,182)	(1,683,182)
<b>Grand Total</b>		<b>6,553,229</b>	<b>10,120,839</b>		<b>10,118,806</b>	<b>10,118,806</b>	<b>10,118,806</b>	<b>10,129,232</b>	<b>10,129,232</b>	<b>10,129,232</b>

Actual and/or Budget amounts in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary adjustments during the 2007-2009 biennium.

## Change Level by Appropriation

**Appropriation:** A51 - Student Loan Authority - Cash Operations

**Funding Sources:** 157 - Student Loan Authority - Cash

### Agency Request

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>10,118,806</b>	<b>6</b>	<b>10,118,806</b>	<b>100.0</b>	<b>10,129,232</b>	<b>6</b>	<b>10,129,232</b>	<b>100.0</b>
C04	Reallocation	0	0	10,118,806	100.0	0	0	10,129,232	100.0

### Executive Recommendation

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>10,118,806</b>	<b>6</b>	<b>10,118,806</b>	<b>100.0</b>	<b>10,129,232</b>	<b>6</b>	<b>10,129,232</b>	<b>100.0</b>
C04	Reallocation	0	0	10,118,806	100.0	0	0	10,129,232	100.0

### Justification

C04	The agency requests a reallocation of resources of \$13,500 from Operating Expenses to Capital Outlay for FY10 and FY11 for additional office furniture needs and general equipment upgrades.
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## Appropriation Summary

**Appropriation:** D29 - WRF - Fund My Future

**Funding Sources:** 157 - Student Loan Authority - Cash

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	Historical Data			2009-2010			2010-2011		
	2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	0	40,863	0	0	0	0	0	0	0
Conference & Travel Expenses 5050009	0	0	0	0	0	0	0	0	0
Professional Fees 5060010	29,455	44,081	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>29,455</b>	<b>84,944</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding Sources</b>									
Fund Balance 4000005	0	48,167		0	0	0	0	0	0
Cash Fund 4000045	77,622	36,777		0	0	0	0	0	0
<b>Total Funding</b>	<b>77,622</b>	<b>84,944</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess Appropriation/(Funding)	(48,167)	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>29,455</b>	<b>84,944</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Actual/Budget exceeds Authorized Appropriation due to a transfer from the Cash Fund Holding Account.  
THIS APPROPRIATION IS NOT REQUESTED FOR THE 2009-2011 BIENNIUM.