

SENATE FINANCE COMMITTEE
March 23, 2022
9:04 a.m.

9:04:41 AM

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Sana Efird, Executive Director, Alaska Commission on Postsecondary Education, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

Lee Donner, Senior Managing Director, Hilltop Securities, Texas; Josh Bicchinella, Chair, Alaska Commission on Post-Secondary Education, Wasilla.

SUMMARY

SB 81 VILLAGE PUBLIC SAFETY OFFICER GRANTS

CSSB 81(CRA) was REPORTED out of committee with six "do pass" recommendations and one "no recommendation" recommendation and with two previously published fiscal notes: FN 3(DPS) and FN 4(DPS).

SB 94 EDUCATION & SUPPLEMENTAL LOAN PROGRAMS

SB 94 was HEARD and HELD in committee for further consideration.

#sb81

SENATE BILL NO. 81

"An Act requiring background investigations of village public safety officer applicants by the Department of Public Safety; relating to the village public safety officer program; and providing for an effective date."

9:05:08 AM

Co-Chair Bishop relayed that it was the third hearing for SB 81. The committee had heard public testimony on February 28, 2022. The committee's intention was to consider an amendment, cover fiscal notes, and look to the will of the committee.

Olson MOVED to WITHDRAW Amendment 1, 32-LS0362\I.17 (Radford, 3/21/22). There being NO OBJECTION, it was so ordered. [Secretary's note: A MOTION to ADOPT Amendment 1, and an OBJECTION to the motion to ADOPT Amendment 1 was made on March 21, 2022.]

Senator Wielechowski discussed FN 3, OMB Component 3200, a zero fiscal note from the Department of Public Safety (DPS). The bill authorized fingerprint submission to DPS for state national criminal background checks. He cited that DPS anticipated being to absorb the additional duties with existing staff.

Senator Wielechowski discussed FN 4, OMB Component 3047, from DPS for the Village Public Safety Officer (VPSO) Program. The fiscal note cited a cost of \$122,200 in FY 23, and \$107,300 in FY 24 going forward, and would fund a long-term non-permanent position that would be required to conduct background investigations for an annual cost of \$100,900. The bill also required successful completion of a psychological examination for a VPSO to carry firearms. The cost for 50 VPSOs to receive psychological testing in FY 23 was estimated to be \$425 per person, or \$21,250. Going forward, there was a cost of \$6,375 based on an average of 15 new VPSOs per year.

Senator Olson MOVED to report CSSB 81(CRA) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 81(CRA) was REPORTED out of committee with six "do pass" recommendations and one "no recommendation" recommendation and with two previously published fiscal notes: FN 3(DPS) and FN 4(DPS).

[9:07:47 AM](#)

AT EASE

[9:09:42 AM](#)

RECONVENED

#sb94

SENATE BILL NO. 94

"An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date."

[9:09:42 AM](#)

Co-Chair Bishop relayed that it was the first hearing of SB 94. The committee would hear a bill introduction and sectional analysis, take invited and public testimony, and set the bill aside. He listed individuals available for questions.

[9:10:28 AM](#)

SANA EFIRD, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, thanked the committee. She wanted to give a brief overview of what the bill did and why the Alaska Student Loan Corporation (ASLC) and the Alaska Commission on Postsecondary Education (ACPE) were proposing the legislation. She discussed a presentation "Alaska Commission on Postsecondary Education (ACPE) & Alaska Student Loan Corporation (ASLC)" (copy on file).

Ms. Efird looked at slide 2, "ACPE & ASLC Missions":

- The Alaska Commission on Postsecondary Education supports Alaskans' access to and success in postsecondary education and career training after high school.
- The Alaska Student Loan Corporation operates as an enterprise agency of the State of Alaska, funding and facilitating the Alaska Student Loan Program and the related work of the Alaska Commission on Postsecondary Education.

Ms. Efird spoke to slide 3, "SB 94":

"An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date."

- Expands Eligibility for Alaska Refinance Loans
 - Currently eligible: Alaska residents only
 - Proposed: previous borrower, cosigner, or beneficiary of an Alaska loan
 - Proposed: graduates of Alaska high schools and postsecondary institutions
- Removes specific loan limits from statute for in-school loans and gives authority to ASLC Board to set limits
- Adds clarifying language that ACPE can offer future student loan borrowers a loan program with the option for immediate repayment

Senator Olson asked if there were problems with the loan program that necessitated the legislation.

