

HB

272

<TARGET><BILL>HB 272</BILL><SUBJECT>HB
272</SUBJECT><COMM>HEDC27</COMM></TARGET>

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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March 14, 2012

The Honorable Alan Dick, Chair
House Education Committee
Alaska State Legislature
State Capitol Room 106
Juneau AK, 99801

Dear Representative Dick:

The following information is provided in response to requests made at the March 5, 2012 meeting of the House Education Committee regarding HB272.

1) **The current default rate (and any supporting documents/graphs) for all loan programs.**

The Commission calculates annual cohort default rates based on the ratio of loans that entered repayment between January 1st and December 31st of the cohort year, and were greater than six months in arrears at the end of the first 12 months of repayment.

The Commission publishes the alternative loan default rates in two modes:

1. Institutional Rate: Rate of default on Alaska Supplemental, Alaska Student and Teacher Education Loans at institutions administering education loan programs on behalf of Alaska students.
2. Program Rate: Rate of default by specified loan program.

Institutional Cohort Default Rate (CDR)

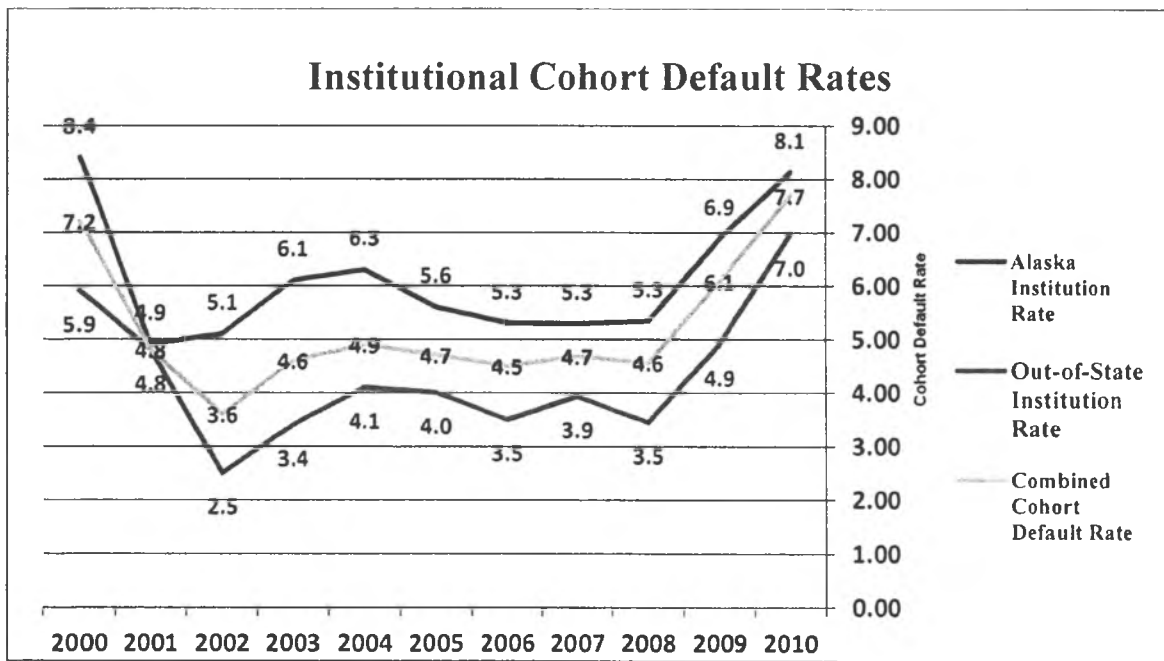
Institution Location	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Alaska	8.13%	6.88%	5.34%	5.29%	5.30%	5.60%	6.30%	6.10%	5.10%	4.90%	8.40%
Out-of-State	6.96%	4.90%	3.45%	3.93%	3.50%	4.00%	4.10%	3.40%	2.50%	4.80%	5.90%
Combined Rate	7.69%	6.08%	4.56%	4.68%	4.50%	4.70%	4.90%	4.60%	3.60%	4.80%	7.20%

Program Cohort Default Rate

Program	2010	2009	2008	2007
Alaska Supplemental Education Loan	7.68%	6.04%	4.63%	4.85%
Alaska Student Loan	13.57%	8.48%	6.76%	2.97%
Family Education Loan	2.10%	0.00%	0.42%	1.40%
Teacher Education Loan	4.56%	3.01%	3.56%	2.72%
Winn Brindle Education Loan	4.54%	15.33%	0.00%	0.54%
Alternative Loan Consolidation	0.00%	0.00%	0.44%	0.00%

ASLC Federal Cohort Default Rate

2009	2008	2007
7.8%	5.1%	7.0%



2) Will HB 272 have an effect on the default rate?

It is unlikely that a potential to earn a 3% cost reduction will impact a borrower's likelihood of default. In the Commission's experience, borrowers typically default 1) due to failure to manage their

loans, including failure to apply for deferments or other repayment options which would allow them to avoid default without having to make payments, or 2) because they lack an ability to repay due to over borrowing relative to their income potential (resulting from one or both of the following--failure to achieve an occupational/professional credential and/or incurring high levels of education/non-education debt due to lifestyle choices). Generally, regardless of the underlying reasons for the lack of capacity to pay as agreed, borrowers fail to be influenced or motivated by the consequences of delinquency or default, so it seems reasonable to conclude that the default rate would not be materially impacted by this new potential benefit.

3) **Percent of students who are completing within 150% of time?**

According to NCHEMS (higheredinfo.org), rates of completion within 150% of expected time in 2009 (most recent year available) for first-time, full-time freshmen are:

	Alaska Rate	US Rate
Three-year rate for associate degree completers	13.3%	29.2%
Six-year rate for baccalaureate students	26.9%	55.5%

Specific to the University of Alaska, rates for 2008 cohorts (most recent available) are:

Two-Year Programs

For full-time, first-time freshmen entering UA two-year certificate or associate programs in fall 2008:

28.9 percent of certificate degree seekers earned the degree in 3 years by FY11 and 8.3 percent associate degree seekers earned the degree within 3 years by FY11.

For all two-year public institutions, about 21 percent of all associate and certificate degree seekers complete the degree within 3 years.

Four-Year Programs

For full-time, first-time freshmen entering UA four-year baccalaureate programs in fall 2005: 28.9 percent earned a baccalaureate degree in 6 years by FY11.

For all four-year public, open admission institutions, 31 percent of baccalaureate degree-seeking students complete the degree within 6 years.

4) **How would the provision regarding no principal reductions for loans otherwise eligible to be repaid or forgiven by the state (14.43.123(a)(4) operate relative to the provision that the principal reduction would be provided in addition to any other reduction of principal or interest (14.43.123(c)?**

It is my understanding that the bill's sponsor seeks to exclude from this new benefit any loans for which the borrower can qualify for full forgiveness or repayment by the state. For example, if the state establishes a program wherein a borrower could perform in an occupation or profession in Alaska and in return the state would repay all of their state education loans, borrowers participating in that program


would *not* qualify for this principal reduction *in addition to* their loan repayment benefit. In the latter provision, the bill would allow otherwise-eligible borrowers who may qualify for a borrower benefit provided by the Alaska Student Loan Corporation, such as the recurring web-pay benefit, whereby borrowers who make their loan repayment electronically receive a .25 interest rate reduction, to receive the principal reduction *in addition to* the web-pay benefit.

5) **How would the annual appropriation process, by which the principal reduction would be funded, work?**

While an applicable business process has yet to be developed, conceptually, in October of each year the Commission would engage with a third-party aggregator of degree completion information to determine which borrowers, with loans in repayment, were shown to have received a postsecondary credential. Based upon the outstanding balance of loans held by those borrowers, the projected cost of a three percent principal reduction would be developed for the purpose of providing that cost figure to the legislature. The Commission would contact potentially-eligible borrowers to advise them of the potential benefit available to them upon application and documentation of their eligibility. In December of the subsequent year, borrowers determined to have meet all eligibility criteria for that year ending would, subject to the adequacy of the appropriation, receive a credit up to three percent of their outstanding principal balance.

I hope this information is responsive to your members' inquiries and I look forward to making myself available to them for further discussion of HB 272.

Sincerely,


Diane Barrans
Executive Director

Annette Kreitzer

From: Toby Smith
Sent: Tuesday, March 06, 2012 1:40 PM
To: Rep. Peggy Wilson; Rep. Scott Kawasaki; Rep. Eric Feige; Rep. Lance Pruitt; Rep. Paul Seaton; Rep. Alan Dick; Rep. Sharon Cissna
Cc: Annette Kreitzer; Rep. Les Gara
Subject: Explanation of Section 2 of CSSSHB 272
Attachments: CS for 2nd SSHB 272 - Statutes listed under Section 2.pdf

Dear Representative Wilson and Education Committee members-

In response to Rep. Wilson's question about Section 2 of HB 272 (the R Version of the student loan reduction bill), attached is a list of the statutes in that section. The statutes that are listed in Section 2 pertain to loan issues such as default, consolidation, eligibility, etc. The purpose of Section 2 is to include HB 272 within the list of existing statutes so that the reduction in principal under HB 272 will be effective under those statutes. Under HB 272, borrowers will not be eligible for a reduction in principal if they are in default, and Section 2 helps to clarify that.

Please let us know if you have additional questions.

Toby Smith
Legislative Aide for Representative Les Gara
(907) 465-2647

From: Toby Smith
Sent: Tuesday, March 06, 2012 11:15 AM
To: Rep. Peggy Wilson
Cc: Annette Kreitzer; Rep. Les Gara; Barrans, Diane M (ACPE) (diane.barrans@alaska.gov)
Subject: List of Statutes in Section 2 of CSSSHB 272

Dear Representative Wilson-

In response to your question yesterday morning in the House Education committee regarding the statutes that Section 2 refers to within the CS for the 2nd Sponsor Substitute for HB 272 (lowering of student loan principal bill), attached is a list of the statute titles along with the statutes themselves. Please let us know if you would like additional clarification or have additional questions about the statutes or the bill itself.

Thank you very much.

Toby Smith
Legislative Aide for Representative Les Gara
State Capitol, Room 500
Juneau, AK 99801
(907) 465-2647

MEMO

Committee Substitute for 2nd Sponsor Substitute for House Bill 272

List of Statutes included in Section 2

Section 2 AS 14.43.171 is amended to read:

Sec. 14.43.171. **Applicability of other laws.** The provisions of AS.14.43.120(d)(4), 14.43.122, **14.43.123**, 14.43.135, 14.43.140, 14.43.145 – 14.43.160, 14.43.164, 14.43.166, and 14.43.168 apply to the loans made under AS 14.43.170 – 14.43.175 as if the loans were made under those applicable provisions.

Statute Titles:

Sec. 14.43.120(d)(4). Conditions of loans.

Sec. 14.43.122. Consolidation of loans.

Sec. 14.43.135. Discrimination prohibited.

Sec. 14.43.140. Enforceability of certain contracts with minors.

Sec. 14.43.145. Default.

Sec. 14.43.147. Order to withhold and deliver.

Sec. 14.43.148. Nonrenewal of license.

Sec. 14.43.149. Lien.

Sec. 14.43.150. Order to assign wages for defaulted loan.

Sec. 14.43.151. Authority and procedure to administratively establish and enforce a collection order.

Sec. 14.43.152. Initiation of administrative action to establish a collection order; required notice.

Sec. 14.43.153. Hearings in administrative action to establish a collection order; burden of proof.

Sec. 14.43.154. Collection orders as judgments.

Sec. 14.43.155. Nature of remedies.

Sec. 14.43.160. Definitions.

Sec. 14.43.164. Use of loan.

Sec. 14.43.166. Repayment of loans.

Sec. 14.43.168. Default.

Sec. 14.43.170. Creation; purpose.

Sec. 14.43.171. Applicability of other laws.

Sec. 14.43.172. Eligibility.

Sec. 14.43.173. Loan award maximums; use of loan award.

Sec. 14.43.174. Interest.

Sec. 14.43.175. Repayment of loans.

Full Statutes:

Sec. 14.43.120. Conditions of loans.

(d) Education loans may not be made to a student

(4) to attend an institution if the total amount of education loans made to students to attend that institution exceeds \$100,000 and the default rate on those loans is (A) greater than 20 percent but less than 25 percent, and the institution is unable to reduce its default rate within 24 months after the rate determination; or (B) equal to or greater than 25 percent for two consecutive calendar years; for purposes of this paragraph, the default rate shall be determined by the commission for each annual group of loans required to be repaid under (g) of this section on or after July 1, 1996; if an education loan is refused based on the provisions of this paragraph and, under a subsequent default rate determination, an institution's default rate does not exceed the limits established under this paragraph, the commission may not refuse to issue an education loan to attend that institution based on the provisions of this paragraph.

Sec. 14.43.122. Consolidation of loans.

