

SCOMM

125:21



**Resolution of the
State Board of Education & Early Development
on
Teacher Loan Forgiveness**

Whereas, quality teachers and administrators are a crucial component for raising student achievement; and

Whereas, Alaska is experiencing a statewide shortage of teachers and administrators; and

Whereas, teacher and administrator turnover is at best disruptive and at worst disabling to education reform, and an especially acute problem in rural Alaska; and

Whereas, the need for committed, quality teachers and administrators has never been greater; and

Whereas, the Alaska Student Loan program serves a valuable public purpose by enabling thousands of Alaska students to attend colleges and universities each year; and

Whereas, Alaska Student Loan Program terms have been higher than those available through private lenders and have only recently been reduced and remain more expensive than those offered by federal loan programs; and

Whereas, the Teacher Scholarship Loan program serves only a limited number of students each year, and those are limited to rural districts; and

Whereas, the Alaska student loan forgiveness program that ended in the 1980s enticed many educated Alaskans to return to our state where, by the time the forgiveness cycle had run its course, those young people had established homes and families; and

Whereas, Alaska Student Loans currently provide no incentive to return to the state after completing a degree; and

Whereas, Alaska benefits when Alaskans return to make their homes in our state; and

Whereas, states all across America are going to great lengths to attract and retain teachers and administrators, offering a wide variety of incentives; and

Whereas, demographic trends make it unlikely that Alaska educational institutions will, even under the best of circumstances, be able to produce more than one third of the teachers our schools need each year; and

Whereas, the investment needed to fund a teacher loan forgiveness program would pay great dividends to Alaska in the form of better schools, teachers, and more capable students;

Now therefore be it resolved: The State Board of Education & Early Development calls upon the Alaska Commission on Postsecondary Education, the Governor, and the Legislature to reinstate a loan forgiveness program for teachers and administrators working under contract in Alaska schools.

Sept. 19, 2000
Date

Susan Stitham
Susan Stitham, Chair



Public School Funding Formula *Educational Adequacy*

FY2002 budget will require \$10.5 million less than the FY2001 foundation formula budget due to increases in required local contribution and federal impact aid funds for a drop in state aid for education of approximately \$29.7 million for the two years. However, the legislature did approve a one-time appropriation in FY2001 of \$6.2 million for Learning Opportunity Grants. The last shift to municipal districts results in

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From FY99 to FY2000 the average teacher salary in Alaska increased less than 1%. This reflects the smallest increase in average teacher salary in the nation from FY99 to FY2000. For the ten-year period from FY90 to FY2000, the average teacher salary stated in constant dollars decreased 11.7% and is the largest decrease in the nation for this time period. (*See National Education Association attachment.*)

Demand for teachers in Alaska has already exceeded supply, leaving unfilled positions across the state in math, special education, and speech pathology. For the 1999-2000 school year, 1,335 new teachers were hired in Alaska. On the first day of school 84 teaching positions were still unfilled, and some remained unfilled for up to



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two months. Districts report that they are scraping the bottom of the barrel, forced to hire unqualified teachers on emergency certificates, and teachers with minimal paper qualifications who are unsuitable for the positions.

The amount of state support through the foundation program impacts the level of wages, benefits, and incentives that school districts can offer to recruit and retain teachers. State support through the foundation program has remained relatively flat in current dollars for ten years, but when stated in constant dollars to reflect inflation it has actually decreased. Alaska school districts have had to hold the line when negotiating new salaries and benefits with its certified and non-certified staff.

As recently as 1989 Alaska was reported to have the highest average teacher salaries in the nation. According to the NEA, Alaska's average teacher salary in 1989 was \$42,818. In 1999, Alaska is reported to have slipped to number eight in the nation with an average teacher salary of \$48,085. The average teacher salary in Alaska has increased about 12.3% for the past ten-years, but when stated in constant dollars to reflect inflation it has decreased by approximately 11.7%.

As discussed in the foundation formula section of this report, the state foundation formula was increased approximately 5% in current dollars excluding increases for enrollment growth. This means the additional 7.3% increase in current dollars has come through additional local contributions and increased designated grants. Municipalities continue to increase local contributions and school districts continue to apply for and receive supplemental grants from other sources. These are more examples of municipalities and school districts being accountable to the state legislature by seeking and securing supplemental resources.

Examples of Teacher Incentives Offered in Other States

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Alaska State Legislature

SESSION ADDRESS:

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Representative Gary Stevens

Memorandum

To: Representative Con Bunde, Chairman
Special Committee on Education

From: Representative Gary Stevens 

Date: January 9, 2001

Re: HB 37

I would respectfully request that you hold a hearing on HB 37, "An Act relating to the reimbursement of certain student loans; and providing for an effect date", at your earliest convenience.

Thank you for your consideration of this request.

Karen

Alaska State Legislature

Representative Con Bunde
District 18

Chair: House Special Committee on Education
Vice Chair: House Finance Committee

During Session:
State Capitol
Juneau, AK 99801-1182
(907)- 465-4843

During Interim:
716 W. Fourth Avenue
Anchorage, AK 99501-2133
(907) 269-0181

MEMORANDUM

DATE: January 31, 2001
TO: House Special Committee on Education
FROM: Representative Con Bunde
RE: Additions to Committee Packets for HB 37 and HB 54

Please include the following information in your committee packets for HB 37:

- Amendment A.5
- Amendment A.3
- Bill Backup -
two charts
e-mail supporting, opposing, and recommending amendments to the bill.

Please include the following information in your committee packets for HB 54:

- Sponsor Statement for CSHB 54
- Bill Backup -
e-mail supporting, opposing, and recommending amendments to the bill
- When I receive the CS itself, I'll get it down to you.



NEA-ALASKA

Affiliated with the National Education Association

HB 37 – Student Loan Forgiveness Public Schools

We are pleased that HB 37 has been introduced to provide for loan forgiveness for persons who seek an undergraduate teaching degree. HB 37 could serve as an incentive to attract people to the teaching force. As Alaska struggles to attract and keep quality teachers, programs such as loan forgiveness is one means to strengthen the teaching force.

It is also important to provide incentives for practicing teachers to enter postgraduate degree work. By providing loan forgiveness to those who seek advanced degrees beyond the undergraduate degree, Alaska can take a critical step toward strengthening our current teaching force. As we design programs to teach standards, implement new instructional strategies and confront learning problems in order to teach all children, providing learning opportunities to current teachers through loan forgiveness is step in enhancing the teaching force.

We extend our thanks to the sponsors for introducing HB 37.

Testimony on HB 37

HS Sp. Comm. on Ed

1/17/01

Larry Wiget, Executive Director, Public Affairs

(W) 907-742-4322 (F) 907-742-4175

HB 37: Reimbursement of Certain Student Loans

Good morning, Mr. Chairmen, members of the committee. My name is Larry Wiget and I am the executive director of public affairs for the Anchorage School District.

The Anchorage School District supports legislation enabling districts to address shortages of public school teachers and has adopted as an ASD board legislative priority the support of legislation enabling districts to address the shortage of certificated special education and related personnel statewide.

A reimbursement of borrowers employed as public school teachers particularly in areas of high need, such as math, world languages, science, technology and librarians, as well as special education and related services personnel, is one means of helping districts throughout the state address teacher shortages.

Thus, the Anchorage School District supports the concept of student loan reimbursement in HB 37 and asks the committee to consider in your discussions the following additions to the bill:

- Expand the bill to include, if it does not already, special education and related services personnel; and,
- Expand the bill to include graduate programs in areas of severe shortage such as special education and related services.

Thank you.

Subject: amendments to HB 37

Date: Wed, 17 Jan 2001 15:17:11 -0900

From: Representative Con Bunde <Representative_Con_Bunde@legis.state.ak.us>

Organization: Alaska State Legislature

To: Shari L Kochman <shari_kochman@gov.state.ak.us>,
Beth Nordlund <beth_nordlund@eed.state.ak.us>,
Sheila M King <sheila_king@acpe.state.ak.us>,
Doug Letch <Doug_Letch@legis.state.ak.us>

Shari, Beth and Sheila:

Representative Stevens will be preparing some amendments for HB 37 based on the Bill Analysis prepared by ACPE. You may want to contact his aide, Doug Letch, to see if the amendment will require new fiscal notes or analysis.

Please let me know if that is the case.

Thanks!
Karen McCarthy
Staff for Rep. Con Bunde

cc: Doug Letch, staff for Rep. Gary Stevens

Subject: HB 37 & HB 54 hearing #2

Date: Wed, 17 Jan 2001 17:43:32 -0900

From: Representative Con Bunde <Representative_Con_Bunde@legis.state.ak.us>

Organization: Alaska State Legislature

To: Sheila M King <sheila_king@acpe.state.ak.us>, ann.ringstad@alaska.edu

Sheila and Ann:

Representative Bunde has scheduled a second hearing for HB 37 and HB 54 for January 31 from 8:00 to 10:00 in the House HESS committee room.

Sheila, he hopes that you will be available to testify on the fiscal impact and discuss those questions that were brought up today but we didn't really have time for.

Ann, if you or Wendy would like to attend to present the University's view on these bills, that would be very nice.

Have a lovely evening!
Karen



Position Paper on Student Loan Forgiveness

January 17, 2001

Re: HB 37, HB 54

The Association of Alaska School Boards (AASB) supports legislation that will help attract and retain teachers in Alaska. Student loan forgiveness for educators is a time-honored strategy to accomplish that goal. Both HB 37 and HB 54 accomplish that goal.

Alaska is at a crossroads as it faces the same teacher and administrator shortage being experienced by the rest of the nation. Attracting and retaining quality teachers has become a critical issue facing school districts as they work to improve education in Alaska's public schools.

Alaska's previous experience with loan forgiveness for students who went on to teach in Alaska provided a measure of success at attracting educators to Alaska and encouraging Alaskans to enter the teaching profession. We believe the same strategy, carried out in conjunction with other strategies (see below), will help build value in this field.

The following resolution was adopted by the locally elected school board members in November 2000, and subsequently selected as a Priority Issue for the Year 2001 by the AASB Board of Directors.

AASB Core Resolution 4.7

TEACHER / ADMINISTRATOR RECRUITMENT & RETENTION

The Association of Alaska School Boards urges the Alaska Legislature and Department of Education & Early Development to implement the following strategies to attract and retain education professionals:

- Incentives (salary bonuses, loan forgiveness, etc.)
- State supported marketing to recruit teachers.
- Flexibility in certification requirements.
- Improve availability and/or quality of teacher housing.

Rationale: Alaska is at a crossroads as it faces the same teacher and administrator shortage being experienced by the rest of the nation. Attracting and retaining quality teachers has become a critical issue facing school districts as they work to improve education in Alaska's public schools.

