

HB

204



Health, Education, and Social Services Committee
Alaska State Legislature
House of Representatives

We the undersigned agree to waive House Bill 204 from our House Health, Education, and Social Services Committee:

House Bill 204, a bill creating the Alaska Advantage Program

Date: April 4, 2001

Representative Fred Dyson, Chair

Handwritten signature of Fred Dyson in cursive, written over a horizontal line.

Representative Peggy Wilson, Vice Chair

Handwritten signature of Peggy Wilson in cursive, written over a horizontal line.

Representative Sharon Cissna

Handwritten signature of Sharon Cissna in cursive, written over a horizontal line.

Representative John Coghill

Handwritten signature of John Coghill in cursive, written over a horizontal line.

Representative Reggie Joule

Handwritten signature of Reggie Joule in cursive, written over a horizontal line.

Representative Vic Kohring

Handwritten signature of Vic Kohring in cursive, written over a horizontal line.

Representative Gary Stevens

Handwritten signature of Gary Stevens in cursive, written over a horizontal line.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB204
(H) Publish Date: 4/4/01

Revision Date/Time (Note if correction): 4/3/2001 10:00 Dept. Affected: Education
Title: An Act relating to the ACPE and the ASLC relating BRU: ACPE
to the student financial aid programs and the financing of those... Component: Student Loan Operations
Sponsor: Rules Committee
Requester: (H)EDU 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	135.6	250.6	256.9	263.3	269.9	276.6
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	135.6	250.6	256.9	263.3	269.9	276.6

CAPITAL EXPENDITURES	135.6	250.6	256.9	263.3	269.9	276.6
-----------------------------	--------------	--------------	--------------	--------------	--------------	--------------

CHANGE IN REVENUES ()		4,502.0	8,440.5	12,160.0	15,957.7	22,948.8
-------------------------------	--	----------------	----------------	-----------------	-----------------	-----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	135.6	250.6	256.9	263.3	269.9	276.6
TOTAL	135.6	250.6	256.9	263.3	269.9	276.6

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	2	2				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

ACPE's becoming a federal lender will bring additional revenue through loan guarantees, interest subsidies and special allowance payments. Additional revenues will be used to continue to reduce educational financing costs to our borrowers.

Costs are identified for a total of four Federal Family Education Loan Program (FFELP)-related staff; two in FY2002 and two in FY2003. These positions are critical to ensure success as a federal lender. Compliance with federal requirements is required to retain the guarantee on the FFELP portfolio and to receive reimbursements for loan losses due to death, disability, bankruptcy and default. To assure compliance, a full-time compliance specialist is needed. Entry level for this job class is a Range 18, starting in FY2002. To address AKFFELP-related programming and reporting requirements, an additional programmer/analyst will be needed. Entry level is Range 22, starting in FY2002. Starting in FY2003, an accountant will be needed to facilitate required federal and guarantor reporting. Entry level for this position is Range 16. Also in FY2003, a customer relations specialist is needed to meet

Prepared by: Sheila King, Finance Officer Phone 465-6757
Division: Finance Date/Time 4/3/01 10:00 AM
Approved by: Diane Barrans, Executive Director Date 4/3/2001
Agency: Alaska Commission on Postsecondary Education

For distribution information, call the Governor's Legislative Office

Analysis (continued)

growing demand for on-site financial aid and training and information dissemination at high schools and postsecondary schools around Alaska. Entry level for this position is Range 14. Salary projections include anticipated annual merit increases.

The income figures shown in the Change in Revenues line is a result of four components: 1) the Special Allowance payment provided by the U.S Department of Education (ED) to compensate the lender (ASLC) for fluctuations in interest rates during the year. This special allowance is determined by a formula, but is currently 50 basis points and is calculated based on the lenders volume of federal student loans; 2) The interest subsidy paid by ED on those federal loans whose borrowers qualify for subsidy based on their family income; 3) A 98% loan guarantee on all defaulted federal student loans serviced within the requirements established by ED; and 4) Accrual of interest during the in-school period on non-subsidized and supplemental loans.

