

CSHB

219

SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE 3/23/88

3/1/88  
Mr. President:

Finance Committee considered CSHB 219 (FIN)

transferring and appropriating certain loans, assets, and fund equities to the student loan fund; efd

and recommended

replace with \_\_\_\_\_ CS \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_ )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous

zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*Rich He*  
*Paul Gruber*  
*[Signature]*

*Rick Halford do pass*  
Chairman signature and recommendation

Committee Backup attached

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: 2-26-88  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: 2-26-88  
Title: Appropriating Loan Assets  
Sponsor: Rules/Governor  
Requestor: Senate Finance

Agency Affected: Education  
BRU: Postsecondary Commission/  
Student Loan Corporation  
Components: Student Loan Fund

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

There is no cost associated. The bill merely moves funds from one account to another.

Prepared by: Kerry D. Romesburg, Executive Director Phone: 465-2854  
Division: Alaska Commission on Postsecondary Education Date: 3-14-88

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

Original sponsor: Rules Committee/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
2 CS FOR HOUSE BILL NO. 219 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL

6 For an Act entitled: "An Act transferring and appropriating certain loans,  
7 assets, and fund equities to the student loan fund;  
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. All right, title, and interest in scholarship loans made  
11 under AS 14.43.090 - 14.43.160, together with assets and fund equities held  
12 in the scholarship revolving loan fund (AS 14.43.090) on December 31, 1987,  
13 and remaining in the fund on the effective date of this Act, are trans-  
14 ferred and appropriated to the student loan fund (AS 14.42.210) of the  
15 Alaska Student Loan Corporation.

16 \* Sec. 2. All right, title, and interest in scholarship loans made  
17 under AS 14.43.600 - 14.43.700, together with assets and fund equities held  
18 in the teacher scholarship revolving loan fund (AS 14.43.620) on Decem-  
19 ber 31, 1987, and remaining in the fund on the effective date of this Act,  
20 are transferred and appropriated to the student loan fund (AS 14.42.210) of  
21 the Alaska Student Loan Corporation.

22 \* Sec. 3. All right, title, and interest in scholarship loans made  
23 under AS 14.43.090 - 14.43.160, together with assets and fund equities  
24 held in the scholarship revolving loan fund (AS 14.43.090) on the effective  
25 date of this Act are transferred and appropriated to the student loan fund  
26 (AS 14.42.210) of the Alaska Student Loan Corporation.

27 \* Sec. 4. All right, title, and interest in scholarship loans made  
28 under AS 14.43.600 - 14.43.700, together with assets and fund equities  
29 held in the teacher scholarship revolving loan fund (AS 14.43.620) on the

1 effective date of this Act are transferred and appropriated to the student  
2 loan fund (AS 14.42.210) of the Alaska Student Loan Corporation.

3 \* Sec. 5. The appropriations made by this Act are for capitalization of  
4 a loan fund and do not lapse under AS 37.25.010.

5 \* Sec. 6. Sections 1 - 2 of this Act are retroactive to December 31,  
6 1987.

7 \* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

# STATE OF ALASKA

## ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BILL SHEFFIELD, GOVERNOR

POUCH FP  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2854

March 22, 1988

The Honorable Fred Zharoff  
Alaska State Senate  
P.O. Box V, State Capitol  
Juneau, AK 99811

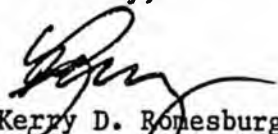
Dear Senator Zharoff:

There has been a great deal of interest in the long-term program effects of issuing bonds for Alaska Student Loans. We finally have a fairly sound picture of what to expect. It has taken some time to get good numbers because of market changes and deciding on how the actual bond issue (structure) should best work. Now we are in a pretty good position to project impacts with some degree of confidence.

Therefore, for your interest, the enclosed table is presented. The results are quite encouraging, and it appears the State is establishing a framework which will provide for the continuation of the Alaska Student Loan Program with a minimum of State General Fund commitment.

If you have any questions or I can be of any help, please let me know.