Ms. Efird explained that the upcoming slides would show why the bill was needed and what the bill would do.

[9:14:06 AM](#)

Ms. Efird referenced slide 4, "Why is SB 94 necessary?":

Achieve two goals:

- Respond to the needs and requests of borrowers and postsecondary institutions

- Maintain financial stability of the Alaska Student Loan Corporation for future financial education needs of Alaskans

Senator von Imhof looked at the first bullet and asked if students were going to banks and being turned down, and what involvement commercial banks had in student loans.

Ms. Efird showed slide 7, "ASLC Loan Portfolio Runoff," which showed a graph that illustrated the financial stability of the state's loan portfolio. She pointed out that the slide showed the financial underpinning of the bill, which was to try and ensure the financial stability of the corporation. She recounted that over a number of years since 2010, the loan portfolio had experienced a runoff. She affirmed that students and families in Alaska were borrowing from private lenders and other lenders for education needs and paying higher interest costs.

Senator von Imhof thought the state was competing with the private banking industry. She used an example of the state providing car loans at a lower rate. She referenced the next slide, and thought private loans generally cost more, had lower approval rates, and were less transparent. She did not think the information meant the state should be competing because it could offer lower rates. She pondered whether the situation was fair.

Ms. Efird recounted that the legislature established the corporation for the mission and purpose of providing education loans for students to attend postsecondary education. She noted that she was working to sustain the mission of the corporation and the commission.

Senator von Imhof understood that students could go to a bank, ask to be declined, and get a decline letter in order to take it to the state and get approval for a state loan at a rate that was 2 percent lower.

Co-Chair Bishop thought the matter could go both ways.

[9:18:13 AM](#)

Senator Wielechowski asked Ms. Efird to address the chart on slide 7. He asked about a loan portfolio "runoff."

Ms. Efird explained that the graph showed that since 2008, the corporation had \$700 million in loans, and as of June 2019, the corporation had \$213 million in loans.

Ms. Efird advanced slide 8, "Current Strategic Challenge":

Since 2010, federal and state program challenges drastically curtailed loan originations, severely reducing economies of scale and impacting ASLC long-term viability:

- Elimination of Federal Family Education Loan Program (FFELP) in 2010
- Mortgage crisis impact on investor confidence in student loan debt required more rigorous underwriting standards
- Decline in college enrollment rates
- Federal preferred lender prohibition legislation
- Growing culture of fear that student loans are inherently bad

And more recently:

- COVID Pandemic
- Continued decline in enrollment rates
- Federal Student Loan forgiveness national conversation

Ms. Efird explained that the portfolio runoff related to the revenue and financial bottom line for the corporation to sustain the finances to provide additional loans. She expanded that student financial aid offices were not permitted to suggest preferred lenders to students, and could not share that the state had a loan program that benefitted students. She cited research that if a student had a full financial package to attend a postsecondary program, the student was more likely to complete the program and enter the workforce.

[9:22:09 AM](#)

Senator Olson asked to go back to slide 3. He asked about the second bullet and whether non-resident borrowers could request an additional loan.

Ms. Efird wanted to clarify that the slide addressed two different loans. The first bullets on the slide related to

the Alaska Refinance Loans. In 2016, the legislature authorized a refinance program for Alaskan residents that had a student loan with the corporation or other education loans. The corporation was asking to expand the pool for refinancing loans to include non-residents. The refinance loan had a lower interest rate because of the higher credit criteria required for the loans.

Senator Olson asked about chances for default and what kind of reparations could be made in the case of default.

Ms. Efird stated that the refinance loan program had been in existence since 2016, and it had a zero-default rate. She reiterated that there were high credit standards and requirements for the program, and it was one of the only loan programs increasing for the corporation and providing financial stability and revenues.

[9:26:02 AM](#)

Senator Wilson asked if a non-resident could be eligible for the loans.

Ms. Efird stated that the legislation proposed to expand the pool for refinance loans for someone that was no longer a resident but had a nexus and a connection either through a current Alaska student loan or having graduated from an Alaskan high school or postsecondary institution.

Co-Chair Bishop thought the bill proposed to expand the refinance loan pool and continue the zero-default rate.

Ms. Efird suggested that expanding the pool of refinance loans helped the bottom line for the corporation, which supported having the financial stability to provide in-school students for Alaska residents only.

