

## **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 Indentures which allow 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.

Funding for the Agency is derived from bond issues and participation in loan administration under the Health Care and Education Reconciliation Act of 2010 (HCERA). As of July 1, 2010, Congress eliminated the Federal Family Education Loan Program (FFELP) and replaced it with the Federal Direct Loan Program (FDLP) through a mandate included in HCERA. The par value of the FDLP accounts the Authority is administering on behalf of the U.S. Department of Education is approximately \$1.6 billion. The initial FDLP loan servicing contract is for a period of five years. The Agency continues to fulfill loan servicing for approximately \$450 million in FFELP student loans owned by the Authority. The Authority anticipates it will manage between \$320 million and \$550 million in FFELP loans during the biennial period.

Base Level Regular Salaries and Personal Services Matching includes Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay increase.

The Agency's Change Level Request of \$146,303 for each year of the biennium in Regular Salaries and Personal Services Matching for restoration of three (3) positions and discontinuation of one (1) position.

- The positions to be restored increases Regular Salaries and Personal Services Matching \$178,552 includes two (2) ASLA Program Officer Grade C127 positions and one (1) Financial Aid Analyst Grade C115 position to fulfill responsibilities which may be required under the federal loan servicing contract. The Agency is currently in contract development and a determination will be made upon contract agreement.
- The one (1) position discontinuation request is for the Accountant II Grade C117 position. This will decrease Regular Salaries and Personal Services Matching \$32,249 each year of the biennium. This position was responsible for disbursing and accounting for the disbursements of student loans. This position is no longer needed due to the enactment of FDLP.

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

The Legislative Recommendation concurs with the Executive Recommendation.

## Appropriation Summary

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Commitment Item		2011-2012	2012-2013	2012-2013	2013-2014			2014-2015		
		Actual	Budget	Authorized	Agency	Executive	Legislative	Agency	Executive	Legislative
Regular Salaries	5010000	398,078	546,091	955,186	648,771	655,930	655,930	648,771	655,930	655,930
<b>#Positions</b>		<b>6</b>	<b>10</b>	<b>20</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
Personal Services Matching	5010003	125,625	166,339	285,497	201,444	203,016	203,016	201,444	203,016	203,016
Operating Expenses	5020002	68,529	212,217	225,997	212,217	212,217	212,217	212,217	212,217	212,217
Conference & Travel Expenses	5050009	16,366	22,839	22,839	22,839	22,839	22,839	22,839	22,839	22,839
Professional Fees	5060010	1,836,233	3,713,389	7,694,289	3,713,389	3,713,389	3,713,389	3,713,389	3,713,389	3,713,389
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>2,444,831</b>	<b>4,660,875</b>	<b>9,183,808</b>	<b>4,798,660</b>	<b>4,807,391</b>	<b>4,807,391</b>	<b>4,798,660</b>	<b>4,807,391</b>	<b>4,807,391</b>
<b>Funding Sources</b>										
Fund Balance	4000005	74,471	62,300		247,855	247,855	247,855	389,195	380,464	380,464
Federal Revenue	4000020	0	240,000		240,000	240,000	240,000	240,000	240,000	240,000
Cash Fund	4000045	2,432,660	4,606,430		4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000
<b>Total Funding</b>		<b>2,507,131</b>	<b>4,908,730</b>		<b>5,187,855</b>	<b>5,187,855</b>	<b>5,187,855</b>	<b>5,329,195</b>	<b>5,320,464</b>	<b>5,320,464</b>
Excess Appropriation/(Funding)		(62,300)	(247,855)		(389,195)	(380,464)	(380,464)	(530,535)	(513,073)	(513,073)
<b>Grand Total</b>		<b>2,444,831</b>	<b>4,660,875</b>		<b>4,798,660</b>	<b>4,807,391</b>	<b>4,807,391</b>	<b>4,798,660</b>	<b>4,807,391</b>	<b>4,807,391</b>