



Alaska State Legislature

Senator Anna MacKinnon — Senate District G

Sponsor Statement Senate Joint Resolution 2

“Proposing an amendment to the Constitution of the State of Alaska relating to contracting state debt for postsecondary student loans.”

Senate Joint Resolution 2 proposes to place a constitutional amendment before the voters during the fall 2016 general election. This bill amends Article IX, sec. 8, of the Alaska Constitution and would authorize state General Obligation (GO) debt for the purpose of funding state education loans for Alaska students.

Currently, state General Obligation debt may only be authorized for capital improvements or housing loans for veterans.

Financial market conditions once allowed the Alaska Student Loan Corporation (ASLC) to offer competitive, low-cost education loans to a significant percentage of Alaska students without State support. However, those conditions no longer exist and appear unlikely to occur again in the foreseeable future. As a result of these changed conditions, Alaska students and families are receiving decreasing levels of state support, at a higher cost, in meeting postsecondary education expenses.

Senate Joint Resolution 2 will establish a cost-effective way to finance state education loans by leveraging the State’s outstanding general obligation credit ratings. Doing so will not only achieve lower costs of funds than what is otherwise available through current alternative financing structures, but will also permit some flexibility of the loan underwriting criteria which currently results in a 40% denial rate on loan applications.

These loan programs represent a critical component of the State’s student financial aid system and its efforts to enhance the workforce development pipeline in order to build and maintain a healthy state economy.

I appreciate your consideration and seek your support of SJR 2.