(a) The commission may offer

(1) a borrower who has received more than one education loan the option of consolidating the multiple loans into a single loan; or

(2) to consolidate education loans made to married borrowers if the married borrowers agree to be jointly and severally liable for repayment of the consolidated loan, regardless of the borrowers' future marital status or the death of one of the borrowers.

(b) *[Repealed, Sec. 31 ch 63 SLA 2004].*

Sec. 14.43.135. Discrimination prohibited.

The programs established under this chapter shall be carried out without regard to the applicant's or participant's race, creed, sex, color, ancestry, national origin, or membership in fraternal or political organizations.

Sec. 14.43.140. Enforceability of certain contracts with minors.

A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by the minor from any person for the purpose of furthering the minor's education in a career education program or an institution of higher learning, is enforceable against the minor with the same effect as if the minor were, at the time of its execution, 18 years of age, if the person making the loan has before making the loan a certification from the institution that the minor is enrolled in the institution or has been accepted for enrollment.

Sec. 14.43.145. Default.

(a) For the purposes of this chapter, a loan is in default after a loan payment has become 180 or more days past due or, for a loan under [AS 14.43.161](#) - 14.43.168 or 14.43.170 - 14.43.175, the default requirements established by the commission have been met. Upon default,

(1) repayment of the remaining balance is accelerated and due;

(2) the commission may take the borrower's permanent fund dividend under [AS 43.23.067](#);

(3) the commission may issue an order to withhold and deliver under [AS 14.43.147](#);

(4) the commission may provide notice of the default to a licensing entity for nonrenewal of the license under [AS 14.43.148](#);

(5) the commission may record the lien created under [AS 14.43.149](#); and

(6) the commission may establish an administrative collection order under [AS 14.43.151](#) - 14.43.155.

(b) The commission shall notify the borrower of the default, and the consequences of default imposed under (a) of this section, by mailing a notice to the borrower's most recent address provided to the commission by the borrower or obtained by the commission.

(c) A borrower may appeal a notice of default by filing a statement with the executive director, within 30 days after the date of the notice, requesting that the loan status be reviewed. [AS 44.62](#) (Administrative Procedure Act) does not apply to the review of default under this section. The borrower has the burden to show that, at the time of the notice of default, (1) no loan payment was more than 180 days past due or, for a loan under [AS 14.43.161](#) - 14.43.168 or 14.43.170 - 14.43.175, the default requirements established by the commission had not yet been met; or (2) that the borrower entered into, and was in compliance with, a default forbearance agreement with the commission. Within 40 days after receiving a written request for

review, the director shall inform the borrower in writing of the executive director's decision. The decision of the executive director is a final decision that may be appealed to the superior court under the Alaska Rules of Appellate Procedure.

Sec. 14.43.147. Order to withhold and deliver.

(a) Thirty days after the date a notice of default under AS 14.43.145(b) is mailed or the date of the decision of the executive director under AS 14.43.145(c), whichever is later, the commission may issue an order to withhold and deliver property to a person, or agency or political subdivision of the state, who the commission has reason to believe possesses property due, owing, or belonging to the borrower.

(b) The order to withhold and deliver shall be served personally or by certified mail, return receipt requested, upon the person, or agency or political subdivision of the state, possessing the property. The order must state the amount of the borrower's liability and include notice of the terms of this section. All real and personal property, including earnings, that are due, owing, or belonging to the borrower are subject to an order to withhold and deliver.

(c) A person, or agency or political subdivision of the state, served with an order to withhold and deliver, is required to make true answers under oath and in writing to inquiries contained in the order within three weeks after service of the order and to all inquiries subsequently made.

(d) Upon receipt of the order, the person, or agency or political subdivision of the state, shall immediately withhold property due, owing, or belonging to the borrower and shall deliver the property to the commission after three weeks have expired from the date of the service of the order. Money shall be delivered by remittance payable to the order of the commission.

(e) An employer shall withhold the earnings of a borrower subject to an order at each succeeding interval of payment until the entire amount of the debt stated in the order has been withheld. An employer may, for each payment made under an order to withhold and deliver, deduct \$5 from other wages or salary owed to the borrower.

(f) If a borrower who is subject to an order terminates employment, the employer shall promptly notify the commission and provide the borrower's last known home address and the name and address of the borrower's new employer, if known. The employer shall keep a record of the order for two years after the borrower terminates employment. If the employer reemploys the borrower within that two-year period, the employer shall immediately reimplement the order unless the employer has received notice of satisfaction under (j) of this section.

(g) An employer may not discharge, discipline, or refuse to employ a borrower on the basis of an order issued under this section. A person who violates this subsection or a regulation adopted to implement it is liable for a civil penalty of not more than \$10,000. The employee may seek restitution or reinstatement from the employer.

(h) A person, or agency or political subdivision of the state, who complies with an order to withhold and deliver that is regular on its face is not subject to civil liability to an individual or agency for conduct in compliance with the notice. A state agency that complies with an order to withhold and deliver that is regular on its face is not required to pay interest under [AS 37.05.285](#) for failure to make timely payment to the borrower.

(i) An order to withhold and deliver under this section is subject to the exemptions under [AS 09.38](#).

(j) Upon satisfaction of a loan obligation, the commission shall, within 15 working days, notify all persons served with an order under this section that the order is no longer in force. If the commission receives money under an order after satisfaction of the loan, the commission shall within 15 working days return the overpayment to the borrower. If the commission fails to return an overpayment as required under this subsection, the commission is liable to the borrower for the amount of the overpayment, plus legal interest under [AS 45.45.010](#).

(k) If a person, or agency or political subdivision of the state, knowingly fails to make an answer to an order under this section within the time prescribed, or knowingly fails to honor an order under this section, the person, or agency or political subdivision of the state, is liable to the commission in an amount equal to 100 percent of the amount that is the basis of the order, together with costs, interest, and reasonable attorney fees. In this subsection, "knowingly" has the meaning given in [AS 11.81.900](#).

(l) A borrower against whom an order has been served under this section may apply for relief to the superior court.

Sec. 14.43.148. Nonrenewal of license.

(a) Notwithstanding any other provision of law, a licensing entity may not renew a license issued to a borrower if the licensing entity has received notice from the commission that the licensee is in default on a loan made by the commission. If the licensee has appealed the determination of default status, the commission shall notify the licensing entity and renewal may not be denied under this section unless and until the appeal has been concluded and the default status affirmed. Unless a temporary license is issued under (c) of this section, the denial of renewal is effective at the beginning of that renewal period. Denial of renewal of a license shall continue until the licensing entity receives notice of a release from the commission. If a license is denied under this section, the licensing entity shall refund the renewal fee less the temporary license fee, if any.

(b) The licensing entity shall provide written notice of the denial of renewal of the license by giving written notice to the licensee or sending the notice to the licensee's last known mailing address on file with the licensing entity. The licensing agency shall include with the notice a form to request review under (d) of this section; the form must include the commission's address and telephone number. The notice must inform the licensee of the temporary license granted under (c) of this section if the applicant is otherwise eligible and that, upon expiration of that time period, renewal of the license will be denied unless the licensing entity receives a notice of release under (f) of this section from the commission.

(c) A licensing entity shall issue a temporary license valid for the first 150 days of the renewal period to a licensee whose license renewal is denied under this section if the licensee is otherwise eligible for renewal. Only one temporary license may be issued during a renewal period. The licensing entity shall adopt by regulation a fee for issuance of a temporary license under this section; the amount of the fee shall be set so that the fees collected under this section, to the extent reasonable, cover the costs of implementing and administering this section.

(d) Within 30 days after receiving the notice under (b) of this section, the licensee may request review by the commission. AS 44.62 (Administrative Procedure Act) does not apply to the denial of renewal of a license under this section. Within 30 days after receiving a written request for review, the executive director shall inform the applicant in writing of the executive director's findings. The executive director's finding is a final decision that may be appealed to the superior court under the Alaska Rules of Appellate Procedure.

(e) For the purpose of review under (d) of this section, the licensee has the burden to show that

(1) the commission has not sent a notice of default in compliance with AS 14.43.145(b);

(2) the notice of default has been rescinded after review under AS 14.43.145(c); or

(3) the licensee has met the requirements of (f) of this section.

(f) The commission shall provide a notice of release to the licensing entity if the licensee

(1) pays all costs of collection and the interest and principal that would have been due if the loan had not been accelerated; or

(2) has negotiated a payment schedule with the commission after the loan is in default and has made complete and timely payments under the negotiated agreement for the four most recent and consecutive months.

(g) Notwithstanding (a) of this section, the denial of renewal of a teacher's certificate is effective not sooner than the end of the contract year after the commission has notified the teacher of the default status of the loan as provided under AS 14.43.145.

(h) In this section,

(1) "license"

(A) means, except as provided in (B) of this paragraph, a license, certificate, permit, registration, or other authorization that, at the time of issuance, will be valid for more than 150 days and that may be acquired from a state agency to perform an occupation, including the following:

(i) license relating to boxing or wrestling under AS 05.10;

(ii) authorization to perform an occupation regulated under AS 08;

- (iii) teacher certificate under [AS 14.20](#);
 - (iv) authorization under [AS 18.08](#) to perform emergency medical services;
 - (v) asbestos worker certification under [AS 18.31](#);
 - (vi) boiler operator's license under [AS 18.60.395](#);
 - (vii) certificate of fitness under [AS 18.62](#);
 - (viii) hazardous painting certification under [AS 18.63](#);
 - (ix) certification as a municipal correctional, correctional, probation, or parole officer under [AS 18.65.245](#);
 - (x) security guard license under [AS 18.65.400](#) - 18.65.490;
 - (xi) license relating to insurance under [AS 21.27](#);
 - (xii) employment agency permit under [AS 23.15.330](#) - 23.15.520;
 - (xiii) registration as a broker-dealer, an agent, a state investment adviser, or an investment adviser representative under [AS 45.55.030](#);
 - (xiv) certification as a pesticide applicator under [AS 46.03.320](#);
 - (xv) certification as a storage tank worker or contractor under [AS 46.03.375](#);
 - (xvi) certification as a water and wastewater works operator under [AS 46.30](#); and
- (B) does not include
- (i) a commercial fishing license under [AS 16.05.480](#), including a crewmember fishing license;
 - (ii) a vessel license issued under [AS 16.05.490](#) or 16.05.530;
 - (iii) *[Repealed, Sec. 43 ch 57 SLA 2005]*.
 - (iv) a business license issued under [AS 43.70](#);
 - (v) an entry permit or interim-use permit issued under [AS 16.43](#); or
 - (vi) a driver's license issued under [AS 28.15](#);
- (2) "licensee" means a person holding a license or applying to renew a license;
- (3) "licensing entity" means the state agency that issues or renews a license; in the case of a license issued or renewed by the Department of Commerce, Community, and Economic Development after an applicant's

qualifications are determined by another agency, "licensing entity" means the Department of Commerce, Community, and Economic Development.

Sec. 14.43.149. Lien.

(a) The amount owing on a loan that is in default under this chapter, including principal, interest, and collection costs, is a lien upon all property and right to property, real or personal, belonging to the borrower. The lien arises at the time that the commission mails or otherwise delivers a notice of default under AS 14.43.145(b) and continues until the balance of the loan, including principal, interest, and collection costs, is paid in full.

(b) A lien created under (a) of this section is

(1) not valid against a mortgagee or other lienholder, pledgee, purchaser, or judgment creditor until notice of the lien is recorded in the records of the recording district where the property subject to the lien is situated; and

(2) subject to AS 40.19.040(d).

Sec. 14.43.150. Order to assign wages for defaulted loan.

(a) In a court proceeding regarding a defaulted loan under this chapter in which the court has entered judgment in favor of the commission, the court may, on its own motion or motion of the commission, after notice and an opportunity for hearing, order the loan recipient to assign to the commission that portion of salary or wages due the loan recipient currently and in the future in an amount sufficient to pay the amount ordered by the court to be repaid to the commission.

(b) The order of assignment is binding upon an employer upon service of a copy of the order upon the employer and until further order of the court or until the employment of the obligee is terminated. The employer may, for each payment made under the order, deduct \$1 from other wages or salary owed to the employee.

(c) An employer may not terminate an employee's employment because wages of the employee are subject to an order under this section.

(d) An assignment of wages authorized under this section that is made under court order has priority as against an attachment, execution, or other assignment, except for an assignment for payment of child support under AS 25.27.070, restitution to a crime victim authorized under AS 12.55.045, or as otherwise ordered by the court.

Sec. 14.43.151. Authority and procedure to administratively establish and enforce a collection order.

If a judgment in favor of the commission has not been entered by the court regarding a defaulted loan awarded under this chapter, the commission may establish a duty to repay the defaulted loan through a

collection order using the procedures prescribed in AS 14.43.152 - 14.43.155 and may enforce the collection order. Action under this section may be undertaken at the commission's discretion if the borrower is in default under AS 14.43.145.

Sec. 14.43.152. Initiation of administrative action to establish a collection order; required notice.

