

**SB**

**270**



**LEGISLATIVE INFORMATION OFFICE**

PO Box 1189  
Room 210, Jarvis Office Center  
Delta Jct., AK 99737  
Phone: 895-4236 Fax: 895-5017

**MEMORANDUM**

**DATE:** March 30, 2000  
**TO:** Senate State Affairs Committee

**FROM:** Jackie W. Becker *JWB*  
Assistant Legislative Information Officer

**SUBJECT:** Testimony Sheets for Senate State Affairs Committee Hearing 3/30/00

Please accept the enclosed original(s) of written testimony for the Senate State Affairs Committee hearing that was scheduled for 3/30/00.

Copies of this testimony were transmitted by fax on 3/30/00.

Thank you.

Enclosures: 1



# Alaska State Legislature

Please enter into the record my testimony to the SENATE STATE AFFAIRS COM.  
committee on SB270, dated March 29, 2000  
bill/subject committee name

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Signed:

Diana Stetjety  
Testifier

Sally  
Representing (Optional)

HC 60, Box 4192, Delta Junction, Ak. 99737  
Address

895-4330  
Phone No.

# STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

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

February 17, 2000

VIA FACSIMILE TRANSMISSION

The Honorable Jerry Ward  
State Senate  
Chairman  
State Affairs Committee  
Room 423  
Senate Capitol  
Juneau, Alaska 99801

Re: SB 270

Dear Senator Ward:

On behalf of the Alaska Student Loan Corporation, I am writing to request that SB270, the Alaska Student Loan Corporation's bill to return contributed capital to the state, be considered for scheduling before the State Affairs Committee.

Please feel free to contact me at 465-6740 if there is anything further you need from me.

Sincerely,



Diane Barrans  
Executive Director

DB/dm

Enclosure

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Diane Barrans  
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Enclosure

**Subject: SB 270**

**Date:** Thu, 17 Feb 2000 16:30:35 -0900

**From:** "Donna Mayfield" <donna\_mayfield@acpe.state.ak.us>

**To:** <Loretta\_Brown@legis.state.ak.us>

Loretta, hated to call you back again when I know your phone is so busy. Can you tell me if SB 270 (dividend to state on capital investment in Corporation) has been scheduled for a hearing in State Affairs? Ms. Barrans would like to make herself available to you or Senator Ward in case you have any questions regarding this bill. If you think it would be helpful for her to meet with you, please let me know.

Thank you for your consideration.

# 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 EEI  
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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

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CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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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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Alaska Student Loan Corporation  
Statement of Projected Revenues and Expenses  
by Fiscal Year

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Interest income on student loans	30,371,736	29,892,946	30,287,823	30,583,561	31,314,503
Provision for loan loss and forgiveness	(6,500,000)	(6,500,000)	(6,500,000)	(6,500,000)	(6,500,000)
Operating expenses and collection fees	(7,900,000)	(7,900,000)	(7,900,000)	(7,900,000)	(7,900,000)
Operating income	<u>15,971,736</u>	<u>15,492,946</u>	<u>15,887,823</u>	<u>16,183,561</u>	<u>16,914,503</u>
Investment interest income	11,480,287	11,190,752	11,280,404	10,777,420	10,507,200
Bond interest expense	(21,601,665)	(22,156,441)	(22,380,074)	(21,983,863)	(21,727,682)
Amort. of bond discounts	(308,000)	(275,000)	(205,000)	(137,000)	(71,000)
Amort. of bond issue costs	(870,000)	(890,000)	(910,000)	(930,000)	(950,000)
Net income	<u>4,672,358</u>	<u>3,362,257</u>	<u>3,673,153</u>	<u>3,910,118</u>	<u>4,673,021</u>
Net income before return of capital (ROC)	<u>4,672,358</u>	<u>3,417,808</u>	<u>3,827,915</u>	<u>4,142,921</u>	<u>4,979,025</u>
Base year net income	-	6,348,663	4,672,358	3,362,257	3,673,153
10% ROC	-	634,866	467,236	336,226	367,315
35% ROC	-	2,222,032	1,635,325	1,176,790	1,285,603
Net equity increase/(decrease) (35% return)	<u>-</u>	<u>4,126,631</u>	<u>3,037,033</u>	<u>2,185,467</u>	<u>2,387,549</u>

\*\* Assumes 8% rate on all new loan fundings.

