

SCOMM

125:23

22-LS0174\C

Ford

1/30/01

*Adopted 1/31/01***CS FOR HOUSE BILL NO. 54()**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY**Offered:****Referred:****Sponsor(s): REPRESENTATIVES DAVIES, Kerttula****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to the rate of interest applicable to student loans; and providing for an
2 effective date."

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

4 * **Section 1.** AS 14.43.120(f) is amended to read:

5 (f) Except as provided under (v) and (w) of this section, interest
6 [INTEREST] on a loan made under AS 14.43.090 - 14.43.160 is equal to the interest
7 rate

8 (1) paid in each year on bonds issued by the Alaska Student Loan
9 Corporation under AS 14.42.220; and

10 (2) necessary to pay the administrative cost of the student loan
11 program that is represented by the loan.

12 * **Sec. 2.** AS 14.43.120 is amended by adding a new subsection to read:

13 (w) If a borrower has graduated from a career education program or received
14 an undergraduate degree from a college or university, is employed within the state,

1 and has complied with this section, the rate of interest calculated under (f) of this
2 section for a loan to that borrower shall be reduced by at least 50 basis points (one-half
3 of one percent) but not more than 100 basis points (one percent). The interest rate
4 reduction required under this subsection applicable to a loan shall be determined by
5 the commission. The commission may not grant an interest rate reduction under this
6 subsection if the reduced rate of interest would preclude the commission from
7 administering loans under AS 14.43.090 - 14.43.160.

8 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

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

12 * Sec. 4. This Act takes effect July 1, 2001.

BILL ANALYSIS -- HB 54
3rd Hearing February 14, 2001

Sponsor: Rep. Davies

Title: "An Act relating to forgiveness of student loans"

New CS: Rep. Davies will present an amendment to CS Version "C".
The amendment will change the funding source to GF as appropriated by the Legislature

Previous Hearing: The committee adopted Version "C" of CS HB 54 last week but did not discuss the bill.

- The CS will change HB 54 from a forgiveness bill to a bill lowering the interest rate on loans made by borrowers who come back and work in Alaska.
- The interest rate would be lower as long as the borrower stayed in Alaska.
- The reduction would take effect assuming it complies with statute and sound financial management of the program.
- Rep. Davies expects that the current program capitalization would pay for this bill, although no dividend to the General Fund would be possible.

Fiscal Note: Diane Barrans will be prepared to discuss any changes to the original bill's fiscal note and the possible federal tax liability issue.

ACPE Concerns: ACPE Comments reflect the CS adopted on January 31st.

- 1) ACPE anticipates providing a fiscal note identifying the cost in reduced earnings.
- 2) ACPE may return funds to the state.
- 3) ACPE continued to reduce annual lending rates and fees. This bill would make proposed future reductions mandatory regardless of ASLC's ability to absorb the reduction. This would impair their ability to reduce costs, and might require increases on all other loans.
- 4) No provision is made for loss of benefit if the borrower defaults.

Available to Testify:

Diane Barrans	Alaska Commission on Postsecondary Education (ACPE)
Beth Nordund	DEED
Vern Marshall	NEA (Available for questions)
Rich Kronberg	NEA

Teleconference Sites: Mat-Su, Homer, Sitka, Tok, Petersburg, Nome, Valdez, Fairbanks, Unalakleet
We do not know which, if any, of these sites are interested in this specific bill

Offnet: No one has expressed interest in this bill for the offnet.

*This needs
to be adopted.*

22-LS0174\C.1
Ford
2/13/01

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE DAVIES

TO: CSHB 54(), Draft Version "C"

1 Page 1, following line 11:

2 Insert a new bill section to read:

3 **"* Sec. 2. AS 14.43.120(t) is amended to read:**

4 (t) Payment of interest under (l) of this section, [AND] forgiveness under (s)
5 of this section, and a reduction of interest under (w) of this section are subject to
6 appropriation by the legislature. Money obtained from the sale of bonds by the
7 Student Loan Corporation under AS 14.42.220 may not be appropriated for the
8 payment of interest or the forgiveness of loans."
9

10 Renumber the following bill sections accordingly.

Subject: RE: HB 54 scheduled for 2-28-01

Date: Mon, 12 Feb 2001 08:04:06 -0900

From: "Diane Barrans" <diane_barrans@acpe.state.ak.us>

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

Good morning Karen,

I have it on my calendar and will plan to be available Karen. The only possible conflict that could arise would be subcommittee budget review since those meetings are early a.m. as well. I will keep you apprised.

I've dug up some more information on the tax liability question but it probably would be helpful for the sponsor(s) to seek legal's advice as well. See you Weds.

Diane

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

From: Representative Con Bunde

[mailto:Representative_Con_Bunde@legis.state.ak.us]

Sent: Friday, February 09, 2001 5:47 PM

To: Diane M Barrans

Subject: HB 54 scheduled for 2-28-01

Diane --

I just noticed HB 54 for Feb. 28th. I understand that the funding source will be GF. It is still unclear whether Rep. Davies will offer a new CS or an amendment to the CS he already offered.

