

**HB**

**54**

HFIN

FILE

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 54(EDU)  
 (H) Publish Date: 2/16/01

Revision Date/Time (Note if correction): 2/14/01/4:00PM  
 Title: An Act relating to the rate of interest applicable to student loans; and providing for an effective date. BRU: Education  
 Sponsor: Rep. Davies Component: ACPE  
 Requester: (H) HESS Component Number: 213  
 Component: Student Loan Operation

**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	0.0	177.6	360.8	549.5	743.5	942.3
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>177.6</b>	<b>360.8</b>	<b>549.5</b>	<b>743.5</b>	<b>942.3</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	177.6	360.8	549.5	743.5	942.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>177.6</b>	<b>360.8</b>	<b>549.5</b>	<b>743.5</b>	<b>942.3</b>

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 Program to allow for an interest rate reduction for any borrower who has completed a career education program or received an undergraduate degree and is employed within the state.

ASB54 recognizes that 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 in 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. Based on 35% eligibility, two scenarios are provided to show funding requirements for a 50 basis point and 100 basis point reduction as provided in this legislation. Costs shown above are the more conservative estimates of 100 basis points.

Prepared by: Sheila King, Finance Officer Phone 465-6757  
 Division: Finance Date/Time 2/14/01 4:00 PM  
 Approved by: Diane Barrans, Executive Director Date 2/14/2001  
 Agency: Alaska Commission on Postsecondary Education

For distribution information, call the Governor's Legislative Office

ANALYSIS: (continued)

\*Estimate of funds required to fund the interest rate reduction on loans originated on or after July 1, 2001, assuming \$50 million in new loans issued each year :

Assumes 35% eligibility:

	2002	2003	2004	2005	2006	2007
50 basis point reduction	0.0	89.0	181.3	276.9	375.6	477.5
100 basis point reduction	0.0	177.6	360.8	549.5	743.5	942.3

Based on these assumptions, the costs would peak at year 15 (2017) at \$1.6 million (50 basis points)/ \$2.9 million (100 basis points).

# Alaska State Legislature

Legislative Committees:  
House Finance Committee

Legislative Budget Subcommittees:  
University of Alaska  
Department of Natural Resources  
Department of Environmental Conservation



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While in Session  
State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-4457  
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Representative John Davies  
District 29

## Sponsor Statement CSHB 54

This legislation is designed to encourage Alaskans to live and work in Alaska after graduating from a post-secondary school or university. Our student loan program has the unintended effect of encouraging the brain-drain from Alaska by helping to finance our students who attend out-of-state schools. Since students are likely to gain employment near the school from which they graduate, by helping them study outside, we help them stay outside.

This bill provides a financial incentive for students to stay in or return to Alaska by offering a reduced interest rate on their student loan if they choose employment in Alaska after graduation. As long as a person remains in Alaska the lower rate would be in effect; so the longer the residence, the greater the benefit. It is expected that the present level of capitalization of the student loan program could finance this lower interest rate. While it may reduce or eliminate the dividend that the program pays to the general fund, it would not require any other general fund subsidy.

This incentive will encourage our students to seek employment in Alaska. After investing in 12 or more years of education for our children, we should encourage them to utilize their skills and talent close to home. This will provide a more stable work force and help to keep families closer together.



# LEGAL SERVICES

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## MEMORANDUM

January 30, 2001

**SUBJECT:** Sectional Summary of HB 54 - student loans.

**TO:** Representative John Davies  
Attn: Amy

**FROM:** Michael F. Ford *MFF*  
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Technical amendment.

Section 2. Provides for a reduced interest rate for individuals who receive a student loan and who return to work in Alaska. Requires the Commission on Postsecondary Education to determine the exact interest rate. Provides that a reduced rate of interest may not be granted if the reduction affects administration of the student loan program.

Section 3. Provides that the Act applies to loans and to employment occurring after July 1, 2001.

Section 4. Effective date.

MFF:glc  
01-076.glc

Alaska Student Loan partial forgiveness bill

**Subject: Alaska Student Loan partial forgiveness bill**

**Date: Sat, 27 Jan 2001 12:07:45 EST**

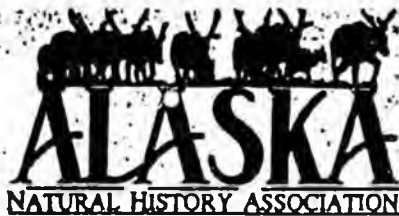
**From: Astridrider@aol.com**

**To: Representative\_John\_Davies@legis.state.ak.us**

Rep. Davies,

I support your efforts to offer incentives to people in all professions regarding the forgiveness clause in keeping qualified people in the State of Alaska. In our case, our son will graduate from college this coming May and is applying to Medical Schools. He has expressed a desire to stay in Alaska upon graduation. I do not know how your bill applies to graduate students, but I do think what you are trying to accomplish is indeed a worthwhile effort.