## NOTES TO STATEMENT OF PROJECTED REVENUES AND EXPENSES

**Interest income on student loans** is projected using the cashflow information prepared by Salomon Smith Barney (SSB) for the Series 1999A bond transaction and an assumed new loan funding level of \$65 million per year bearing an 8% interest rate. The SSB cashflows include the effect of a 17% default rate with all defaults occurring in the first three years of those cashflows. A default rate of 14% has been used for the new loan fundings as the SSB approach is very conservative and all new loans include certain credit enhancement provisions (i.e. borrower credit checking, etc.). Permanent fund dividend receipts (PFD) are assumed to be \$13 million for each year. PFD's are allocated between principal and interest using a 60/40 split.

**Provision for loan loss** is estimated using the 14% default rate less the loan origination fee. A **forgiveness** component of \$650,000 is also included.

**Operating expenses and collection costs** remain flat. Collection costs are expected to decline in future years. It's assumed that the collection cost decrease offsets the cost of living increase in operating expenses.

**Interest income on investments** is calculated on the using an average rate of 5%.

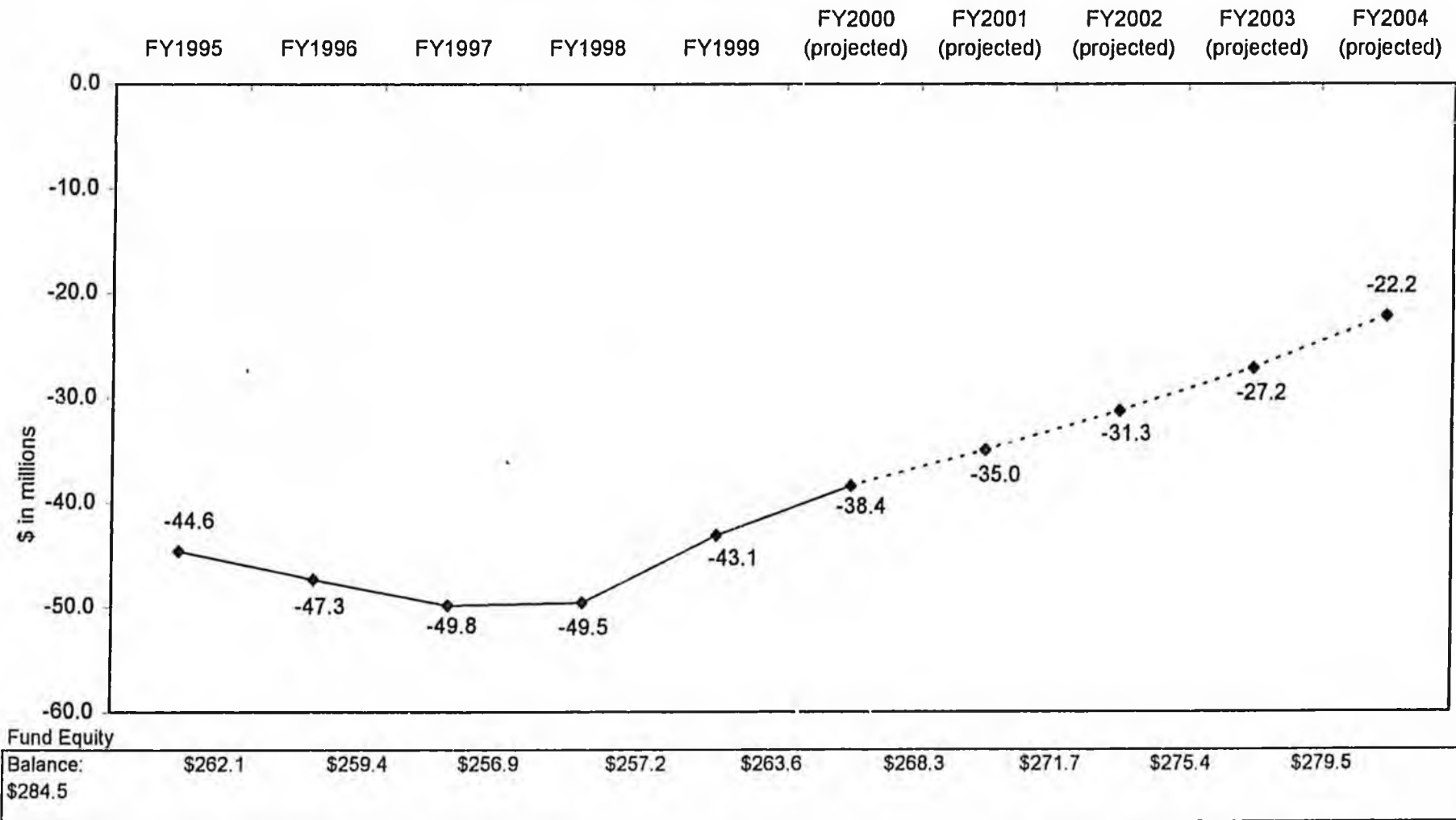
**Interest expense on bonds** includes the following new issues:

- \$40 million estimated to close 6/2000
- \$30 million estimated to close 6/2001
- \$23 million estimated to close 6/2002
- \$40 million estimated to close 6/2003

**Amortization of bond discounts/premiums** assumes that all future bonds are issued at par, therefore, no additional discount or premium to be amortized is included.

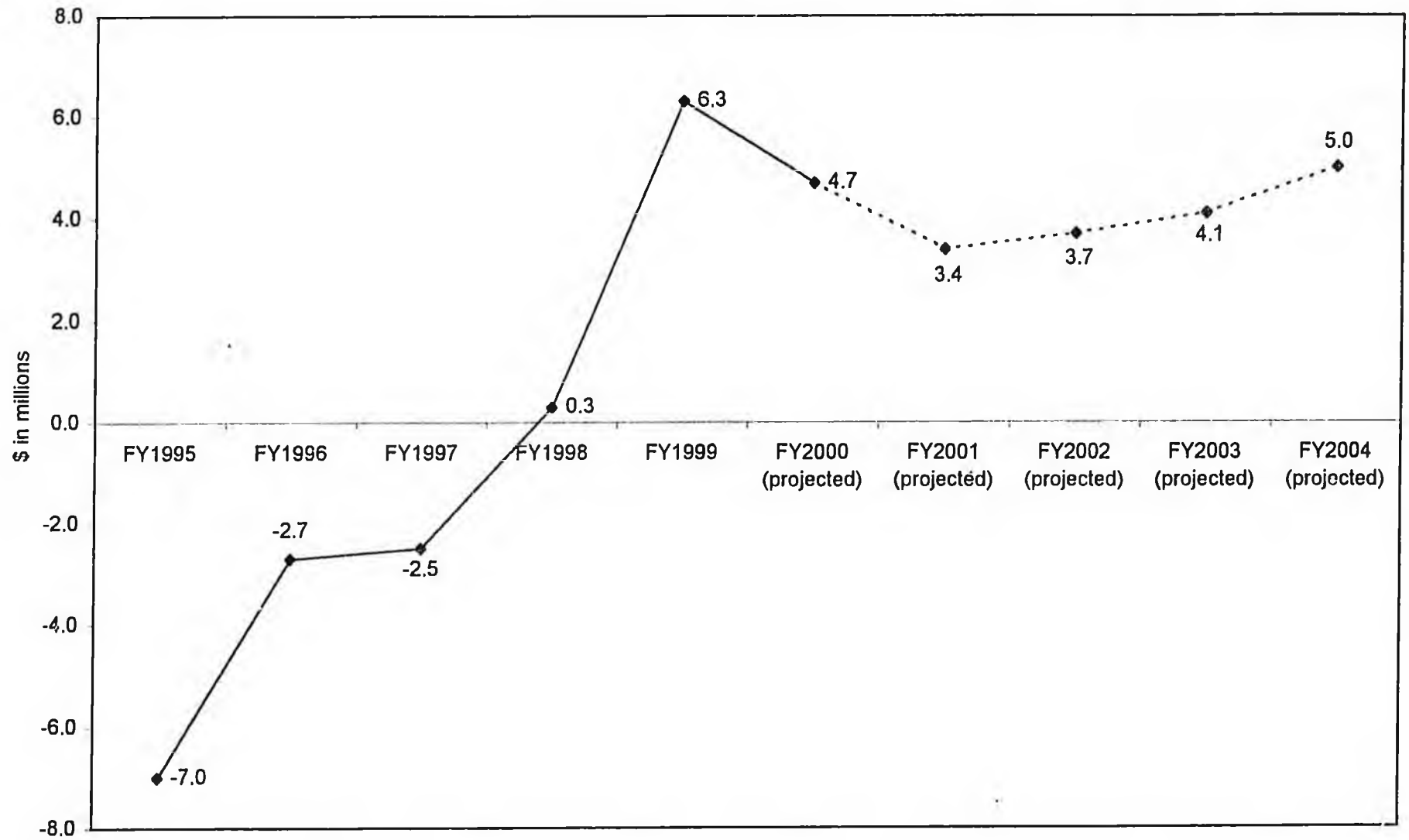
**Amortization of bond issue costs** is assumed to increase by \$20,000 each year.