(a) An action to establish a collection order authorized under AS 14.43.151 is initiated by the commission's serving on the borrower a notice of establishment of collection order. The notice shall be served by mailing the notice to the borrower at

(1) the borrower's most recent address provided to the commission by the borrower; or

(2) another address known to the commission.

(b) The notice served under (a) of this section must state

(1) the amount of the liability for default under AS 14.43.145 for which the borrower is found to be responsible; the amount stated under this paragraph shall include all principal, interest, and collection fees;

(2) that a lien may be recorded against the borrower's property as authorized under AS 14.43.145(a)(5);

(3) that the borrower may appear at a hearing held by the commission and show cause that a collection order should not be entered because, at the time of the notice,

(A) no loan payment was more than 180 days past due or, for a loan under AS 14.43.161 - 14.43.168 or 14.43.170 - 14.43.175, the default requirements established by the commission had not yet been met; or

(B) the borrower had entered into, or was in compliance with, an agreement to forbear default with the commission; and

(4) that, if the borrower served with the notice does not request a hearing within 30 days after the date of mailing of the notice, a collection order will be entered and the property of the borrower will be subject to a lien under AS 14.43.149 in the amount stated in the collection order without further notice or hearing.

Sec. 14.43.153. Hearings in administrative action to establish a collection order; burden of proof.

(a) A borrower served with a notice of establishment of collection order under AS 14.43.152 is entitled to a hearing before the commission if the request for a hearing is served on the commission by registered mail, return receipt requested, within 30 days after the date the notice is mailed to the borrower.

(b) If a request for a hearing in accordance with (a) of this section is made, the issuance of a collection order is automatically stayed pending the decision of the hearing officer for the commission. If a request for a hearing is not made, the collection order is final at the expiration of the 30-day period specified in (a) of this section.

(c) A borrower claiming that the notice is incorrect has the burden at hearing to document the existence of one of the conditions described in AS 14.43.152(b)(3)(A) and (B).

(d) Within 60 days after the date of the hearing, the hearing officer shall enter a decision determining whether default has occurred and, if default has occurred, specifying the amount of the collection order and declaring that the property of the borrower is subject to a lien under AS 14.43.149 in the amount of the collection order.

(e) If the borrower who requested the hearing fails to appear at the hearing, the hearing officer shall enter a decision

(1) confirming that a default has occurred;

(2) confirming the amount of the collection order;

(3) declaring that the property of the borrower is subject to a lien under AS 14.43.149 in the amount stated under (2) of this subsection.

(f) The decision of the hearing officer is a final decision that may be appealed to the superior court under the Alaska Rules of Appellate Procedure.

Sec. 14.43.154. Collection orders as judgments.

A collection order is equivalent to a judgment and becomes vested

(1) at the expiration of the 30-day period described in AS 14.43.153(b) if a hearing is not requested; or

(2) on the date the hearing officer enters a decision in favor of the commission if a hearing was requested by the borrower.

Sec. 14.43.155. Nature of remedies.

AS 14.43.154 provides a remedy in addition to and not as a substitute for any other remedies available to the commission.

Sec. 14.43.160. Definitions.

In AS 14.43.091 - 14.43.160, unless the context otherwise requires,

(1) "career education" means a course or program in vocational-technical training or education approved by the commission;

(2) "federally insured" means a loan covered by the provisions of 20 U.S.C. 1001 - 1155, as amended;

(3) "full-time student" means an undergraduate or career education student who is enrolled and is in regular attendance at classes for at least 12 semester hours of credit or the equivalent during the semester or a

graduate student who is enrolled and is in regular attendance at classes for at least nine semester hours of credit or the equivalent; any combination of semester hours of credit, or the equivalent, aggregating to the requisite number of semester hours and undertaken during a semester at two or more public or private institutions of higher education constitutes full-time student status;

(4) "half-time student" means an undergraduate, graduate, or career education student who during the semester is enrolled and is in regular attendance at classes at one or more public or private institutions of higher education for at least a total of six semester credit hours or an equivalent of six semester credit hours, and includes a career education student enrolled and in regular attendance in classes for at least 15 hours a week;

(5) "school year" means an academic period that is a minimum of 30 weeks of instructional time that begins between September 1 of one year and August 31 of the following year;

(6) "summer term" means the period from June 1 through August 31.

Article 05 . ALASKADVANTAGE LOAN PROGRAM

Sec. 14.43.164. Use of loan.

A borrower may use a loan under AS 14.43.161 - 14.43.168 only for postsecondary education and reasonably related purposes as authorized by the federal guaranteed student loan program.

Sec. 14.43.166. Repayment of loans.

A borrower's obligation to commence repayment of the principal and interest on a loan under AS 14.43.161 - 14.43.166 and 14.43.168 begins six months after the borrower's completion or other termination of the postsecondary education program. The commission may accelerate the repayment of any loan made in error or in reliance upon a false statement made by the borrower. The commission shall determine the period over which loans are repaid; however, the maximum period of repayment of loans may not exceed the maximum period permitted under applicable provisions of the federal guaranteed student loan program.

Sec. 14.43.168. Default.

(a) The commission shall establish the default requirements for loans made under AS 14.43.161 - 14.43.168; however, the requirements may not be less restrictive than those established by the federal guaranteed student loan program.

(b) The provisions of AS 14.43.145 - 14.43.155 apply to loans under AS 14.43.161 - 14.43.168 that are in default.

Article 06 . ALASKA SUPPLEMENTAL EDUCATION LOAN PROGRAM

Sec. 14.43.170. Creation; purpose.

There is created the Alaska supplemental education loan program to provide postsecondary educational supplemental financial assistance. Supplemental financial assistance is available only if the financial aid available through the AlaskAdvantage loan program is insufficient to cover the costs of attendance at a postsecondary institution or if the borrower does not qualify for financial aid under the federal guaranteed student loan program. The commission shall make the public aware of the Alaska supplemental education loan program to facilitate providing loans to as many eligible borrowers as possible.

Sec. 14.43.171. Applicability of other laws.

The provisions of AS 14.43.120(d)(4), 14.43.122, 14.43.135, 14.43.140, 14.43.145 - 14.43.160, 14.43.164, 14.43.166, and 14.43.168 apply to the loans made under AS 14.43.170 - 14.43.175 as if the loans were made under those applicable provisions.

Sec. 14.43.172. Eligibility.

(a) For a borrower to be eligible for a loan under AS 14.43.170 - 14.43.175, the borrower must be, or be about to be, enrolled in a postsecondary institution on at least a half-time basis and must be

(1) a resident of this state

(A) attending or about to attend a postsecondary institution that has been approved by and has executed a program participation agreement with the commission; or

(B) attending or about to attend an approved federal family education loan institution; or

(2) physically present in this state and attending or about to attend an approved federal family education loan institution located in this state.

(b) To meet the residency requirement of (a) of this section, the borrower must meet the standards set out in AS 14.43.162(b).

(c) In addition to the provisions of (a) of this section, a borrower is eligible for a loan under AS 14.43.170 - 14.43.175 if the borrower

(1) is not delinquent in payment on a loan previously awarded by the commission;

(2) at the time of application or loan disbursement, does not have a past due child support obligation established by court order or by the child support services agency under AS 25.27.160 - 25.27.220;

(3) has not, within the previous five years, had a loan discharged or written off by the commission for any reason;

(4) does not have a status, at the time of application for a loan or disbursement of loan money, that would prevent the borrower from repaying the loan as it becomes due;

(5) has not, within the previous five years, defaulted on another loan made to the borrower by a lending entity unless the borrower can show good faith efforts to repay the loan and extraordinary circumstances that led to the default;

(6) has a credit history, at the time of application for a loan, that demonstrates an ability and willingness to pay an extension of credit or loan as it becomes due; and

(7) has complied with the military selective service registration requirements imposed under 50 U.S.C. App. 453 (Military Selective Service Act), if those requirements were applicable to the person.

(d) The commission may not make a loan to a borrower who has been in default on a loan previously awarded by the commission unless the previously awarded loan has been paid in full.

(e) Notwithstanding (c)(4) - (6) of this section, the commission may make a loan to a borrower if another individual who satisfies the requirements of (c) of this section cosigns the loan.

(f) The commission may withhold disbursement of a loan if the borrower no longer meets the eligibility standards set out in this section.

(g) A borrower who is attending a postsecondary institution in this state that has been approved by the commission but is not an approved federal family education loan institution must also comply with and meet any other requirements established by the commission.

Sec. 14.43.173. Loan award maximums; use of loan award.

(a) In a school year, the commission may make a loan to an eligible borrower under AS 14.43.170 - 14.43.175 attending an eligible postsecondary institution not to exceed

(1) \$8,500 to an eligible undergraduate student attending a college or university;

(2) \$9,500 to an eligible graduate student attending a college or university;

(3) \$6,500 to an eligible student attending a career education program.

(b) The commission may not award loans made under AS 14.43.170 - 14.43.175 to a borrower for more than

(1) a total of \$42,500 for undergraduate study;

(2) a total of \$47,500 for graduate study; or

(3) a combined total of \$60,000 for undergraduate and graduate study.

(c) To maintain a loan award under AS 14.43.170 - 14.43.175, the borrower must continue to be in good standing as determined by the institution and approved by the commission.

Sec. 14.43.174. Interest.

(a) The interest rate on a loan made under AS 14.43.170 - 14.43.175 shall be set by the corporation, but the annual rate may not exceed 8.25 percent. Interest on a loan made under AS 14.43.170 - 14.43.175 accrues from the time the loan is disbursed.

(b) A borrower may elect to make payments of interest that is payable during the borrower's term of attendance at the postsecondary institution or during certain deferment periods authorized by the commission; however, the commission shall capitalize any unpaid interest as part of the principal to be repaid as agreed, or upon graduation, withdrawal, or completion of the deferment period.

Sec. 14.43.175. Repayment of loans.

A borrower's obligation to commence repayment of the principal and interest on a loan under AS 14.43.170 - 14.43.175 begins six months following the borrower's completion or other termination of the postsecondary program or the date that the borrower ceases to be enrolled on at least a half-time basis. The commission shall set the repayment terms of a loan under AS 14.43.170 - 14.43.175.

Article 07 . MEMORIAL EDUCATION REVOLVING LOAN FUND

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA
REPRESENTATIVE BERTA GARDNER
REPRESENTATIVE DAVID GUTTENBERG
REPRESENTATIVE LINDSEY HOLMES
REPRESENTATIVE BETH KERTTULA
REPRESENTATIVE CHRIS TUCK
REPRESENTATIVE SCOTT KAWASAKI
REPRESENTATIVE PETE PETERSEN
REPRESENTATIVE MAX GRUENBERG
REPRESENTATIVE SHARON CISSNA
REPRESENTATIVE BOB MILLER

Sponsor Statement

Committee Substitute for 2nd Sponsor Substitute for HB 272: Reducing the Principal of Postsecondary Education Loans for Alaska Students Who Remain in or Return to Alaska

Currently Alaskans pay interest rates of roughly 7% and 8% for outstanding and new student loans. In contrast, used car loans are currently being issued by some lenders at 3% and less. Many Alaskans are struggling and Alaska has a history of losing those who obtain higher education degrees and job training to jobs outside of Alaska.

This legislation is one way we can lessen the financial burden on Alaskans who receive their job training or higher education in Alaska, or who move back to Alaska after receiving that education. It is aimed at strengthening the Alaskan economy, helping Alaskans prosper, and retaining more Alaskan talent.

This bill restructures Alaska student loans by reducing the principal amount of student loans for residents by three percent a year. The borrower must establish and maintain residency for one year prior to obtaining the loan, must maintain residency in Alaska while repaying the loan, and cannot be in default. A reduction in principal provided by this bill is in addition to any other available reduction in principal or interest rate. The purpose of this legislation is to help encourage Alaska's youth to remain in or return to Alaska following completion of their postsecondary studies.

The reduction of principal is subject to appropriation by the legislature for the amount necessary to offset the amount of reduced principal. The commission will establish a system for reducing or prorating principal reductions if the amount appropriated is insufficient to offset the full amount of principal reductions.

Please feel free to contact our office if you have any questions.

LEGAL SERVICES

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

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


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

MEMORANDUM

March 3, 2012

SUBJECT: Loan Principal Reductions -- CS2dSSHB 272()
(Work Order No. 27-LS1162\R)

TO: Representative Les Gara
Attn: Toby Smith

FROM: Gerald P. Luckhaupt 
Assistant Revisor

You have asked if a degree or certificate program must be completed before a loan principal reduction can be obtained by a borrower under proposed AS 14.43.123. The answer is yes. AS 14.43.123(a) provides that

the commission shall provide for a reduction of three percent a year of the principal amount of a loan issued under AS 14.43.091 - 14.43.160, 14.43.161 - 14.43.168, or 14.43.170 - 14.43.175 at the end of each calendar year if

- (1) the borrower establishes and maintains residency for one year before obtaining the loan;
- (2) the borrower maintains residency in the state while repaying the loan;
- (3) the loan for which the reduction of the principal is allowed is not in default;
- (4) the principal of the loan is not otherwise eligible to be fully repaid or forgiven by the state under another program; **and**
- (5) **the borrower completed in a timely manner the degree or certificate program for which the loan was issued.**

The completion of the degree or program is a prerequisite to obtaining a loan principal reduction along with requirements listed in (a)(1) - (4). It appears to me that the first loan principal reduction could not occur for a calendar year until the borrower graduates or completes the program and is repaying the loan while a resident of Alaska.