Will you be available on that date to inform the committee of the likely fiscal note for the new version of the bill?

Have a great weekend, and thank you for the quick answer on the tax liability.

Karen

Hi Karen,

Yes indeed. This occurred with the old forgiveness program as well. Because the forgiveness is a cash benefit to the recipient (kind of lack a retroactive grant), the lender has to disclose the annual amount to the recipient on a 1099 notice. The taxpayer is then required to report the benefit. With the caveat that 1) tax code does change; and 2) I am not a tax expert, I understand that a couple of borrowers (lawyers) argued that this money was not, in fact, taxable because in the years in which they had received the money, they were insolvent.

That is the skinny from our end. I do plan to be there on Weds. and can put that information on the record. Thanks for the heads up.

Diane

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

From: Representative Con Bunde

[mailto:Representative_Con_Bunde@legis.state.ak.us]

Sent: Friday, February 09, 2001 2:52 PM

To: Diane M Barrans

Subject: Federal tax liability of loan forgiveness

Diane:

We received a Public Opinion Message regarding HB 43, in which the person informed Rep. Bunde that he and his wife were taxed by the federal government for the forgiven portion of their student loans.

What is the background on this? Rep. Bunde would like to get this on the record during Wednesday's hearing.

Thanks for your help,

Mr. Jack Navitsky,

Sitka, AK 99835

Phone:

E-mail:

Constituency: N

Distribution: 60

Affiliation:

Reg Voter: U

Subject/Bill SB 61

Regarding SB 61 and HB 43, I urge you to investigate the taxability of the reimbursement/forgiveness component of these bills as viewed by the IRS. My wife and I received Ak. Student Loans only to be taxed on the forgiveness component. The media and IRS stated the state was aware of the taxability, however,

the students were never informed.

Date Sent: 02/08/2001

Public Opinion Messages Received, 2/9/2001

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.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 30, 2001

SUBJECT: Sectional Summary of HB 54 - student loans.

TO: Representative John Davies
Attn: Amy

FROM: Michael F. Ford 
Legislative Counsel

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

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

Section 1. Technical amendment.

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

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

Section 4. Effective date.

MFF:glc
01-076.glc

Alaska State Legislature

Member:
House Finance Committee

Legislative Budget Subcommittees:
University of Alaska
Natural Resources
Environmental Conservation



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1-800-928-4457

Representative John Davies District 29

Sponsor Statement CS(HB 54)

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

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

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

BILL ANALYSIS
HB 54
2nd Hearing - January 31, 2001

Sponsor: Representative Davies

Sponsor's CS: *adopted 1/31/01*

- The CS will change HB 54 from a forgiveness bill to a bill which would lower the interest rate on loans made by borrowers who come back and work in Alaska.
- The interest rate would be lower as long as the borrower stayed in Alaska.
- The reduction would take effect assuming it complies with statute and sound financial management of the program.
- Rep. Davies expects that the current program capitalization would pay for this bill, although no dividend to the General Fund would be possible.

Expected Action:

- ✓ Your intention was to adopt the CS with the committee's approval, and then hold the bill for a future hearing.
- ✓ Rep. Davies is agreeable to that, as it will give him time to have the CS evaluated by the Postsecondary Education Commission and get a new fiscal note. *Fiscal note requested 1/31/01*

1/17/01

BILL ANALYSIS HB 54

Bill Title: HB 54, "An Act relating to reimbursement of student loans; and providing for an effective date

Sponsor: Rep. Davies

Synopsis:

- 1) Allows the state to forgive the Alaska Student Loan (and interest) of a borrower who:
 - a) graduated from a career education program or received an undergraduate degree from a college or university
 - b) is employed *within* by the state.
 - c) complied with AS 14.43.120 (details of loan repayment, eligible institutions, and what the loan will pay for) and AS 14.43.110 (borrower has applied for the loan).
- 2) Provides for a sliding scale on the amount to be forgiven, (one year employment 10%, two years employment 20%, 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.
- 5) Applies to loans entered into on or after July 1, 2001 and to the borrower's employment beginning on or after July 1, 2001.
- 6) Effective date July 1, 2001.

Possible Questions:

- 1) Must the employment with the state be full-time permanent employment?
- 2) Would this bill affect the state's bond rating for these loans?
- 3) Why not include those borrowers with certificates, diplomas or graduate degrees?
- 4) The fiscal note doesn't seem to cover the cost of the data management process or the Range 12 staff position necessary to manage the program. What would the cost of those be?
- 5) See "Amendments Proposed" at the bottom of the second page of the Fiscal Note.

Available to Testify:

Rep. John Davies
Sheila King

ACPE Finance Officer Will explain details of the bill.

Teleconference Sites: Juneau, Anchorage, Fairbanks, Kodiak



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT EED	DIVISION ACPE	BILL NUMBER HB54	SPONSOR Rep. John Davies
SHORT TITLE OF BILL An Act relating to reimbursement of 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 Dept. of Labor & Workforce Development	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.