A teacher's job satisfaction is gauged by a number of factors, including a sense of accomplishment, professional support, decent living conditions, and adequate compensation/benefits. The degree to which Alaska meets these needs is a statement of the value we place on our educators. *Adopted 2000*

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

TONY KNOWLES, GOVERNOR

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
VOICE (800) 441-2962
In Juneau 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

February 13, 2001

The Honorable Gary Stevens
Alaska House of Representatives
State Capitol Building, Room 428
Juneau, Alaska 99801

Re: HB27

Dear Representative Stevens:

I am writing to follow up on our discussion at a recent hearing of the House Special Committee on Education regarding HB37, sponsored by you.

As I understand it, HB 37 is intended, in part, to address the current and anticipated elementary and secondary education teacher shortage in Alaska. First, let me reiterate that should the legislature approve and fund this or other borrower benefit programs, management of the Commission is committed to administering them as efficiently and effectively as possible to insure maximum effectiveness.

Your request for a written explanation from me followed my expressed opinion that loan forgiveness benefits, as previously available in the Alaska Student Loan Program, were less an *incentive* and more a *reward* for program participants that ultimately claimed and received them. You requested any statistical data upon which I had based my opinion. As I indicated in my testimony before the committee, very little data exists other than the fact that of the loans that were issued between 1972 and 1987 that had the forgiveness benefit attached, only about 20% of those forgiveness benefits were claimed.

Absent borrower-level longitudinal tracking capability, as I stated, one can only speculate and offer opinions on the relative efficacy of a forgiveness benefit program in terms of it motivating specific behavior or producing certain outcomes. Subsequent to our discussion, I did request a high-level report which provided aggregate numbers from our loan servicing data system. The following information is provided from that report:

- From 1972-1987 the State of Alaska issued forgiveness-eligible student loans to 62,836 borrowers.

- As of January 2001, 17,797 (28%) borrowers had claimed at least one forgiveness benefit (benefits were paid over 1-5 years of residency for up to a maximum benefit of 50%).
- As of January 2001, 24,039 (38%) borrowers had remained in or returned to Alaska, but received no forgiveness benefit.
- As of January 2001, 39,019 (62%) borrowers' last known addresses were in Alaska.

Again, these are simply aggregate numbers that may be interpreted to support various theories. I did acknowledge that my opinion is based, in part, on my personal and professional interaction with borrowers over the past 18 years. However, it is also partly based on my interpretation of the fact that more of the people who remained in or returned to Alaska did so without the forgiveness incentive/reward.

My sole reason for bringing the issue of Alaska's prior experience with forgiveness programs to the attention of the committee was to allow the legislative members to have the benefit of that information. I am aware of the legislature's efforts to insure the best and most effective use of limited state financial resources to address concerns, such as the teacher shortage, which have potential for long-term negative impacts.

I hope this information is responsive to your request. Also attached for your information is a report regarding borrower migration patterns that was provided to the Commission at it September 2000 meeting.

Sincerely,



Diane Barrans
Executive Director

DB/dm

Enclosure

cc: Members, House Special Committee
on Education

Adopted as part of the packet. 1/31/01 Distributed.



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THE ALASKA COMMISSION ON
POSTSECONDARY EDUCATION
DIVISION OF INSTITUTIONAL RELATIONS

Borrower Migration Report¹

September 2000

Part I: Key Project Findings:²

- 1) The vast majority of borrowers retain Alaska residence, regardless of where they attended school:
 - Cumulatively, approximately 2/3 of all borrowers remain in or return to Alaska;
 - By 1999, the number of borrowers remaining in or returning to Alaska increased to 70%; and
 - The percent of borrowers remaining in or returning to Alaska has increased 15% since 1989.
- 2) Borrowers who attend school out-of-state and remain out-of-state represent a small minority of all borrowers:
 - Cumulatively, only 16% of all borrowers attend school out-of-state and remain out of state;
 - In 1999, that number decreased to 13%; and
 - The percent of borrowers attending out-of-state schools and remaining out of state has decreased 13% since 1989.
- 3) More borrowers attend Alaska schools and leave the state than attend out-of-state schools and remain out-of-state:
 - Cumulatively, 21% of all borrowers attend school in Alaska and then leave the state, but only 16% attend school out-of-state and remain out-of-state;
 - In 1999, those numbers decreased to 17% and 13%, respectively; and
 - The percent of borrowers who leave the state (regardless of where they attended school) has decreased by 23% since 1989.

¹ Borrower migration is defined as the current residence of the borrower (in Alaska or out-of-state), as compared to the location (in Alaska or out-of-state) of the most recent school attended. Only the most recent address and the most recent school of attendance were considered for this report.

² Custom database query developed by Theresa de Aragon. Graphical analysis by Rob Conlon.

Part II: Borrower Migration Tables

1999 Borrower Migration:

<i>Location of School Attended</i>	<i>Current Residence</i>	<i>Percent of Total</i>
Alaska	Alaska	55%
Alaska	Out-of-state	17%
Out-of-state	Alaska	15%
Out-of-state	Out-of-state	13%

<i>Location of School Attended</i>	<i>Current Residence</i>	<i>Percent of Group</i>
Any location (Alaska and out-of-state)	Alaska address	70%
	Out-of-state address	30%
Alaska	Alaska address	77%
	Out-of-state address	23%
Out-of-state	Alaska address	53%
	Out-of-state address	47%

Cumulative Borrower Migration (program inception to present):

<i>Location of School Attended</i>	<i>Current Residence</i>	<i>Percent of Total</i>
Alaska	Alaska	48%
Alaska	Out-of-state	21%
Out-of-state	Alaska	15%
Out-of-state	Out-of-state	16%

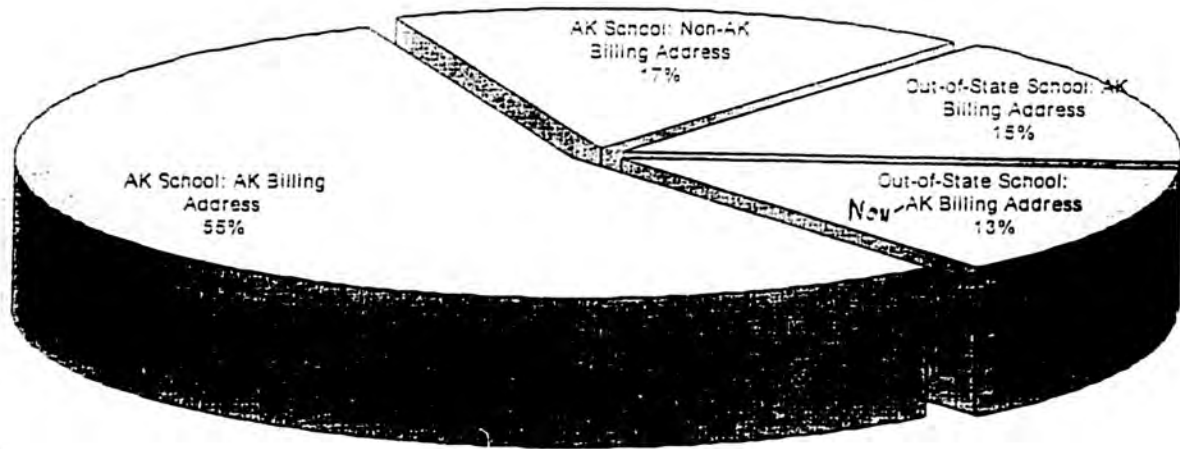
<i>Location of School Attended</i>	<i>Current Residence</i>	<i>Percent of Group</i>
Any location (Alaska and out-of-state)	Alaska address	63%
	Out-of-state address	37%
Alaska	Alaska address	70%
	Out-of-state address	30%
Out-of-state	Alaska address	49%
	Out-of-state address	51%

Trend Analysis (Borrower Migration Changes since 1989):

<i>School Location</i>	<i>Current Residence</i>	<i>1989</i>	<i>1999</i>	<i>% Change</i>
Any location	Alaska address	61%	70%	15%
	Out-of-state address	39%	30%	<23%>
Alaska	Alaska address	69%	77%	12%
	Out-of-state address	31%	23%	<26%>
Out-of-state	Alaska address	46%	53%	15%
	Out-of-state address	54%	47%	<13%>

Part III: Graphical Analysis

All Postsecondary Schools: Borrowers Entering Repayment in Calendar Year 1999



All Schools (Alaska and Out-of-State): Calendar Year 1999



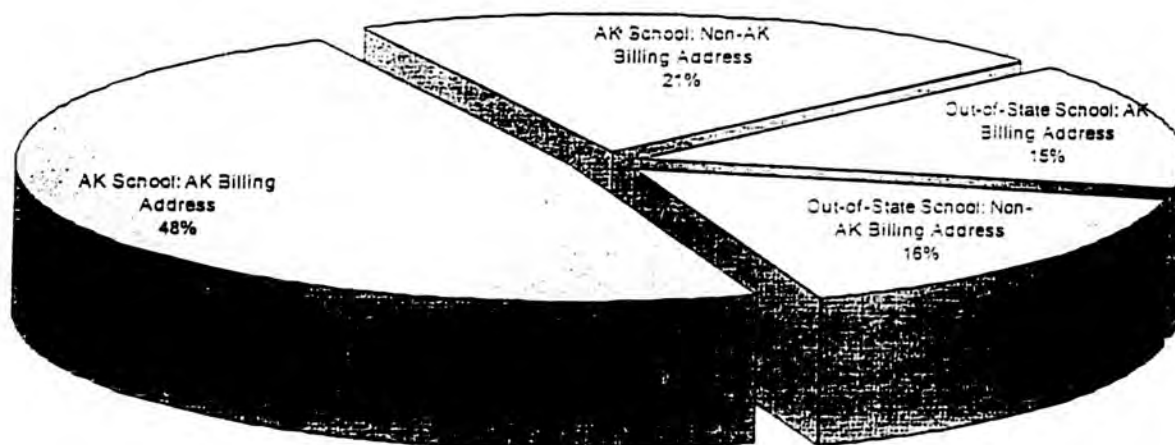
Borrowers Who Attended AK Schools: 1999



Borrowers Who Attended Out-of-State Schools: 1999



**All Postsecondary Schools:
Borrowers Entering Repayment from Program
Inception through August 2000**



**All Schools: Cumulative
(1989 - August 2000)**



**Borrowers Who Attended AK
Schools: Cumulative**



**Borrowers Who Attended Out
of-State Schools: Cumulative**



Part IV: Notes of Related Interest:

1. Alaska Student Loan Portability: Only full-time loans are portable; loans for half-time attendance are available only to attend Alaska institutions. Also, loans are portable only if the student is attending an accredited institution.

2. Who Attends Out-of-State Schools: Graduate students represent the only group for whom the majority chose to attend schools outside of Alaska. It is interesting to note that the great majority of vocational students chose Alaska schools (2/3 to 3/4 of all vocational borrowers), approximately half of all undergraduate borrowers chose Alaska schools, but only 1/3 to 1/4 of all graduate borrowers chose Alaska schools.