GPL:ljw
12-178.ljw

Enclosure

Not offered
3-19-12

27-LS1162\R.2
Kirsch/Mischel
3/7/12

AMENDMENT

OFFERED IN THE HOUSE

TO: CS 2d SSHB 272(), Draft Version "R"

1 Page 2, following line 5:

2 Insert a new subsection to read:

3 "(b) Notwithstanding (a) of this section, the commission may, by regulation,
4 provide

5 (1) a principal reduction of two percent a year when a loan has an
6 interest rate of five percent or less;

7 (2) a principal reduction of one percent a year when a loan has an
8 interest rate of four percent or less; or

9 (3) no principal reduction when a loan has an interest rate of three
10 percent or less."

11

12 Reletter the following subsections accordingly.

13

14 Page 2, line 6, following "(a)":

15 Insert "or (b)"

AMENDMENT

OFFERED IN THE HOUSE

TO: CS 2d SSHB 272(), Draft Version "R"

- 1 Page 1, line 7:
- 2 Delete "three"
- 3 Insert "two"

AMENDMENT

OFFERED IN THE HOUSE

TO: CS 2d SSHB 272(), Draft Version "R"

- 1 Page 1, line 7:
- 2 Delete "three"
- 3 Insert "2.5"
- 4
- 5 Page 2, line 7:
- 6 Delete "commission"
- 7 Insert "corporation"
- 8
- 9 Page 2, line 8:
- 10 Delete "amount"
- 11 Insert "cost to the corporation"

CS FOR 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 272()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

**Sponsor(s): REPRESENTATIVES GARA, GUTTENBERG, GARDNER, KERTTULA, HOLMES, TUCK,
KAWASAKI, PETERSEN, GRUENBERG, AND CISSNA, Miller**

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing for a reduction of the principal of postsecondary education loans for**
2 **residents."**

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. 14.43.123. Reduction of loan principal for residents.** (a)

6 Notwithstanding a contrary provision of law, the commission shall provide for a
7 reduction of three percent a year of the principal amount of a loan issued under
8 AS 14.43.091 - 14.43.160, 14.43.161 - 14.43.168, or 14.43.170 - 14.43.175 at the end
9 of each calendar year if

10 (1) the borrower establishes and maintains residency for one year
11 before obtaining the loan;

12 (2) the borrower maintains residency in the state while repaying the
13 loan;

14 (3) the loan for which the reduction of the principal is allowed is not in

1 default;

2 (4) the principal of the loan is not otherwise eligible to be fully repaid
3 or forgiven by the state under another program; and

4 (5) the borrower completed in a timely manner the degree or certificate
5 program for which the loan was issued.

6 (b) The reduction of principal under (a) of this section is subject to
7 appropriation by the legislature to the commission of the amount necessary to offset
8 the amount of reduced principal provided to borrowers. The commission shall, by
9 regulation, establish an equitable system for reducing or prorating principal reductions
10 among borrowers if the amount appropriated is insufficient to offset the full amount of
11 principal reductions.

12 (c) A reduction of the principal of the loan provided under this section is in
13 addition to any other available reduction of the principal of the loan or interest rate.

14 (d) A person who is issued a reduction of the principal of a loan under this
15 section in error shall repay the amount of the reduction, plus interest.

16 (e) The commission may adopt regulations necessary to implement this
17 section, including regulations for partial reductions in principal during the year when a
18 borrower returns to the state after completing the degree or program under (a)(5) of
19 this section. The regulations must include a description of timely completion of
20 postsecondary education programs.

21 (f) In this section, "resident" or "residency" means living in the state with the
22 intention of remaining permanently without claiming residency in another state or
23 country.

24 * **Sec. 2.** AS 14.43.171 is amended to read:

25 **Sec. 14.43.171. Applicability of other laws.** The provisions of
26 AS 14.43.120(d)(4), 14.43.122, 14.43.123, 14.43.135, 14.43.140, 14.43.145 -
27 14.43.160, 14.43.164, 14.43.166, and 14.43.168 apply to the loans made under
28 AS 14.43.170 - 14.43.175 as if the loans were made under those applicable provisions.

CS FOR 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 272()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

**Sponsor(s): REPRESENTATIVES GARA, GUTTENBERG, GARDNER, KERTTULA, HOLMES, TUCK,
KAWASAKI, PETERSEN, GRUENBERG, AND CISSNA, Miller**

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing for a reduction of the principal of postsecondary education loans for**
2 **residents."**

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. 14.43.123. Reduction of loan principal for residents. (a)**

6 Notwithstanding a contrary provision of law, the commission shall provide for a
7 reduction of three percent a year of the principal amount of a loan issued under
8 AS 14.43.091 - 14.43.160, 14.43.161 - 14.43.168, or 14.43.170 - 14.43.175 at the end
9 of each calendar year if

10 (1) the borrower establishes and maintains residency for one year
11 before obtaining the loan;

12 (2) the borrower maintains residency in the state while repaying the
13 loan;

14 (3) the loan for which the reduction of the principal is allowed is not in

1 default;

2 (4) the principal of the loan is not otherwise eligible to be fully repaid
3 or forgiven by the state under another program; and

4 (5) the borrower completed in a timely manner the degree or certificate
5 program for which the loan was issued.

6 (b) The reduction of principal under (a) of this section is subject to
7 appropriation by the legislature to the commission of the amount necessary to offset
8 the amount of reduced principal provided to borrowers. The commission shall, by
9 regulation, establish an equitable system for reducing or prorating principal reductions
10 among borrowers if the amount appropriated is insufficient to offset the full amount of
11 principal reductions.

12 (c) A reduction of the principal of the loan provided under this section is in
13 addition to any other available reduction of the principal of the loan or interest rate.

14 (d) A person who is issued a reduction of the principal of a loan under this
15 section in error shall repay the amount of the reduction, plus interest.

16 (e) The commission may adopt regulations necessary to implement this
17 section. The regulations must include a description of timely completion of
18 postsecondary education programs.

19 (f) In this section, "resident" or "residency" means living in the state with the
20 intention of remaining permanently without claiming residency in another state or
21 country.

22 * **Sec. 2.** AS 14.43.171 is amended to read:

23 **Sec. 14.43.171. Applicability of other laws.** The provisions of
24 AS 14.43.120(d)(4), 14.43.122, 14.43.123, 14.43.135, 14.43.140, 14.43.145 -
25 14.43.160, 14.43.164, 14.43.166, and 14.43.168 apply to the loans made under
26 AS 14.43.170 - 14.43.175 as if the loans were made under those applicable provisions.

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA

February 28, 2012

Re: Proposed Clarifying Amendment to 2nd SS to HB 272

Dear Chair Dick and committee members:

Attached is a proposed amendment that further addresses concerns brought to us by the Alaska Commission on Postsecondary Education. We have addressed the following concerns:

- 1) First, they feel it is easier to administer a "reduction of loan principle" than the compounded interest rate.
- 2) The original bill gave a retroactive interest rebate to students who move back to the state, for the period they were gone. That would have been difficult to administer. We have provided that residents who go to school out of state shall get the loan reduction upon returning to Alaska.
- 3) We have clarified that the recipient must be an Alaska resident before leaving the state to qualify for the loan reduction when they return.
- 4) We have clarified that this provision does not apply to students who are already entitled to full loan repayment under another program.
- 5) We give the Alaska Student Loan Corporation the power to adopt rules for determining how to reduce this benefit if legislative appropriations are inadequate.

Thank you. We would hope this amendment could be adopted if it satisfies the committee, as it will simplify the debate and reduce the time the committee will have to spend working on this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Les Gara".

Rep. Les Gara

AMENDMENT

OFFERED IN THE HOUSE

TO: 2d SSB 272

1 Page 1, line 1:

2 Delete **"in interest on"**

3 Insert **"of the principal of"**

4

5 Page 1, line 5:

6 Delete **"Interest rate reduction"**

7 Insert **"Reduction of loan principal"**

8

9 Page 1, line 6:

10 Delete "and except as provided in (e) - (h) of this section"

11

12 Page 1, lines 7 - 8:

13 Delete "from the established interest rate for"

14 Insert "of the principal amount of"

15

16 Page 1, lines 9 - 10:

17 Delete "for the time period in which the borrower establishes and maintains residency
18 in the state while repaying the loan if"

19 Insert "at the end of each calendar year if

20 (1) the borrower establishes and maintains residency for one year
21 before obtaining the loan;

22 (2) the borrower maintains residency in the state while repaying the
23 loan;"

1 Renumber the following paragraphs accordingly.

2

3 Page 1, line 11:

4 Delete "in interest"

5 Insert "of the principal"

6

7 Page 1, line 12:

8 Delete "currently"

9

10 Page 1, line 13:

11 Delete "any portion of the principal or interest on"

12 Insert "the principal of"

13

14 Page 1, line 14, following "be":

15 Insert "fully"

16

17 Page 2, following line 2:

18 Insert a new subsection to read:

19 "(b) The reduction of principal under (a) of this section is subject to
20 appropriation by the legislature to the commission of the amount necessary to offset
21 the amount of reduced principal provided to borrowers. The commission shall, by
22 regulation, establish an equitable system for reducing or prorating principal reductions
23 among borrowers if the amount appropriated is insufficient to offset the full amount of
24 principal reductions."

25

26 Page 2, lines 3 - 16:

27 Delete all material.

28

29 Reletter the following subsections accordingly.

30

31 Page 2, line 17:

1 Delete "in interest rate"
2 Insert "of the principal of the loan"

3

4 Page 2, line 18:

5 Delete "in interest rate"
6 Insert "of the principal of the loan"

7

8 Page 2, line 19, through page 3, line 6:

9 Delete all material.

10

11 Reletter the following subsections accordingly.

12

13 Page 3, line 7:

14 Delete "in the interest rate"
15 Insert "of the principal of a loan"

16

17 Page 3, line 17:

18 Delete "in the interest rate"
19 Insert "of the principal of a loan"

20

21 Page 3, line 18:

22 Delete "interest rate"
23 Insert "principal"

24

25 Page 3, line 17:

26 Delete "in the interest rate"
27 Insert "of the principal of a loan"

28

29 Page 3, line 18:

30 Delete "interest rate"
31 Insert "principal"

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA

February 20, 2012

Representative Alan Dick
Alaska House of Representatives
State Capitol, Room 104
Juneau, Alaska 99801

Executive Director Diane Barrans
Alaska Commission on Postsecondary Education
3030 Vintage Blvd.
Juneau, Alaska 99801

Dear Representative Dick and Ms. Barrans:

Thank you for your letter expressing concerns and issues relative to SSHB 272, an Act providing for a reduction in interest on post-secondary education loans for residents. A Sponsor Substitute has been filed and is attached to this letter. I will also clarify your concerns here.

Regarding residency: A borrower must be an Alaska resident for one year before qualifying for the in-state 3% loan rate reduction, and declare Alaska as his or her residence per the legal rules for residency. A borrower who goes to school out of state and returns to Alaska must be an Alaska resident for the year prior to leaving Alaska to attend school. A borrower who leaves Alaska after completion of the degree or certificate program for which the loan was issued and does not return within two years will not qualify for the discount.

Regarding completion: The intent of the bill is that the discount will apply only to those borrowers who complete their coursework in the time required under existing ASLC regulation. ASLC will determine the time in which the coursework must be completed.

Regarding default: A borrower is ineligible for the discount during periods of default.

Regarding garnishment: Garnishment of funds by third parties would not eliminate a borrower's eligibility for a discount under this bill.

Regarding moving in and out of Alaska: A borrower who maintains residency when he or she leaves the state stills qualifies for the discount unless he or she leaves Alaska for more than one year.


Regarding "Prorated": A borrower who goes to school out of state and returns after completion of the degree or certificate program for which the loan was issued is entitled to the 3% reduction,

plus repayment of the prior higher interest rate accrual, while he or she is out of the state. Upon returning to Alaska, he or she shall receive a retroactive reimbursement for that higher rate, paid equally over the course of five years. The purpose is to encourage borrowers to return to Alaska, with full repayment of the higher interest rate that was accruing for the period while they were gone as an incentive.

Regarding students who remain in Alaska for school: Borrowers are entitled to the 3% reduction for the full period of their coursework, and while they remain in Alaska after timely completion of their coursework.

ALSC financial viability: Funding from general funds will be necessary to the extent the Director of ALSC determines it cannot cover the cost of this program, and/or determines the shortfall will negatively impact the commission's financial ratings or ability to make loans.

