

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: HB 264  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB264-EED-APSA-2-5-16  
Title: REPAYMENT OF SCHOLARSHIPS & ED.  
GRANTS  
Sponsor: WILSON  
Requester: (H) EDC

Department: Department of Education and Early Development  
Appropriation: Alaska Performance Scholarship Awards  
Allocation: Alaska Performance Scholarship Awards  
OMB Component Number: 2990

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Personal Services	90.5		90.5	90.5	90.5	90.5	90.5
Travel							
Services	7.5		70.0	70.0	70.0	70.0	70.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>98.0</b>	<b>0.0</b>	<b>160.5</b>	<b>160.5</b>	<b>160.5</b>	<b>160.5</b>	<b>160.5</b>

## Fund Source (Operating Only)

1226 High Ed	98.0		160.5	160.5	160.5	160.5	160.5
<b>Total</b>	<b>98.0</b>	<b>0.0</b>	<b>160.5</b>	<b>160.5</b>	<b>160.5</b>	<b>160.5</b>	<b>160.5</b>

## Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2017) cost:** 400.0 (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/16

## Why this fiscal note differs from previous version:

Not applicable, initial version.

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Division: <u>Alaska Commission on Postsecondary Education</u>	Date: 02/05/2016 05:45 PM
Approved By: <u>Diane Barrans</u>	Date: 02/05/16
Agency: <u>Alaska Commission on Postsecondary Education</u>	

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. HB264

### Analysis

HB264 requires an individual applying for and receiving Alaska Performance Scholarships (APS) agree to do so under the condition that the award converts to a loan under the terms set out in AS 14.43.120 if, within six years of receiving the award, the individual fails to complete the degree program for which the scholarship funds were used.

#### Assumptions/estimates:

Approximately 15,000 APS-eligible graduates through academic year 2016

Approximately 3,000 APS recipients annually

Approximately 2,500 new APS-eligible graduates annually from academic year 2017 forward

Approximately 900 new APS recipients from academic year 2017 forward

The imposition of a repayment obligation triggers federal lending requirements which greatly increase program administrative costs of compliance. While processes can be automated to a great extent, the singular hybrid nature of the resulting program (as neither an unencumbered grant nor a traditional education loan) will require a customized servicing system be designed, implemented and maintained.

Based on recent actual costs associated with program changes implemented as a result of 2015 statutory changes, modification of the software is estimated to cost \$800.0 thousand. Annual system maintenance in subsequent years is estimate at \$80,000.

In addition, associated promissory notes and other mandatory disclosures must be administered prior to the disbursement of funds. It is estimated management of the program at its outset will require 2 FTE, a range 18 program coordinator (\$102.0 salary/benefits) and range 14 financial aid specialist (\$78.7); staffs' responsibilities include managing participant population communications; school liaison, oversight of collections, billing services, degree verification, etc. Regardless of the ultimate percent of recipients completing a credential, at the outset of the program an estimated 15,000 individuals would need to be notified of the change in scholarship conditions with approximately 3,600 also being required to enter into a contract in order to be able to receive awards for the spring term of 2017. Cost of contract and disclosure development by Department of Law is estimated to be \$15.0.

In terms of collections activities, there would be a lag effect since the individual has six years after the first payment of funds beginning in spring term 2017. However there would need to be skip tracing activities in order to continue to track the participants over the intervening six years to document those who earn a credential and have their obligation discharged. Tracking is also necessary to ensure the location of those who fail to earn a degree and must begin repayment on or after January 2023. The Commission anticipates outsourcing skiptracing activities with oversight of that activity managed by program staff. Annual skiptracing costs are estimated at \$30.0

HB264 places parallel conditions on Alaska Education Grants. Associated costs are set out in a separate fiscal note applicable to the appropriate budget component. System modification and personnel costs have been allocated between each respective budget component.

20 AAC Chapter 16 Article 2 will need to be amended to set out terms, conditions, and procedures applicable to the APS obligation and the participants' associated rights and responsibilities.

The Alaska Commission on Postsecondary Education's operations are generally funded by Alaska Student Loan Corporation receipts. APS is not a program of the Corporation therefore the costs associated with this program are to be paid from other sources. The Higher Education Investment Fund is the listed fund source.