Senator Wielechowski asked Ms. Efird to provide data on default rates for the students she was looking to expand eligibility for. He thought Alaskans wanted to encourage people to stay in the state. He wanted to see hard data that showed the proposed change would benefit the state.

Ms. Efird stated that the default information that ACPE had on the refinance loan program showed a zero rate of default. She could not predict a future default rate but

reiterated there was high credit criteria for the refinance program.

Senator Wielechowski was interested in seeing the overall default rates and some projections on how it might change if out-of-state students were allowed to refinance.

Ms. Efird agreed to provide the information. She added that she had data for default rates for in-school student loans, which she could also provide.

Ms. Efird turned to slide 5, "What Borrowers & Institutions Tell Us":

- Current Alaska student loan limits have not kept up with tuition inflation and no longer meet financial need
- Federal loans are not always less expensive than Alaska loans and also do not meet financial need
- Private loans generally cost more, have lower approval rates, and are less transparent
- Alaska loan programs fill the cost gap with low-cost, high-quality loans

Ms. Efird relayed that ACPE had ASLC had heard from both students and financial aid officers within the state. She cited that the agency knew that students were taking out student loans via other avenues and were paying higher interest rates.

[9:30:18 AM](#)

Ms. Efird considered slide 6, "Supporting Financial Access":

47% Percent of College Graduates with Debt
(AVG Debt Amount = \$26,356 | Class of 2020)

ACPE LOAN PROGRAM HIGHLIGHTS
Created by Alaskans, for Alaskans

Alaska students pay \$6,400 - \$20,100 LESS over the life of their loan by borrowing from ACPE

ACPE average loan rates are LOWER than average national private fixed-rate loan

Ms. Efird added that student loan debt was at the forefront of ACPE's and ASLC's consideration. She emphasized that student loans must be done in a responsible manner. She reiterated that research showed that students that had a full financial package to cover the cost of attendance were more likely to complete their program and successfully repay loans.

Ms. Efird displayed slide 7, "ASLC Loan Portfolio Runoff," which showed a line graph.

Senator von Imhof thought Ms. Efird was doing a good job representing her program and clarified that her comment was philosophical. She pondered whether the state should be in the business of competing with the private sector. She questioned what the benefit would be if the state offered the same rates as a commercial bank in Alaska. She understood the benefits of the program. She questioned why the state would not take over the lending functions across the state, and qualified that her comment was "tongue in cheek." She cited that there were seven banks in the state that were trying to make a living and employed people. She considered that the state was taking business from the banks, used the Alaska Industrial Development and Export Authority (AIDEA) as an example, and did not think it was right.

[9:33:52 AM](#)

Senator Wielechowski asked how many interest rates compared to what the state was offering and what the private banking industry offered.

Ms. Efird did not have data to use as comparison. She noted that the last slide was a calculation of the average savings over the life of a loan taken with ACPE. She noted that the chief finance officer for ASLC was online to answer questions if needed. She referenced Senator von Imhof's comments and explained that the state tried to provide financial literacy trainings for students, so the students would understand taking out a loan. She emphasized that ACPE wanted to only fill the gap of needed funding, and encouraged other options in federal loans, scholarships, and the Alaska Performance Scholarship (APS).

Ms. Efird noted that for ASLC loans, the corporation worked with the educational institution to ensure the student was

enrolled. She noted that an ASLC loan would go directly to the school, while a private loan could go directly to an individual. She explained that the corporation was trying to have checks and balances in place to try and ensure that Alaskans were not overborrowing and were borrowing for a purpose of completion. She noted that there was also a yearly attestation that the student was either an Alaska resident or an out-of-state student with an intention to return to Alaska and not applying for residency in another state.

[9:37:18 AM](#)

Ms. Efird summarized that with the statutory mission provided by the legislature, the corporation was trying to provide student funding in a responsible way to help the borrowers to completion. Each year, the corporation worked to ensure the students were still working towards progress in completion of the program for the next year's loan. She felt the corporation had quite a few checks and balances in place to promote completion of the student's programs and to help the workforce needs of Alaska. She added that she wanted to ensure the committee understood that there were no General Funds in ASLC, and all the funding for the loans was through investment and revenue returns on the loans and interest that came back to the corporation.

Senator Wilson asked if the program would also provide loan consolidation for federal programs.

Ms. Efird answered "yes", and qualified that the corporation would also educate the student to determine that the refinancing of the federal loan would not compromise any forgiveness or federal benefits.

