

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON EDUCATION

April 4, 2001
10:38 a.m.

DRAFT

MEMBERS PRESENT

Representative Con Bunde, Chair
Representative Brian Porter
Representative Gary Stevens
Representative Reggie Joule
Representative Gretchen Guess
Representative Peggy Wilson

MEMBERS ABSENT

Representative Joe Green

COMMITTEE CALENDAR

HOUSE BILL NO. 204

"An Act relating to the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation; relating to student financial aid programs and the financing of those programs; establishing the Alaska Advantage Loan Program and the Alaska Supplemental Education Loan Program; increasing the bonding authorization of the Alaska Student Loan Corporation; providing for liens resulting from a default under AS 14.43 or AS 14.44; relating to the duties of the recorder regarding those liens; relating to defaults under the Western Regional Higher Education Compact; relating to the prohibition on discrimination regarding programs under AS 14.43; relating to fees for the review of certain postsecondary institutions; making conforming amendments; and providing for an effective date."

- MOVED HB 204 OUT OF COMMITTEE

HOUSE BILL NO. 203

"An Act making an appropriation to the Legislative Council for a study of school district cost factors; and providing for an effective date."

- MOVED CSHB 203(EDU) OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 204

SHORT TITLE: STUDENT LOANS/COMN. ON POSTSECONDARY ED.

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/22/01	0689	(H)	READ THE FIRST TIME - REFERRALS
03/22/01	0689	(H)	EDU, HES, FIN
03/22/01	0689	(H)	FN1: (EED)
03/22/01	0689	(H)	GOVERNOR'S TRANSMITTAL LETTER
04/02/01		(H)	EDU AT 8:00 AM HOUSE FINANCE 519
04/02/01		(H)	<Bill Postponed to 4/4>
04/04/01	0840	(H)	EDU RPT 5DP
04/04/01	0841	(H)	DP: PORTER, STEVENS, JOULE, GUESS,
04/04/01	0841	(H)	BUNDE
04/04/01	0841	(H)	FN2: (EED)
04/04/01		(H)	EDU AT 8:00 AM HOUSE FINANCE 519

BILL: HB 203

SHORT TITLE: APPROP: STUDY OF SCHOOL COST FACTORS

SPONSOR(S): REPRESENTATIVE(S) WILSON

Jrn-Date	Jrn-Page		Action
03/22/01	0688	(H)	READ THE FIRST TIME - REFERRALS
03/22/01	0688	(H)	EDU, FIN
03/28/01	0762	(H)	COSPONSOR(S): LANCASTER
03/30/01	0794	(H)	COSPONSOR(S): CISSNA, STEVENS
04/04/01		(H)	EDU AT 8:00 AM HOUSE FINANCE 519

WITNESS REGISTER

DIANE BARRANS, Executive Director
Postsecondary Education Commission
Department of Education and Early Development
3030 Vintage Boulevard
Juneau, Alaska 99801
POSITION STATEMENT: Testified on HB 204.

[Witnesses for HB 203 forthcoming.]

ACTION NARRATIVE

TAPE 01-23, SIDE A
Number 0001

CHAIR CON BUNDE reconvened the House Special Committee on Education meeting at 10:38 a.m. [The minutes for the joint meeting of the House Special Committee on Education and the House Health, Education and Social Services Standing Committee are found in the 8:08 a.m. minutes for the same date.]

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#hb204
HB 204-STUDENT LOANS/COMN. ON POSTSECONDARY ED.

DRAFT

CHAIR BUNDE announced the next order of business as HOUSE BILL NO. 204, "An Act relating to the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation; relating to student financial aid programs and the financing of those programs; establishing the Alaska Advantage Loan Program and the Alaska Supplemental Education Loan Program; increasing the bonding authorization of the Alaska Student Loan Corporation; providing for liens resulting from a default under AS 14.43 or AS 14.44; relating to the duties of the recorder regarding those liens; relating to defaults under the Western Regional Higher Education Compact; relating to the prohibition on discrimination regarding programs under AS 14.43; relating to fees for the review of certain postsecondary institutions; making conforming amendments; and providing for an effective date."

Number 0042

DIANE BARRANS, Executive Director, Postsecondary Education Commission, Department of Education and Early Development, came forth and stated that HB 204 represents an exciting new initiative from the [Postsecondary Education] Commission. More than a year ago the Commission's financial status and that of its financial partner, the Alaska Student Loan Corporation had been stabilized. She stated that commission managers had been challenged by the corporation board to find ways to expand the services and increase the benefits of those services to Alaskans. In response, she said, commissioners focused on a

strategic recommendation that had been made by the agency's external audit firm to consider an expansion into federal student aid administration. Over the past ten months the [Postsecondary Education Commission] has analyzed customer needs and expectations and has conducted extensive communication with administrators.

MS. BARRANS stated:

House Bill 204 has been introduced by the governor to establish the Alaska Advantage Program. Simply put, successful implementation of the Alaska Advantage Program will return meaningful benefits and dividends to each of our shared stakeholder groups. Those stakeholders include the students whose future success rests on educational preparation; parents seeking an economically viable means to assist their children; higher education institutions in Alaska that serves as a training resource for citizens and industry in the state; financial aid administrators tasked with facilitating educational financing; legislatures looking out for their constituents' best interest; Alaska employers seeking a resident source of human capital; and the Commission and Corporation seeking to provide value added benefits to borrowers and the statewide community.