It is also interesting to note that, for undergraduate borrowers who chose out-of-state schools, geographic proximity to Alaska seems to have been a major factor (all of the top ten 1999 out-of-state schools for undergraduate borrowers were in the pacific region). However, graduate borrowers who chose out-of-state schools appeared to migrate to states known for the quantity, quality or diversity of graduate programs available. For example, the top ten states of attendance for 1999 graduate borrowers included Massachusetts, New York, Illinois, Texas and Pennsylvania.

3. Factors Affecting Borrower Migration: This report examines only the fact of borrower migration; it does attempt to explain borrower migration patterns. Areas for future research may include identifying any relationship between the Alaska economy and borrower migration patterns, borrower migration over time (do borrowers who leave Alaska do so immediately upon completing their schooling, or do they first return to Alaska, or vice-versa?), and borrower migration differences between those students who complete their educational goals and those who do not.

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Clark's office w/ yellow file 2/8/01

22-LS0287\c

CS FOR HOUSE BILL NO. 37(EDU)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON EDUCATION

Offered:

Referred:

Sponsor(s): REPRESENTATIVES STEVENS, 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) The state shall forgive a loan made to a borrower who
7 has received an undergraduate or graduate degree from a college or university, is
8 employed at a public elementary or secondary school within the state as a teacher, and
9 has complied with AS 14.43.120. The amount to be forgiven under this section is the
10 portion of the payments to be made by the borrower for a loan made under
11 AS 14.43.110 equal to the following percentages of the total loan received plus
12 interest, up to a total of 50 percent of the total loan plus interest:

13 (1) one year employment, 10 percent;

14 (2) two years employment, an additional 10 percent;

1 (3) three years employment, an additional 10 percent;

2 (4) four years employment, an additional 10 percent;

3 (5) five years employment, an additional 10 percent.

4 (b) The loan amount forgiven the borrower under this section may not exceed
5 the loan amount paid by the borrower to the state. Notwithstanding any other
6 provision of law, while a person's loan is being forgiven by the state under (a) of this
7 section, that person may not receive forgiveness of a loan under any other provision of
8 this chapter.

9 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

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

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

BILL ANALYSIS -- HB 37
3rd Hearing February 7, 2001

*Moved from cmte
2/7/01.*

Sponsor: Rep. Stevens

Title: An Act relating to forgiveness of student loans"

Last Hearing: The committee adopted the two amendments offered by Rep. Stevens.
Note changes in pencil within the bill inside the front cover.

Fiscal Note: No change.

ACPE Concerns: **ACPE Comments reflect the bill with amendments.**

- 1) Absent an appropriation, there are no funds within ACPE to pay for the benefit.
- 2) ACPE may return funds to the state.
- 3) No monetary cap exists in the bill to limit the amount of the benefit or provide
 - a) restraint in borrowing
 - b) some parity among beneficiaries
 - c) assistance in budgeting or appropriation requests
- 4) No direction is provided in the bill for prioritization or allocation of fund in the event of a shortfall. Benefits may go to those who secure highly sought after positions but be insufficient for hard to fill posts that stand vacant into the school year.
- 5) Loans are scheduled for repayment on a 15-year schedule, but the benefit is provided over a 5-year time period.
- 6) No provision is made for loss of benefit if the borrower defaults.
- 7) No provision to require the service in a school district to begin within a set period of time.
- 8) The sponsor has indicated that the bill is intended to cover principals and others with teaching certificates but the bill language does not include this intent.
- 9) Provides no tool to recruit the 70% of non-resident workers needed to meet the demand.

Available to Testify:

Diane Barrans	Alaska Commission on Postsecondary Education (ACPE)
Sheila King	Alaska Commission on Postsecondary Education (ACPE)
Beth Nordund	DEED
Vern Marshall	NEA (Available for questions)
Rich Kronberg	NEA
Larry Wiget	Anchorage S.D. (Supports concept of loan forgiveness -especially for special needs programs)
Melissa Hill	May be available or may provide information in writing about AK Teacher Placement.

Teleconference Sites: Unalaska, Anchorage, Fairbanks, Juneau, Offnet -- Larry Wiget

February 5, 2001

The Honorable Con Bunde, Chair
House Special Committee on Education

The following is provided in response to your request for comments or issues relative to: HB 37, HB 43, and HB54, currently before your committee.

Background: To date, several different legislative proposals have been introduced in an effort to address specific or general Alaska worker shortages. The concept is that if the State provides some level of financial relief from Alaska Student Loan debt in return for professional service performed in Alaska, the state will benefit by improved retention of teachers, or other professionals, in the state.

CS for HB37 (w/amendments accepted by the committee on 1/31/01) relates to creation of a forgiveness program for borrowers employed as public school teachers.

This bill offers benefits prospectively to individuals who borrow state student loans beginning in the 2001-2002 loan year. The benefits proposed consist of up to 50% forgiveness of principal and interest in return for up to 5 years of service as a teacher.

Related comments or issues:

Funding

- Although proposed CS deletes the section that recognized that the Alaska Student Loan Corporation may not fund this program from money obtained from the sale of bonds, ACPE has submitted a fiscal note identifying the need for an appropriation to fund this forgiveness program. Absent an appropriation, there would be no funds available for the benefit program.

Anticipating that positive change in the financial health of the ASLC could lead to interest in utilizing a portion of ASLC income to pay for existing or new programs, the board last year sought and received a statutory mechanism that allows it to identify a return of funds to the state while still staying on track with reducing loan costs and insuring a stable financial base.

- No monetary cap exists in the bill to limit the amount of the benefit to a specific amount thereby establishing a motive for restraint in borrowing and some parity among forgiveness program beneficiaries.

Administration

- The legislation does not provide direction for prioritization or allocation of funds in the event of a shortfall. The shortage of teachers statewide varies greatly, and in the event of a funding shortfall, the program may be paying

benefits to individuals who successfully obtain highly sought after teaching posts, but be insufficient to be available to schools with hard-to-fill posts that periodically stand vacant even into the start of the school year.

- The language of the bill indicates that the borrower may have up to 50% of the loan forgiven but no more than what has already been paid by the borrower to the state. Because loans are currently scheduled for repayment on a 15-year schedule, the effect of this provision is that the benefit may have to be paid over a greater than five-year period unless the borrower accelerates repayment.
- No provision is made for loss of this benefit if the borrower defaults on the loan.
- No provision is put in place to require the service to begin within a set period of time. This creates a situation where a borrower may return and teach at some point in the distant future when the loan has already been repaid, by requesting benefits be paid in the form of cash reimbursement.
- The sponsor has indicated that he intends this to be applicable to principals and others with teaching certificates who work in the school system, however, the bill lacks the necessary specificity to insure that is the interpretation of the law over time. A straightforward reading of the bill would result in the requirement that beneficiaries be employed as teachers and not simply have a teaching credential.

Efficacy

- Given the stated objective of the bill's sponsor, to assist in addressing the teacher shortage, the fact that the bill can only be used as an incentive with Alaska student loan borrowers, these provisions provide no tool to recruit the other 70% of nonresident workers reportedly necessary to meet annual demand.

HB43 (re: 2/5/01 work draft scheduled for 2/7/01 hearing) relates to creation of a forgiveness program for borrowers who receive their education degrees in Alaska and are employed as public school teachers.

This bill offers benefits prospectively to individuals who borrow state student loans beginning in the 2001-2002 loan year. The benefits proposed consist of up to 75% forgiveness of principal and interest in return for up to 5 years of service as a public school teacher.

Related comments or issues:

Funding

- ACPE is providing a fiscal note identifying the need for an appropriation to fund this forgiveness program. Absent an appropriation, there would be no funds available to pay for the benefit program.

Anticipating that positive change in the financial health of the ASLC could lead to interest in utilizing a portion of ASLC income to pay for existing or new programs, the board last year sought and received a statutory mechanism that allows it to identify a return of funds to the state while still staying on track with reducing loan costs and insuring a stable financial base.

- No monetary cap exists in the bill to limit the amount of the benefit to a specific amount thereby encouraging restraint in borrowing; providing some parity among program beneficiaries; and, assisting in budgeting and appropriation requests.

Administration

- The legislation does not provide any benefit to borrowers who attend some portion of their degree program at an Alaskan school but who do not receive a degree. However, it would provide a benefit to borrowers who similarly attended only a portion of their program, but did receive a degree from an Alaska institution.

A straightforward read of the bill would indicate that borrowers in the former circumstances are ineligible for any benefits while the students in the latter circumstances will be eligible for the benefits on all loans, regardless of whether they actually borrowed those funds to attend an Alaska institution.

The sponsor may want to seek legal advice as to any constitutional issues that could arise from this treatment of borrowers/residents.

- The legislation does not provide direction for prioritization or allocation of funds in the event of a shortfall. The shortage of teachers statewide varies greatly, and in the event of a funding shortfall, the program may be paying benefits to individuals who successfully obtained highly sought after teaching posts, but be insufficient to be available to schools with hard-to-fill posts that periodically stand vacant even into the start of the school year.
- No provision is made for loss of this benefit if the borrower defaults on the loan.
- No provision is in place to require the service to begin within a set period of time. This creates a situation where a borrower may return and teach at some point in the distant future after the loan has already been repaid, and demand that the benefits be paid in the form of cash reimbursement.

Efficacy

- Given the stated objectives of the bill's sponsor, to aid the recruitment efforts for teachers and relieve the current teacher shortage in Alaska, the fact that the bill rewards only Alaska student loan borrowers with degrees from Alaskan institutions, it provides no tool to recruit the other 70% of workers reportedly necessary to meet annual demand.

HB54 (re: 1/30/01 work draft scheduled for 2/7/01 hearing) relates to creation of a new Loan Condition for Alaska Student Loans.

This bill offers an interest reduction benefit prospectively to individuals who borrow state student loans beginning in the 2001-2002 loan year. The benefit proposed consists of up to 1% reduction in interest in return for receiving a certificate or degree and employment in Alaska.

Related comments or issues:

Funding

- ACPE anticipates providing a fiscal note identifying the cost in reduced earnings of the Corporation associated with this benefit to certain borrowers.

Anticipating that positive change in the financial health of the ASLC could lead to interest in utilizing a portion of ASLC income to pay for existing or new programs, the board last year sought and received a statutory mechanism that allows it to identify a return of funds to the state while still staying on track with reducing loan costs and insuring a stable financial base.

This year the ASLC continued to reduce its annual lending rate, reduced the loan origination fee, and set aside funds to provide some cost reduction for existing high-rate loans. The structure of this bill is of concern because it would make the proposed rate reduction mandatory, regardless of the ASLC's financial ability to absorb the reduction. The Corporation will have to take this cost into consideration when setting its lending rate and impair our ability to aggressively reduce costs on all loans. In other words, it could lead to necessary increases in rates to insure the affordability of a mandatory reduction of this kind.

Administration

- No provision is made for loss of this benefit if the borrower defaults on the loan.

