

STUDENT LOAN AUTHORITY

Enabling Laws

Act 105 of 2003
A.C.A. §6-81-102

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- repealed the requirement that student loans qualify for payment of federal interest benefits.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 everlasting source of

affordable student loans to the citizens.

ASLA provides a full service student loan program for the students and parents of the state and for all participating state banks. Among the services provided are:

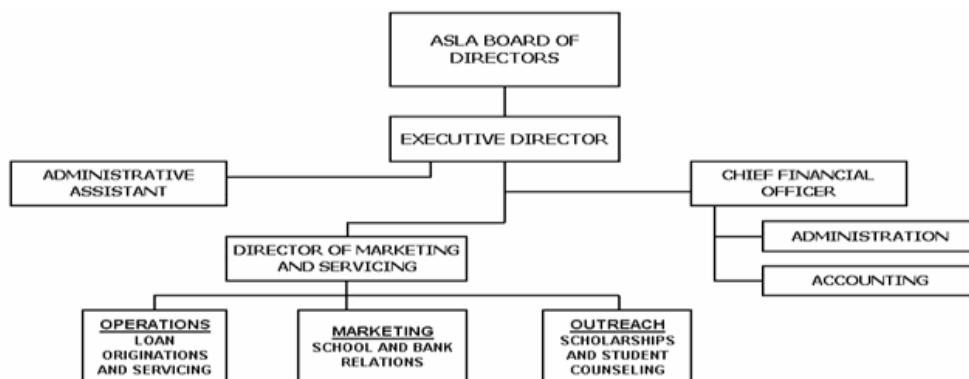
Free student outreach services that identify and secure scholarships and grants for students and support school counselors' efforts to help students get a positive start in college selection and career discovery. Twenty-five, \$1,000 scholarships were awarded to entering freshmen in 2003.

Secondary market services to participating banks provide local banks a market to sell loans made to their customers. This bank loan sale allows the bank 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 the funding or servicing of the loan. ASLA provides marketing in the banks name and originates the loan on behalf of the local bank. This program has made it possible and profitable for small Arkansas banks to provide customers an important community service. ASLA provides each participating bank a reimbursement for marketing expenses. Presently, approximately ninety banks participate in this important state program.

Student loans provided to borrowers selecting ASLA as their lender of choice allow students to obtain one of the most advantageous loans available in the student loan market. 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 the state's students borrower benefits to the greatest level possible and keeps their and their parents investments in Arkansas. **The ASLA EdLoan** provides any qualified teacher in Arkansas to receive up to a 4% percent reduction in their interest rates.

ASLA is the designated student loan agency in the State and is authorized to issue revenue bonds to finance Arkansas' comprehensive student loan program specifically for the good of its people. The authorities' 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 them in Arkansas.



Agency Commentary

The Student Loan Authority is not requesting additional appropriation for personnel in the upcoming biennium.

Requests for additional budgetary authority in Commitment Item 10 - Professional Fees and Services, Commitment Item 11 - Capital Outlay, will allow us to meet the increased cost directly related to growth of ASLA's student loan volume and the general inflationary increase in the cost of doing business and provide for normal replacement of computer equipment.

Volume and complexity of the student loan program has made computer support essential to efficient and effective control of loan operations. The Authority currently utilizes computers in each and every staff workplace. We utilize the Windows NT Local Area Network to facilitate constant communication between all internal workstations. Most all correspondence is now available on-line, saving postage, and handling and storage of paper documents.

The Authority maintains an Internet Home Page, designed to be used by students, parents and high school guidance counselors. Financial aid forms and most all financial aid information can be downloaded and forms can be completed electronically in many cases.

The Authority must be in position to utilize similar systems and enhancements as they become available. In accordance with our Agency's Information Technology Plan for the 2005-2007 biennium, the Authority is requesting appropriation of \$9,000 in each year of the biennium for computer system and equipment upgrade. Funding for this expenditure will be provided by the cash funds from loan program operations.

