

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 54(EDU)
 (H) Publish Date: 2/16/01

Revision Date/Time (Note if correction): 2/14/01/4:00PM
 Title: An Act relating to the rate of interest applicable to student loans; and providing for an effective date. BRU: Education
 Sponsor: Rep. Davies Component: ACPE
 Requester: (H) HESS Component Number: 213
 Component: Student Loan Operation

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous	0.0	177.6	360.8	549.5	743.5	942.3
TOTAL OPERATING	0.0	177.6	360.8	549.5	743.5	942.3

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	0.0	177.6	360.8	549.5	743.5	942.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	177.6	360.8	549.5	743.5	942.3

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation prospectively changes the terms and conditions of loans issued under the Alaska Student Program to allow for an interest rate reduction for any borrower who has completed a career education program or received an undergraduate degree and is employed within the state.

HB54 recognizes that Alaska Student Loans are made available through the sale of bonds issued and subject to the terms of a Trust Indenture. Bond covenants would prevent use of corporation cash to fund the reimbursement proposed.

Operationally, a data management process would need to be developed and staff designated to track the employment status of borrowers remaining in or returning to Alaska.

To estimate the cost of this legislation, loan originations are assumed to be \$50,000,000 each year beginning with the 2001-2002 academic year. Based on 35% eligibility, two scenarios are provided to show funding requirements for a 50 basis point and 100 basis point reduction as provided in this legislation. Costs shown above are the more conservative estimates of 100 basis points.

Prepared by: Sheila King, Finance Officer Phone 465-6757
 Division: Finance Date/Time 2/14/01 4:00 PM
 Approved by: Diane Barrans, Executive Director Date 2/14/2001
 Agency: Alaska Commission on Postsecondary Education

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ANALYSIS: (continued)

*Estimate of funds required to fund the interest rate reduction on loans originated on or after July 1, 2001, assuming \$50 million in new loans issued each year :

Assumes 35% eligibility:

	2002	2003	2004	2005	2006	2007
50 basis point reduction	0.0	89.0	181.3	276.9	375.6	477.5
100 basis point reduction	0.0	177.6	360.8	549.5	743.5	942.3

Based on these assumptions, the costs would peak at year 15 (2017) at \$1.6 million (50 basis points)/ \$2.9 million (100 basis points).