ANALYSIS OF BILL/PROGRAM EFFECTS

This legislation prospectively changes the terms and conditions of 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 by the legislature.

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 that eligibility for reimbursements is contingent upon receipt of the loan-funded diploma or degree.
- ◆ Include as beneficiaries borrowers with certificates, diplomas or graduate degrees.
- ◆ Require and define full-time employment.
- ◆ 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 9, for a loan made under AS 14.43.090.
- ◆ 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

Billanal.doc

ANALYSIS: (continued)

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

	2002	2003	2004	2005	2006	2007
Assumes 20%	0.0	1,733.5	3,433.7	5,135.0	6835.3	8,535.7
Assumes 35%	0.0	3,008.0	5,982.9	8,958.7	11,933.7	14,908.6
Assumes 50%	0.0	4,282.6	8,532.1	12,782.5	17,032.1	21,281.6

Note - This was meant to go with the FN, not the analysis. So it has been distributed to all cmt members

Alaska State Legislature

Member:
House Finance Committee

Legislative Budget Subcommittees:
University of Alaska
Natural Resources
Environmental Conservation



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Representative John Davies District 29

Sponsor Statement HB 54

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

This legislation is designed to encourage Alaskans to decide to stay or return to Alaska after graduating from a college or university.

This bill provides a reimbursing formula which forgives a percentage of a graduated student college loan for each year they are employed in Alaska, at the rate of 10% a year, up to 50% of the total loan.

Alaskans, upon graduating from college or university often seek work and careers "outside" where there might be greater economic opportunities.

After investing 16 years of education in our children we should encourage them to utilize their skills and talents here at home, where we may all benefit from their educational experience. The high cost of higher education should not be a deciding factor in where they decide to live.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 54
() Publish Date: 1/15/2001

Revision Date/Time (Note if correction): _____ Dept. Affected: Education
Title: An Act relating to reimbursement of student loans; BRU: ACPE
and providing for an effective date. Component: Student Loan Operations
Sponsor: Rep. Davies Component Number: 213
Requester: (H) Special Comm. on Education

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	*	*	*	*	*	*
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	*	*	*	*	*	*
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time		1	1	1	1	1
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 any borrower who has completed a career education program or received an undergraduate degree and is employed within the state.

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

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

To estimate the cost of this legislation, loan originations are assumed to be \$50,000,000 each year beginning with the 2001-2002 academic year. The cost of 1 additional position at a Range 12, which would be required to administer this program, is included. Three scenarios are presented; 20% eligibility, 35% eligibility, 50% eligibility.

Prepared by: Sheila King, Finance Officer
Division: Finance
Approved by: Diane Barrans, Executive Director
Agency: Alaska Commission on Postsecondary Education

Phone 465-6757
Date/Time 1/12/01 1:00 PM
Date 1/15/2001

For distribution information, call the Governor's Legislative Office

ANALYSIS: (continued)

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

	2002	2003	2004	2005	2006	2007
Assumes 20%	0.0	1,733.5	3,433.7	5,135.0	6835.3	8,535.7
Assumes 35%	0.0	3,008.0	5,982.9	8,958.7	11,933.7	14,908.6
Assumes 50%	0.0	4,282.6	8,532.1	12,782.5	17,032.1	21,281.6

D-12

PO Box 221061
Anchorage Ak 99522
January 19, 2001

To Whom It May Concern, State Legislature:

I noticed the Anchorage News recently contained an article regarding changes upcoming to the student loan program, one being to reduce the interest rate for upcoming and some older loans. More recently there also was discussion on 2 bills, one which may waive 10% a year for 5 years if a student teaches in Alaska, the other if they work in the state five years.

Prior changes to the program that I am aware of include: to pay tuition at UAA/UAF for students in the top 10% of their class. And before this, bankruptcy laws were modified to require loans to be repaid and could not be included in bankruptcy, and involved federal rules as well. And before that, there was a program that forgave a portion of the student loan for working in the state.

We all know of the "brain drain" from Alaska as kids find what they consider better opportunities elsewhere. Also, we recognize there are problems with the state colleges not providing certain degrees which is another reason students go elsewhere. As well as leaving to experience living outside of Alaska, or in a dorm. When kids remain or return to the State this helps the local economy as well as bringing perspectives back to the state. However, at this time I do not actively advocate any student to use the loan program, which I will digress on further.

I have personally been involved in several experiences which I will share:

1 - The extent of student loan debt versus future student earnings when student graduated varies widely. My son Brian Lauver, has 2 major dollar loans exceeding 40K, my daughter Jennifer Henson the same. My son filed a bankruptcy and had to forgo a car and paying medical bills, but had to retain the student loans, at an interest rate of 15% when considering all the deferrals he needed for several reasons. The State makes arrangements to pay only interest, to pay more in the future as graduated payments, which results in expensive interest earning only, deferrals, etc. None of these are really much of a solution, and they ALL give the state more money, more money is made off the backs of poor students, and the interest rate then goes from the 8% originally signed for, up to 15% when applied w/ deferrals!

