

SB

270

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 24, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/25/00

The FINANCE Committee considered:

SB 270

SENATE BILL NO. 270

STUDENT LOAN CORP PAYMENTS TO STATE

"An Act relating to return of contributed capital, or payment of a dividend, to the state by the Alaska Student Loan Corporation; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ [] the same title [] a new title

[] additional referral to _____ Committee [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 [] fiscal note(s) _____ [] fiscal note(s) _____

[] zero fiscal note(s) _____ [] zero fiscal note(s) AK STUDENT LOAN CORP. 2/11/00

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Con Bunde</i>	Bunde			✓	
<i>Alan Austin</i>	Austinman	X			
<i>Ben Grossindat</i>	Grossindat	X			
<i>Carol E. Moses</i>	Moses	X			
<i>John G. Davis</i>	G. Davis	X			
<i>W.B. Williams</i>	Williams			X	
<i>Phil Phillips</i>	Phillips	✓			
<i>[Signature]</i>	Foster	X			

Vice CHAIR'S SIGNATURE *Con Bunde*
 Bunde

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

No. 1
Bill Version: SB 270
(S) Publish Date: 2-11-00

Revision Date/Time (Note if correction) _____ Dept. Affected EED
Title An Act relating to return of contributed capital, or payment BRU ACPE
of dividend, to the state by the Alaska Student Loan Corpora... Component Alaska Student Loan Program
Sponsor Rules Committee
Requester Governor Component No. 18010

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Based on current projections, the payment for FY01 could be between \$.6 million and \$2.2 million, and future years would vary in accordance with the statutory provisions and future net income amounts.

Prepared by: Donna Mayfield, Exec. Secretary Phone 465-6740
Division Exec. Office Date/Time 2/10/00 9:30 a.m.
Approved by Executive Officer *Diane Barrans*, Diane Barrans Date 2/10/2000
Agency ACPE/ALASKA STUDENT LOAN CORPORATION

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TONY KNOWLES
GOV. 1995-2006
2000-2006

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

RECEIVED
FEB 11 2000
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AK-270

February 10, 2000

The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:


Since 1995, the Alaska Student Loan Corporation has transformed the loan program from an operation posting a \$7 million annual loss to one with a \$6.3 million net income. The exceptional success of the corporation means it is now able to pay dividends back to the state as a return of the capital contributed in 1987 when the corporation was created.

This bill I transmit today provides for the corporation to issue annual payments to the state in years when the corporate net income is at least \$2 million. The payment would be between 10 and 35 percent of the net income, subject to provisions of applicable bond indentures of the corporation.

A fitting use for the dividend income would be to fund the Alaska Scholars Program. This scholarship program at the University of Alaska rewards the top high school students in our state and offers them an opportunity to continue their higher education. The program is estimated to reach a cost of about \$3.6 million and will need general fund support by fiscal year 2002.

Alaska students have reaped great benefits from the state's student loan program. Now that the program can repay some of that investment to the state, we should continue to invest it right back into the education of our young adults. I urge your prompt and favorable action on this measure to receive payments from the Alaska Student Loan Corporation and the intent to use these receipts to fund the Alaska Scholars Program.

Sincerely,


Tony Knowles
Governor

STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
PHONE (907) 465-6740
FAX (907) 465-3293

April 19, 2000

VIA FACSIMILE TRANSMISSION

The Honorable Sean Parnell, Co-Chair
Finance Committee
Alaska State Senate
State Capitol, Room 518
Juneau, Alaska 99801-1182

The Honorable John Torgerson, Co-Chair
Finance Committee
Alaska State Senate
State Capitol, Room 516
Juneau, Alaska 99801-1182

The Honorable Eldon Mulder, Co-Chair
Finance Committee
Alaska House of Representatives
State Capitol, Room 507
Juneau, Alaska 99801-1182

The Honorable Gene Therriault, Co-Chair
Finance Committee
Alaska House of Representatives
State Capitol, Room 511
Juneau, Alaska 99801-1182

Re: HB373 and SB270

Dear Senate and House Finance Committee Co-Chairs:

I am writing to request your support for passage of HB373 and SB270, an Act relating to return of contributed capital, in this 21st Session of the Alaska Legislature.

I am convinced that passage of this legislation in the current session is critical to insure that relevant proposed appropriation mechanisms in the State FY01 Operating

Senate and House Finance Committee Co-Chairs
April 19, 2000
Page - 2 -

Budget do not inadvertently harm the Alaska Student Loan Corporation or the customers we serve.

In developing the budget proposal, both House and Senate staff did work with the Corporation to insure that the amount of Corporation funding appropriated to pay for unrelated government operations could be accommodated by the Corporation and fell within the parameters of HB373 and SB270. It was clear that we have a shared interest in the continuing well being of the Alaska Student Loan programs, and I am very appreciative of that consideration.

However, I must convey to you that unless this legislation is passed in the current session, there will likely be negative impacts as a result of this year's budget structure. Once the Corporation board endorsed the concept of beginning to return contributed capital to the State, legislative language was developed and discussed with both our bond insurer and the rating agencies that rate our bonds. These meetings were positive, and these entities viewed the bill's approach as a reasonable and conservative method for the Corporation to return contributed capital to the ASLC's original financing source.

My hope is that our shared commitment to the continued financial improvement for the Corporation can extend to supporting this legislation. Because of the troubled financial history of the Corporation, both the rating agencies and the bond insurer scrutinize events and issues that impact or are of importance to this agency. Additionally, any legislation relating to the Corporation or its programs are described in the Official Statement produced for each bond issue. Failure to support this legislation, in conjunction with the budgetary appropriation of Corporation receipts, will be interpreted as a rejection of the measured approach to returning contributed capital contained in this bill.

While I have been very pleased to share with you the recent successes of this public corporation, I must point out that this positive trend is relatively short-lived and fragile. The Corporation's ratings upgrade is not yet a year old and the reduced bond issuance costs (including the cost of insurance) is a reflection of the recent confidence the financial market has in the management of, and broad-based support for our programs. My objective in seeking your assistance with this legislation is to extend this positive trend and avoid a deterioration that could result in additional cost to the Corporation or our customers.

Senate and House Finance Committee Co-Chairs
April 19, 2000
Page - 3 -

Thank you in advance for your consideration of this matter, and, of course, I am available to discuss it further at your convenience.

Sincerely,



Diane Barrans
Executive Officer

DB/dm

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

No. 1
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(S) Publish Date: 2-11-00

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of dividend, to the state by the Alaska Student Loan Corpora... Component Alaska Student Loan Program
Sponsor Rules Committee
Requester Governor Component No. 18010

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Based on current projections, the payment for FY01 could be between \$.6 million and \$2.2 million, and future years would vary in accordance with the statutory provisions and future net income amounts.

Prepared by: Donna Mayfield, Exec. Secretary Phone 465-6740
Division Exec. Office Date/Time 2/10/00 9:30 a.m.
Approved by Executive Officer *Diane Barrans*, Diane Barrans Date 2/10/2000
Agency ACPE/ALASKA STUDENT LOAN CORPORATION

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TONY KNOWLES
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

PLEASE RETURN TO
STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU, ALASKA 99801-1182

2/10/00

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Division Exec. Office
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Agency ACPE/ALASKA STUDENT LOAN CORPORATION

Phone 465-6740
Date/Time 2/10/00 9:30 a.m.
Date 2/10/2000

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2000

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JUNEAU

February 10, 2000

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Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:

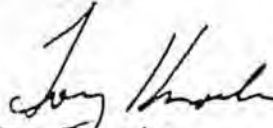
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