Thank you, and please let me know if you have additional questions.

A handwritten signature in cursive script, appearing to read "Les Gara", with a horizontal line extending to the right.

Rep. Les Gara

1 interest rates provided under this section.

2 (h) A person who is issued a reduction in the interest rate under this section is
3 eligible to continue receiving the reduction in interest rate, subject to the availability
4 of funds, if the person was a resident of the state for not less than five years after
5 completion of the program for which the loan was issued and leaves the state for not
6 more than one year during the period of repayment of the loan.

7 (i) A person who is issued a reduction in the interest rate under this section in
8 error shall repay the amount of the reduction, plus interest.

9 (j) The commission may adopt regulations necessary to implement this
10 section. The regulations must include a description of timely completion of
11 postsecondary education programs.

12 (k) In this section, "resident" or "residency" means living in the state with the
13 intention of remaining permanently without claiming residency in another state or
14 country.

15 * **Sec. 2.** AS 14.43.165 is amended by adding a new subsection to read:

16 (d) A borrower under AS 14.43.161 - 14.43.168 may be eligible for a
17 reduction in the interest rate under AS 14.43.123. The commission shall reduce the
18 interest rate of a loan under AS 14.43.161 - 14.43.168 as specified in AS 14.43.123 if
19 the borrower meets the eligibility requirements of that section.

20 * **Sec. 3.** AS 14.43.171 is amended to read:

21 **Sec. 14.43.171. Applicability of other laws.** The provisions of
22 AS 14.43.120(d)(4), 14.43.122, 14.43.123, 14.43.135, 14.43.140, 14.43.145 -
23 14.43.160, 14.43.164, 14.43.166, and 14.43.168 apply to the loans made under
24 AS 14.43.170 - 14.43.175 as if the loans were made under those applicable provisions.

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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

January 31, 2012

Representative Les Gara, *et al.*
Alaska House of Representatives
State Capitol, Room 500
Juneau, Alaska 99801

Dear Representative Gara:

The following is provided to identify some of the concerns and issues relative to legislation introduced earlier this month, sponsored by you and others. The bill in question is SSHB272, an Act providing for a reduction in interest on postsecondary education loans for residents.

In summary, this bill would require the Alaska Commission on Postsecondary Education (ACPE) to, under certain conditions, reduce the interest rate or provide a rebate of interest on loans which are assets of the Alaska Student Loan Corporation (ASLC). These are: Alaska Student Loans, including consolidation loans (AS 14.43.090-.160); AlaskAdvantage federally guaranteed loans, including consolidation loans (AS 14.43.161-.168); and AlaskAdvantage Supplemental Education Loans (AS 14.170-.175). Not covered are loan types not funded by the ASLC: memorial scholarship loans and WWAMI medical education loans, as well as other ASLC-funded loans: Teacher Education Loans, Alaska Family Education Loans, or WICHE Professional Student Exchange Program Loans.

As currently drafted it appears the rate reduction and/or rebate is to be provided if:

- 1) the borrower is a state resident;
- 2) the borrower completed the education for which the loan was issued;
- 3) the borrower is in repayment;
- 4) the loan is not in default; and,
- 5) the loan is not eligible to be repaid or forgiven by a third party.

The reduction/rebate appears to be applicable to any outstanding, otherwise eligible loan.

Let me preface these comments by stating that I recognize the bill sponsors' well-meaning interest in assisting borrowers with managing the increasing costs of postsecondary education. However, as described herein, the approach to doing so as set out in this legislation raises fundamental legal, financial, and operational concerns.

Although the agency services these education loans, ACPE does not own the loans nor are they assets of the state. ASLC is the owner of the loans, and its Board establishes the loan interest rates pursuant to AS 14.43.200, 14.43.165, 14.43.174 etc. As you know, in 1987 the state created ASLC as a separate legal entity and transferred loans originated prior to 1988 to ASLC. Given that, I requested ASLC bond counsel, Ballard Spahr, review and comment on the legislation. The enclosed memorandum from Blake Wade and Darci Stephens of Ballard Spahr identifies two substantial legal issues with the bill as drafted: the possible violation of AS 14.42.270, and a constitutional concern arising from ASLC's contractual relationship with debtholders.

Notwithstanding the legal implications of the proposed legislation, ASLC would face very serious financial and reputational consequences related to this legislative action. Enclosed is a memo from ASLC financial advisor Lee Donner, FirstSouthwest, containing his comments and concerns relative to the proposals in SSHB272. As Mr. Donner notes, the outstanding loans are assets pledged as security for the purposes of repaying outstanding debt and paying operating costs. Any effort to amend the loan terms retroactively will not only result in negative action by bond rating agencies, but even the attempt to do so in this matter may cast a pall over ASLC's future financing opportunities. ASLC anticipates issuing future debt to continue to finance new education loans.

As discussed with you previously, ASLC has, to the extent possible, provided borrower benefits in the form of cost reductions which are annually approved by the Board. Over the past ten years ASLC has provided such benefits to our borrowers totaling approximately \$30 million. Benefits have been reduced as a result of various changes impacting ASLC's financial capacity—primarily as a result of the collapse of the asset-backed bond market and resulting increase in the costs of financing. Unlike a depository lender with access to cash at historically low rates, ASLC's lending costs are such that the current net yield on the loan portfolio is less than one percent (0.95%). This bill appears to provide a new entitlement for new and existing borrowers, but without an external source of funding from which to pay the costs of the benefit, which would have serious adverse impacts on ASLC.

In addition to these legal and financial concerns, even were those matters to be resolved in some fashion, implementation of the bill, as proposed, would be highly manual and labor intensive, resulting in significant costs to the state above and beyond the expense of the interest reduction and rebates. Bear in mind that currently covered loan types encompass both fixed and variable rate loans, the base rates of which range from between 2.9% and 9.0%¹ depending on when the loans were originated, and, after borrower benefits are applied, from 0.55% to 7.55%. The bill proposes no floor to the reduction to be paid; therefore, while some borrowers may be

¹ Loans made prior to 2002-03 were charged 0% interest while enrolled in their program of study. The interest began accruing only after they left school, resulting in repayment interest being set at a higher rate.

paying a lower rate, others would be receiving principal reduction credits. Because of the proposed method for determining an individual's rebate, each and every borrower's rebate would be unique given their school enrollment patterns and timeline, and interest rates and related adjustment, as well as their loan(s) status history. As such, both the calculation and benefit application would need to be manually performed.

To be able to respond fully on the feasibility of implementing this benefit program a number of unanswered questions would need to be resolved. These questions include:

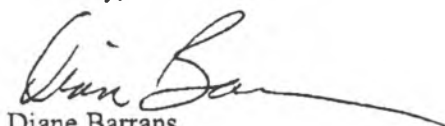
- What will be the standard for maintaining residency?
- What does "completion of the education for which the loan was issued" mean—successful completion of the term, academic year, or degree completion/graduation?
- Will a borrower be permitted to move in and out of "default" for the purpose of receiving the interest reduction?
- Will involuntary payments (wage garnishment, PFD garnishment) on a loan make the loan eligible for the interest reduction?
- How will eligibility for loan repayment or forgiveness by a third party be determined?
- What constitutes third-party repayment—does that include available cosigners on the loans?
- Eligibility is "for the time period in which the borrower establishes and maintains residency"—how will instances of borrowers moving in and out of the state while repaying the loan impact their benefit?
- Would borrowers who accelerate their loan repayment be eligible for the benefit, and how would it be paid out in such cases?
- In 14.43.123 (b), what does "amortized and prorated from the beginning of the interest accrual period..." mean?
- In 14.43.123 (c), what does this mean and how is it calculated?
- What is meant by "repayment" period? Loans may be in: in-school, grace, deferment, and forbearance statuses—how are those periods to be treated for borrowers who are in state, either continuously or periodically?
- Given that the language appears to create an unlimited borrower entitlement at the point of loan disbursement, or the effective date of the bill that is triggered by the "completion of education," over what period of years would a borrower be able to stretch their pursuit of that goal and retain their eligibility for the rate reduction and rebate?
- The bill also seems predicated on the idea that the borrower left the state for postsecondary education—how are borrowers who remain in Alaska to be treated with respect to the interest rate reduction and/or interest expense rebate prior to the start of their "repayment period" but before their "completion of education"?

I am very much aware of, and share your growing concerns about, the escalating costs of postsecondary education, specifically as it impacts borrowers' levels of education loan debt. Your support for Alaska Performance Scholarship and AlaskAdvantage Education Grant funding

Representative Les Gara
January 31, 2012
Page - 4 -

is much appreciated and, I am convinced, will have a positive impact on Alaska's students. In the case of SSHB272, the proposed approach to lowering costs of education loan borrowing is very problematic, and I wanted to bring these matters to your attention prior to a public hearing.

Sincerely,



Diane Barrans
Executive Director/Executive Officer

DB/dv

cc: Representative Sharon Cissna
Representative Berta Gardner
Representative Max Gruenberg
Representative David Guttenberg
Representative Lindsey Holmes
Representative Scott Kawasaki
Representative Beth Kerttula
Representative Bob Miller
Representative Pete Petersen
Representative Chris Tuck

Enclosures

MEMORANDUM

TO Diane M. Barrans, Alaska Student Loan Corporation

FROM Blake K. Wade
Darci L. Stephens

DATE January 27, 2012

RE Alaska House Bill No. 272

As bond counsel to the Alaska Student Loan Corporation (the "Corporation"), we have been asked to review Alaska House Bill No. 272 ("House Bill 272") on behalf of the Corporation. Set forth below is a brief summary of some of the legal issues raised by House Bill 272.

Violation of Alaska Statutes 14.42.270

As you know, House Bill 272 is designed to provide an interest rate reduction on certain loans (the "Student Loans") issued under the provisions of Alaska law. Pursuant to Alaska Statutes 14.42.100 et seq. (the "Act"), the Corporation has issued various series of bonds and other debt which are secured by a pledge of certain Student Loans. Under Section 14.42.270 of the Act, the State of Alaska (the "State") has pledged to not impair the rights of the Corporation to fulfill its obligations to its bondholders. Section 14.42.270 reads as follows:

Sec. 14.42.270. Pledge and agreement of state.

The state pledges to and agrees with holders of bonds issued by the corporation that the state will not limit or alter the rights and powers vested in the corporation under AS 14.42.100 - 14.42.990 to fulfill the terms of a contract made by the corporation with the bondholders or in any way impair the rights and remedies of the bondholders until the bonds, together with the interest on them with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the bondholders, are fully met and discharged. The corporation may include this pledge and agreement of the state in a contract with bondholders.

As written, House Bill 272 would result in the reduction of the interest rate on the Student Loans which serve as the source of repayment for the Corporation's bonds. The enactment of House Bill 272 would impair the rights of the Corporation's bondholders and thus appears to violate the "non-impairment" pledge made by the State under Section 14.42.270 of the Act.

Violation of the Alaska and U.S. Constitution

House Bill 272 likely violates both the U.S. Constitution and the Alaska State Constitution. Article I, Section 10 of the U.S. Constitution prohibits a state from passing a "Law impairing the Obligation of Contracts." This "Contract Clause" prohibits states from enacting any law that retroactively impairs contractual rights. Article I, Section 15 of the Alaska Constitution contains a similar provision, which provides that "No law impairing the obligation of contracts . . . shall be passed."

The terms of municipal bonds are contractual obligations protected by the Contract Clause. The U.S. Supreme Court has developed a two-part analysis to determine whether an initiative by a state legislature violates the Contract Clause. This same basic test has been adopted by the courts in Alaska. The Corporation, as a public corporation and governmental instrumentality under Alaska law, would likely be subject to this same analysis. The major determinant for a violation of the Contract Clause is whether the initiative substantially impairs the issuer's obligations to debtholders. House Bill 272 appears to impair the Corporation's obligation to its bond and other debtholders through the reduction of the interest rate on the Student Loans pledged to repay the debt. This reduction in the revenues making up the source of repayment of the Corporation's debt would likely violate both the U.S. Constitution and the Alaska Constitution as an impairment of the Corporation's contract with debtholders.

DLS/

Lee Donner
Managing Director

lee.donner@firstsw.com

(254) 675-3552 Direct
(254) 253-0688 Cell
(254) 675-8455 Fax

Date: January 27, 2012

To: Diane Barrans, Executive Officer
Alaska Student Loan Corporation

Cc: Charlene Morrison, Chief Financial Officer
Alaska Student Loan Corporation

Subject: HB 272, an Act providing for a reduction in interest on Postsecondary education loans for residents

You have asked that FirstSouthwest Company ("FSC") review Alaska HB 272 and advise Alaska Student Loan Corporation (the "Corporation") as to the implications of this proposed legislation for the currently outstanding student loan financings of the Corporation as well as the impact it might have on future anticipated student loan securitizations issued by the Corporation.