2. - My husband and I give funds for both kids toward living, or the payments you can say, and feel we are not able to retire until we resolve the issue. And, we are not the only parents helping out - I know of many other parents who do the same, and seriously regret using the program, advise others NOT to use the program. It is reminiscent of Citibank and others who offer easy money, credit, to students, and then they can easily and often do, go in over their heads.

3 - As a parent I have a major concern and several issues with how the program is administered and how it adversely impacts students. I will list these and also provide suggestions to consider to make the situation an improved and more fair one:

- 1- By law the extent of interest over the life of the loan is to be identified in signed documents, and a poor job is done in this area. Students often require deferrals where they require for example, one year of experience often required in a field to qualify for going further in a master's program, eg, physical therapy in the case of my daughter, Jennie Henson.
- 2- The rules also for grants are geared to what parents make, which then precludes grants for the students. HOWEVER, it is the student not the parents who receives the funds, is responsible to repay! And of course, these students are at the beginning of the wage structure, low...
- 3- The State loan billings and statements are quite a challenge to understand and follow. I have an MBA and have difficulty even after I called for explanations. The principal owed is never shown

Additional Backup as of 2/14/01

accurately. I asked for statement of what the payoff is and never received an answer in the advent we funded the loans elsewhere.

Recommend for changes:

1. A full audit of the program. what works and what doesn't work. Get the input of students and public who have used the program. Bring together equity to the old parts and merge w/ better new parts of the program.
2. What are the program objectives, what to achieve? If you want to have good Alaskans continue to live in Alaska and contribute, then come back with some sort of waiver table, based on the importance, contribution of the field of work, etc. I am pleased to see the latest proposal, in the Anchorage News this week. If the recent rollback of interest went back several years and w/ certain restrictions, reach further back to other struggling students who are still paying off their debt, in all fairness and to be equitable.
3. Add interest forgiveness where the deferrals are tied to qualifying for continuing ed as in my daughter's example. Or some other solution to hold down the indefinite nature of deferrals and how it tremendously increases what is owed.
4. Add debt and interest forgiveness up to varying ranges where students complete their program and return to Alaska, and are working and contributing to the economy and well being of all Alaskans. This could be a table based on work area, eg, bush nursing or teaching, etc, versus business degree in Anchorage. However, Please, Please, Please, make it retroactive to help kids already struggling so hard to pay their debt, to make it and keep their program going. My daughter thinks of returning and may make enough money to live, but my son is thinking of leaving because he barely makes \$15/ hour, prospects aren't great, he is working on a Master's degree at this time, and his job pays his tuition. But we help both with their payback...
5. Recognition for higher education programs beyond graduate, and special treatment. Allow waiver of payback for hard to fill jobs.
6. Increased availability of grants to be used directly to students in lieu of loans with more ability than in the past, improve conditions to use. Less reliance on what parents make.
7. Truth in lending, let students know what they are really in for to pay back, including stress on the deferrals. Do something similar to a sabbatical, where some time off is forgiven, be it 2 semesters of 4, with no interest charged.
8. Strengthen the rules of payout from student to colleges, so funds can be returned to the State where they are not seriously needed. The students sometimes take the funds and use for low priority items - tighten the justification for use.
9. Encourage business such as my son's to promote the local college programs by offering to pay tuition or books, or allow time off. I think this has great potential, to my son it's like making a bit more money. A lot of jobs tell the employees they will get so much education while working anyway, and these types of hires which are enthused by this promotion should be good hires where they are looking for growth on the job. It helps both very much.

I believe if you would survey the public you would get other good ideas. I would be willing to help in this project. I would appreciate a response. If my kids received some relief on their paybacks, my husband and I could really retire, and afford to stay in Alaska.

Sincerely,



Fay R. Lauver
907-271-5304
907-349-9511



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 02/03/01
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

Vote ID # 00468523

Representing (optional)

13725 Puss Drive Sable Alaska 99667
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 34 committee name
Committee on STUDENT LOAN DEFERMENT, 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

Subject: Student Loan Reimbursement House Bill

Date: Thu, 1 Feb 2001 17:51:54 -0600

From: "Little, Heidi L" <littlehl@BP.com>

To: "Representative_John_Davies@legis.state.ak.us" <Representative_John_Davies@legis.state.ak.us>

Rep Davies:

I am a life long born and raised Alaskan. I attended the University of Alaska, Anchorage, receiving a BA in Public Relations/Journalism in 1984.

I took advantage of the State Student Loan program (as it was then structured) to help pay for my education. Without it, I would not have been able to attend college.

Not only was it less expensive to attend school in State, but having the forgiveness clause in my loan was a big incentive to stay in State. I am proud to say, that I have lived in Alaska all of my 39 years, paid back what was owed on my loan and was given the forgiveness allowed.

AND

I have yet to work in the field that I received my degree in! If I had to work in my field in order to receive the forgiveness, I would have had no choice but to move out of state to find a job in my degree field. It's not always easy to break into your chosen field in Alaska, it's easier Outside where there are more options and larger markets.