[9:39:24 AM](#)

Senator Hoffman thought education was very important and considered that many Native corporations offered low interest loans and grants because of wanting its population to be as educated as possible. He thought the state should be doing the same, and he supported the state entering into programs whether subsidized or not.

Senator Hoffman asked if Ms. Efird could provide a breakdown of the ratio between urban and rural Alaska participants.

Co-Chair Bishop asked for Ms. Efird to include data with a breakdown of ethnicities.

Co-Chair Stedman followed up on earlier concerns shared by members. He thought it would be nice for Ms. Efird to put together a table with information on loan comparisons to see what the federal government and state were doing, including interest rates.

Co-Chair Stedman referenced Senator von Imhof's concern about being in competition with commercial banks and other lenders. He relayed that he shared the concern in many ways but considered that there were many young Alaskans that did not have the resources to get any help from parents. He thought there needed to be a system where individuals without resources or help could gain stature with increased education. He thought the issues needed to be balanced. He mentioned family members that had not had the wherewithal to sign up for a loan. He asked for a geographical breakdown of the information requested of Ms. Efird. He asked for more detail on the chart, and to include financial history.

Co-Chair Bishop thought the charts would be updated the next time ACPE and ASLC were back to committee.

[9:43:36 AM](#)

Ms. Efird went back to slide 8, and offered to provide any additional clarification on the loan portfolio runoff. She referenced Co-Chair Stedman's comments about why the loan portfolio had declined over the previous years. She mentioned the federal loan program for states, the decline in enrollment, and preferred lender prohibitions.

Ms. Efird looked at slide 9, "Financial Stability Actions":

- Implemented Lean process improvement program with cumulative savings of almost \$1 million - ongoing
- Operating budget reductions over past five years of 27 percent
- Reduce lease costs
- Implemented a refinance loan program, building a \$20 million refinance portfolio
- Moved investment management to Department of Revenue

- Management worked with DOR to review projected cash flow, determine investment horizon and develop investment policy based on risk/return goals.
 - Management worked with our Financial Advisor and received their positive feedback on our plan to switch to DOR and DOR's model.
- Adopted an investment policy based on long-term investment horizon/risk return goals

Ms. Efird described the proposed legislation as "a piece of the puzzle," and relayed that the commission and corporation had been working together over the previous five years to provide for the financial soundness of the corporation through multiple other actions. She mentioned that the operating budget reductions referenced on the slide had included staffing reductions of almost 50 percent. She cited that the refinance program helped keep students in ASLC's loan portfolio to shore up the financial soundness of the corporation.

Ms. Efird listed other efforts such as revising loan programs with additional credit criteria and redemption of outstanding bond notes to provide cost reductions related to administering the bonds. She cited that the corporation was looking at other internal strategies that would provide additional education and support for loan borrowers.

[9:47:53 AM](#)

Senator von Imhof referenced slide 7, and thought the graph showed that as of June 2019, the ASLC loan portfolio was \$213 million. She asked how many employees managed the managed the portfolio at the time.

Ms. Efird did not have the number at hand. She relayed that currently the commission had a total of 52 Position Control Numbers (PCNs), and currently had 46 that were filled. She qualified that not all the positions were associated with the loan programs. Some of the positions administered other programs such as financial aid, APS, the Alaska Education Grant, and the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) Program.

Senator von Imhof shared that prior to serving in the legislature she worked in the banking industry and had a portfolio of about \$15 million. She estimated that 14 employees could manage \$213 million. She understood that

employees were assigned to other programs, but the matter should be considered. She thought 53 PCNs seemed to be quite a bit. She contended that the PCNs cost General Funds.

Ms. Efird stated that the funding for the commission used no General Funds, and the money came through the ASLC receipts, which funded the operating budget for the commission, save for around \$500,000 (which was Higher Education Investment Funds) that supported the administrative costs for APS, the Alaska Education Grant, and WWAMI. All the other funding in the budget for operations and administration was ASLC receipts. She noted that the \$213 million shown on the graph on slide 7 was the student loan portfolio and did not represent the operating budget. She believed that the interagency receipts that came from ASLC to fund programs amounted to around \$9 million.

[9:51:33 AM](#)

Senator von Imhof mentioned Ms. Efird's reference to a zero-default rate and asked if any of the loan refinancing was part of a work-out program to help with the default rate.

