

HB

43

**CS for HB 43 (FIN) am Student Loan Forgiveness
By Representative Green**

SECTIONAL ANALYSIS

Sec.	Statute	Existing	Changes
1	<p>14.43.142 Education, Libraries, and Museums Scholarship, Loan, and Grant Programs for Postsecondary Students Scholarship Loan Program Loan forgiveness of loans made to borrowers employed as public school teachers</p>	None. New section added.	<p>The state will forgive a loan for someone who has received a teaching degree or equivalent credit hours with at least 60 credit hours and is employed as a teacher in a geographically underserved area or teaches a subject for which there is a shortage of teachers, as determined by the state board. They must comply with the conditions of the loan and are only eligible for this forgiveness. The loan will be forgiven 15% for the first year, 17.5% for the second year, 20% for the third year, 22.5% for the fourth year, and 25% for the fifth year, for a total of 100% forgiveness, subject to appropriation, and may not be more than the amount owed. Payment obligations will be suspended while the loan is being forgiven. Bond proceeds may not be used to pay for the forgiveness.</p>
2	<p>uncodified law APPLICABILITY</p>	None.	<p>This Act applies to loans entered into on or after and employment occurring on or after July 1, 2001.</p>
3	<p>effective date</p>		<p>July 1, 2001</p>

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

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

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

Expenditures/Revenues (Thousands of Dollars)

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

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

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		85.0	170.0	254.9	339.9	424.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	85.0	170.0	254.9	339.9	424.9

Estimate of any current year (FY2001) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

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

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

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

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

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

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