I don't feel that your bill should restrict the forgiveness to just select profession(s). Extending the forgiveness to all is more fair, and more inviting to all who are weighting their education options. The student loan program that I received my loan under, worked just fine. What's wrong with going back to that structure? Get your degree, stay in State, or come back to the State and work.

By restricting the forgiveness to select professions you would be contributing to the outside migration rather than giving an incentive to keep people in State. What would new graduates have to do if they had to work in their selected field in order to be eligible for the forgiveness, yet couldn't break into that field here in State? Move out of state! What a choice!

Please look at it this way. Isn't the objective to have education affordable to all, regardless of where they may end up living and what they may be doing as a profession or way to earn a living?

Think about it.....

Thank you for your time and consideration.

Heidi
Heidi Little
Admin Assistant
GPB Operating Strategy Team
Phone: (907) 564-5738 Fax: (907) 564-4007
Mailstop: 10-3
"What we love to do we find time to do"
John L. Spalding

2/6/01 9:57 AM

Additional Constituent Contact Since 1/31/01

Subject: student loans

Date: Thu, 01 Feb 2001 16:12:01 -0900

From: Georgia.Tompkins@MSB.Mat-Su.k12.ak.us (Tompkins, N. Georgia)

Reply-To: ngtompkins@msb.mat-su.k12.ak

Organization: Academy Charter School

To: Representative_John_Davies@legis.state.ak.us

Rep. Davies,

I have recently learned of a HR37 that you are working on in special committee concerning the possibility of forgiving a percentage of student loans to graduates that remain in the state. I am one of those that would be affected by such a bill.

I am a 1997 graduate of UAA, married, home owner, and 20+ year resident of Alaska. My loan payments for completing 2 bachelors in 6.5 years are approximately \$500 a month. Needless to say, that is quite a dent in my 2nd year teacher income. With educational funding lagging here in Alaska, it is quite lucrative to look Outside for better pay, bonuses, benefits and funding. I love this state and hope to stay another 20 years, however, sometimes the bottom line must be addressed and as my youngest finishes high school here options are opening for the future. Many of my colleagues are in the same position.

Please make every attempt to help us help our beautiful state, by staying here to teach, pay local taxes and truly make Alaska a brain gain, not a brain drain. Make sure your bill helps those of us who are on the high interest rate loan program, who have already graduated and decided to stay here to teach.

Thank you for your time and consideration
N. Georgia Tompkins
Palmer, Alaska

2/6/01 9:58 AM

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 it's not the LEGISLATURE'S JOB TO PROVIDE A TOO GENEROUS STUDENT LOAN PROGRAM THAT ^{WOULD} ~~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.

**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.

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 fluid and connected, with a large loop at the end of the last name.

Susan Phillips Cushing

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

Subject: Alaska Student Loans

Date: Thu, 18 Jan 2001 22:44:02 -0800

From: "Mike Reed" <asmjr@gci.net>

To: <Representative_Con_Bunde@legis.state.ak.us>

Dear Rep. Bunde,

I read in the Anchorage Daily News that there may be a bill introduced that would potentially forgive student loans for those Alaskans who would stay and work in Alaska for five years. I understand that this bill is primarily designed to keep more teachers, but Alaska is also in short supply of qualified nurses, social workers, and police officers, all of these positions are important to our community.

As a graduating student of the University of Alaska Anchorage, I strongly encourage you to support any bill that would forgive students loans for any Alaskan that has gone to college in Alaska and plans to remain in Alaska for at least five years.

Forgiving student loans for Alaskan students not only is beneficial for the students, but in the long run benefits our great state and those who live here.

I hope that you and the other members of the Special Committee on Education will support a bill that would forgive student loans Alaskans who want to stay working in Alaska.

Sincerely,

Michael Reed
Anchorage

Subject: House Bill No. 54

Date: Thu, 18 Jan 2001 12:20:43 -0900

From: "Odenheimer, Carley J." <OdenheimerCJ@ci.anchorage.ak.us>

To: "'Representative_Con_Bunde@legis.state.ak.us'" <Representative_Con_Bunde@legis.state.ak.us>

Dear Rep. Bunde;

I am an Alaska voter who is very interested in House Bill No. 54. I received my college degree with the help of an Alaska student loan and now work in Anchorage. Minimizing my student loan payments would definitely benefit me and many of my colleagues and friends. Sometimes the payments for student loans can be overwhelming; even if you have a good job.

I would like some clarification of this bill. In the applicability section it states that this Act applies to loans entered into or after July 1, 2001 and to a person's employment on or after July 1, 2001. Does this mean that people who received loans prior to July 1, 2001 are excluded from this Act? If so, why are you discriminating against Alaskans who received loans prior to this date and work in Alaska?

Thank you in advance for your reply.

Carley Odenheimer
10212 Jamestown Drive Unit I
Anchorage, AK 99507
(907) 522-4376

cjodenheimer@hotmail.com

Subject: AK Student in MO.

