



Representative Andi Story

House District 3

Alaska State Legislature

Memorandum

Date: February 23, 2023

To: Representatives Justin Ruffridge & Jamie Allard, Co-Chairs
House Education Committee

From: Representative Andi Story *AS*

Re: Responses to questions on HB 31 (AK Performance Scholarship; Eligibility) from House Education Committee on Monday 2/20/23

1. Representative Himschoot requested more information on FAFSA requirements.

To receive APS, eligible students must complete the Free Application for Federal Student Aid (FAFSA) and within it they must select an Alaska institution to receive their FAFSA information. Under 20 AAC 16.215, completion of a FAFSA application is required to be eligible for and receive an Alaska Performance Scholarship.

All APS-eligible students are informed through the Alaska Student Aid Portal of their APS eligibility and the FAFSA completion requirement to receive the award. FAFSA completion allows the Alaska Commission on Postsecondary Education (ACPE) to identify that the Alaska institution is eligible to receive funds as a Title IV institution, and confirms that ACPE receives a student's Institutional Student Information Record (ISIR) post-FAFSA submission and can communicate correctly with the institution regarding the student's attendance and remaining expenses.

2. Representative McKay inquired as to how much is currently in the Higher Education Investment Fund (HEIF).

The Alaska Higher Education Fund has a current balance of \$368.9 million as of January 31, 2023. See attachment for the most recent data provided on HEIF, also available on the [Dept. of Revenue HEIF webpage](#).

Fiscal notes for HB 31 were sent out Saturday, February 18. Those clarify that it is not anticipated that the change in award amounts would exceed the seven percent draw from HEIF that funds APS awards. We don't know how many students will apply for APS awards this year, so an exact amount of the cost cannot be determined. Once applications are received, a recalculation of the amount required to provide full scholarships will be completed.

The fiscal notes also show that the department would need to make the necessary regulation changes to add career and technical education (CTE) to the academic curriculum that qualifies students for APS awards. There is a one-time increment of \$6,000 to implement the necessary regulation changes. ACPE also needs one-time funding of \$31,200 for a temporary employee to implement changes outlined in the bill. ACPE also needs \$6,000 for changes to regulations, and \$4,400 in contractual costs to update the student aid portal.



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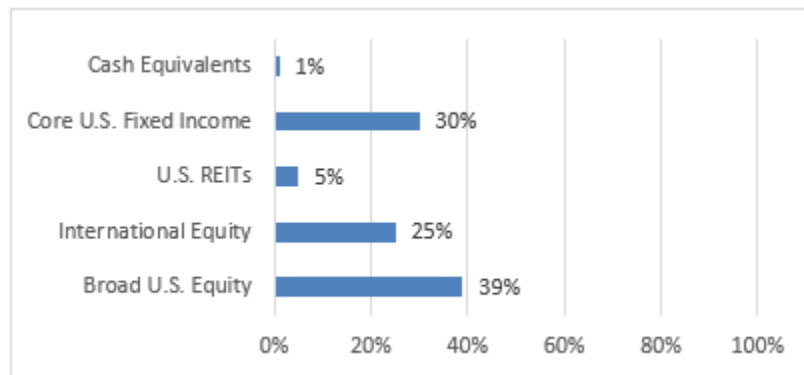
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**AHE Market Value:
\$368.9M on 01/31/23**

Target Asset Allocation

As of 7/1/2022



Performance Results & Market Values

Fiscal Year	Market Value	Return %
2022	\$344,733,938	-13.47%
2021	\$416,411,394	27.21%
2020	\$343,797,313	4.73%
2019	\$347,092,361	7.31%
2018	\$344,265,007	7.59%
2017	\$369,799,589	12.24%
2016	\$439,543,309	0.88%
2015	\$458,758,594	3.09%
2014	\$460,672,112	16.49%
2013	\$406,437,846	-0.14%



THE STATE
of ALASKA
GOVERNOR MIKE DUNLEAVY

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February 21, 2023

The Honorable Andi Story
Alaska State Legislature
State Capitol, Room 415
Juneau, AK 99801

Dear Representative Story,

Thank you for allowing us the opportunity to address your question regarding House Bill 31, AK Performance Scholarship; Eligibility. Please find below the question and corresponding response.

1. Is the Higher Education Investment Fund (HEIF) sustainable at a 7% draw and how might the current investment environment affect returns?

A 7% annual draw is higher than both the expected total return for HEIF and the expected return after inflation. If the goal is to preserve and not grow the original principal over time, we would recommend setting spending near the total expected compound return. Any spending beyond this amount is expected to decrease the principal value of the fund over time.

If the goal is to sustain inflation-adjusted purchasing power over time like many endowments, we would recommend setting spending near the expected compound return after expected inflation, often called the "real" return. This would potentially allow the fund to grow over time with inflation to preserve the future purchasing power of withdrawals.

Returns next year or two are likely to be volatile as inflation, growth, and interest rates adjust. Longer term forward expectations for State funds are expected to increase for FY24 and beyond due to the market correction and higher interest rates. The total 10 year expected return for HEIF is likely to be closer to 6.8% starting in FY24, up from 5.6% in FY23, and the total real return after expected inflation is likely to be 4.3%, up from 3.35% in FY23.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Crum".

Adam Crum
Commissioner-Designee