Ms. Efird answered in the negative. She reiterated that the refinance program had very high eligibility criteria and required no adverse credit events on an applicant's credit report. She wanted to do more research on the topic to provide a complete answer.

Senator von Imhof wanted to see how the refinancing and defaults were being managed. She commented that the refinancing customers were "A-plus borrowers," which signified that ASLC was competing with banks. She argued that if there were no defaults in the program, the borrowers were "top notch" and a bank would provide the borrowers a loan.

Ms. Efird was not saying there was no defaults in the loan program. The no default rate was for the recent refinance program that had been in existence since 2016 or 2017. She affirmed that those in the refinance program were high-quality borrowers. She understood that when the legislature set the refinance program, it was to help ensure the financial soundness of ASLC by attracting high-quality

borrowers to the portfolio to help support the in-school student loans Alaskans needed to obtain education.

[9:54:13 AM](#)

Ms. Efird advanced to slide 11, "Sectional Analysis & Fiscal Note":

- See Sectional Analysis in information packet
- Zero Fiscal Note:
 - Positive impact to the financial stability of the Corporation
 - Anticipated increase in loan origination volume would positively impact ASLC's economies of scale
 - No projected increases to agency

Co-Chair Bishop thought he had heard that the ASLC was the last line of defense for borrowers. He thought if borrowers failed to obtain a loan elsewhere, ALSC could help.

Ms. Efird explained that she had been trying to make the point that a loan should be the very last dollars a student received to meet unmet financial needs. She reiterated that the ASLC always encouraged students to look for free money. She cited that Alaska was number 51 in the country for completion of the Free Application for Federal Student Aid (FAFSA), which was an important part of helping students meet financial education needs. The commission had a current initiative for FAFSA completion. She thought the students were leaving federal dollars on the table that would help students either not need a loan or need a much smaller loan.

[9:56:52 AM](#)

Senator von Imhof thought Ms. Efird had stated that a loan should be the last money a student should get, regardless of the origin.

Ms. Efird qualified that the best loan for the student with the lowest repayment is the best option.

Senator von Imhof agreed with Ms. Efird. She reiterated her concerns about the state competing with banks. She agreed that students and families should seek the cheapest money but questioned whether the state should be the one

providing the cheapest money. She referenced her three years on the school board. She emphasized that she supported education, but she also supported the state as a whole. She thought if the state was to move forward economically and have new businesses, lending institutions had to part of it.

Ms. Efird discussed a Sectional Analysis (copy on file):

Section 1: Amends AS 14.43.122(b), Consolidation of loans, by expanding the population eligible to apply for Alaska Refinancing Loans to include previous Alaska borrowers and graduates from Alaska high schools and postsecondary institutions, as well as current Alaska residents.

Section 2: Amends AS 14.43.173(a), Loan award maximums; use of loan award, by eliminating the loan maximums in statute and providing for the Alaska Student Loan Corporation (Corporation) to set the annual loan maximums.

Section 3: Amends AS 14.43.173(b), Loan award maximums; use of loan award, by eliminating lifetime loan maximums in statute and providing for the Corporation to set lifetime loan maximums.

Section 4: Amends AS 14.43.173(d), Loan award maximums; use of loan award, with a conforming change to allow the Corporation to set loan limits for both half-time and full-time loans.

Ms. Efird noted that Section 2 through Section 4 were about taking the loan limits out of statute and providing the ASLC Board the ability to set the loan amounts.

[10:01:37 AM](#)

Senator Wielechowski went to page 1, line 11 of the bill, which talked about a previous borrower, co-signer, or beneficiary. He asked how a beneficiary was different than a borrower.

Ms. Efird thought the line would apply to family education loans. A loan could be taken out by a parent.

Co-Chair Bishop asked for Ms. Efird to get back to the committee with the information regarding Senator Wielechowski's question.

Senator Wielechowski referenced Section 2 and Section 3, and loan award maximums. He wondered about the prudence of opening up the limit to an unlimited amount. He wondered if increasing the amount would cause there to be fewer available dollars for other students. He pondered that increasing award maximums with inflation might be a better way.

Ms. Efird relayed that the corporation board considered continuing to have the amounts in statute and increasing the loan amounts. After discussion, the board had decided that there would be a public-informed discussion with the ASLC board to determine the amounts on an annual basis. She described research on in-state tuition rates and work with financial aid offices to determine unmet need for students to make informed decisions on annual loan amounts.