As it currently reads the proposed legislation would create the potential for a significant but unquantifiable reduction in yield on some of the Corporation's student loan portfolios, and does not provide any funding to offset that loss of revenue. In addition, implementation of the provisions in the legislation would be administratively complex and result in the expenditure of some portion of current net revenues on increased operational expense. The Corporation currently has two types of student loan financing vehicles in place: (1) the Straight-A Commercial Paper Conduit program, and (2) multiple student loan revenue bond issues and special project bond issues secured by student loan portfolios. The impact on these financings would vary.

Straight-A Commercial Paper Conduit: Implementation of HB 272 would represent a retroactive addition of a significant "borrower benefit" to loans pledged as security under the Corporation's Straight-A borrowing. Had said "borrower benefit" been in place prior to the Corporation executing its Straight-A borrowing, the program administrator would have, at the least, imposed a higher borrower benefit reserve requirement, and might have precluded the Corporation from pledging any loans that could be subject to the benefit. Should the benefit created by HB 272 take effect after the Corporation has entered into the Straight-A borrowing, the financial implications range from an unquantifiable impairment to the economics of that transaction to the possibility that the Corporation could be required to repurchase those loans from the Straight-A conduit, a requirement that the Corporation might not be able to comply with because it lacks the requisite liquidity to do so.

Outstanding Bond Issues: All of the Corporation's outstanding bond issues contain certain covenant restrictions with respect to actions taken or not taken that could have a material impact on the yield of the student loans securing the bonds. I will not attempt to address the legal implications of breaching those covenants, but from a financial perspective, it is a virtual certainty that the rating agencies rating the

affected bonds would institute a ratings review with possible outcomes ranging from ratings downgrades to requirements for the deposit of additional assets into the affected trusts, all of which would present significant financial challenges to the Corporation.

Future Bond Issues/Financings: New money or refunding bond issues in the student loan arena are already dramatically more challenging as a result of changes to the Higher Education Act, the market impact of the credit crisis of 2009, changes in rating agency criteria for all types of student loan assets, and new regulatory requirements emanating from Dodd/Frank. The administrative and economic impact of HB 272 would put the Corporation in a position where successful execution of new money or refunding transactions would be doubtful at best.

Even if HB 272 were amended to provide state funds to offset the revenue losses on the affected loans, there would still be significant issues with both currently outstanding and future financings, primarily as a result of annual appropriation risk, time lags between loss of revenue and reimbursement, and the fact that utilization of or "take rates" on the benefit are effectively unquantifiable.

A handwritten signature in black ink, appearing to read "Scott J. ...". The signature is written in a cursive style with a large, sweeping flourish at the end.

This communication is for information only, not an offer, solicitation or recommendation, nor an official confirmation of any financial transaction. It is not to be considered research. The information is considered to be reliable, but First Southwest Company does not warrant its completeness or accuracy, prices and availability are subject to change without notice. We may trade, have long or short positions, or act as a market maker in any financial instrument discussed herein. Clients should consult their own advisors regarding any accounting, legal or tax aspects. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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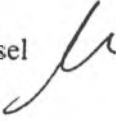
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 23, 2012

SUBJECT: Sectional summary (2d Sponsor Substitute for HB 272
(Work Order No. 27-LS1162\D))

TO: Representative Les Gara
Attn: Toby Smith

FROM: Jean M. Mischel
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. Requires the Commission on Postsecondary Education to provide for a three percent reduction in interest rates on specified state issued student loans except in certain circumstances for a student who resides in the state during or after completion of the program for which the loan was issued.

Section 2. Cross references in the AlaskAdvantage Loan Program the interest loan reduction available under sec. 1 of the bill.

Section 3. Cross references in the Alaska Supplemental Education Loan Program the interest loan reduction available under sec. 1 of the bill.

JMM:ljw
12-161.ljw

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA
REPRESENTATIVE BERTA GARDNER
REPRESENTATIVE DAVID GUTTENBERG
REPRESENTATIVE LINDSEY HOLMES
REPRESENTATIVE BETH KERTTULA
REPRESENTATIVE CHRIS TUCK
REPRESENTATIVE SCOTT KAWASAKI
REPRESENTATIVE PETE PETERSEN
REPRESENTATIVE MAX GRUENBERG
REPRESENTATIVE SHARON CISSNA
REPRESENTATIVE BOB MILLER

Sponsor Statement

SSHB 272 Reducing Alaska Student Loan Interest Rate by 3% for Those Who Remain In or Return to Alaska: Building a Stronger Alaska Workforce

Currently Alaskans pay interest rates of roughly 7% and 8% for outstanding and new student loans. In contrast, used car loans are currently being issued by some lenders at 3% and less. Many Alaskans are struggling and Alaska has a history of losing those who obtain higher education degrees and job training to jobs outside of Alaska.

This legislation is one way we can lessen the financial burden on Alaskans who receive their job training or higher education in Alaska, or who move back to Alaska after receiving that education. It is aimed at strengthening the Alaskan economy, helping Alaskans prosper, and retaining more Alaskan talent.

This bill restructures Alaska student loan interest rates as follows. As long as a student remains in Alaska the interest on state-issued student and vocational education loans will be reduced by 3%. If a student leaves Alaska for school or job training and returns within two years of completing coursework, that student will receive a rebate of the additional 3% interest that accrued on the loans while they were out of state. That rebate will come in equal amounts over a five year period so that if the student only returns to Alaska for a short period of time, he or she only qualifies for a partial rebate. A 3% reduction in the interest rate on an average loan will reduce interest payments by nearly one-half.

The two-year allowance recognizes that Alaskans may undertake post-schooling training or find employment out of state shortly after completing their coursework, the benefits of which they may intend to bring back to the state afterwards.

If a student returns more than two years after completing his or her coursework, he or she doesn't receive a rebate on the interest that accrued while he or she was out of state. Upon returning to Alaska, however, he or she will benefit from the lower rate for the remainder of the time he or she is repaying his or her loans and remaining in Alaska. This bill applies to existing and new loans.

A reduction in interest rate provided by this bill is in addition to any other available reduction in interest rate.

If the point is reached whereupon the overall interest rate available to eligible students reaches three percent, the Alaska Student Loan Corporation shall have the discretion to determine whether or not the overall interest rate shall fall below the rate of three percent. Should it be determined that the reduction will negatively affect the corporation's bond rating or its ability to fund future loans, the commission may not provide a reduction in loan interest rates unless an appropriation is made.

Please feel free to contact our office if you have any questions.

2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 272
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES GARA, GUTTENBERG, GARDNER, KERTTULA, HOLMES, TUCK, KAWASAKI, PETERSEN, GRUENBERG, AND CISSNA, Miller

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing for a reduction in interest on postsecondary education loans for**
2 **residents."**

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. 14.43.123. Interest rate reduction for residents.** (a) Notwithstanding a
6 contrary provision of law and except as provided in (e) - (h) of this section, the
7 commission shall provide for a reduction of three percent a year from the established
8 interest rate for a loan issued under AS 14.43.091 - 14.43.160, 14.43.161 - 14.43.168,
9 or 14.43.170 - 14.43.175 for the time period in which the borrower establishes and
10 maintains residency in the state while repaying the loan if

11 (1) the loan for which the reduction in interest is allowed is not
12 currently in default;

13 (2) any portion of the principal or interest on the loan is not otherwise
14 eligible to be repaid or forgiven by the state under another program; and

1 (3) the borrower completed the degree or certificate program for which
2 the loan was issued in a timely manner.

3 (b) For a borrower eligible for a reduction in the interest rate under (a) of this
4 section, the commission shall provide for a three percent reduction in the interest rate,
5 prorated from the beginning of the loan interest accrual period for the loan to the date
6 the borrower becomes eligible under (a) of this section, but not for a period longer
7 than five years, if the borrower was a resident of the state for not less than one year
8 before enrolling in the postsecondary program for which the loan was issued and

9 (1) established residency in the state in the two-year period
10 immediately following completion of the degree or certificate program for which the
11 loan was issued; or

12 (2) attended the postsecondary program for which the loan was issued
13 and maintained residency in the state.

14 (c) The commission shall prorate on an annual basis a reduction in the interest
15 rate under (a) of this section over the period of residency that coincides with the loan
16 repayment period.

17 (d) A reduction in interest rate provided under this section is in addition to any
18 other available reduction in interest rate.

19 (e) Notwithstanding the reduction in interest rate available to a student under
20 this section, the corporation may maintain a minimum three percent interest rate for
21 loans issued by the corporation if necessary for a purpose that is consistent with the
22 duties of the corporation.

23 (f) By January 1 of each year, the corporation shall determine whether and to
24 what extent a reduction of interest rates under this section would negatively affect the
25 corporation's bond rating and ability to fund future loans.

26 (g) If the corporation determines that a reduction of interest rates under this
27 section would negatively affect the corporation's bond rating or its ability to fund
28 future loans, the commission may not provide a reduction in loan interest rates under
29 (a) or (b) of this section for the affected fiscal years unless an appropriation is made to
30 cover the costs of the reduction. If the appropriation is inadequate to pay reductions in
31 interest rates for all eligible loans, the commission shall prorate all reductions in

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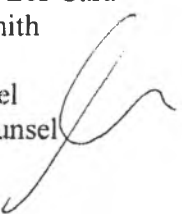
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 21, 2012

SUBJECT: Applicability to outstanding student loans (HB 272)
(Work Order No. 27-LS1162\M)

TO: Representative Les Gara
Attn: Toby Smith

FROM: Jean M. Mischel
Legislative Counsel 

You have asked whether current student loan statutes affect the applicability to outstanding student loans issued under the relevant statutes of the above-referenced bill draft that provides for a reduced interest rate for state residents. The short answer is "no"; current statutes do not expressly prohibit the inclusion of outstanding student loans, and the conditions for the reduced interest rate in the draft bill do not limit the applicability of the bill to new loans.

While interest rates for student loans issued in the state are established under current law by the Alaska Student Loan Corporation based on the interest rate paid on bonds issued by the corporation and administrative costs under AS 14.43.120 and 14.43.174, nothing in current law prohibits the reduction of an interest rate by the state either paying the rate difference or otherwise forgiving a portion of the accrued interest. Even if current law otherwise affected interest rates on outstanding loans, the bill draft contains modifying language that would override that effect by providing that the reduction occur "notwithstanding a contrary provision of law." Since the borrower suffers no impairment from a retroactive application of the interest rate loan reduction, an impairment of contract problem does not appear to exist.

The bill as drafted could therefore be applied to both new and outstanding loans, particularly if the legislature appropriated sufficient funds to cover bond holder interest rates, if necessary. The only conditions a borrower must meet to take advantage of the rate reduction are that (1) the loans were issued by the state under specified programs, and (2) the borrower resides in the state during the repayment period. The reduction is also made available to the accrued interest retroactively if the borrower returns to the state within two years of graduation.

If there is confusion about the applicability of the bill as drafted, an uncodified applicability provision may be added to clarify the matter. Courts will also look at legislative intent if the applicability is challenged and the court finds the wording of the

Representative Les Gara
January 21, 2012
Page 2

law ambiguous in that regard. The sponsor statement and committee records addressing applicability would then become relevant.

If I may be of further assistance, please advise.

JMM:ljw
12-034.ljw

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MEMORANDUM

December 29, 2011

SUBJECT: Residency preference (Work Order No. 27-LS1162\A)

TO: Representative Les Gara
Attn: Toby Smith

FROM: Jean M. Mischel
Legislative Counsel

The draft bill providing for an interest rate reduction on specified postsecondary student loans issued by the state for state residents is enclosed. While the purpose of the reduction may be legitimate under an equal protection review, that purpose must be clearly stated on the record. In addition, state residency requirements for state benefits has been scrutinized under the privileges and immunities clause of the United States Constitution. Both issues are further analyzed below.

The state constitution may not be applicable any longer to issues involving resident preference within the state. Following decisions in two cases invalidating former Alaska local hire statutes, the legislature proposed, and the voters approved, a state constitutional amendment. That provision, adopted at the November 1988 general election and effective January 4, 1989, says:

Resident Preference. This constitution does not prohibit the State from granting preferences, on the basis of Alaska residence, to residents of the State over nonresidents to the extent permitted by the Constitution of the United States.

The author of the resolution proposing the addition, then-Representative Dave Donley, provided this statement for publication in the 1988 general election voter information pamphlet:

Voter approval of Ballot Measure No. 1, a proposed amendment to Alaska's Constitution to give the state clear authority to grant certain preferences to its own citizens consistent with the U.S. Constitution, will give state resident preference laws a fighting chance in the courts.