BILL ANALYSIS
HB 37
2nd Hearing - January 31, 2001

Sponsor: Representative Stevens

Sponsor's Amendments:

A.5:

- 1) deletes "reimbursement" and inserts "forgiveness" throughout the bill as appropriate because borrowers will not actually get money back.
- 2) deletes section (c), which states that reimbursement is subject to appropriation by the legislature, but that money from the sale of the student loan corporation's bonds may not be used. An appropriation is not necessary if no money is being paid to borrowers.

A.3:

- 1) page 1, line 7 -- adds the word "graduate" so that graduate students' loans may be forgiven also.

Fiscal Note: No change. When Sheila King figured the fiscal note for the first version of the bill, she included the projected costs for graduate students.

Administration Concerns:

- ✓ Diane Barrans will address the questions brought up at the first hearing, such as past experiences with loan forgiveness programs. She will also express her concern about the funding source.

Available to Testify:

Diane Barrans, Executive Director
Alaska Postsecondary Education Commission

Sheila King, Finance Officer
Alaska Postsecondary Education Commission

Wendy Redman (available for questions)
State Relations
University of Alaska

Teleconference Sites:

Anchorage
Fairbanks
Seward
Valdez

Kodiak: Pat Holmes, Arnie & Sandra Shyrock, Mike Milligan, Jeff Stephen, Betty Walters, Jack Walsh.

Kodiak did not get

HB 37

22-LS0287A.5

Ford

1/25/01

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE STEVENS

TO: HB 37

1 Page 1, line 1:

2 Delete "reimbursement"

3 Insert "forgiveness"

4

5 Page 1, line 5:

6 Delete "Reimbursement of"

7 Insert "Loan forgiveness of loans made to"

8

9 Page 1, line 6:

10 Delete "reimburse"

11 Insert "forgive a loan made to"

12

13 Page 1, line 9:

14 Delete "reimbursed"

15 Insert "forgiven"

16

17 Page 1, line 10, following "payments":

18 Insert "to be"

19

20 Page 2, line 4:

21 Delete "reimbursed to the borrower"

22 Insert "forgiven the borrower under this section"

23

24 Page 2, line 6:

1 Delete "reimbursed"

2 Insert "forgiven"

3

4 Page 2, lines 8 - 11:

5 Delete all material.

HB 37

22-LS0287A.3

Ford

1/22/01

AMENDMENT

OFFERED IN THE HOUSE

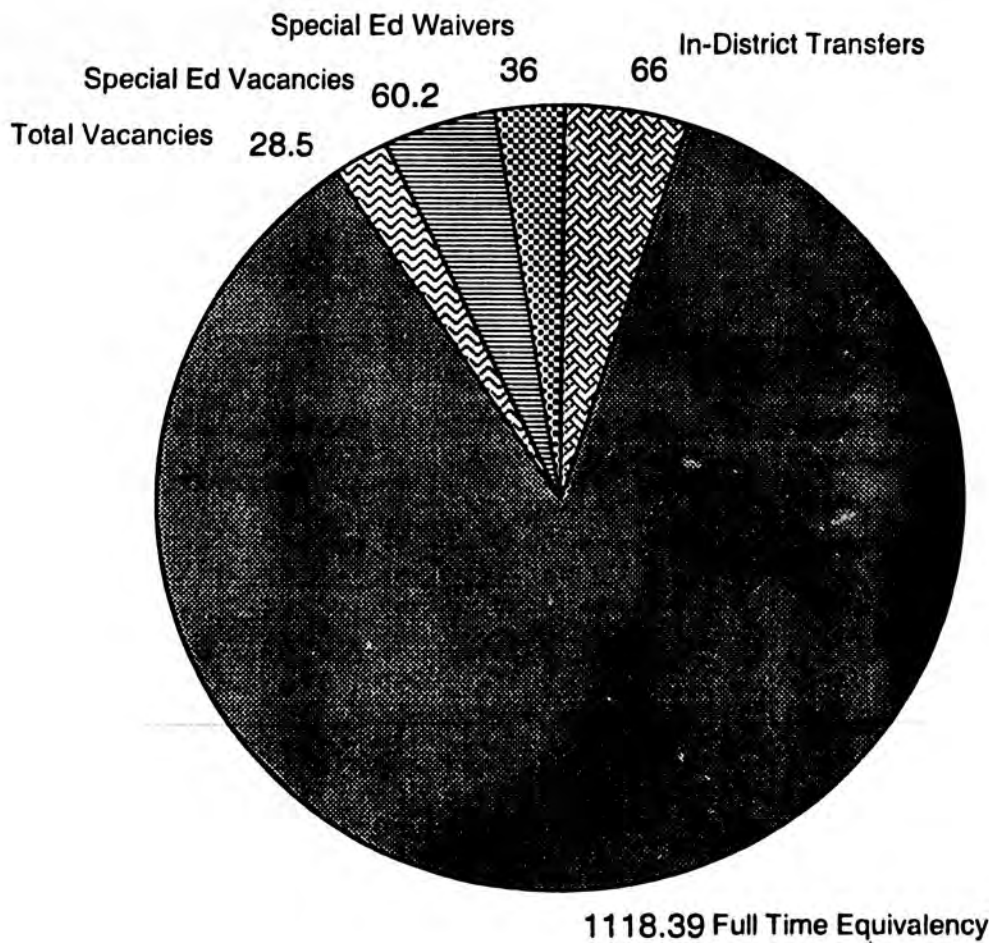
BY REPRESENTATIVE STEVENS

TO: HB 37

- 1 Page 1, line 7, following "undergraduate":
- 2 Insert "or graduate"

1

Total Vacancies for 2000



- TOTAL IN-DISTRICT TRANSFERS
- TOTAL FULL TIME EQUIVALENCY
- TOTAL VACANCIES 2000
- TOTAL VACANCIES-SPECIAL ED
- TOTAL WAIVERS FOR SPECIAL ED

1999 UA Placement Trends

Percent Placed

Region	Total Vacancies	UA New Grads Placed	UA Alumni Placed	UA Total Placed	Other Placed	% New UA	% UA	% Other
Interior	227	16	52	68	159	10.1%	30%	70%
Fairbanks	87	9	39	48	39	23.1%	55%	45%
Northwest	172	11	25	36	136	8.1%	21%	79%
South Central	592	92	130	222	370	24.9%	38%	63%
Anchorage	300	68	71	139	161	42.2%	46%	54%
Southeast	170	18	44	62	108	16.7%	36%	64%
Southwest	255	26	37	63	192	13.5%	25%	75%

Region	Total Vacancies	UA Alumni Placed	% New UA	% UA Alum	% Other
Interior	227	52	7%	23%	70%
Fairbanks	87	39	10%	45%	45%
Northwest	172	25	6%	15%	79%
South Central	592	130	16%	22%	63%
Anchorage	300	71	23%	24%	54%
Southeast	170	44	11%	26%	64%
Southwest	255	37	10%	15%	75%
Totals	1416	288	12%	20%	68%

Subject: Bills related to the Alaska Student Loan

Date: Thu, 18 Jan 2001 03:56:11 -0000

From: "davyn peratrovich" <ddperat@hotmail.com>

To: Representative_Con_Bunde@legis.state.ak.us, Representative_Brian_Porter@legis.state.ak.us,
Representative_Joe_Green@legis.state.ak.us, Representative_Peggy_Wilson@legis.state.ak.us,
Representative_Gary_Stevens@legis.state.ak.us,
Representative_Reggie_Joule@legis.state.ak.us,
Representative_Gretchen_Guess@legis.state.ak.us,
Representative_Mary_Kapsner@legis.state.ak.us,
Representative_Beth_Kerttula@legis.state.ak.us, Senator_Tim_Elton@legis.state.ak.us,
Representative_Bill_Hudson@legis.state.ak.us

Dear Legislators,

Thank you for your time. I would like to express my support for the proposed legislation that would forgive half of the amount of Alaska Student Loan debts for University of Alaska students who remain in Alaska five years or become teachers in Alaska. I am a registered voter. I am currently registered in Senate District B, House District 39 (Bethel).

HB 37
Kerr

I am currently a Senior in college in the University of Alaska system and my husband is currently a Junior in college, also University of Alaska. We plan to spend our entire careers (and lives) in Alaska. We would not be able to afford to attend college without the Alaska Student Loan, yet we worry about how we will be able to have some degree of financial stability while making such high student loan payments. Many of my peers have similar concerns. This is why I support the proposed legislation regarding Alaska Student Loan Debts. I hope to see it become reality!

Thank you again for your time.

Sincerely,

Davyn Peratrovich

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Subject: House Bill 37

Date: Thu, 18 Jan 2001 13:16:19 -0900

From: Mindy Eggleston <megggleston@dgsd.k12.ak.us>

To: Representative_Con_Bunde@legis.state.ak.us

Con Bunde
House Special Committee on Education

Dear Representative Bunde;

I am strongly in support of the proposed House Bill 37. I agree that there is little incentive for our new teachers to remain in the state. I have a daughter that has 4 years of Alaska student loans. She is currently teaching in Kenai, paying her student loan and seeing 10 years of \$452.00 monthly payments. What a way to start. She has little money to take classes, other states are sending their teachers to school and absorbing the cost. They also offer bonuses to sign contracts. This bill would encourage our young energetic talented teachers to remain in state and reduce some of stress of life, debt and their job. Thank you for your time.

Sincerely,
Mindy

Melinda Eggleston
P.O. Box 722
Delta Jct, AK 99737
907 895-4332

Subject: Re: Legislative Update - Special Committee on Education Hearings

Date: Fri, 19 Jan 2001 14:01:43 EST

From: RabbitCrk1@aol.com

To: Representative_Con_Bunde@legis.state.ak.us

Thanks for info. I chuckle at Senator Steven's HB37 bill. Just within the past 5-10 years, teachers graduating from Alaska schools, or Alaskans wanting to teach could not even find positions here because the School Districts were hiring everyone from outside. I knew many excellent, qualified Alaskan teachers who were totally frustrated because they could not get teaching positions in Alaska. Interesting how the tables turn. Denise Knapp

Subject: House Bill 37

Date: Sat, 20 Jan 2001 13:45:07 -0800

From: "Tracie Ashman" <t_ashman@hotmail.com>

To: Representative_Con_Bunde@legis.state.ak.us

Hello Representative Bunde,

My name is Tracie Ashman and I am a senior majoring in special education at the University of Nevada Reno. I recently read an article in the Anchorage Daily News that discussed HB 37. I think this is a great bill, but it does not address the teacher shortage that Alaska is experiencing now. HB 37 wouldn't affect future teachers that are graduating in May 2001 like myself. If Alaska is experiencing a teacher shortage now, why not pass a bill that will help get teachers into the classrooms now.

I grew up in Eagle River and was planning on coming back to Alaska to teach. I have taken out student loans and a bill that would forgive part of my student loans would be very helpful to me. Nevada is considering a similar bill during this legislative session. I would consider staying in Nevada and teaching if part of my student loan would be forgiven. I will be coming out of college this May with a degree in special education. Special education teachers are in high demand in every state including Alaska.