The Change Level 1 requests for additional budgetary authority in Commitment Item 10 - Professional Fees and Services, (FY 06 \$700,000 and FY 07 \$1,200,000) and Commitment Item 11 - Capital Outlay, (FY 06 \$5,000 and FY 07 \$5,000) are to meet not only the general inflationary increases in the cost of doing business, but more importantly, the necessary increases in support which are directly proportional to the growth in current and anticipated loan volume and loan assets to be managed.

The Change Level 8 request is due to the volume and complexity of the student loan program making computer support critical to efficient and effective control of operations. The Authority is requesting appropriation of \$9,000 in each year of the 2005-2007 biennium for computer system and equipment upgrade. Funding for this expenditure will be provided by the cash funds from loan program operations.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS STUDENT LOAN AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

Employment Summary

	Male	Female	Total	%
White Employees	2	1	3	60 %
Black Employees	0	1	1	20 %
Other Racial Minorities	0	1	1	20 %
Total Minorities			2	40 %
Total Employees			5	100 %

Cash Fund Balance Description as of June 30, 2004

Fund Account	Balance	Type	Location
1570000	\$40,530	Checking	Regions Bank, Little Rock

Statutory/Other Restrictions on use:

Arkansas Code 6-81-102, use of cash fund balances are restricted by Bond Trust Indentures.

Statutory Provisions for Fees, Fines, Penalties:

Proceeds from repayment of principal and interest on guaranteed Educational loans and from loan 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 are 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.

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 / Program Summary

Appropriation / Program	Historical Data						Agency Request and Executive Recommendation							
	2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
0347P01 Student Loan Admin Program	325,552	5	353,318	5	327,145	5	340,399	5	340,399	5	349,380	5	349,380	5
0347P02 Student Loan Financial Asst Progr	3,678,789	0	5,301,300	0	5,301,300	0	6,015,300	0	5,301,300	0	6,515,300	0	5,301,300	0
Total	4,004,341	5	5,654,618	5	5,628,445	5	6,355,699	5	5,641,699	5	6,864,680	5	5,650,680	5

Funding Sources			%		%		%		%		%		%
Fund Balance	4000005	31,987	0.8	41,258	0.6			886,640	11.4	886,640	12.5	1,430,941	16.6
Cash Fund	4000045	4,013,612	99.2	6,500,000	99.4			6,900,000	88.6	6,186,000	87.5	7,200,000	83.4
Total Funds		4,045,599	100.0	6,541,258	100.0			7,786,640	100.0	7,072,640	100.0	8,630,941	100.0
Excess Appropriation/(Funding)		(41,258)		(886,640)				(1,430,941)		(1,430,941)		(1,766,261)	
Grand Total		4,004,341		5,654,618				6,355,699		5,641,699		6,864,680	

Analysis of Budget Request

Appropriation / Program: 0347P01 - Student Loan Admin Program

Funding Sources: Other Funds

The Administration Program of the Arkansas Student Loan Authority (ASLA) generates funding through the issuance of tax-exempt student loan revenue bonds and manages those bond issues to fund bond debt reduction, loan originations and acquisition, as well as agency operations to provide a comprehensive student loan program for the State of Arkansas.

The Agency met all its performance measures in FY04 under this Program. The Agency's key measures in particular were met or exceeded.

Base Level for this appropriation includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for 5 Base Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

The Agency requests Base Level for the Administration Program.

The Executive Recommendation provides for Agency Request.

Appropriation / Program Summary

Appropriation / Program: 0347P01

Bond Issuance & Support Services

Funding Sources: Other Funds

Program Description	Program Goals
The administration and support services program of the Arkansas Student Loan Authority (ASLA) generates funding through the issuance of tax-exempt student loan revenue bonds and manages those bond issues to fund bond debt reduction, loan originations and acquisition, and agency operations to provide a comprehensive student loan program for the state of Arkansas. No revenue from the state's general or other funds is utilized in the deployment of programs or in the operations of a comprehensive student loan program in Arkansas. The State of Arkansas has no financial obligations for the bonded indebtedness acquired through the issuance of ASLA's student loan revenue bonds.	1 Maintain overall oversight and administrative support for the agency and provide Arkansas citizens access to affordable funding for higher education through the issuance and management of tax-exempt student loan revenue bonds.

