

HB

43

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 43(EDU)
(H) Publish Date: 2/16/01

Revision Date/Time (Note if correction): 2/14/01 4:20 PM Dept. Affected: Education
Title: An Act relating to forgiveness of certain loans; and BRU: ACPE
providing for an effective date. Component: Student Loan Operations
Sponsor: Rep. Green
Requester: (H) HESS Component Number: 213

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous		85.0	170.0	254.9	339.9	424.9
TOTAL OPERATING	0.0	85.0	170.0	254.9	339.9	424.9

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		85.0	170.0	254.9	339.9	424.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	85.0	170.0	254.9	339.9	424.9

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation prospectively changes the terms and conditions of loans issued under the Alaska Student Loan Program to allow for a reimbursement of loan principal and interest for a borrower, under certain conditions.

Alaska Student Loans are made available through the sale of bonds issued and subject to the terms of a Trust Indenture. Bond covenants would prevent use of corporation cash to fund the reimbursement proposed.

Operationally, a data management process would need to be developed and staff designated to track the employment status of borrowers remaining or returning to Alaska.

To estimate the cost of this legislation, loan originations are assumed to be \$50,000,000 each year beginning with the 2001-2002 academic year. A percentage of eligible borrowers was estimated based on the number of Alaska teachers currently in repayment of an Alaska Student Loan. The costs shown assume 50% of eligible borrowers would teach in qualifying positions. Because this legislation, as amended, focuses the benefits of the forgiveness program on individuals who teach in designated shortage areas (either geographically or educational specialization), cost estimates must be considered very speculative.

Prepared by: Sheila King, Finance Officer Phone 465-6757
Division: Finance Date/Time 2/14/01 4:20 PM
Approved by: Diane Barrans, Executive Officer Date 2/14/2001
Agency: Alaska Commission on Postsecondary Education

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2/13/01

Adopted 4/28/01

CS FOR HOUSE BILL NO. 43()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES GREEN, Kerttula

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to forgiveness of certain student loans; and providing for an effective
2 date."

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

4 * Section 1. AS 14.43 is amended by adding a new section to read:

5 Sec. 14.43.142. Loan forgiveness of loans made to borrowers employed as
6 public school teachers. (a) Except as provided under (b) of this section, the state
7 shall forgive a loan made to a borrower who has received a teaching degree or credit
8 hours necessary to obtain a teaching certificate or endorsement from a college or
9 university located in this state, is employed as a teacher at a public elementary or
10 secondary school, is employed within a geographically underserved area of the state or
11 is employed in the state to teach a subject for which there is a shortage of teachers, and
12 has complied with AS 14.43.120. The amount to be forgiven under this section is the
13 payments to be made by the borrower for a loan made under AS 14.43.110 equal to
14 the following percentages of the total loan received plus interest up to a total of 100

1 percent of the total loan plus interest:

2 (1) one year employment as described in this subsection, 15 percent;

3 (2) two years employment as described in this subsection, an
4 additional 17.5 percent;

5 (3) three years employment as described in this subsection, an
6 additional 20 percent;

7 (4) four years employment as described in this subsection, an
8 additional 22.5 percent;

9 (5) five years employment, an additional 25 percent.

10 (b) This section does not apply to a loan under AS 14.43.110 given to a
11 borrower who has fewer than 60 hours of credit at a college or university.

12 (c) The loan amount forgiven under this section may not exceed the loan
13 balance due to the state. Notwithstanding any other provision of law, while

14 (1) a person's loan is being forgiven by the state under (a) of this
15 section, that person may not receive forgiveness of a loan under any other provision of
16 this chapter; and

17 (2) a person is qualified for forgiveness under this section a borrower's
18 obligation to commence repayment of the principal and interest on the loan is
19 suspended.

20 (d) For purposes of (a) of this section, the commission shall determine the
21 areas in this state that are geographically underserved or the subject areas that have a
22 shortage of teachers.

23 (e) Forgiveness under (a) of this section is subject to appropriation by the
24 legislature. Money obtained from the sale of bonds by the Student Loan Corporation
25 under AS 14.42.220 may not be appropriated for the payment of forgiveness of loans.

26 * Sec. 2. The uncoded law of the State of Alaska is amended by adding a new section to
27 read:

28 **APPLICABILITY.** This Act applies to loans entered into on or after July 1, 2001, and
29 to a person's employment that occurs on or after July 1, 2001.

30 * Sec. 3. This Act takes effect July 1, 2001.

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2001 LEGISLATIVE SESSION

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Operationally, a data management process would need to be developed and staff designated to track the employment status of borrowers remaining or returning to Alaska.
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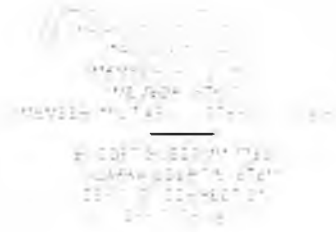
Prepared by: Sheila King, Finance Officer Phone 465-6757
Division: Finance Date/Time 2/14/01 4:20 PM
Approved by: Diane Parrans, Executive Officer Date 2/14/2001
Agency: Alaska Commission on Postsecondary Education

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Representative Joe Green
District 10

SPONSOR STATEMENT -

HB 43

"An Act relating to forgiveness of certain student loans"

Alaska is facing a serious shortage of qualified teachers in both rural and urban areas. This shortage affects the quality of education for our young people, and in turn, jeopardizes their ability to meet the challenges that lay ahead of them.

CSHB 43 is being introduced as a method to attract and retain education professionals. In addition to attracting qualified teachers, it provides an incentive for individuals to attend a college or university located within the state of Alaska.

To be eligible for the forgiveness program an individual must:

1. Have completed 60 credit hours.
2. Obtain a degree or take coursework towards a teaching certificate or endorsement from an in-state college or university.
3. Be employed in the teaching profession at a public elementary or secondary school.
4. Teach in a geographical area where there is a shortage or in a subject matter that is underserved.

The amount forgiven would be up to 100% on any loan taken after the individual had accumulated the 60 credit hours.

Passage of this bill should ease the financial burden of post-secondary education, aide the recruitment efforts for teachers by making Alaska a more desirable place for teachers to stay and earn a living, and it should make significant strides in relieving the current teacher shortage in Alaska.