I am sending this email to you because you are the chairman of the special committee on education. You could change this bill to apply to future teachers who are graduating in May of 2001 and plan on teaching in Alaska. I hope that this email sticks in your mind when you are looking over HB 37 again.

Thank you,
Tracie Ashman

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Bonnie Lawrence
Gonzaga University
502 East Boone Avenue MSC #766
Spokane Washington 99258

January 29, 2001

Representative Con Bunde, Chairman
House Special Committee on Education
State Capitol
Juneau Alaska 99801-1182

Dear Representative Bunde,

In reading Alaska newspapers, I recently learned of House Bill 37: "An act relating to reimbursement of certain student loans; and providing for an effective date". While this bill is a great start and I support it, I hope that it can be improved.

I am 20 years old and a lifelong Alaska resident. I never intend to live anywhere else. As I understand the bill, it only applies to students enrolled in education programs. While I am not enrolled in an education program, I have wanted to be a teacher since reading Beverly Cleary's *Ramona Quimby* series in the second and third grades, and that is what I plan to do with my education.

I graduated from Juneau Douglas High School in June 1998 and began my college career at Gonzaga University in Spokane, Washington that August. Although I originally planned to major in History while becoming certified in secondary education, I soon changed my mind. While I knew the liberal arts degree I would earn from Gonzaga would be fantastic, I was hesitant to simply earn a teaching *certification*--a certification that would not necessarily transfer to Alaska. Furthermore, with the Gonzaga University program, I would student-teach in Washington for only one semester. Instead of merely obtaining a teaching certification, I learned that I could enroll in University of Alaska Southeast's Masters in the Art of Teaching program. Not only would this program allow me to student teach for one full school year, I would be student teaching in Alaska--not Washington. So after much consideration I decided to withdraw from Gonzaga's School of Education and instead focus my undergraduate career at Gonzaga on my Arts and Sciences degree. This decision also allows me to pursue another passion--English. So I am currently a junior double majoring in English and History and hope to be accepted into UAS's MAT program in 2002.

I am very dependent on financial aid to pay for school. Local Juneau scholarships and Gonzaga awards make up a large portion of my aid--but much is paid for by loans. Although I plan to teach, because I am not currently enrolled in an educational program my loans would not be forgiven under this proposed legislation.

Also, HB 37 proposes that only loans entered into after July 2001 be forgiven. For me, and many other aspiring teachers ready to enter our senior year of college, this means that at best only one year of loans may be forgiven. I would hope that loans for students currently enrolled in college be considered for forgiveness. Accordingly, I hope that while HB 37 is in committee it can be amended so that more loan forgiveness is possible.

Less than three years from now I will have two Bachelors degrees as well as a Masters degree in teaching. I know that I will be a better teacher than I would have been had I remained enrolled both in Gonzaga's School of Arts and Sciences and School of Education. If Alaska truly needs more teachers, why not make it more rewarding for students like me to begin our teaching careers in Alaska? House Bill 37 is a great start.

Sincerely,

Bonnie Lawrence

Cc. Representative Joe Green
Representative Brian Porter
Representative Gary Stevens (Bill Sponsor)
Representative Peggy Wilson
Representative Reggie Joule
Representative Gretchen Guess

Subject: House Bill 37

Date: Mon, 29 Jan 2001 12:35:34 -0900

From: Deborah Ashman <Deborah_Ashman@revenue.state.ak.us>

To: Richard W Halford <Senator_Rick_Halford@legis.state.ak.us>,
Randell E Phillips <Senator_Randy_Phillips@legis.state.ak.us>,
Conley R Bunde <Representative_Con_Bunde@legis.state.ak.us>,
Brian S Porter <Representative_Brian_Porter@legis.state.ak.us>,
Joseph P Green <Representative_Joe_Green@legis.state.ak.us>,
Peggy A Wilson <Representative_Peggy_Wilson@legis.state.ak.us>,
Gary L Stevens <Representative_Gary_Stevens@legis.state.ak.us>,
Reginald Joule <Representative_Reggie_Joule@legis.state.ak.us>,
Gretchen G Guess <Representative_Gretchen_Guess@legis.state.ak.us>

Dear Senators and Representatives:

I am glad there is a bill being introduced that will forgive part of Alaskans' student loans. It is important to encourage our young people to return to Alaska after college. My concern is that it will only apply to loans taken out after June 30, 2001.

There is a shortage of teachers now. I think the bill should apply to students that are graduating now if they are going to teach in Alaska. Several states are offering incentives for teachers. Alaska also needs to offer incentives in order to get qualified teachers to work here.

Please reconsider the date the bill will become effective to include students graduating in 2001.

Thank you,

Deborah Ashman

Subject: Re: Legislative Update - Special Committee on Education Hearings

Date: Thu, 25 Jan 2001 10:11:00 -0900

From: "Anita Williams" <awilliams@micronet.net>

To: Representative Con Bunde <Representative_Con_Bunde@legis.state.ak.us>

Dear Rep. Bunde,

I would like to add my two cents worth on some of the education issues being discussed.

1. I am completely against the 5 year moratorium on the high school exit exam. Somehow I doubt that the 5 years will really make any difference. Why not just start it as scheduled and get on with it. Some of the critics of the exit exam seem to believe that a high school diploma is a natural birthright and that just by breathing and making an attempt at attending school a child should be awarded a diploma. I think if that is the case we should just award high school diplomas at birth and save everyone a whole lot of time and trouble! But seriously, a high school diploma should indicate that a graduate has minimum basic skills in reading, writing, mathematics, sciences, culture, history, arts and crafts, shop, home economics, etc., etc. After all they have been in school for at least 12 years.....

There will always be students who do not have the skills or attentions span to complete high school. This will not change whether or not we have an exit exam. There are other alternatives for these students to make the best use of the skills they possess.

2. I am completely opposed to the concept of forgiving student loans, **especially** when it is suggested that some students are more deserving of loan forgiveness than others. Student loans for teachers or those who choose to work for the state is blatant discrimination and I'm surprised that the concept was even brought up for discussion. If we need teachers I do not think offering them a free ride for 5 years of service is a good deal for the state. Are we truly attracting the best possible candidates? If the state wants the free ride folks, that is exactly what the state will get and my tax dollar will be helping it happen. That is ghastly! The same goes for the state government. Do we really have problems filling the employment roles? I don't think so. Most of the folks I know that go into government work are there for the benefits and the security. We do not need to buy people to fill those positions.

If the state wishes to help students complete a college education then offer the money put aside for loan forgiveness as scholarships. Scholarships with no strings attached. If a student wants to live and work in Alaska they'll come here of their own accord. If they have to fulfill an obligation to work here for 5 years, well, the attitude they come with is just not the same as someone who chooses to work here.

3. In redefining state funding for school districts, please take care to not short change the bush communities. Alaska is in a difficult situation because our needs are so diverse and I understand it is a tough issue. I would also like to see the bush school districts be more accountable for their funds in relations to educational standards. I know this also is a very tough issue, but it certainly doesn't get any better by being ignored.

Thanks for your time and the opportunity to air my feelings. Also thanks for the e-mail updates on these issues.

From: Representative Con Bunde <Representative_Con_Bunde@legis.state.ak.us>

To: legupdate <lhcscbun+legupdate@legis.state.ak.us>

Subject: Legislative Update - Special Committee on Education Hearings

Date: Fri, Jan 19, 2001, 9:27 AM

Dear District 18 Residents:

The House Special Committee on Education, of which I am chair, has scheduled several

Subject: Re: Legislative Update - Special Committee on Education Hearings

Date: Fri, 19 Jan 2001 10:28:18 -0900

From: "Cathy Kerr" <Spiraldesign@worldnet.att.net>

To: "Representative Con Bunde" <Representative_Con_Bunde@legis.state.ak.us>

I support HB37 not HB54. I have been a contractor to one of the rural school districts and have seen first hand the need for improved facilities and excellent teachers. The challenges our Alaska native neighbors face are many, and in my opinion nearly unresolvable, when they are forced to make the transition from a subsistence to capital culture and economy in so few years. Anything this incredibly wealthy state can do to increase support of their needs should be a priority for this Legislature.

-----Original Message-----

From: Representative Con Bunde <Representative_Con_Bunde@legis.state.ak.us>

To: legupdate <lhscbun+legupdate@legis.state.ak.us>

Date: Friday, January 19, 2001 9:31 AM

Subject: Legislative Update - Special Committee on Education Hearings

Dear District 18 Residents:

The House Special Committee on Education, of which I am chair, has scheduled several hearings. I want to get the word out to you in case you would like to participate or express your views to me about any of the topics that the committee will take up.

First, on January 24th, the committee will meet to discuss the Department of Education's report on the Foundation Formula, which allocates state funds to Alaskan school districts. In the past, funding was based on a very complicated formula that few understood. In 1998, the Legislature made significant changes to the Formula in order to make it fairer to districts across the state. Some of those changes were: basing funding on a per-pupil basis instead of a per-school basis, providing for block grants to fund some special education and correspondence courses, requiring districts to provide annual report cards, and establishing some elements of school accountability.

The law also required the Alaska Department of Education to report to the Legislature on these changes. The report analyzes cost differences between districts; compares adjustments between the old funding formula and the new formula regarding size, special needs and the funding floor; and reviews the educational adequacy of school funding under certain parameters.

The House Special Committee on Education will hear from the Department of Education about this report and discuss whether any modifications to the Foundation Formula are warranted at this time. If you want more information about this report, please contact me. Or, you can listen to the teleconference at the Anchorage Legislative Information Office.

The second hearing that has been scheduled is an especially important one for parents, teachers, and students across Alaska. On SATURDAY, JANUARY 27th, the special committee members will meet jointly with the members of the Senate Health, Education and Social Services Committee for a STATEWIDE TELECONFERENCE ON THE HIGH SCHOOL COMPETENCY TEST. I think it is very important for legislators to hear from as many Alaskans as possible about the competency test. As you know, there has been some debate about whether to delay the effective date for another four to six years. This hearing will be an opportunity for all of you who have a stake in improving Alaska's schools to tell us what you think. If you would like to participate, please go to the Anchorage Legislative

1/17/01

BILL ANALYSIS HB 37

Bill Title: HB 37, "An Act relating to the reimbursement of certain student loans; and providing for an effective date".

Sponsor: Representative Stevens

Synopsis:

- 1) Allows the state to forgive the AK Student Loan of a borrower who:
 - a) has received an undergraduate degree from a college or university
 - b) is employed at a public elementary or secondary school in Alaska as a teacher
 - c) has complied with AS 14.43.120 (details of loan repayment, eligible institutions, and what the loan will pay for)
- 2) Provides for a sliding scale on the amount to be forgiven
 - a) 10% for one year of teaching, 20% for two years, etc up to 50%
- 3) Loan amount reimbursed can't exceed the loan amount paid by the borrower to the state and the borrower is not eligible for any other loan forgiveness program while being reimbursed under this bill.
- 4) Reimbursement is subject to appropriation by the Legislature, but may not be obtained from the sale of bonds by the Student Loan Corp.
- 5) Applies to loans entered into on or after July 1, 2001 and to a person's employment occurring on or after July 1, 2001.
- 6) Effective date July 1, 2001.