Date: Fri, 19 Jan 2001 22:38:26 -0800 (PST)

From: Sevilla Travis <sevillatravis@yahoo.com>

To: Representative_Con_Bunde@legis.state.ak.us

Representative Con Bunde,

I am attending graduate school in St. Louis, MO. I will graduate with my Master of Social Work in December of 2001. I am still voting in AK and you are my representative. :)

I would like to come back to Alaska but am SO deep in debt from all my years of undergrad (and my husband's) at UAF and then my grad program here at Washington University in St. Louis, I fear we may not return to the home of my birth, Alaska. Job opportunities in the lower 48 are much better for my husband and myself and this crushing debt inclines us to stay. But our hearts are truly in Alaska.

I understand there is a bill proposing 50% forgiveness for 5 years of work in AK. After reading this bill on the web, I was TERRIBLY disappointed to see that only loans made after June 2001 are eligible. Am I mistaken?

I have purposely worked extremely hard to get into the #1 social work school in the country, taken specialty courses on Native Americans and health care, and have been able to get an internship at the Mayo Clinic. I've done all this so I could bring back to my home the highest quality services, as we are in desperate need of quality professionals in Alaska.

My family came to AK. as pioneers in the 50's and never left. I was born and raised there and miss it greatly. I missed out on the old forgiveness clauses and will just be missing them again it seems. Is there anything that can be done to bring Alaskans like me home in this new Ak. Loan forgiveness bill?

Any help would be appreciated Representative Con-Bunde.

I will be happy to hear from you via email.

Sevilla Ingersoll Travis

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<http://auctions.yahoo.com/>

Subject: RE: Legislative Update-Proposed Health Permit Regulation Changes

Date: Tue, 23 Jan 2001 18:22:25 -0900

From: "Charlotte A. Fox" <cafox@alaska.net>

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

I read recently of a possible Alaska State Higher Education Grant forgiveness bill if students return to the state. As one whose husband was the recipient of one of those forgiveness grants 20 years ago, and who currently has children with college loans through that program, please put us down as two people who would be very much in favor of such legislation! I think it's a great way to encourage young people to return to Alaska.

Charlotte Fox
Michael Stinebaugh

PS: Thanks for your legislative updates.

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

Subject:

Date: Thu, 18 Jan 2001 09:16:36 -0900

From: "Navarro, Anthony" <NavarroA@alyeska-pipeline.com>

To: "'Representative_Gary_Stevens@legis.state.ak.us'" <Representative_Gary_Stevens@legis.state.ak.us>
"'Representative_John_Davies@legis.state.ak.us'" <Representative_John_Davies@legis.state.ak.us>

Representatives,

Recently I had watched on the local news channel that there is a possibility that in the near future that the Student Loan forgiveness program may operate once again. It was explained by the news organizations that the loan would be forgiven 10% per year for 5 years for each student that has graduated and has stayed, worked and paid on their loan in the State of Alaska. I realize that this legislation is not in effect and would like to know if HB 37 plans to make this retroactive for the students that have met those requirements and are still paying on the loan?

I have resided in the State of Alaska for 4 years since my graduation date, May 1997, and would hope that HB 37 would apply to students currently paying on the loan. I have been faithfully paying my loan every month and think that it would be a shame to punish those true Alaskans who have worked hard to create this great State. While I can understand the need to draw educated workers into the State of Alaska workforce, I see no reason why this should not be made retroactive as well as current. To exclude is to divide and our State philosophy should be one of inclusion rather than exclusion.

I have seen our great State prosper and endured the hard ships. Although HB 37 is targeted at drawing educated workers back to the State of Alaska, my fear is that HB 37 will deter those individuals that have worked and are currently working here today.

I welcome your comments, feedback and thoughts.

Warmest Regards

Tony Navarro

Tony Navarro
Business Management
Alyeska Pipeline Service Company
Valdez, AK 99686
834-7076 (x7076) MS 798
NavarroA@alyeska-pipeline.com
tnavarro@gci.net

Subject: House Bill 37 and 43

Date: Thu, 18 Jan 2001 13:20:18 -0700

From: "Monica Hoeft" <monicahoeft@hotmail.com>

To: Representative_John_Davies@legis.state.ak.us

Representative John Davies,

I am writing this letter as a debt-ridden teacher. I am in full support of House Bill 37 and 43. I am disappointed that the starting date would be July 1, 2001. What about the students who graduated earlier and are just now entering the work force? I am a first year teacher and I owe almost \$50,000. This is a combination of AK Student Loans and Federal Stafford Loans. I graduated from Wasilla High School in 1994 and then graduated from Eastern New Mexico University in 1998 with a degree in Psychology. I returned to school, first in Juneau, and then in New Mexico to earn my education degree.

I was born in Alaska and intend to stay. I am very appreciative that people like you who are trying to keep Alaskans in Alaska. Is there anything that can be done to help educators, like myself, who will not be eligible for any type of loan forgiveness? My suggestion and hope is that the bills could be amended so that the teachers entering the workforce now would be given the same incentives as those in four years. Please think about amending the bills so that loans from 1994 or 1995 to the present could be included, as well. That way the teacher shortage could be addressed this upcoming year and not 4 years down the road.