Ms. Efird continued to address Senator Wielechowski's question. She reminded of the checks and balances that were in place for loan certification through educational institutions and other things to keep loan amounts balanced against the true needs of students.

[10:04:50 AM](#)

Senator Hoffman noted that the bill proposed to give additional responsibilities to the ASLC Board and asked about its composition on a regional basis. He asked if the board was ratified by the legislature.

Ms. Efird relayed that the corporation board was set in statute and was comprised of the commissioners or designees from the Department of Revenue; the Department of Commerce, Community and Economic Development; the Department of Administration; and two members from ACPE. She believed the two ACPE members were public and were appointed by the governor. There were five members of the board.

Senator Hoffman asked if any of the five members were residents of rural Alaska.

Ms. Efird relayed that there was currently a vacant seat. She believed there was a current commission member sitting

on the corporation board. She offered to get back to the committee with the information.

Senator Wilson noted that the previous committee of referral had added a required report to the legislature, which he did not necessarily support. He asked if ACPE delivered an annual report that would accomplish an evaluation of loan benefits.

Ms. Efird affirmed that ACPE did provide an Almanac of Higher Education, which would be coming to the legislature in the following month. She agreed that the loan information could be incorporated into the almanac, and that the commission was not opposed to providing a report.

Senator Wilson felt that the legislature had asked for several reports that went unused. He did not want the commission to have an onerous burden.

Co-Chair Bishop asked if any of the suggested changes proposed in the bill were brought forward by students and borrowers.

Ms. Efird answered "yes," and relayed that the commission was responding to what it had heard from students and financial aid offices.

[10:08:55 AM](#)

Ms. Efird continued to address the Sectional Analysis:

Section 5:

Amends AS 14.43.175, Repayment of loans, by providing for the Alaska Commission on Postsecondary Education to offer future student loan borrowers a loan program with immediate repayment requirements.

Section 6:

Establishes an effective date of July 1, 2021 (FY2022)

Ms. Efird noted that currently student loans were deferred when students were in school, and when students graduated or completed an education program had six months before beginning a repayment program. The proposed bill section would offer an option for immediate repayment, which would save interest costs over the life of the loan, as well as help a student build credit. She thought the proposed

change would help students get in the habit of making repayments and make it less likely students would default on the loan. She added that there were two amendments to the bill from the Senate Education Committee that would require a report to be submitted to the legislature.

Co-Chair Stedman had a question about pre-payment. He understood that it was not possible to block the payment of loans, and that borrowers could repay loans at any time.

Ms. Efird affirmed that borrowers could choose to make repayment at any time, and the provision was merely clarifying language. She continued that the Department of Law (DOL) had provided language to put the provision in a promissory note.

Co-Chair Stedman thought that the provision seemed redundant. He understood that it might have to do with federal law.

Ms. Efird believed Co-Chair Stedman was correct. She relayed that the commission had been told by DOL that it could not include the provision for immediate repayment in a promissory note for the loan program. The provision was to provide for the specific option.

[10:13:04 AM](#)

Senator Wielechowski asked about the demand for the loans and if the state had the funding to meet the demand.

Ms. Efird affirmed the commission's projections showed that the state had funds for the current demand. She noted the decline in loan origination and an increase in origination for refinance loans. She reminded that additional loan origination would increase revenue generated through interest.

Senator Wielechowski had concerns about Section 3 and the loan cap, which was currently \$56,000 for undergraduate programs and \$60,000 for graduate programs. He mentioned private schools costing hundreds of thousands of dollars. He shared his concerns about the state getting in a position to have to deny opportunity for more kids to go to schools like the University of Alaska (UA) and increasing opportunities for people of privilege to go to more expensive schools. He was concerned about completely

removing the cap. He wondered about the University of Alaska's position on the bill.

Ms. Efird noted that there was a letter of support from the University of Alaska in member's packets (copy on file). She reiterated that the commission had heard from financial aid offices that there was a need to increase the loan amounts because the loans were not meeting the gap of funds needed to complete the full financial package.

Senator Hoffman asked if Ms. Efird had information on loan approval rates in the current year and past years.

Ms. Efird answered in the affirmative and agreed to provide the information.

Senator Olson asked about the spread between rural and urban students' approval rates. He recounted that when he had been in the loan program it was a difficult process.

Ms. Efird agreed to provide the information.