Change from Current Statute:

- a) The Teacher Scholarship Loan (TSL) program is available to rural Alaska high school graduates who have declared their wish to teach and are nominated by their local district.
- b) HB 37 would allow students of any academic discipline *and* who teaches in Alaska to receive forgiveness of their AK Student Loan upon meeting the criteria of the bill.

Background on AK Teacher Certification Requirements:

Teachers in Alaska must have at least a bachelor's degree in education.

Teachers from out of state must pass 6 hours of courses re: Alaska culture and history and the Praxis test in order to get Alaska certification.

Those with a degree in another field and who wish to teach must still satisfy the above requirements.

Possible Questions:

- 1) The bill doesn't specify that the degree must qualify the person to teach in Alaska. Shouldn't it?
- 2) Does the degree have to be in elementary or secondary education for the borrower to be eligible for loan forgiveness? What about speech pathology, special education, counseling?
- 3) Why not include graduate students for continuing teacher education and/or for those who choose a graduate degree in teaching for a second career?
- 4) What is the Fiscal Note entry under "Miscellaneous" for?

All next page

- 5) Why is there no entry for Personal Services, Contractual or Equipment if a data management process and staff would be needed to manage the program? What would that cost be?
- 6) Would this bill affect the state's bond rating?
- 7) See "Amendments Proposed" at the bottom of the second page of the Fiscal Note.

Available to Testify:

Rep Stevens		
Sheila King	ACPE Finance Officer	Will explain the details of the bill.
Melissa Hill	Alaska Teacher Placement	Would support this bill.
Larry Wiget	ASD	He'll call in & be available from 9:00 until 9:30.
Debbie Ossiander	Anchorage S.B.	
Carl Rose	Assoc. of AK School Bds	Would support this bill.

Teleconference Sites: Juneau, Anchorage, Fairbanks, Kodiak

→ Also Roy Brown, Kodiak School Board
Betty Walters, Kodiak School Superintendant.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT EED	DIVISION ACPE	BILL NUMBER HB37	SPONSOR Rep. Gary Stevens
SHORT TITLE OF BILL An Act relating to reimbursement of certain student loans; and providing for an effective date.			
DEPARTMENT POSITION Based on contingency of appropriation of general fund dollars, can support.			
PREPARED BY Donna Mayfield, Executive Assistant	DATE 1/12/01	EXECUTIVE DIRECTOR SIGNATURE Diane Barrans, Executive Director	DATE 1/15/01

SUMMARY

OTHER AGENCIES AFFECTED BY BILL	CONSTITUENT GROUP(S) AFFECTED BY BILL Alaska students
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: ☐ NONE ☒ FISCAL NOTE ATTACHED ☐ WILL BE PROVIDED ON COMMITTEE REQUEST
BACKGROUND/LEGISLATIVE INTENT

Sponsor desires to encourage Alaskans to stay or return to Alaska to teach.

ANALYSIS OF BILL/PROGRAM EFFECTS

This legislation prospectively changes the terms and conditions of certain loans issued under the Alaska Student Loan Program. The bill provides for a borrower, under certain conditions, to receive a reimbursement of loan proceeds and accrued interest. The bill specifically makes the reimbursement contingent upon future appropriations of general fund dollars by the legislature.

Bill language recognizes that funds for Alaska Student Loans are made available through the sale of bonds issued and subject to the terms of a Trust Indenture. The repayment of loans provides a revolving fund to perpetuate the loan process.

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.

AMENDMENTS PROPOSED

- ◆ Specify terms of employment to qualify for forgiveness.
- ◆ Specify time period for benefit eligibility (i.e., within 24 months of completion of degree), but no later than the date the loan is repaid in full.
- ◆ Page 1, Line 10, for a loan made under AS 14.43.090. (*Scholarship Revolving Loan Fund*)
- ◆ Specify that benefits would be in the form of credits to the loan and no benefit would be in the form of reimbursement to the borrower until the loan is paid in full.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS



NEA-ALASKA

Affiliated with the National Education Association

HB 37 – Student Loan Forgiveness Public Schools

We are pleased that HB 37 has been introduced to provide for loan forgiveness for persons who seek an undergraduate teaching degree. HB 37 could serve as an incentive to attract people to the teaching force. As Alaska struggles to attract and keep quality teachers, programs such as loan forgiveness is one means to strengthen the teaching force.

It is also important to provide incentives for practicing teachers to enter postgraduate degree work. By providing loan forgiveness to those who seek advanced degrees beyond the undergraduate degree, Alaska can take a critical step toward strengthening our current teaching force. As we design programs to teach standards, implement new instructional strategies and confront learning problems in order to teach all children, providing learning opportunities to current teachers through loan forgiveness is step in enhancing the teaching force.

We extend our thanks to the sponsors for introducing HB 37.

Susan Phillips Cushing
1423 Bay Avenue
Homer, Alaska 99603
(907) 235-8115

February 3, 2001

Senator John Torgerson
Representative Drew Scalzi
Representative Con Bunde
Representative Gary Stevens

RE; ALASKA STUDENT LOAN/BRAIN DRAIN

Dear Friends:

In a brief report on APR, I heard that you are discussing the "Brain Drain" of our young adults who receive the Alaska State Student Loan. Since I have a son who graduated from Yale University in May, 2000, I would like to comment for purposes of your arguments.

My son is in debt to the State of Alaska to the tune of \$35,000. As well, he is in debt to the U.S. Federal Government to the tune of \$20,000. He is not singing along with a happy melody! His monthly payments are broken out at \$353.00 Alaska and \$220 U.S., a total of \$573.00/month. Presently he is working in New York at \$9.00/hour. His take home pay is \$1200/month. His rent is \$600/month. You do the math. He cannot make the loan payments and also eat.

Is this your problem? Not really. Loans were taken out with one goal in mind: to obtain not just a good education, but a great education, regardless of the earning power of that degree.

When you discuss forgiveness clauses for the Alaska State Loan, I ask you to consider them earnestly. My son would be very tempted to return to Alaska to work, with a forgiveness factor for his loan indebtedness. Eventually, he might be tempted to stay, as he would be re-established in his home state.

Secondly, doesn't it seem almost corrupt to have 28 Billion dollars in our Alaska Permanent Fund while young people, such as my son, are trying to pay loans at very high interest (8-9%) back to the state for their education? You might respond by saying he should have applied to the University of Alaska. However, I need not remind you that state funding to our own state institution has been so paltry that even a "good education" there was questionable in 1996. Of course, many of our Senators and Representatives have been educated "outside", and they are here in Alaska serving.

FEB-65 01 01 10:04 CUSHING ENGINEERING 101 200 01 1

It is my hope that all of you will SERVE WELL, and make some changes based on real time needs rather than bantering back and forth with statistics that paralyze action.

Thank you for your kind attention to my thoughts.

Sincerely,

A handwritten signature in cursive script that reads "Susan Phillips Cushing". The signature is written in dark ink and is positioned above the printed name.

Susan Phillips Cushing

Lifelong Alaskan who left in 1965 for Claremont Colleges in California and returned.

REP CON BUNDE,

2001 JAN 30 TUES P.

REF: SB 123, FREE CONFERENCE, 11 PAGES
SUB: ALASKA STATE STUDENT LOANS

ENCLOSED IS 3 PAGES OF SB 123, AND ON PAGE 3 LINES 13 AND 14 ARE CIRCLED. THIS HAS DIRECT BEARING ON HB 37, HB 43, AND HB 54.

IN 1970 STUDENT LOANS WERE LIMITED TO \$2,500 PER YEAR, AND IN 1982 SHARPLY INCREASED TO \$6,000 PER YEAR. THEN IN 1996 ANOTHER INCREASE TO \$8,500 PER YEAR. THIS WAS FOR UNDERGRADUATES (P1 L9).

HOWEVER IN 1996, P3 L13-14 WERE ADDED STATING A \$60,000 limit OVER 8 YEARS. CURRENTLY STUDENT LOANS TOTAL BETWEEN \$150-\$300 MILLION FROM ABOUT 21,000 BORROWERS. THERE IS NO WAY TO TELL HOW MANY WILL REACH THE \$60,000 limit.

THIS SITUATION WAS CREATED IN 1996 WHEN THE LEGISLATURE PASSED SB 123, AND UNFORTUNATELY THE GOVERNOR SIGNED IT. THERE ARE NO PROVISIONS FOR THE LEGISLATURE TO CORRECT THE BILL.

WHAT THE BILL DOES IS CREATE AN INTERNATIONAL STUDENT LOAN FUND. ALASKA DOLLARS ARE MOVING IN LARGE NUMBERS TO OUT OF STATE COLLEGES, AND ALSO OUT OF THE COUNTRY.

PROPOSED CORRECTIONS:

- (1) REDUCE THE LIMIT TO \$35,000 FROM \$60,000. P3, Ls 13-
- (2) NO ALASKA DOLLARS FOR OUT OF STATE RELIGIOUS SCHOOLS.
- (3) SET A TOTAL VOLUME DOLLAR LIMIT THAT CANNOT BE INCREASED WITHOUT THE LEGISLATURE APPROVAL. THIS IS TO PREVENT A RAPID JUMP TO OVER ONE BILLION IN COSTS BY THE END OF THE DECADE. I RECOMMEND A LIMIT OF \$200 MILLION.
- (4) ALASKA STATE STUDENT LOANS CANNOT BE TIED TO THE ALASKA STATE PERMANENT FUND.

SENATORS HAVE FAILED TO MAKE CORRECTIONS. SENATOR PHILLIPS SAID THERE IS NO BILL TO LIMIT STUDENT LOANS. SENATOR HALFORD SAID HE'S CONCERNED ABOUT IT. SENATOR PARNELL SAID I WAS RIGHT, BUT COULD NOT GET THE VOTES NECESSARY TO MAKE CORRECTIONS.

HB 37, HB 43, HB 54 COULD BE FUNDED IF SB 123 IS REDUCED. THE STATE SHOULD NOT PAY BOTH WAYS. THERE IS NOTHING STATING THE DIFFERENCE BETWEEN DEGREED TEACHERS IN ALASKA VERSUS OUT OF STATE. THE AMOUNTS PROPOSED ARE EXCESSIVE.

PROPOSED CORRECTIONS:

(1) TEACHERS WHO DEGREED IN ALASKA AND BECAME CERTIFICATED.

- (A) two years employment, 10 percent
 - (b) three years employment, 10 percent
 - (c) four years employment, 10 percent
 - (d) five years employment, 10 percent
-
- 40 percent.