Sincerely,  
Mrs. Patrick Rider



Alaska Public Lands Information Center  
250 Cushman Street, Suite 1A, Fairbanks, AK 99701  
(907) 456-0530

Jennifer Bell  
Branch Manager  
January 24, 2001

Fairbanks Representative John Davies  
1998 Kittiwake Dr.  
Fairbanks, AK 99709

Dear Mr. Davies;

My name is Jennifer Bell and I am a 21-year-old Business Administration major at UAF with an emphasis on Management and Organizations. I am writing this letter in support of your House Bill 54, which deals with rewarding Alaska students who graduate and remain in Alaska to work. I was very excited to read of your proposal in last Thursday's Daily News-Miner (January 18) as I think it is an excellent idea. I will be graduating in May of this year and have had no intention whatsoever of remaining here to work. I have already had several excellent job leads in places such as Phoenix and Dallas, and fully intended to accept a position once I graduated. Once I read the article, though, I really began to think about my job opportunities here in the state. I immediately got on the Internet and searched for jobs in Alaska and found several potential positions. Your bill would definitely encourage me to remain here and use my skills and education to better Alaska, rather than taking them to the Lower 48. I firmly believe that the incentive would be great for many other students also, and that the cost would be far outweighed by the advantage that it would bring to Alaska. I hope that the House Special Committee on Education takes your proposal seriously and that House Bill 54 will pass. If I can be of any help on the matter please let me know. Thank you for your time.

Sincerely,

Jennifer Kathleen Bell

**Subject: Alaska Student Loans**

**Date: Sat, 3 Feb 2001 13:59:00 -0900**

**From: "Action Rehab" <rehab@alaska.net>**

**To: <Representative\_John\_Davies@legis.state.ak.us>**

**CC: "Stephanie Yates" <syates10@hotmail.com>**

Dear Mr. Davies,

Currently I am not in Fairbanks (I'm in Juneau working), however I am a registered voter of Fairbanks. My parents have informed me that you have headed up a bill this legislative session that addresses student loans.

I attended UAF for my undergrad degree. Afterwards I had to attend an out-of-state college to receive my Master's in Physical Therapy, since this program is not offered in our state. To attend that program, I paid out-of-state tuition and acquired a large student loan debt, for which AK Student Loan holds \$25,000 of that debt. I began paying on this loan as of 1-00 with one of my loans charging a 9% interest rate. My question is if a bill is passed to decrease the interest rate charged on student loans, would it only encompass student loans that are taken out after 7-01-01 or would it also change current loans?

My concern in this matter is that if this bill does not address current loans that we are not adequately serving our recently higher educated population. While I was in high school, the complete forgiveness of student loans was overturned and if we now enact legislation for future loans, we are not addressing the concerns of students educated over the past ten years. In addition, the bill seems to only address undergrad programs. I feel that our state's university system lacks professional programs for medical professions (including physical therapy) therefore our students must go out of state to receive this education, which is typically beyond an undergrad degree. We need to create incentives for our professionals to come back to our State because we need these students/professionals. In essence, I feel a bill of this nature should reduce the interest for all students currently paying or who will be paying on AK student loans in the future. In addition, the bill should allow this rate to be effective for loans taken out for undergrad and graduate programs. Thank you for your time.

Sincerely,  
Stephanie Yates  
1150 Ivy Drive  
Fairbanks, AK 99709  
907-479-8031

**Subject: Re: support hb 54**

**Date: Thu, 15 Mar 2001 23:53:22 EST**

**From: Elfincoho@aol.com**

**To: Representative\_John\_Davies@legis.state.ak.us**

<< To: representative\_john\_davies@legis.state.ak.us >>

I am writing to voice my support to house bill 54. I have one child in college here in Alaska and two more in high school. All the help we can get to afford to better educate our children is needed. Thank you Shirley Perkins Elfin Cove, Alaska

**Subject: support hb 54**

**Date: Thu, 15 Mar 2001 13:48:26 -0900**

**From: "Elizabeth S. Piedra" <fsespl@uaf.edu>**

**To: "representative\_john\_davies@legis.state.ak.us" <Representative\_John\_Davics@legis.state.ak.us:  
MERCEDES PIEDRA <MERCEDES\_PIEDRA@mte.educ.state.ak.us>,  
"Elfincoho@aol.com" <Elfincoho@aol.com>**

Thanks Representative Davies!

As an Alaskan student I have a lot to gain from any help paying for college. Although a 50% forgiveness bill sounded great, this is appreciated and although I couldn't base myself in Alaska just for this money, since I'm already here... I won't say no!

Who else can I email support for this bill to?

THANKS, Elizabeth Piedra