



MEMORANDUM

TO: The Honorable Representative Dan Ortiz, Chair, House Finance Subcommittee on Education & Early Development

FROM: Stephanie Butler, Executive Director

DATE: February 18, 2020

RE: Response to February 7, 2020 Subcommittee Questions

This memo is provided in response to questions asked by committee members at the February 7, 2020 House Finance Subcommittee on Education & Early Development meeting.

1. Information on Alaska loan forgiveness programs

The Alaska Commission on Postsecondary Education published the [Loan Forgiveness Outcomes Report](#) in 2014. This report provides a detailed analysis of the costs and outcomes of Alaska's loan forgiveness programs, including the Alaska Teacher Education Loan Program. The analysis documents the costs to students and to the state related to operating the forgiveness programs, including default rates in the 40% range and rates of forgiveness qualification of only 20%.

2.

- a. Information on loan repayment program best practices
- b. Information on costs to operate a loan repayment program
- c. Information on options to leverage teacher loan repayment incentives using the Alaska Higher Education Investment Fund (HEIF)

This topic is of interest to the Commission, which is actively researching potential uses and benefits of loan repayment programs in an Alaska context. Initial research indicates that an annual \$1 million appropriation from the HEIF could fund loan repayment of up to \$10,000 for up to 100 Alaska teachers in Alaska shortage areas each year. In general, loan repayment programs increase rates of hire by 13% and increase retention by 36%. Assuming no additional uses of the

HEIF beyond the current programs, and assuming continued levels of investment performance, such a use of HEIF funds appears viable. The Commission's annual costs of operating such a program are anticipated to be in the \$20,000 range, significantly less than the costs of operating a loan forgiveness program. A bullet-level summary of what an Alaska program might look like is attached. Legislation would be needed to appropriate the funds for the teacher loan repayment program, and to give the Commission authority and responsibility to operate the program. The Commission would welcome such an opportunity.

2. Confirmation of WICHE tuition savings

Slide number 49 of the presentation noted, "1,304 Alaska undergrads saved \$13 million in out-of-state tuition in 2019-20". This equates to \$9969.00 savings per student.

3. How much are the annual WICHE dues?

The correct amount is \$156,000 annually. We incorrectly responded that the annual dues are \$400,000.

4. Formula used for WICHE participating states

The 15 member states and the Commonwealth of the Northern Mariana Islands pay equally apportioned dues.

5. Senator Murkowski bill number to exempt state based loan programs

Senator Murkowski introduced [S.3054](#), known as the *State-Based Education Loan Awareness Act*. Education Finance Council (EFC) stated:

This bipartisan bill would create an exemption to the Preferred Lender List requirement for state-based loan programs with terms as favorable as the Federal Direct PLUS loan.

Thank you again for the privilege of addressing the Subcommittee. Please do not hesitate to contact me if any additional information may be helpful.

Attachment (1)
SB/pnz

Alaska High Need Teacher Retention Loan Repayment Program

Preface

- Approximately 900 new teachers are needed each year, approximately two-thirds of which are filled by educators prepared outside of Alaska
- Rural areas account for the greatest teacher shortages with average turnover rates of 31% compared with 19% in non-rural areas
- There are 2,084 teachers in rural areas, which account for just over 25% of teachers statewide
 - For the 2019-2020, the number of reported first day vacancies were 192 teaching positions

Goals

- To retain teachers in Alaska shortage areas by providing incentive of education loan repayment assistance
 - Districts currently use recruitment incentives to attract teachers but there is a significant issue arising from challenges of retaining teachers, especially given the costs of recruitment and training
- Pilot the program and start with a simple model and no demand on GF (use HEIF for pilot)
 - Adjust based on experience in initial year(s)
 - Identify demand and outcomes before requesting additional funding
 - Ensure option for donations from districts, employers and the public
 - Consider requesting more funding in future years if we determine it's a successful and cost-effective program
- Limited to education loan repayment
 - No option for cash compensation if teacher does not have education loans
 - National data indicate that college grads have a great deal of concern about their debt, resulting in very high value specific to incentive programs that discharge that debt
 - Eliminates high costs to students and to state of loan forgiveness on state loans
- Program does not supplant existing federal education loan forgiveness programs but provides teachers with essentially the same benefit they would have received from the former Alaska state loan forgiveness program

Proposal Summary

- Loan repayment for Alaska loan borrowers who work in an area designated annually as having a shortage
 - \$6,500 loan repayment per year of qualifying service
 - Lifetime maximum loan repayment the lesser of \$26,000 or amount of outstanding debt
- \$1.022M funded from the Higher Education Investment Fund annually
 - \$1M for loan repayment and \$22K for program administration
 - Year 1 total \$1.031M from the HEIF includes additional \$9K for program setup costs
- Amount could increase to \$2M in awards in year two and \$3M in awards for year three and subsequent years, with goal of eventually replacing HEIF with GF or other fund source
- Employers and others encouraged to donate to fund the repayment program (lottery possibility?)
- Teachers would apply for benefit in August through October each year
- Commissioner of DEED to annually designate shortage areas eligible for the benefit
 - Should shortage areas change, teachers in areas formerly designated as a shortage area will continue to receive repayment assistance in subsequent years

- Teachers are notified of selection for award, contingent upon completing and providing proof of one year of qualifying service, plus plan to continue service in following year
- Only available to teachers in public schools
- When applicants exceed funds available, prioritization is
 - In shortage area designated by Commissioner of DEED
 - Continuing teacher (retention benefit)
 - Graduated from an Alaska high school
 - Graduated from an Alaska teacher preparation program
 - Date of application
- Teachers must be Alaska residents at the time of application
- Program available based on funding
 - If funds not appropriated, no loan repayment that year
- Available only for Alaska loans, including AK education refinance loans
 - Teachers that have non-AK students loans may refinance their loans with ACPE and thus become eligible for loan repayment
 - Do not want to supplant existing federal loan repayment and forgiveness programs

ACPE Program Administration Summary

- Year 1 – setup costs of \$9K include creating a database for program administration, web pages, forms and applications, and developing and documenting processes
- Annual costs - \$22K to administer program
- ACPE needs authority to establish regulations for this program

Legislation Needed

- Appropriation from HEIF or other fund source each year that the program operates
- Authority for ACPE to operate the program and promulgate regulations

Questions, Items to Address, and Resources

- Taxability of loan repayment funded by state
- Article about teacher salaries and student loans:
<https://www.studentloanplanner.com/average-teacher-salary/>
- Article with information about education loan debt for teachers:
<https://www.educationnext.org/tangled-world-of-teacher-debt-rules-uncertain-benefits-federal-student-loan-subsidies/>
- Basic information concerning the number of teachers, student teacher ratio, and average salaries in Alaska: <https://education.alaska.gov/stats/facts>