It is important to note that these income figures are based on current FFELP rates. Because this bill provides for the ASLC to make below market rates available to its Alaska customers, the end result will be to utilize this positive financial shift as a means to reduce lending rates and allow our borrowers to benefit in the form of reduced borrowing costs.

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1
 Bill Version: HB 204
 (H) Publish Date: 3/22/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Education
 Title: An Act relating to the ACPE and ASLC; establishing BRU: ACPE
the Alaska Advantage Loan Program and the Alaska Supplemental Component: Student Loan Operations
 Sponsor: Rules Committee
 Requester: Governor 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	135.6	250.6	256.9	263.3	269.9	276.6
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	135.6	250.6	256.9	263.3	269.9	276.6

CAPITAL EXPENDITURES	135.6	250.6	256.9	263.3	269.9	276.6
-----------------------------	--------------	--------------	--------------	--------------	--------------	--------------

CHANGE IN REVENUES ()		4,752.6	8,697.3	12,423.2	16,227.4	24,416.2
-------------------------------	--	----------------	----------------	-----------------	-----------------	-----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	135.6	250.6	256.9	263.3	269.9	276.6
TOTAL	135.6	250.6	256.9	263.3	269.9	276.6

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	2	2				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

ACPE's becoming a federal lender will bring additional revenue through loan guarantees, interest subsidies and special allowance payments. Additional revenues will be used to continue to reduce educational financing costs to our borrowers.

Costs are identified for a total of four Alaska Federal Family Education Loan Program (AKFFELP)-related staff; two in FY2002 and two in FY2003. These positions are critical to ensure success as a federal lender. Compliance with federal requirements is required to retain the guarantee on the AKFFELP portfolio and to receive reimbursements for loan losses due to death, disability, bankruptcy and default. To assure compliance, a full-time compliance specialist is needed. Entry level for this job class is a Range 18, starting in FY2002. To address AKFFELP-related programming and reporting requirements, an additional programmer/analyst will be needed. Entry level is Range 22, starting in FY2002. Starting in FY2003, an accountant will be needed to facilitate required federal and guarantor reporting. Entry level for this position is Range 16. Also in FY2003, a

Prepared by: Sheila King, Finance Officer Phone 465-6757
 Division: Finance Date/Time 3/12/01 10:00 a.m.
 Approved by: Diane Barrans, Executive Director *Diane Barrans* Date 3/12/2001
 Agency: Alaska Commission on Postsecondary Education

For distribution information, call the Governor's Legislative Office

Analysis (continued)

HB 204#1

customer relations specialist is needed to meet growing demand for on-site financial aid training and information dissemination at high schools and postsecondary schools around Alaska. Entry level for this position is Range 14. Salary projections include anticipated annual merit increases.

TONY KNOWLES
GOVERNOR

HB 204
P.O. Box 11000
Juneau, Alaska 99811
(907) 586-1100
Fax (907) 586-1105

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 20, 2001

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Porter:

Alaska's student loan program has achieved great success in the past few years. The Commission on Postsecondary Education and the Alaska Student Loan Corporation have turned the program around -- running it in the black for the first time in history and paying a dividend back to the state. This year the dividend payment is \$2.2 million with another \$4 million expected for fiscal year 2002. All of this while serving over 90,000 Alaska student loan customers with \$615 million in loans.

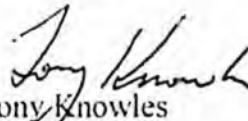
This bill I transmit today establishes the AlaskAdvantage Loan Program, the next step in continuing the growth and financial integrity of the state student loan program. Under this legislation, Alaska would participate in the federal guaranteed student loan program which brings benefits including low interest rates for borrowers and reduced risk to the state through federal loan guarantees.

This bill also creates a supplemental loan program to provide financial assistance in the event the AlaskAdvantage Loan is insufficient to cover education costs or the student does not qualify for assistance under the federal guaranteed student loan program.

This bill will create a one-stop financial aid information center and financial opportunity, guaranty the lowest possible borrowing rates, streamline aid delivery and reduce financial risk to the State through the federal guarantec. This program will also offer expanded options for borrowers with special needs in loan repayment.

At a time when access to quality education is at the forefront of our legislative agenda, I urge your prompt and favorable action on this measure.

Sincerely,


Tony Knowles
Governor