Number 0227

MS. BARRANS explained to the committee:

House Bill 204 creates the statutory framework for the Corporation and the Commission to develop and implement the premiere educational loan program in the United States, administered in Alaska for Alaskans. Statutory changes made by the bill will result in lower cost educational loans in Alaska and other improvements to borrowers' loan terms. The Commission's success in marketing such a program will be one means of helping Alaskans fight the high costs of postsecondary education and hopefully ensure that every state citizen perceives that education is affordable and therefore accessible to them.

The bill's provisions allow us to facilitate these changes without putting at risk the financial strength of the Corporation. The Alaska Advantage Program

provides for the integration of benefits from both the federal and state aid initiatives, specifically for borrowers. The Alaska Advantage Program will guarantee the lowest possible borrowing rates; improve aid packaging and delivering by creating a one-stop aid shop ensuring simultaneous grant and loan application; improve and expand borrowers' deferment and repayment options; and provide an opportunity for debt consolidation with an Alaska lender.

For the institutions that partner with us through ASLNet, the Commission's web-enabled information portal, the Alaska Advantage Program will provide a recruitment and retention tool for Alaskan institutions through offering beneficial interest terms. It will stream line and improve the financial aid delivery process easing their administrative burden; it will eliminate unnecessary program differences that simplify the administration for staff and ease loan comparison by students and their families; it will also provide specific financial rewards for borrowers remaining in or returning to Alaska; and it will enhance default management support.

Number 0375

MS. BARRANS continued, stating:

For the Corporation itself, it will reduce the financial risks through the federal guarantee that will underwrite loans made through that program. I believe it will allow us to improve our bond rating from the current double A to a triple A status, resulting in further bond cost reductions, and improve the Corporation's cash flow as we enjoy the benefit of federal interest subsidies and a special allowance income. In addition ... it will eliminate 98 percent of the loss-risk on those federal student loans because the federal government will offset those losses in the event of death, disability, or default.

In time, we expect the program to allow us to offer additional financial benefits in the form of up-front interest rate reductions for Alaska Advantage borrowers, timely repayment rewards, bank pay rewards, other interest offset that can act as incentives, and

rewards for borrowers who display good repayment behavior.

House Bill 204 also ensures that the supplemental state loans remain available to bridge excess costs not met through federal aid. This bill is about ensuring borrower savings at administrative efficiencies and has been drafted to ensure that no student is left behind or left out. The Alaska Student Loan will remain available as a supplemental loan for use at commission authorized Alaska vocational schools that do not currently participate in Title four programs.

Number 0518

MS. BARRANS concluded by stating:

The result achieved by the Commission and Corporation in recent years have met significant improvement in both program financing and servicing. These results could not have been achieved without the administration's initiatives to date and the broad support of the legislature for those initiatives, the partnering of our participating institutions, and the support of Alaska's students for those initiatives. At this time we collectively have a choice to make. Either we maintain the status quo or we can convert these successes into positive momentum and take our service to the next level. I believe that continued and substantial improvement is only possible through this proposed integration of programmatic and financial strengths of federal and state student services.

Our timeline is an aggressive one as we seek to successfully implement the program for the 2002/2003-loan year. That means that in just nine months we must be ready to receive and process aid applications. Expedited consideration of passage of HB 204 will permit the commission to immediately direct 100 percent of management and staff resources to planning, marketing, and implementation activities. I am convinced that success is feasible if we begin work in earnest by May of this year; however, we cannot fully implement that process until we understand the statutory framework that we'll be working in. Failure

to pass this bill this year will delay full implementation.

Number 0655

CHAIR BUNDE asked if it has been the Postsecondary [Education] Commission's policy to encourage students to take federal loans first and then seek the Alaska Student Loan as a secondary option, because it would be to their financial advantage.

MS. BARRANS responded that there hasn't been a formal policy but the Commission has advised borrowers to be informed borrowers. She remarked that to the extent that there may be lower interest rate loans available through the federal program [borrowers] should seek those first. She explained that this bill would offer a federal loan to Alaskans at a lower rate than the federal program would stipulate for a year. The Alaska Student loan, in recent years, has been strongly competitive with the federal program because of the ability to reduce rates.

CHAIR BUNDE asked if anyone is opposed to this legislation.

MS. BARRANS replied that there is no opposition.

Number 0798

REPRESENTATIVE STEVENS asked if the [Alaska Teacher Scholarship Loan] would be rolled into this as well.

MS. BARRANS answered that the [Postsecondary Education] Commission] does not intend to require that the Alaska Teacher Scholarship Loan recipients receive the federal loan first because they would not have the same forgiveness eligibility on the federal loan as they would with the state.

REPRESENTATIVE PORTER made a motion to move HB 204 from committee with individual recommendations and the attached fiscal note. There being no objection, HB 204 moved from the House Special Committee on Education.

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[Testimony for HB 203 forthcoming.]