Sincerely,



Kerry D. Romesburg  
Executive Director

Enclosure

STUDENT LOAN PROGRAM  
PROJECTIONS TO 2011

<u>Loan Year</u>	<u>Loan Volume</u>	<u>Gen. Funds Appropriation</u>	<u>Bond Proceeds</u>	<u>Bond Issue</u>
1987-88	\$72.0	\$15.7	\$41.0	\$80.0
1988-89	72.7	17.0	34.9	--
1989-90	73.5	17.0	26.2	27.6
1990-91	74.2	17.0	22.8	24.0
1991-92	74.9	17.0	18.7	19.7
1992-93	75.7	17.0	10.5	11.1
1993-94	76.4	17.0	5.9	6.2
1994-95	77.2	17.0	.3	.3
1995-96	78.0	9.5	--	--
1996-97	78.8	8.9	--	--
1997-98	79.5	5.9	--	--
1998-99	80.3	3.5	--	--
1999-00	81.1	2.5	--	--
2000-01	81.9	1.9	--	--
2001-02	82.8	2.4	--	--
2002-03	83.6	3.0	--	--
2003-04	84.4	(5.9)	--	--
2004-05	85.3	(6.0)	--	--
2005-06	86.1	(9.3)	--	--
2006-07	87.0	(12.1)	--	--
2007-08	87.9	(14.5)	--	--
2008-09	88.7	(15.8)	--	--
2009-10	89.6	(16.7)	--	--
2010-11	90.5	(16.8)	--	--

Notes:

1. Loan volume growth is limited to 1% per year.
2. Bond issuance costs and debt service are based upon using serial bonds at the current rates.
3. Bonds are only issued for 6 years, and then no further issues are needed.
4. General Funds are only needed through 2003-04, after 2003-04 the program truly revolves and becomes self-supporting.
5. If program changes are made (forgiveness reinstated, borrowing limits raised, loan volume cap increased), the entire projection changes.

# Alaska State Legislature

REPRESENTATIVE  
PAT POURCHOT

HOUSE FINANCE COMMITTEE,  
VICE CHAIR

HOUSE ETHICS COMMITTEE, CHAIR

LEGISLATIVE BUDGET & AUDIT  
COMMITTEE



## House of Representatives

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### CS HB 219 (FIN), TRANSFERRING AND APPROPRIATING CERTAIN LOANS, ASSETS, AND FUND EQUITIES TO THE STUDENT LOAN FUND

Sec. 1 & 3 Appropriate all right, title and interest in student loans, together with assets and equities in the student loan fund, to the Alaska Student Loan Corporation.

Sec. 2 & 4 Appropriate all right, title and interest in teacher scholarship loans, together with assets and equities in the teacher scholarship loan fund, to the Alaska Student Loan Corporation.

Sec. 5 Specifies that the appropriations are for capitalization of a loan fund and do not lapse.

Sec. 6 Retroactivity clause to December 31, 1987 for Sec. 1 and 2 -- "closes the books" for the annual audit. (Sec. 3 and 4 appropriate loans and assets that have accrued to the loan funds since December 31, 1987.)

#### The History

Last year the Legislature, by passage of HB 39, established the Student Loan Corporation and authorized the corporation to issue bonds, the proceeds of which would be used to make student loans. HB 39 also authorized the Postsecondary Education Commission to transfer assets in the scholarship revolving loan fund to the Corporation to serve as coverage for the bonds.

In addition, the Legislature passed HB 298, which appropriated \$56.7 million from the general fund to the Student Loan Corporation to be awarded as loans pending issuance of bonds. Once bonds are issued, HB 298 appropriates \$41 million back to the general fund.

#### The Problem

The bonding team is concerned that the provision in HB 39 authorizing transfer of assets to the Corporation conflicts with Alaska's Constitutional requirement that appropriation bills be separate from substantive law bills. Any doubt regarding the transfer of assets to the Corporation is likely to make bond issuance impossible. If bonds aren't issued, \$41 million will not be returned to the general fund in FY 88, and an additional \$35 million in general funds will need to be appropriated in FY 89.

# Alaska State Legislature

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HOUSE FINANCE COMMITTEE,  
VICE CHAIR

HOUSE ETHICS COMMITTEE, CHAIR

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### CS HB 219 (FIN), AN ACT TRANSFERRING AND APPROPRIATING CERTAIN LOANS, ASSETS, AND FUND EQUITIES TO THE STUDENT LOAN FUND

Appropriates all right, title and interest in student loans and teacher scholarship loans, together with assets and equities in the loan fund, to the Alaska Student Loan Corporation.