Objective Code	Name	Description
00DT	Objective 1	Provide oversight and administration of ASLA and develop, operate and manage bond issue funds to provide a reliable and comprehensive student loan program.

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1	X	X	Output	Net Assets	Increase Fund Balance \$.8 million/\$2.9 million	Increase Fund Balance by \$1.5 million	Increase Fund Balance by \$2.0 million
1	X	X	Outcome	Assets to Bond Debt Ratio	Greater than 102%/ 102.98%	Greater than 104%	Greater than 105%
1			Output	Size of accumulated loan fund balance	\$10 million accumulated loan funds/\$20.9 million	\$20 million accumulated loan funds	\$25 million accumulated loan funds
1			Outcome	Maintain AAA Bond Rating	AAA/AAA	AAA	AAA
1			Output	Outstanding Revenue Bonds (in dollars)	350,000,000/ 404,650,000	450,000,000	460,000,000
1	X	X	Outcome	Audit Compliance Exceptions	None/None	None	None
1			Outcome	Number of days to enter all year-end closing entries into AASIS required for CAFR Report.		63 days	63 days

Appropriation / Program Summary

Appropriation / Program: 0347P01

Bond Issuance & Support Services

Funding Sources: Other Funds

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1			Outcome	Number of security and privacy promulgated by the State Executive Chief Information Officer implemented in required timeframe.		4	4

Appropriation / Program Summary

Appropriation / Program: 0347P01 Student Loan Admin Program

Authorized Program Amount **327,145**

Commitment Item	Historical Data		Agency Request and Executive Recommendation					
	2003-2004 Actual	2004-2005 Budget	2005-2006			2006-2007		
			Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	262,914	287,074	270,370	270,370	270,370	277,930	277,930	277,930
#Positions	5	5	5	5	5	5	5	5
Personal Services Matching 5010003	62,638	66,244	70,029	70,029	70,029	71,450	71,450	71,450
Total	325,552	353,318	340,399	340,399	340,399	349,380	349,380	349,380

Funding Sources								
Cash Fund 4000045	325,552	353,318	340,399	340,399	340,399	349,380	349,380	349,380
Total Funding	325,552	353,318	340,399	340,399	340,399	349,380	349,380	349,380
Excess Appro/(Funding)	0	0	0	0	0	0	0	0
Grand Total	325,552	353,318	340,399	340,399	340,399	349,380	349,380	349,380

Objective Summary

Objective: 00DT Admin Prg-Obj 1

Description: Provide oversight and administration of ASLA and develop, operate and manage bond issue funds to provide a reliable and comprehensive student loan program.

Commitment Item	Historical Data		Agency Request and Executive Recommendation					
	2003-2004 Actual	2004-2005 Budget	2005-2006			2006-2007		
			Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	262,914	287,074	270,370	270,370	270,370	277,930	277,930	277,930
#Positions	5	5	5	5	5	5	5	5
Personal Services Matching 5010003	62,638	66,244	70,029	70,029	70,029	71,450	71,450	71,450
Objective Total	325,552	353,318	340,399	340,399	340,399	349,380	349,380	349,380

Analysis of Budget Request

Appropriation / Program: 0347P02 - Student Loan Financial Asst Program

Funding Sources: Other Funds

Student Financial Assistance Services is an ASLA initiative to provide a comprehensive college access program. Services include, but are not limited to, free scholarship searches, participation in college fairs and financial aid workshops, and in-state student loan servicing for Arkansas citizens.

The Agency reported in their FY04 Progress Report that it met all its performance measures for this program. The Agencies key measure reported a total of 59,340 student loans which exceeded their target of 41,500.