Thank you for your time.

Sincerely,

Monica Hoeft
Chevak, Alaska

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Subject: House Bill No. 54

Date: Thu, 18 Jan 2001 10:29:27 -0900

From: "Marti Garrett" <marti_garrett@hotmail.com>

To: Representative_John_Davies@legis.state.ak.us

Hello Mr. Davies: I recently heard a report on the radio regarding House Bill 54, forgiving up to 50% of student loans. I happen to work at Seward Chamber of Commerce, and the LIO is right next door so I had the bill printed for my review.

I would like you to consider amending the applicability section of the bill to read "This Act applies to loans entered into on or after July 1, 1996, and to a person's employment that occurs on or after July 1, 1996.

I believe making the bill retroactive will help the Alaska economy and workforce today, not four years from now. Only four of my ten closest friends that graduated from college have returned to Alaska to live permanently. Not very good numbers!

I graduated from Seward High School in 1993, and from Alaska Pacific University in 1998. Obviously making the forgiveness retroactive would directly benefit me, but only for a portion of my loan. A number of great students coming out of Seward since 1996 are attending college in the Lower 48 states, and staying there. We need to get these smart, community-minded, active people back to Alaska. It is not only for economics, but for quality of life as well. These stimulating individuals would contribute to the community they live in by volunteering, donating time and money, and being active in community issues and state issue.

Please consider a review on making your bill retroactive - to help Alaska and Alaskans today, not years from now!

Thank you for your time and consideration.

Marti N. Garrett
PO Box 2592
Seward, AK 99664

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Subject: Student loans

Date: Fri, 19 Jan 2001 00:43:57

From: "Matthew McSorley" <matthew_mcsorley@hotmail.com>

To: Representative_John_Davies@legis.state.ak.us

Dear Mr. Davies

I have been a supporter of yours for eight years. I lived in your district and was pleased with what you were doing. I have recently moved to Anchorage for a better paying job. I feel that you are right on with your new bill to try to retain Alaskans with financial incentives in the form of student loan breaks. This is a huge problem that needs to be addressed. I can tell you that I recently graduated from college and have seen the vast majority of my fellow students leave for better paying job outside of Alaska.

I have been a professional fire fighter for five years and my wife is a middle school teacher for ASD. We both love Alaska and plan to stay here, but we have been offered some incredible opportunities to leave. Did you know that many Fire Departments are actually giving cash incentives and buying all of your retirement and giving seniority for time served in Alaska to come work for them. The same types of offers are out there for teachers.

This is a very enticing opportunity for young couples that are ready to have a family.

I can tell you that if the rainbow fishing were not so good here I would leave.

Teachers, Fire Fighters and other civil servants these days go through so much to get a job. Why do many cities in Alaska not see that these highly educated individuals are a valuable asset that needs to be retained?

I think that the program you are proposing should be extended to include students that have graduated in the last 10 years. This would help the young couples that need it the most, the couples that are the future of Alaska and having children that are going to be the leaders of Alaska.

Thanks for your time

Respectfully

Matt McSorley

Girdwood Alaska

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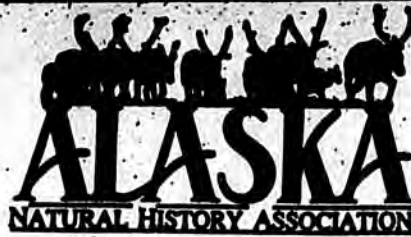
Subject: Tuition

Date: Sat, 20 Jan 2001 20:40:42 -0900

From: Sharon Allen <sallen@alaska.net>

To: Representative_John_Davies@legis.state.ak.us

I read the article in the paper regarding your student loan 50% reduction proposal. I certainly support what you are proposing compared to Rep. Steven's House Bill 37. I believe his proposal is discriminatory. His bill is the most unfair proposed plan that I have ever seen. If yours is considered to costly, perhaps it could be modified. Perhaps only the interest could be forgiven and maybe the terms could be amortized for a longer length of time. That would be a great incentive and financial relief for these young students. Thank You for your time. Sharon Allen Box 73765 Fairbanks, Ak.



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

Jennifer Bell
Branch Manager
January 24, 2001

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

Dear Mr. Davies;

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

Sincerely,

Jennifer Kathleen Bell

Subject: H.B. 37, 43 and 54

Date: Sun, 21 Jan 2001 14:28:07 +0000

From: Greg Mercer <mercer@ptialaska.net>

To: Representative_Beth_Kerttula@legis.state.ak.us, Representative_Joe_Green@legis.state.ak.us,
Representative_Gary_Stevens@legis.state.ak.us,
Representative_John_Davies@legis.state.ak.us

Representative Kerttula, Stevens, Green and Davies,

I would like to begin by thanking all of you for sponsoring the bills to aid students that put time in to Alaska by forgiving a portion of their student loans. I have a few suggestions, however.