## Alaska Student Loan Corporation Accumulated Deficit of Fund Equity\*



\*In 1987, the Legislature transferred assets valued at \$360 million in the form of student loans to the Corporation in order to establish the student loan fund.

### Alaska Student Loan Corporation 10-Year Income/Loss Trend



TONY KNOWLES  
GOVERNOR  
governor@gov.state.ak.us

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

P.O. Box 11000  
Juneau, Alaska 99811-0000  
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2/27/00

February 10, 2000

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

Dear President Pearce:

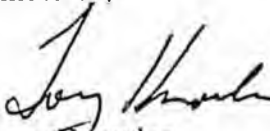
Since 1995, the Alaska Student Loan Corporation has transformed the loan program from an operation posting a \$7 million annual loss to one with a \$6.3 million net income. The exceptional success of the corporation means it is now able to pay dividends back to the state as a return of the capital contributed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



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committee on SB270 committee name  
bill/subject \_\_\_\_\_, dated March 29, 2000.

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Signed:

Diana Hotz  
Testifier

Self  
Representing (Optional)

HC 60, Box 4192, Delta Junction, Ak. 99737  
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895-4330  
Phone No.



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Signed:

Diana Stodolny  
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Signed: Diana Stedje  
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Self  
Representing (Optional)  
HC 60, Box 4192, Delta Junction, Ak. 99737  
Address  
895-4330  
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# 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)  
Title An Act relating to return of contributed capital, or payment of dividend, to the state by the Alaska Student Loan Corpora...  
Sponsor Rules Committee  
Requester Governor

Dept. Affected EED  
BRU ACPE  
Component Alaska Student Loan Program  
Component No. 18010

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**ANALYSIS:** (Attach a separate page if necessary)  
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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  
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OFFICE OF THE GOVERNOR  
JUNEAU

4-270

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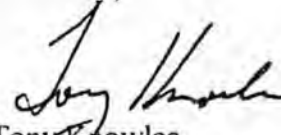
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W-270

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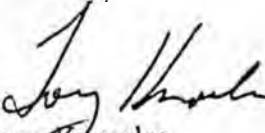
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Division Exec. Office Date/Time 2/10/00 9:30 a.m.  
Approved by Executive Officer *Diane Barrans* Date 2/10/2000  
Agency ACPE/ALASKA STUDENT LOAN CORPORATION

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February 10, 2000

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

Dear President Pearce:

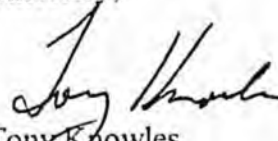
Since 1995, the Alaska Student Loan Corporation has transformed the loan program from an operation posting a \$7 million annual loss to one with a \$6.3 million net income. The exceptional success of the corporation means it is now able to pay dividends back to the state as a return of the capital contributed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