The Alaska equal protection clause has been interpreted as being more restrictive than the federal clause. With the amendment's approval at the November 1988 general election, the voters have indicated a will to neutralize state constitutional obstacles to the adoption of state resident preferences and leave only the federal constitution as a potential constitutional impediment. This means that consideration of article I, section 23 is

Representative Les Gara
December 29, 2011
Page 2

critical to any debate about residency requirements in Alaska; however, its effect is arguably uncertain because, in the only reported decision weighing the scope of art. I, sec. 23, the Alaska Supreme Court declined to rule on the question of whether or not it makes the state constitution irrelevant to resident preference in hiring. At this point, we can only hypothesize that art. I, sec. 23 will be interpreted by future courts as eliminating the state constitution as an impediment to resident preference in hiring. If it is, then only federal constitutional impediments would remain. However, discriminating between Alaska residents based on length of residency will probably still be subject to the state equal protection clause.

The United States Supreme Court in *Martinez v. Bynun*, 461 U.S. 321, 328, (1983), has concluded that there is no fundamental right or suspect class involved in an equal protection analysis of a resident preference. The Court has said that, because of this, resident preference statutes under a state court review should be subject only to rational basis analysis. In a case involving a durational residence requirement in connection with eligibility for welfare benefits, the U.S. Supreme Court found the durational requirement invalid on the basis that it unconstitutionally burdened the right to travel, which it said is "expressly protected" by article IV, section 2 of the federal constitution.

In *Zobel v. Williams*, 457 U.S. 55, 64 (1982), the U.S. Supreme Court found constitutional issues regarding an Alaska statute establishing a durational residency requirement for permanent fund dividend eligibility. Unlike Alaska's existing permanent fund durational residency requirement, the one challenged (and defeated) in *Zobel* rewarded long-term residents with bigger dividends than short-term residents were paid, largely based on a rationale that long-term residency was deserving of a greater reward. The Court found the statute constitutionally invalid because it violated the federal constitution's equal protection clause. In one part of its opinion the Court said of the State of Alaska's claim that it was permissible to discriminate between residents based on their length of residency for the purpose of varying the portions of state benefits each resident is allowed:

Alaska's reasoning could open the door to state apportionment of other rights, benefits, and services according to length of residency. It would permit the state to divide citizens into expanding numbers of permanent classes. Such a result would be clearly impermissible.

Id.

This bill draft allows for a retroactive interest rate reduction for borrowers who return to the state within two years. That provision may raise both equal protection and privileges and immunities concerns by those who return to the state after the two year point.

If I may be of further assistance, please advise.

JMM:plm
11-357.plm

Enclosure

The Brain Drain

by Jeff Hadland
Economist

About 38 percent of young Alaskans are leaving for college and jobs in the lower 48 and not coming back

Alaska has one of the highest migration rates in the nation. The general belief is that a disproportionately large percentage of Alaska's young adults leave Alaska after high school or after pursuing some postsecondary education in the state. Also, it is widely assumed that the percentage of Alaskans that continue their education beyond high school is among the lowest in the nation. This report presents data to quantify these phenomena, sometimes characterized as a "brain drain".

This report tracks a study group of 16,114 young Alaskans, age 15-16 in 1994 (1994 Youth). It follows them through their postsecondary education in Alaska and at out-of-state institutions. It examines these data to determine how many of the original study group are currently employed in Alaska.

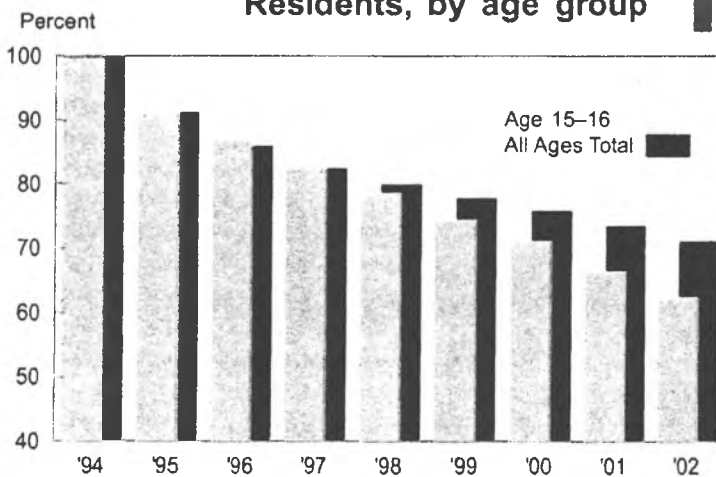
Summary of Findings

- Just over 62 percent of youth age 15-16 in 1994 were still Alaska residents in 2002, compared with 71.3% of the total Alaska population.
- A little more than 55 percent of the 1994 Youth group reported some postsecondary education, nearly identical to the postsecondary education rate of a group of 17-18 year old Alaska youth in 2000.
- Approximately 62 percent of the 1994 Youth that pursued postsecondary education did so exclusively in Alaska.
- More than 84 percent of the 1994 Youth that had received their postsecondary education exclusively in Alaska were still Alaska residents in 2002, while only 51 percent of those that had received postsecondary education exclusively outside the state were Alaska residents in 2002.

- Nearly 70 percent of the 1994 Youth with postsecondary education attended the University of Alaska at some time from 1996 through 2002.
- More than 12 percent of the total 1994 Youth group earned one or more degrees as of the end of 2002.
- Nearly 54 percent (8,659) of the 1994 Youth group were employed in Alaska in 2002 based upon a match with Alaska unemployment insurance (UI) wage records. Average 2002 earnings varied by educational attainment; youth who had earned a degree at the University of Alaska were the highest earners.

The number of young Alaskans entering the labor force each year is rapidly increasing. In 2002 there were nearly twice as many 16-year-old Alaskans (11,246) as there were new jobs created in Alaska from 2001 to 2002 (6,500). Nevertheless, a significant number of employment

1994 Population Still Alaska Residents, by age group



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Permanent Fund

2 1994 Population Still Alaska Residents, percent by age group

Age Group	1994	1995	1996	1997	2002
14 and Under	100	91.5	86.9	83.9	74.8
15-16	100	91.2	86.9	82.6	62.3
17-19	100	88.9	82.3	77.2	61.2
20-29	100	87.8	80.6	76.0	65.9
30-39	100	92.1	86.8	83.5	74.1
40-49	100	93.4	89.2	86.5	76.2
50+	100	91.5	86.2	82.1	65.9
Total	100	91.4	86.1	82.6	71.3

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Permanent Fund

opportunities are available to new entrants to the labor force. The number of new hires each quarter, already large, (see Exhibit 17) may soon increase, as a high percentage of Alaska's workforce approaches retirement age. However, numbers don't tell the whole story; the likelihood exists of a mismatch between the skills of new workers and job openings. Youth face an obvious disadvantage in competition with more experienced workers. The lure of the much larger job markets to the south cannot be ignored. Tracking the postsecondary education and employment patterns of young Alaskans can be helpful in determining priorities and programs in the coming years. Such findings can be used to enhance job opportunities for young Alaskans.

3 1994 Youth Place of Residence 1994 and 2002

1994 Youth group characteristics

The study group mentioned earlier had significantly more males (52.5%) than females

Residence in 1994

Residence in 2002

	Same Borough Census Area (C.A.)		Moved to Other Borough/C.A.		Outside Alaska		Total
	Number	Percent	Number	Percent	Number	Percent	
Aleutians East	23	60.5	7	18.4	8	21.1	38
Aleutians West	24	34.8	18	26.1	27	39.1	69
Anchorage	3,180	52.2	515	8.5	2,394	39.3	6,089
Bethel	316	71.3	59	13.3	68	15.3	443
Bristol Bay	8	27.6	10	34.5	11	37.9	29
Denali	21	39.6	15	28.3	17	32.1	53
Dillingham	87	66.9	28	21.5	15	11.5	130
Fairbanks	937	47.3	198	10	847	42.7	1,982
Haines	19	25.7	22	29.7	33	44.6	74
Juneau	288	31.9	186	20.6	430	47.6	904
Kenai	593	42.1	233	16.5	583	41.4	1,409
Ketchikan	162	37.9	54	12.6	212	49.5	428
Kodiak	141	39.3	70	19.5	148	41.2	359
Lake and Peninsula	26	50	18	34.6	8	15.4	52
Mat-Su	769	45.7	319	19	594	35.3	1,682
Nome	180	63.4	64	22.5	40	14.1	284
North Slope	117	62.9	34	18.3	35	18.8	186
Northwest Arctic	136	64.8	41	19.5	33	15.7	210
Prince of Wales-Outer Ketchikan	75	41	35	19.1	73	39.9	183
Sitka	95	39.4	42	17.4	104	43.2	241
Skagway-Hoonah-Angoon	33	30.8	32	29.9	42	39.3	107
Southeast Fairbanks	70	33.7	75	36.1	63	30.3	208
Valdez-Cordova	88	31.2	75	26.6	119	42.2	282
Wade Hampton	141	71.2	36	18.2	21	10.6	198
Wrangell-Petersburg	65	36.3	36	20.1	78	43.6	179
Yakutat	9	37.5	8	33.3	7	29.2	24
Yukon-Koyukuk	110	45.1	88	36.1	46	18.9	244
Unknown	0	0	6	22.2	21	77.8	27
Total	7,713	47.9	2,324	14.4	6,077	37.7	16,114

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

(47.5%). Males outnumbered females in all age groups in Alaska in 1994. Consistent with the overall population distribution in Alaska, 37.8% of the 1994 Youth population reported their residence in Anchorage, 12.3% in Fairbanks, 10.4% in Mat-Su and 8.7% in Kenai.

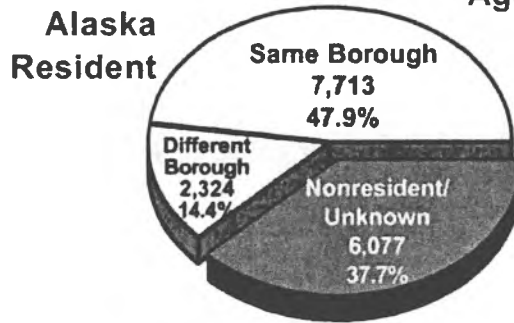
No information is currently available indicating whether the 1994 Youth were Alaska high school students in 1994 or graduated from an Alaska high school. In 1996 and 1997, the Alaska Department of Education and Early Development reports 12,209 high school graduates from Alaska school districts. This represents a large percentage of the total high school graduation age population for those years. (The statewide dropout rate for grades 7-12 ranged from 3.4% to 4.1% from 1996 to 1998.)

For purposes of comparison, a second group of Alaska youth age 17 to 18 in 2000 was selected and matched with administrative data. This group of recent high school graduation age youth was examined to determine employment and postsecondary education decisions shortly after their high school years.

Outmigration from Alaska-1994 to 2002

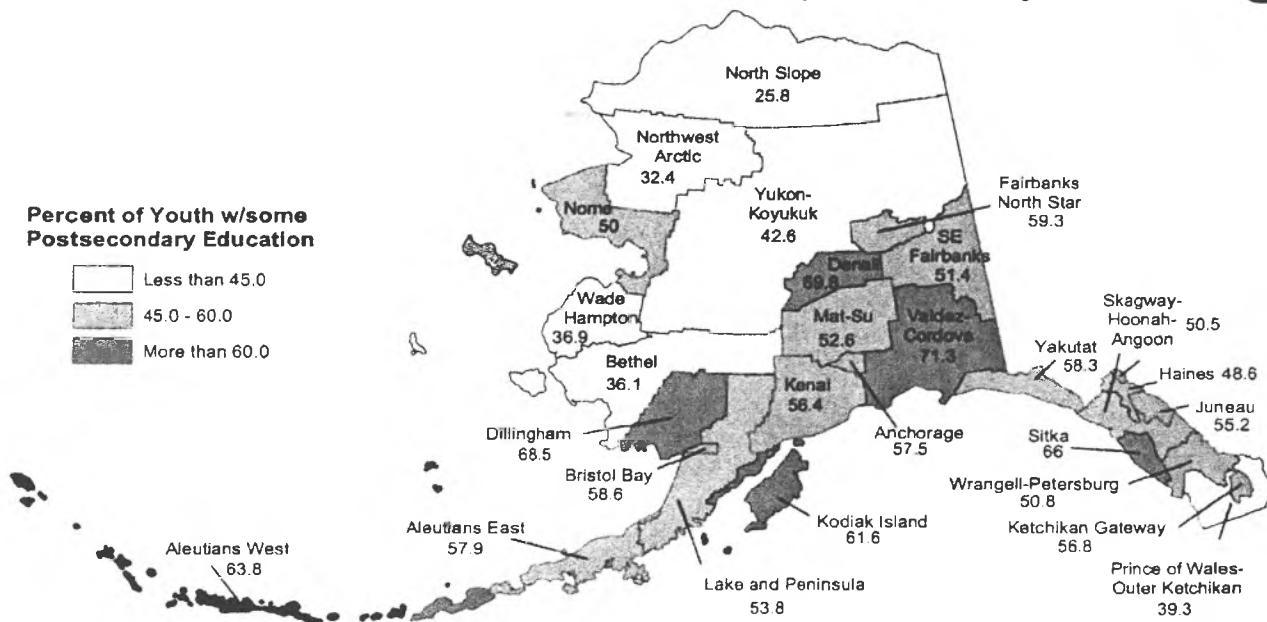
Older youth and young adults typically have the highest migration rates of any population group. This is typically the time when individuals are either continuing their education or considering a serious job or career. In order to achieve these goals, many consider moving to another location. Although the majority of Alaska's 1994 Youth

2002 Residence of 1994 Youth Age 15-16 **4**



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Percent of 1994 Youth With some postsecondary education **5**



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

6 Where 1994 Youth Did Their Postsecondary studies And employment status

	Resident			Alaska Employed 2002	
	Total	Number	%	Number	%
No Postsecondary Reported	7,211	4,202	58.3	3,623	50.2
Alaska Only	5,537	4,679	84.5	4,207	76
Outside Alaska Only	1,190	607	51	428	36
Inside and Outside Alaska	2,176	549	25.2	400	18.4
Total	16,114	10,037	62.3	8,658	53.7

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

study group chose to continue their work and/or education close to home, approximately 38 percent chose to leave Alaska to pursue their long-term goals.