Senator von Imhof asked about a hypothetical student that requested a \$10,000 loan, and wondered if the commission tracked whether the amount was all the student could qualify for or if the amount was all that was needed. She thought the information could be relevant.

Ms. Efird was not certain she had the information and agreed to get back to the committee.

[10:17:28 AM](#)

AT EASE

[10:17:55 AM](#)

RECONVENED

LEE DONNER, SENIOR MANAGING DIRECTOR, HILLTOP SECURITIES, TEXAS (via teleconference), relayed that he was head of his firm's student loan practice. He explained that his organization served as financial advisors for the ASLC, and additionally were financial and municipal advisors for other not-for-profit student loan corporations around the country.

Co-Chair Bishop asked if Mr. Donner supported the bill.

Mr. Donner answered affirmatively. He offered to expand on his support with respect to each of the bill components.

Ms. Efird asked Mr. Donner to provide his testimony.

Mr. Donner spoke to the proposed expansion of eligibility criteria for the refinance program. He cited ALSC's problem with the scale of the state's loan program post-2010 with the elimination of the Federal Family Education Loan Program, which had reduced the volume of loans. The volume was further reduced by the corporation tightening up eligibility criteria in order to lower default rates. He contended that the expansion of eligibility would conform with federal tax law and all other state agencies and 501 C-3 programs did. He cited that Alaska had the only program in the country that further shrank the eligible pool, and expanding the definition would give the ASLC a very slight increase in loan volume to help offset the declining portfolio size.

[10:22:02 AM](#)

Mr. Donner addressed the proposal to move the setting of loan limits from statute to the ALSC board. He asserted that the provision would not eliminate loan limits, but rather simply changed who set the loan limits. He asserted that having the loan limits embedded in statute made it take too long to go through the legislative process to amend loan limits to respond on-the-ground conditions. He contended that the corporation board was in a better position to know whether the loan limits needed modification. There would still be a governing body setting the loan limits.

Mr. Donner continued that the only other state to have embedded loan payments in statute was the State of Texas, and that was because the student loan program was funded by General Obligation Bonds issued by the state, while Alaska funded loans with its existing portfolio. He thought it was entirely appropriate to set loan limits at the board level, which was faster, and the board was better informed as to the needs of the education community.

Mr. Donner addressed the proposed option to begin immediate payment. He acknowledged that any borrower could repay any of the corporation's loans at any time. The provision would allow a borrower to elect voluntarily to make a loan that

required payments from the outset, such as 30 days after origination. He cited that the provision was more than a clarification and would create an option for borrowers. He noted that studies showed that loans that had some form of repayment from the beginning resulted in lower delinquency rates. He summarized that all three proposed provisions were net positives for the program, it's financial underpinnings, and the borrowers.

[10:25:27 AM](#)

JOSH BICCHINELLA, CHAIR, ALASKA COMMISSION ON POST-SECONDARY EDUCATION, WASILLA (via teleconference), spoke in support of the bill. He had served as campus president of Charter College for the previous five years. He wanted to share perspectives he had heard in the past five years at Charter College. He had repeatedly heard that students were challenged when making the decision to pursue the ASCL loan or the Alaska Supplemental Educational Loan because of the statutory limits. He thought much had changed in economic trends in the previous ten years and mentioned inflation. He asserted that the current statutes had unintentionally adverse actions towards students pursuing loans. He believed that the bill would expand access for Alaskans pursuing education at home and would help achieve the state's educational growth goals. He echoed Mr. Donner's comments about the board being better able to better assess borrower needs.

[10:28:14 AM](#)

Co-Chair Bishop OPENED public testimony.

[10:28:39 AM](#)

AT EASE

[10:28:55 AM](#)

RECONVENED

Co-Chair Bishop CLOSED public testimony.

Senator Wilson asked about refinance loans and qualifying for a higher amount loan than was needed for the balance.

Ms. Efird stated that for refinance loans, the amount was only to cover current loans. The corporation required proof of the outstanding loan balances needed to be refinanced.

Senator Wielechowski asked if there had been any opposition to the bill from the Alaska Bankers Association or banker groups.

Ms. Efird answered in the negative.

Co-Chair Bishop set the bill aside.

SB 94 was HEARD and HELD in committee for further consideration.

Co-Chair Bishop discussed the agenda for the afternoon meeting.

#

ADJOURNMENT

[10:31:47 AM](#)

The meeting was adjourned at 10:31 a.m.