

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB235
 () Publish Date: _____

Identifier (file name): HB235CS-EED-ACPE-01-25-10
 Title: An Act relating to professional student exchange program availability and conditions for loan forgiveness
 Sponsor: Rep. Munoz
 Requester: (H)Education
 Dept. Affected: Education
 RDU: ACPE
 Component: Program Administration and Operations
 Component Number: 2738

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous		230.5		466.0	721.5	944.0	1,028.0	1,063.0
TOTAL OPERATING		230.5	0.0	466.0	721.5	944.0	1,028.0	1,063.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF		230.5		466.0	721.5	944.0	1,028.0	1,063.0
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		230.5	0.0	466.0	721.5	944.0	1,028.0	1,063.0

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This legislation modifies the terms and conditions for Alaska residents participating in certain professional programs of study through the Western Interstate Commission on Higher Education's (WICHE) Professional Student Exchange Program (PSEP). Under the terms of the bill, Alaska participants, who would otherwise bear the full costs of the loan associated with the annual PSEP support fee paid to the professional school at which they are receiving their training, will be entitled to a discharge (forgiveness) of up to 50% of the related PSEP loan principal. The bill sets a minimum number of participants to be funded.

The PSEP operates as a multi-state student exchange program by which compact member states that have institutions offering certain professional programs of study agree to provide preferential admission consideration to residents of member states whose institutions do not offer those programs. WICHE facilitates the collection of a per

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ANALYSIS CONTINUATION

resident fee for each person accepted into a participating institution. The Support Fee amount varies according to the professional field of study and is set through a negotiated process facilitated by WICHE staff and involving all of the receiving institutions.

In 1998 the Alaska Legislature authorized the funding of the Support Fee in the form of a loan to each participant, financed by the Alaska Student Loan Corporation. The terms by which the Support Fee loan would be offered under this bill are such that it is not feasible for ASLC to use bond proceeds to finance the loans.

The cost estimates shown reflect the participation growth over a four-year timeframe as five additional participants enrolled in each successive year, from 15 students in FY11 to a total of 60 students in the fourth and subsequent years. Historically the Support Fees have increased 3.4% on an annual basis.

Given that the maximum discharge a borrower may receive is 50 percent of their PSEP loan principal, beginning in the fifth year following program implementation, there will be an income stream from borrower repayments. In FY15 the first fifteen supported participants will be in repayment. The standard repayment period is a fifteen-year term. Participants qualifying for some or all of their discharge will receive annual credits to their loan balances that will have the effect of either shortening their period of repayment or allowing for a reduction in their monthly payment amount. In FY15 repayments would be approximately \$40,000, in FY16, \$116,400 and, within the subsequent three years increase to approximately \$420,000 annually.