Agency requests include:

\$700,000 in FY06 and \$1,200,000 in FY07 in Professional Fees and Services to meet increased demand for student services and general inflationary increases in the costs of doing business.

\$14,000 each year of the biennium in Capital Outlay for computer system and equipment upgrades so that the Agency may continue to offer student services quickly and efficiently.

All requests will be funded by cash revenue generated from the loan program operations.

The Executive Recommendation provides for Base Level only.

Appropriation / Program Summary

Appropriation / Program: 0347P02

Student Financial Assistance Services

Funding Sources: Other Funds

Program Description	Program Goals	
Student Financial Assistance Services is an ASLA initiative to provide a comprehensive college access program. Services include, but are not limited to, free scholarship searches, participation in college fairs and financial aid workshops, and in-state student loan servicing for Arkansas citizens.	1	Enhance access to higher education through student outreach, client services and student loan servicing programs

Objective Code	Name	Description
DT00	Objective 1	Develop programs to support services to students, high school counselors, college financial aid officers and participating lending institutions.

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1	X	X	Output	Current number of ASLA loans made to students and parents	41,500 students/ 59,340 students	65,000 students	70,000 students
1	X	X	Outcome	Percent of Annual Loan Cohort Default Rate	Less than 12%/8.20%	Less than 12%	Less than 12%
1			Output	Number of College Fairs and Financial Aid Workshops participated in and supported	100/73	100	105
1			Output	Number of free scholarship searches performed for students	3,500/4,290	3,500	3,750
1			Output	Number of participating lenders	90/90	100	100

Appropriation / Program Summary

Appropriation / Program: 0347P02 Student Loan Financial Asst Program

Authorized Program Amount **5,301,300**

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	141,229	186,000	186,000	186,000	186,000	186,000	186,000	186,000
Travel-Conference Fees	5050009	14,282	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Professional Fees and Services	5060010	3,523,278	5,100,000	5,100,000	5,800,000	5,100,000	5,100,000	6,300,000	5,100,000
Data Processing	5090012	0	100	100	100	100	100	100	100
Capital Outlay	5120011	0	0	0	14,000	0	0	14,000	0
Loans	5120029	0	200	200	200	200	200	200	200
Total		3,678,789	5,301,300	5,301,300	6,015,300	5,301,300	5,301,300	6,515,300	5,301,300

Funding Sources									
Fund Balance	4000005	31,987	41,258	886,640	886,640	886,640	1,430,941	1,430,941	1,430,941
Cash Fund	4000045	3,688,060	6,146,682	5,845,601	6,559,601	5,845,601	5,636,620	6,850,620	5,636,620
Total Funding		3,720,047	6,187,940	6,732,241	7,446,241	6,732,241	7,067,561	8,281,561	7,067,561
Excess Appro/(Funding)		(41,258)	(886,640)	(1,430,941)	(1,430,941)	(1,430,941)	(1,766,261)	(1,766,261)	(1,766,261)
Grand Total		3,678,789	5,301,300	5,301,300	6,015,300	5,301,300	5,301,300	6,515,300	5,301,300

Objective Summary

Objective: DT00 Fin Asst Prg-Obj 1

Description: Develop programs to support services to students, high school counselors, college financial aid officers and participating lending institutions.

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	141,229	186,000	186,000	186,000	186,000	186,000	186,000	186,000
Travel-Conference Fees	5050009	14,282	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Professional Fees and Services	5060010	3,523,278	5,100,000	5,100,000	5,800,000	5,100,000	5,100,000	6,300,000	5,100,000
Data Processing	5090012	0	100	100	100	100	100	100	100
Capital Outlay	5120011	0	0	0	14,000	0	0	14,000	0
Loans	5120029	0	200	200	200	200	200	200	200
Objective Total		3,678,789	5,301,300	5,301,300	6,015,300	5,301,300	5,301,300	6,515,300	5,301,300