FINALLY ITS NOT THE LEGISLATURE'S JOB TO PROVIDE A TOO GENEROUS STUDENT LOAN PROGRAM THAT ^{WOULD} ~~TRAIN~~ ~~PEOPLE~~ PEOPLE FOR OUT OF STATE JOBS.

Thanks and Good Luck

Joe



Joe Strang
PO Box 92014
Anchorage, AK 99509

R-SPENARD

FREE CONFERENCE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 123**IN THE LEGISLATURE OF THE STATE OF ALASKA****NINETEENTH LEGISLATURE - SECOND SESSION****BY THE FREE CONFERENCE COMMITTEE****Offered: 2/21/96****Sponsor(s): SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to student loan programs and fees for review of postsecondary
2 education institutions; relating to a postsecondary student exchange program
3 administered by the Western Interstate Commission on Higher Education; and
4 providing for an effective date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 14.43.110 is repealed and reenacted to read:

7 **Sec. 14.43.110. STUDENT LOANS.** (a) In a school year, the commission may
8 make a loan not to exceed

9 (1) \$8,500 to a full-time undergraduate student or \$5,000 to a half-time
10 undergraduate student attending a college or university if the full- or half-time student
11 is otherwise eligible under AS 14.43.125;

12 (2) \$9,500 to a full-time graduate student or \$4,500 to a half-time
13 graduate student attending a college or university if the full- or half-time graduate student
14 is otherwise eligible under AS 14.43.125;

1 (3) \$5,500 to a full-time student or \$2,000 to a half-time student if the
2 full- or half-time student is attending a career education program that is at least six
3 weeks in length and is otherwise eligible under AS 14.43.125.

4 (b) The commission may make a loan for a summer term, even if the total loan
5 for the school year exceeds the limit imposed under (a) of this section if the loan for the
6 summer term is counted against the limit imposed under (a) of this section for the
7 following school year.

8 (c) The commission shall adopt regulations establishing a minimum amount for
9 which a loan may be made.

10 * Sec. 2. AS 14.43.120(a) is amended to read:

11 (a) Proceeds from a scholarship loan to a full-time student may only be used for
12 books, tuition and required fees, loan origination [GUARANTEE] fees, and room and
13 board. Proceeds from a scholarship loan to a half-time student may only be used for
14 books, tuition and required fees, and loan origination [GUARANTEE] fees.

15 * Sec. 3. AS 14.43.120(b) is amended to read:

16 (b) Scholarship loans may only be used to attend a

17 (1) career education program operating on a sound fiscal basis that has
18 [BEEN]

19 (A) ~~operated~~ [APPROVED BY THE COMMISSION BEFORE
20 JULY 1, 1986;

21 (B) OPERATING] for two years before the borrower attends; and
22 (B) submitted an executed program participation agreement
23 as required by the commission; [OR

24 (C) OPERATING FOR ONE YEAR BEFORE THE
25 BORROWER ATTENDS AND THE COMMISSION DETERMINES THE
26 PROGRAM IS OPERATING ON A FISCALLY SOUND BASIS;] or

27 (2) a college or university that

28 (A) has operated [BEEN APPROVED BY THE COMMISSION
29 BEFORE JULY 1, 1986, OR HAS BEEN OPERATING] for at least two years
30 before the borrower attends;

31 (B) is accredited by a national or regional accreditation
32 association recognized by the Council on Postsecondary Accreditation or is

1 approved by the commission; [AND]

2 (C) if the loans are federally insured, is approved by the United
3 States Secretary of Education;

4 (D) is a degree granting institution; and

5 (E) has submitted an executed program participation
6 agreement as required by the commission.

7 * Sec. 4. AS 14.43.120(d) is amended to read:

8 (d) Scholarship loans may not be made to a student

9 (1) for more than a total of \$42,500 for [FIVE YEARS OF]
10 undergraduate study;

11 (2) for more than a total of \$47,500 for [FIVE YEARS OF] graduate
12 study;

13 (3) for more than a combined total of \$60,000 for [EIGHT YEARS OF]
14 undergraduate and graduate study;

15 (4) to attend an institution, [OTHER THAN A NONPROFIT
16 INSTITUTION,] if the total amount of scholarship loans made to students to attend that
17 institution exceeds \$100,000 and the default rate on those loans is (A) greater than 20
18 percent but less than 25 percent, and the institution is unable to reduce its default
19 rate within 24 months after the rate determination; or (B) equal to or greater than
20 25 percent for two consecutive calendar years; for purposes of this paragraph, the
21 default rate shall annually be determined by the commission from loans required
22 to be repaid under (g) of this section on or after July 1, 1996; if a scholarship loan
23 is refused based on the provisions of this paragraph and, under a subsequent
24 default rate determination, an institution's default rate does not exceed the limits
25 established under this paragraph, the commission may not refuse to issue a
26 scholarship loan to attend that institution based on the provisions of this paragraph
27 [EXCEEDS THE PROGRAM DEFAULT RATE BY MORE THAN 150 PERCENT
28 AS DEFINED BY REGULATION].

29 * Sec. 5. AS 14.43.120(e) is repealed and reenacted to read:

30 (e) Interest on a scholarship loan accrues from the time the loan is disbursed;
31 however, the state shall pay the interest while the borrower continues to be enrolled
32 under (c) of this section.



Alaska State Legislature

Please enter into the record my testimony to the House Education Committee
committee name
HB 37, HB 43, + HB 54
Committee on Student Loan Forgiveness, dated 02/05/01
bill # / subject

I am in favor of any legislative bill that pertains to student loan forgiveness and would give my support to those efforts. Because of the critical shortage of policemen, nurses, and teachers; I do not think it would be wise to limit the student loan forgiveness program to only teachers, but to extend it to other critical public service jobs as well. I am not in favor of limiting the program to only those students who attend college in Alaska. It is my understanding that because of scheduling problems, it is difficult to complete an education degree in a timely manner at UAA, and students should not be penalized for attending college out of state. If the purpose of the bill is to encourage those who successfully complete a college education to return to Alaska for employment, then it should not matter where they receive their education. Perhaps an additional percentage amount above the current proposed 10% per year for each year of employment, up to five years could be added for those students who choose to attend college in Alaska. This would act as an additional incentive and help to offset the extra costs incurred due to the extra time it would take to complete a similar program in Alaska. I do believe that such a program should be retroactive. There are undoubtedly many individuals who have already completed their educations with the help of the Alaska Student Loan program who could benefit from such a program. Many may have left the state looking for more favorable employment opportunities and may be lured back by the prospect of reducing their student loan debt. Others who are currently living and working in the state would be encouraged to continue to do so if the benefits were great enough. If the student loan forgiveness program were to begin in June 2001 as proposed, it would be a minimum of five years before those students would be educated and prepared to enter the labor force. That leaves us with a critical shortage of trained professionals for a critical length of time.

Signed: Jeannette K. Rodgers
Testifier Jeannette K. Rodgers

Voter ID # 00468523
Representing (optional)

43725 Pass Drive Soldotna AK 99669
Address

907 262-5547
Phone number



Alaska State Legislature

Please enter into the record my testimony to the HOUSE EDUCATION COMMITTEE
HB 37, HB 43, HB 54 committee name
Committee on STUDENT LOAN DEBT dated 2/5/01
bill # / subject

I URGE YOUR SUPPORT OF ANY BILL THAT WOULD FORGIVE A PORTION OF ALASKA STUDENT LOANS TO GRADUATES WHO REMAIN IN THE STATE AND IN A PUBLIC SERVICE CAREER WHETHER IT BE TEACHING, NURSING, PUBLIC SAFETY, OR OTHER PUBLIC SERVICE WORK. I AM CERTAIN IT WOULD BENEFIT THE STATE BY ENCOURAGING OUR BRIGHTEST AND MOST MOTIVATED YOUNG PEOPLE TO REMAIN IN THE STATE AFTER COLLEGE.

BETWEEN OUR SON, DAUGHTER, AND SON-IN-LAW, THEY ARE REPAYING OVER \$70,000 IN STUDENT LOANS. OUR DAUGHTER AND SON-IN-LAW HAD TO RE-LOCATE OUT OF STATE AFTER THEY WERE UNABLE TO FIND TEACHING JOBS IN ALASKA WHERE THEY COULD BOTH WORK IN THE SAME COMMUNITY. IT WAS ESSENTIAL THAT THEY BOTH BE EMPLOYED BECAUSE OF THE WEIGHT OF THEIR STUDENT LOAN OBLIGATION.

PASSAGE OF SUCH A BILL, IF RETROACTIVE, WOULD BE A GOOD INCENTIVE FOR THEM TO RETURN. HAD SUCH A PROVISION EXISTED, IT WOULD HAVE DISCOURAGED THEM FROM LEAVING IN THE FIRST PLACE.

I KNOW OF MANY OTHER SIMILAR EXAMPLES.

Signed:

Testifier

CHARLES R. RODGERS

Representing (optional)

PO Box 293, ANIAK, AK 99557

Address

(907) 262-5547

Phone number

- I have two issues I would like to address concerning the Alaska Student Loan Forgiveness Legislation (HB 43, HB 54, HB 37).

1. As the current bills are written they create a two tier system which punishes the many Alaskans who have made sacrifices and dedicated their lives to the teaching profession. Please change the language in the starting date to include all former and current Teacher Education students who have current Alaska Student Loans which are paid to date with no outstanding payment, penalties or interest. I would prefer to include only students that are going to or have gone to school in the state of Alaska.

Also, make sure that the forgiveness is directed to loans taken out for teacher education programs only. My proposal is not intended to compensate participants for monies paid on their Alaska Student Loans prior to July 1, 2001.

2. The legislation needs to have language that clarifies the responsibilities of the state of Alaska and the student in the event the State opts to cancel the program.

My first proposal offers immediate help to the current teacher shortage. Without such changes the effectiveness of this legislation is very limited.

If in the course debating such a bill the legislature decides to offer lower interest rates as a solution that would be great. Or if the legislator believes it can offer some kind of forgiveness to all students, no matter where they went to school or what type of academic program they studied, that would be great too.

However, I'm sure that you will have to eliminate somebody due to the fiscal responsibility of the State. My contention is that all current legislation eliminates many of the people that have supported the Alaska Student loan program and Alaska colleges, and therefore the legislation is unfair, exclusive and it abandons/ takes advantage of the very people that can and have helped with the problem you are trying to remedy. Alaskans with current Alaska Student loans should be the last, not the first to be eliminated from any forgiveness program. I plead to you to seriously consider my proposal.

I am currently seeking a teaching position in the state. I received my type A teaching certificate in November 2000. I am 42 years old and a third generation Alaskan. All my undergraduate work was done at UAA with absolutely no financial assistance except my Alaska Student Loans. I went to school full and part-time, what ever I could do while working full-time to support my family (three children and my wife). My wife and I made many sacrifices as I completed my life-long goal to become a teacher. My current Alaska Student Loan Payment is \$390. Please include me and many other Alaskans in my situation who at this time are excluded from current legislation. Please note that our decision to become a teacher was not based on any forgiveness program, moreover we should not be penalized monetarily for our sincere dedication to the teaching profession.