#### Rationale

- June 1987 Chapter 92, SLA 87 (HB 39) signed by Governor. Established Alaska Student Loan Corporation and authorized the corporation to issue bonds, the proceeds of which would be used to make student loans. In addition, authorized the Postsecondary Education Commission to transfer assets in the scholarship revolving loan fund to the Corporation to serve as coverage for the bonds.
- Chapter 93, SLA 87 (HB 298) signed by Governor. Appropriated \$56.7 million from the general fund to the Student Loan Corporation to be awarded as loans. Once bonds have been issued, appropriates \$41 million back to the general fund.
- Dec. 1987 Financing team selected by Student Loan Corporation.
- Jan. 1988 Financing team expressed concern that the provision in HB 39 authorizing transfer of assets to the Corporation may conflict with Alaska's Constitutional requirement that state funds be transferred only by appropriation and that appropriation bills be separate from substantive law bills.
- April 1988 Bonds are to be issued. Any doubt regarding the transfer of assets to the Corporation is likely to make bond issuance impossible. If bonds aren't issued, \$41 million will not be returned to the general fund in FY 88, and an additional \$35 million in general funds will need to be appropriated in FY 89.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH FP  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2854

M E M O R A N D U M

TO: The Honorable Pat Pourchot  
----- Alaska State Representative

FROM: Kerry D. Romesburg, Executive Director  
Alaska Commission on Postsecondary Education

DATE: February 16, 1988

The Alaska Student Loan Corporation and the Alaska Commission on Postsecondary Education request the Legislature appropriate the existing scholarship loan fund (AS 14.43.090) and teacher scholarship loan fund (AS 14.43.210) to the newly established student loan fund (AS 14.42.210).

Why? In order to issue bonds for student loans, we need to have an asset base against which the bond collateral is pledged. Without the income stream from the existing portfolio of loans, we cannot issue bonds.

What Happens Without Appropriations? If the portfolio is not transferred--by appropriation. We issue no bonds. If bonds are not issued this Spring, the Legislature does not get back the \$41.0 million from the FY88 student loan appropriation, and we would need an additional \$35.0 million in General Fund for the FY89 student loan program. In other words, not bonding due to lack of portfolio would "cost" about \$76.0 in General Fund if we are to have a student loan program in FY89.

Timeliness of Action. The schedule is to issue bonds the week of May 3, 1988. To do this, we must have a firm bonding proposal to rating agencies the first week of April. This means the question on the status of the portfolio must be settled by mid-March. Any delay in appropriation, delays the bond sale and creates uncertainty as to the awarding of FY89 student loans. (We already have nearly 3,000 FY89 applications in house).

Action Requested. The Corporation and the Commission request the appropriation of these loan accounts as soon as possible. We need to have official audit statements issued and we need to have the official statement for bond issuance prepared. To do these, we must have a firm (without uncertainty) asset base.

WOHLFORTH, FLINT & GRUENING

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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OF COUNSEL  
ROGER G. CONNOR  
RICHARD W. GARNETT, III

February 12, 1988

Representative Pat Pourchot  
P. O. Box V  
Juneau, Alaska 99811

Dear Representative Pourchot:

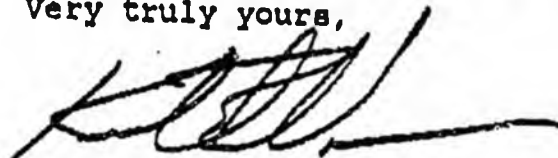
Dr. Kerry Romesburg has asked that we prepare this letter to you explaining why we are seeking an appropriation of the assets in the scholarship revolving loan fund (AS 14.43.090) to the student loan fund (AS 14.42.210). In its passage of SCS CSHE 39(Fin) (which became Chapter 92 SLA 1987), the Legislature included, as substantive law, a grant of power to the Alaska Commission on Postsecondary Education to sell or assign these assets to the Alaska Student Loan Corporation (see AS 14.43.090(d) as enacted in Section 4, Chapter 92 SLA 1987).

After the creation of the Alaska Student Loan Corporation and the creation of a financing team to serve that corporation, a review of the substantive law provision as to sale or assignment of the assets referred to above led to some concern with respect to the constitutional requirements that (i) state moneys be withdrawn from the state treasury only pursuant to an appropriation, and (ii) appropriations bills remain separate from substantive law bills.

We believe that the substantive law provisions contained in Chapter 92 SLA 1987 are probably sufficient of themselves and comply with state constitutional requirements. However, much careful consideration by the various members of the financial team make it clear that a reasonable argument can be made that an appropriation of these assets is required under our constitution. The availability of these assets free of any doubt as to the validity of their transfer to the Student Loan Corporation is fundamental to the successful conclusion of the corporation's proposed bond issuance. Therefore, any reasonable doubt in this area is likely to make such bond issuance impossible.

Obviously, passage of the proposed appropriation at the earliest time possible is important to permit the proposed bond issuance to proceed in a timely fashion. We appreciate your consideration of this request, and I am very happy to talk with you or your staff at any time if there are any further questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'K. E. Vassar', with a long horizontal flourish extending to the right.

Kenneth E. Vassar