

ALASKA STATE LEGISLATURE



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Sponsor Statement

Committee Substitute for 2nd Sponsor Substitute for HB 272: Reducing the Principal of Postsecondary Education Loans for Alaska Students Who Remain in or Return to Alaska

Currently Alaskans pay interest rates of roughly 7% and 8% for outstanding and new student loans. In contrast, used car loans are currently being issued by some lenders at 3% and less. Many Alaskans are struggling and Alaska has a history of losing those who obtain higher education degrees and job training to jobs outside of Alaska.

This legislation is one way we can lessen the financial burden on Alaskans who receive their job training or higher education in Alaska, or who move back to Alaska after receiving that education. It is aimed at strengthening the Alaskan economy, helping Alaskans prosper, and retaining more Alaskan talent.

This bill restructures Alaska student loans by reducing the principal amount of student loans for residents by three percent a year. The borrower must establish and maintain residency for one year prior to obtaining the loan, must maintain residency in Alaska while repaying the loan, and cannot be in default. A reduction in principal provided by this bill is in addition to any other available reduction in principal or interest rate. The purpose of this legislation is to help encourage Alaska's youth to remain in or return to Alaska following completion of their postsecondary studies.

The reduction of principal is subject to appropriation by the legislature for the amount necessary to offset the amount of reduced principal. The commission will establish a system for reducing or prorating principal reductions if the amount appropriated is insufficient to offset the full amount of principal reductions.

Please feel free to contact our office if you have any questions.