You see, I am a 1995 graduate of Seward High School and am in my second year of teaching in Anchorage. I believe that the bill should be retroactive to any loans entered into after 7/1/95 as it is the students from that age group to the graduates of 1997 that are currently entering the work force. Why shouldn't we be able to benefit when we chose to return to Alaska to work even without this incentive? I believe we should. Now, the funny thing is that I don't even have an Alaska student loan because I found sending my payments to Seattle and giving the jobs to people that don't even live in our state a little ridiculous, but I still believe very strongly that this bill should be changed to read the date as retroactive to 7/1/95.

I have a few other concerns that I would like you to think about. You seem very interested in easing the pressure of the current teacher shortage, and I believe that I have a way to help you do that. Let me begin with a little background. Currently I am working on my Master's Degree in Educational Leadership at the University of Alaska-Anchorage. I am taking, officially, six credits this semester. Do you know what I paid for those six credits? Almost \$1,500. That may not seem like much, but when over \$400 of the cost was in fees such as Athletic Program Fee (\$14), Concert Fee (\$5), Health Center (\$35), PE Facility Use Fee (\$16), School of Education One Time Semester Lab (\$20), Student Activities Fee (\$9), Student Government Fee (\$6), Student Media Fee (\$9.50), UAA Technology Fee (\$55), and finally an EDL Program Fee (\$258), it gets ridiculous. I am a graduate student. I do not have the time to use the PE facility, the health center or be involved in student government. The credits for Educational Leadership cost extra - even when the only people allowed to take those courses are current teachers that are not rolling in the cash. I will never attend a UAA sporting event or concert, will not take part in any student activities, nor am I involved in any sort of "lab" that I am paying for. What is Student Media? I don't know but I bet I don't use it.

A graduate student is not a typical undergraduate student that may live on campus and actually use the resources, but rather an adult with a full time career that they are working to better. I am paying the money for these courses out of my pocket because there is no assistance given to teachers to continue their education and strive to make Alaska a better place. Why? I think the fees wouldn't bother me so much if 1) I used them, and 2) they were countered with assistance from the state to aid in bettering myself.

If you want to ease the teacher shortage, work first on keeping the teachers you have and then on recruiting new ones. Offer incentives to those continuing their education (since we are forced to do so by the state anyway, to keep our certificate), and make us feel like we do matter because, believe it or not, we strive every day to make a difference in the lives of children. But with minimal resources and little time, it is difficult.

Please contact me regarding a response to these ideas. I believe our state could be on top of the education in our nation, and am willing to work for that to happen.

Best regards,

Alaska Student Loan partial forgiveness bill

Subject: Alaska Student Loan partial forgiveness bill

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

From: Astridrider@aol.com

To: Representative_John_Davies@legis.state.ak.us

Rep. Davies,

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

Sincerely,
Mrs. Patrick Rider

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
VOICE (800) 441-2962
In Juneau 465-2962
TDD (907) 465-3143
FAX (907) 465-5318

January 15, 2001

The Honorable John Davies
Alaska House of Representatives
Alaska State Capital
Juneau, Alaska 99801-1182

SUBJECT: HB54, An Act relating to reimbursement of student loans; ...

Dear Representative Davies:

I am writing in response to your request for information regarding the cost to fund the reimbursement of loans as set out in HB 54 and the cost of applying the reimbursement to the outstanding loans in our existing portfolio.

The computation of an accurate estimate would require certain data elements that are currently not available. However, in an attempt to provide you with some idea of the potential costs, I have made some broad assumptions and applied them to our anticipated Alaska Student loan fundings and the existing loans outstanding. You requested that I assume a 20% eligibility level. However, I thought it prudent to also produce scenarios at 35% and 50% eligibility levels, as we would be obligated to honor reimbursement requests for those borrowers currently living out of state that may return in the future.

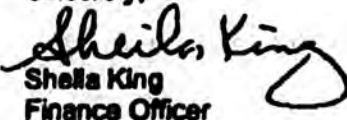
The potential costs of applying the reimbursement to prospective loans for FY2003 through FY2007 are as follows: \$1.7 million in FY2003 to \$8.5 million in FY2007 for the 20% eligibility level; \$3 million in FY2003 to \$15 million in FY2007 for the 35% eligibility level; or \$4.2 million in FY2003 to \$21.2 million in FY2007 for the 50% eligibility level. Included in these amounts is the addition of one position that would be necessary to administer the program.

The potential costs of applying the reimbursement to the existing portfolio for the first year only at 20%, 35%, and 50% eligibility levels, are \$16 million, \$27 million, and \$39 million, respectively.

It's important to note that the Alaska Student Loan Corporation's bond covenants prevent the use of Corporation cash for this purpose. Agreements with bondholders require the terms of the loans pledged to the bonds to be upheld. A retrospective change such as this would require an external funding source to ensure that the collateral for the bonds (i.e. loans) remains whole.

Thank you for this opportunity to provide comment. If you have any questions, you can contact me at 465-6757 or email at sheila_king@acoe.state.ak.us.

Sincerely,


Sheila King
Finance Officer

cc: Diane Barrans, Executive Director

This does go with the bill analysis from ACOE

Note, this doesn't seem to match the bill analysis.