Sincerely

Karl W. J. Romig
PO Box 762
Cooper Landing AK, 99572
(907) 595-1232

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE STEVENS

TO: HB 37

1 Page 1, line 1:

2 Delete "reimbursement"

3 Insert "forgiveness"

4

5 Page 1, line 5:

6 Delete "Reimbursement of"

7 Insert "Loan forgiveness of loans made to"

8

9 Page 1, line 6:

10 Delete "reimburse"

11 Insert "forgive a loan made to"

12

13 Page 1, line 9:

14 Delete "reimbursed"

15 Insert "forgiven"

16

17 Page 1, line 10, following "payments":

18 Insert "to be"

19

20 Page 2, line 4:

21 Delete "reimbursed to the borrower"

22 Insert "forgiven the borrower under this section"

23

24 Page 2, line 6:

*adopted
Do Committee CS*

- 1 Delete "reimbursed"
- 2 Insert "forgiven"
- 3
- 4 Page 2, lines 8 - 11:
- 5 Delete all material.

AMENDMENT

OFFERED IN THE HOUSE
TO: HB 37

BY REPRESENTATIVE STEVENS

- 1 Page 1, line 7, following "undergraduate":
- 2 Insert "or graduate"

adopted

Alaska State Legislature

SESSION ADDRESS:

Alaska State Capitol
Juneau, Alaska 99801-1182
(907) 465-4925
Fax: (907) 465-3517
Toll Free: 1-800-821-4925

INTERIM ADDRESS:

112 Mill Bay Road
Kodiak, Alaska 99615
(907) 486-4925
Fax: (907) 486-5264

Representative Gary Stevens

SPONSOR STATEMENT – HB 37

HB 37, "An Act Relating to reimbursement of certain student loans; and providing for an effect date," allows the state to forgive a borrower who has received an undergraduate degree from a college or university, is employed at a public elementary or secondary school within the state as a teacher, and has complied with AS 14.43.120. The amount to be forgiven under this section is the portion of the payments made by the borrower for a loan made under AS 14.43.110 up to a total of 50 percent of the total loan plus interest:

School Districts throughout the state are currently experiencing great difficulties in recruiting teachers. Currently, the Teacher Scholarship Loan (TSL) program is available to rural Alaska high school graduates who declare an interest in teaching in rural Alaska and are nominated by their local school districts. HB 37 would allow students of any academic discipline to receive forgiveness of their Alaska student loan upon meeting the criteria of the bill.

With the passage of this bill, students who decide to pursue a teaching career after enrolling in college will benefit from reducing their student loan burden. HB 37 will also give school districts an added resource in attracting new teachers and encourage Alaskan teachers to remain in Alaska.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB37
() Publish Date: 1/15/2001

Revision Date/Time (Note if correction): _____ Dept. Affected: Education
Title: An Act relating to reimbursement of certain student BRU: ACPE
loans; and providing for an effective date. Component: Student Loan Operations
Sponsor: Rep. Stevens
Requester: (H) Special Comm. On Education 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		169.9	339.9	509.8	679.8	849.7
TOTAL OPERATING	0.0	169.9	339.9	509.8	679.8	849.7

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		169.9	339.9	509.8	679.8	849.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	169.9	339.9	509.8	679.8	849.7

Estimate of any current year (FY2001) cost: 0.0

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 principle 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 borrower 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.

Prepared by: Sheila King, Finance Officer Phone 465-6757
Division: Finance Date/Time 1/15/01 12:00 AM
Approved by: Diane Barrans, Executive Director Date 1/15/2001
Agency: Alaska Commission on Postsecondary Education

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____

Bill Version: HB37

() Publish Date: 1/15/2001

Revision Date/Time (Note if correction): _____

Dept. Affected: Education

Title: An Act relating to reimbursement of certain student loans; and providing for an effective date.

BRU: ACPE

Sponsor: Rep. Stevens

Component: Student Loan Operations

Requester: (H) Special Comm. On Education

Component Number: 213

Expenditures/Revenues

(Thousands of Dollars)

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

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

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

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
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1004 GF		169.9	339.9	509.8	679.8	849.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	169.9	339.9	509.8	679.8	849.7

Estimate of any current year (FY2001) cost: _____

0.0

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 principle 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 borrower 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.

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Date/Time 1/15/01 12:00 AM

Approved by: Diane Barrans, Executive Director

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Agency: Alaska Commission on Postsecondary Education

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- Alaska Department of -
EDUCATION
& EARLY DEVELOPMENT

**Resolution of the
State Board of Education & Early Development
on
Teacher Loan Forgiveness**

Whereas, quality teachers and administrators are a crucial component for raising student achievement; and

Whereas, Alaska is experiencing a statewide shortage of teachers and administrators; and

Whereas, teacher and administrator turnover is at best disruptive and at worst disabling to education reform, and an especially acute problem in rural Alaska; and

Whereas, the need for committed, quality teachers and administrators has never been greater; and

Whereas, the Alaska Student Loan program serves a valuable public purpose by enabling thousands of Alaska students to attend colleges and universities each year; and

Whereas, Alaska Student Loan Program terms have been higher than those available through private lenders and have only recently been reduced and remain more expensive than those offered by federal loan programs; and

Whereas, the Teacher Scholarship Loan program serves only a limited number of students each year, and those are limited to rural districts; and

Whereas, the Alaska student loan forgiveness program that ended in the 1980s enticed many educated Alaskans to return to our state where, by the time the forgiveness cycle had run its course, those young people had established homes and families; and

Whereas, Alaska Student Loans currently provide no incentive to return to the state after completing a degree; and

Whereas, Alaska benefits when Alaskans return to make their homes in our state; and

Whereas, states all across America are going to great lengths to attract and retain teachers and administrators, offering a wide variety of incentives; and

Whereas, demographic trends make it unlikely that Alaska educational institutions will, even under the best of circumstances, be able to produce more than one third of the teachers our schools need each year; and

Whereas, the investment needed to fund a teacher loan forgiveness program would pay great dividends to Alaska in the form of better schools, teachers, and more capable students;

Now therefore be it resolved: The State Board of Education & Early Development calls upon the Alaska Commission on Postsecondary Education, the Governor, and the Legislature to reinstate a loan forgiveness program for teachers and administrators working under contract in Alaska schools.

Sept. 19, 2000
Date

Susan Stitham
Susan Stitham, Chair



Public School Funding Formula *Educational Adequacy*

FY2002 budget will require \$10.5 million less than the FY2001 foundation formula budget due to increases in required local contribution and federal impact aid funds for a drop in state aid for education of approximately \$29.7 million for the two years. However, the legislature did approve a one-time appropriation in FY2001 of \$6.2 million for Learning Opportunity Grants. The last shift to municipal districts results in

Teachers

Recruitment of qualified and experienced teachers continues to become more difficult in Alaska as it is for much of the United States. Many states and outside school districts offer incentives as: signing bonus, down payment on a home, mortgage subsidy, and student loan repayment programs. (*See examples of teacher incentives offered in other states.*) These are examples of the recruiting techniques used beyond the annual salary to entice teachers to sign contracts. Due to limited resources, Alaska school districts continue to struggle to be competitive with other states and outside school districts when recruiting teachers.

From FY99 to FY2000 the average teacher salary in Alaska increased less than 1%. This reflects the smallest increase in average teacher salary in the nation from FY99 to FY2000. For the ten-year period from FY90 to FY2000, the average teacher salary stated in constant dollars decreased 11.7% and is the largest decrease in the nation for this time period. (*See National Education Association attachment.*)

Demand for teachers in Alaska has already exceeded supply, leaving unfilled positions across the state in math, special education, and speech pathology. For the 1999-2000 school year, 1,335 new teachers were hired in Alaska. On the first day of school 84 teaching positions were still unfilled, and some remained unfilled for up to



Public School Funding Formula *Educational Adequacy*

two months. Districts report that they are scraping the bottom of the barrel, forced to hire unqualified teachers on emergency certificates, and teachers with minimal paper qualifications who are unsuitable for the positions.

The amount of state support through the foundation program impacts the level of wages, benefits, and incentives that school districts can offer to recruit and retain teachers. State support through the foundation program has remained relatively flat in current dollars for ten years, but when stated in constant dollars to reflect inflation it has actually decreased. Alaska school districts have had to hold the line when negotiating new salaries and benefits with its certified and non-certified staff.

As recently as 1989 Alaska was reported to have the highest average teacher salaries in the nation. According to the NEA, Alaska's average teacher salary in 1989 was \$42,818. In 1999, Alaska is reported to have slipped to number eight in the nation with an average teacher salary of \$48,085. The average teacher salary in Alaska has increased about 12.3% for the past ten-years, but when stated in constant dollars to reflect inflation it has decreased by approximately 11.7%.

As discussed in the foundation formula section of this report, the state foundation formula was increased approximately 5% in current dollars excluding increases for enrollment growth. This means the additional 7.3% increase in current dollars has come through additional local contributions and increased designated grants. Municipalities continue to increase local contributions and school districts continue to apply for and receive supplemental grants from other sources. These are more examples of municipalities and school districts being accountable to the state legislature by seeking and securing supplemental resources.

Examples of Teacher Incentives Offered in Other States

- **Increased Salaries**

- Maryland-10%

- Virginia-\$90 million over 2 years

- New York City-15% increase for teachers in schools on academic watch list

- Detroit-\$3000 for high-need subject areas

- Los Angeles-\$5000 for bilingual

- **Scholarship-loan Programs**

- Virginia-\$3000 forgivable loans

- North Carolina-\$6500 annually, requiring 4 years of teaching after graduation (3 if they work in "low performance" schools)

- **Signing Bonuses**

- Massachusetts-\$20,000 over 4 years for 150 teachers in urban areas

- Virginia-\$1000 for hard-to-fill areas

- Maryland-for top graduates

- Texas-\$3000 for special education

- Philadelphia-\$4500 for teachers who stay for 3 years

- **Tax Exemptions**

- California-proposed exemption from state income tax for certificated teachers

- **Student Performance Bonuses**

- California-proposed \$5000 bonus for each teacher in a school with student test score improvement of 20%; lesser amounts for lower improvement rates

- **Low Interest Home Mortgages**

- Maryland

- California-for teachers to live within school boundaries

- **Double Dipping**

- Maryland-retired teachers who return to classroom can continue to draw pension

- Continuing Education

Ohio-\$1.8 million for 30 math and science teachers who commit to 3 years
in the district to obtain master's degrees

Many States and Districts-mentoring programs for new teachers

- Miscellaneous Goodies

Various States and Districts-laptop computers, gym memberships, 401Ks,
moving costs

"A tax exemption or signing bonuses may not be the right answer here. But
when states from New York to California are wading into a teacher bidding war,
Oregon had better offer something more than scenery." *Portland Oregonian*, May 2000