Due primarily to outmigration, there was a significant decline in the number of Alaska 1994 Youth from 1994 though 1997, when most of the students would have been old enough to graduate from high school. In 1997, 82.6% of the 1994 Youth group were still Alaska residents based upon PFD application. By 2002, only 62.3% of this population were still Alaska residents. (See Exhibit 1.)

7 Education, Residency, and Employment of youth

	Youth Age 15-16 in 1994					Youth Age 17-18 in 2000				
	Youth	Post-secondary	Degree	Alaska Resident in 2002	Alaska Employed 2002	Youth	Post-secondary	Degree	Alaska Resident in 2002	Alaska Employed 2002
Aleutians East	38	22	4	30	24	54	27	0	48	38
Aleutians West	69	44	11	42	44	75	38	1	60	48
Anchorage	6,089	3,503	843	3,695	3,146	7,587	4,207	40	6,619	5,400
Bethel	443	160	17	375	356	552	221	3	517	442
Bristol Bay	29	17	4	18	15	39	28	0	33	28
Denali	53	37	10	36	30	60	38	2	55	38
Dillingham	130	86	9	115	100	153	99	1	145	109
Fairbanks	1,982	1,176	295	1,135	971	2,413	1,418	17	2,091	1,769
Haines	74	36	8	41	42	98	53	1	80	69
Juneau	904	499	118	474	434	1,213	643	11	1,015	856
Kenai	1,409	794	192	826	693	1,838	1,191	11	1,597	1,265
Ketchikan	428	243	48	216	201	439	231	2	361	284
Kodiak	359	219	41	211	175	393	262	7	329	256
Lake and Peninsula	52	28	2	44	38	73	42	0	61	56
Mat-Su	1,682	885	198	1,088	914	2,311	1,200	24	2,008	1,582
Nome	284	141	22	244	212	318	145	2	292	246
North Slope	186	47	3	151	133	257	84	0	227	205
Northwest Arctic	210	68	9	177	159	259	84	0	241	196
POW-Outer Ketchikan	183	72	10	110	90	208	91	0	172	126
Sitka	241	157	28	137	121	273	176	2	219	183
Skagway-Hoonah-Angoon	107	54	14	65	61	100	53	2	85	72
Southeast Fairbanks	208	107	21	145	123	238	122	5	203	149
Valdez-Cordova	282	197	39	163	142	338	270	7	293	237
Wade Hampton	198	73	3	177	164	270	77	1	255	215
Wrangell-Petersburg	179	90	20	101	81	212	127	0	171	125
Yakutat	24	14	0	17	15	21	9	0	20	18
Yukon-Koyukuk	244	103	14	198	169	269	136	0	246	201
Other/Unknown	27	14	6	6	5	352	182	3	123	87
Total	16,114	8,886	1,989	10,037	8,658	20,413	11,254	142	17,566	14,300

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Outmigration rates for Alaska youth age 17-19 and age 15-16 in 1994 were the highest of any age group. Fully 37.7% of 15-16 year olds and 38.8% of 17-19 year olds no longer resided in Alaska in 2002, compared to 28.7% of all Alaska residents. (See Exhibit 2.) The migration rate for males and females was virtually the same within the 15-16 age group.

Differences in outmigration rates from Alaska by age group were significant, but they varied dramatically depending on the geographic region where the youth lived in 1994. (See Exhibit 3.) Boroughs in Southeast Alaska exhibited the largest outmigration rates for the 15-16 year old population. Only 50.5% of youth from Ketchikan, 52.5% of Juneau youth, and 57.1% of Sitka youth remained in Alaska in 2002.

Some of Alaska's rural boroughs and census areas had very low outmigration rates. Nearly 90 percent of the 1994 Youth in Wade Hampton, 88.5% of youth in Dillingham, 86.2% in Nome, and 84.9% in Bethel were still in the state through 2002.

More than 14 percent of 1994 Youth moved to another borough or census area in Alaska. (See Exhibit 3.) Rural resident youth were just as likely to move to another part of the state as to move outside Alaska. Seeking a wider variety of education or employment opportunities, most of those that moved from a rural area to other parts of Alaska moved to Anchorage or Fairbanks.

Alaska generally has one of the highest interstate migration rates of any state. Outmigration during the 1990s averaged 7.2% per year for the total population. Based upon analysis of IRS tax return data, 46.9% of gross migration (both immigration and outmigration) was with states in the western U.S. Washington and California were the two top states for interstate migration. Alaska youth attended postsecondary schools in these same "magnet" states.

Although some of the regions in Alaska with the highest migration rates had slow growing or declining economies, this was not the entire explanation for this pattern. Some of the rural

regions of Alaska with relatively low migration rates also exhibited slow growth prospects during the 1990s. Clearly, economic, cultural, and environmental factors play a part in the decision to leave Alaska for continuing education and economic opportunities.

There was very little flow from resident to nonresident status and back over the course of the nine years from 1994 through 2002. For those resident youth in 1994 that were still residents in 2002, more than 90 percent had been residents throughout the entire period. Once they left Alaska and became nonresidents, very few resumed residency in later years.

For the more recent study population of Alaska youth age 17-18 in 2000, 86.1% were still residents of Alaska in 2002, based upon Alaska PFD application.

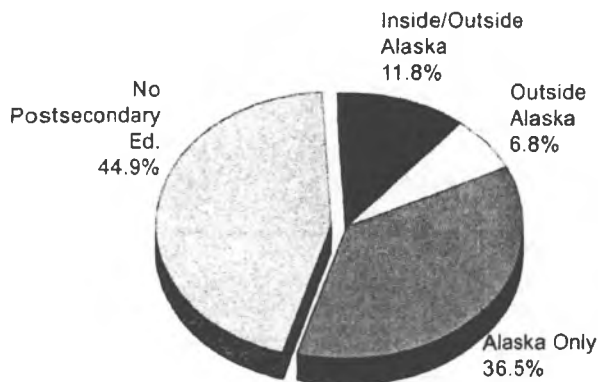
Postsecondary education rates

At least 55.3% (8,903) of the 1994 Alaska Youth population attended one or more postsecondary schools from 1996 through 2002. More than 34 percent (5,537) of these youth pursued their postsecondary education exclusively in Alaska, 7.4% (1,190) went to school exclusively outside Alaska, while 13.5% (2,176) attended postsecondary education institutions both inside and outside the state.

Nationwide, about 63 percent of high school graduates age 16 to 24, and about 43 percent of all 18 to 24-year-olds had enrolled in college in 1999.

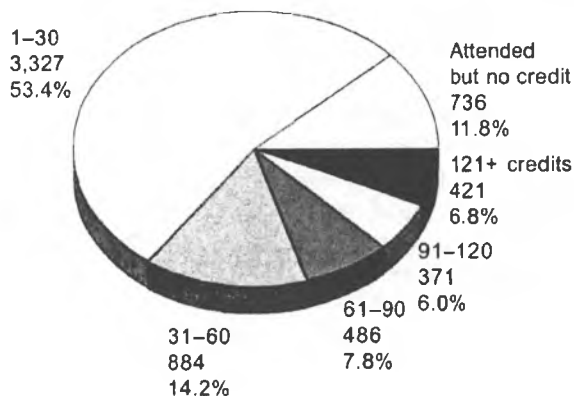
More than 6,200 of Alaska's 1994 Youth attended the University of Alaska at some time from 1996 through 2002. Credits were earned at the University of Alaska from 1996 through 2002 by 34.1% of the 1994 Youth group, with the remainder of those attending having withdrawn, received an incomplete or failed their course(s). Nearly 70 percent of the 1994 Youth that attended a postsecondary institution attended the University of Alaska.

8 Postsecondary Education Status thru 2002—Youth 17-18 in 2000



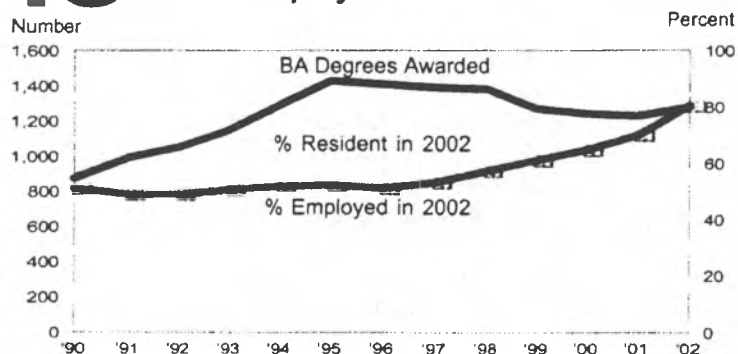
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

9 Attended University of Alaska By credits earned 1996-2002 – 1994 Youth



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

10 Bachelor Degrees from U of A Percent employed and Alaska resident 2002



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

More than 12 percent (1,989) of the 1994 Youth group had earned one or more degrees and/or certificates as of December 2002. From 1996 through 2002, 838 of the youth earned one or more degrees and certificates of all types from the University of Alaska.

Residency and current employment status varied significantly depending upon the location of reported postsecondary education activity. Those 1994 Youth that reported both in-state and out-of-state postsecondary education had the lowest current Alaska employment and residency; only 25 percent of those youth were residents of Alaska and 18 percent reported working in the state in 2002. (See Exhibit 6.)

The percent of the 1994 Youth that attended a postsecondary institution varied significantly by place of residence. (See Exhibit 7.) While the overall postsecondary participation rate was 55 percent, the participation rate by borough/census area varied from 25 percent to 70 percent. Surprisingly, rural areas were represented among both the lowest and highest postsecondary participation groups. Lowest postsecondary participation was reported in the North Slope Borough, Northwest Arctic Borough and Bethel Census Area, while the highest rates were reported in Valdez-Cordova Census Area, Denali Borough and Dillingham Census Area.

The 1994 Youth in the urban areas of Anchorage, Fairbanks and Mat-Su attained the largest number of postsecondary degrees or certificates, and urban areas generally had higher rates of attainment. However, Aleutians West Census Area and Denali Borough both had high rates of degree attainment, but with very small total numbers. In general, rural areas fared poorly in terms of degree attainment, with the North Slope Borough and Wade Hampton having less than two percent of their youth reported as receiving a degree or certificate as of 2002.

Postsecondary education for Alaska residents age 17-18 in year 2000

The 20,413 Alaska resident youth age 17-18 in 2000 were matched with University of Alaska and

National Student Clearinghouse (NSC) files to identify their participation in postsecondary education. (See Exhibits 3 and 4.) Overall participation in postsecondary education mirrored the 1994 Youth group, with a similar 55.1% attending one or more postsecondary institutions. Longer term tracking of the 2000 Youth group will probably result in higher postsecondary education participation rates than the 1994 group.

Although only the most ambitious 17-year-old would have had time to earn a bachelor's degree by the end of 2002, more than 140 youth in this group had earned certificates or associate degrees by that time.

For those youth that had received some postsecondary education as of 2002, two-thirds had received that education exclusively in Alaska. The remainder received some postsecondary education outside the state, with 12.4% continuing their education exclusively outside Alaska.

More females in postsecondary ed

More than 50 percent (4,279) of males and 60.2% (4,602) of females in the 1994 Youth group had some reported postsecondary education. A little less than 10 percent of the males and 15 percent of the females earned a degree. Nearly 59 percent of those with degrees were female. For those attending postsecondary institutions, females were more likely to attend exclusively in Alaska.

Alaska students stay in western U.S.

The 1994 Youth group attended colleges and universities in every state in the union from 2000 to 2002, but most of them attended institutions located in the west coast states. Washington had 530 students from Alaska, Oregon 423, and California 331. Colorado had 213. Utah, Montana, Nevada, and Texas each drew between 113 and 177 of the 1994 Youth.

University of Alaska student data

Nearly 39 percent of the 1994 Youth (6,264 students) attended one or more terms at the

University of Alaska from the fall of 1996 through the fall of 2002. However, a large percentage (46.7%) of them attended for three or fewer terms during the period. More than 62 percent of those youth that attended the University of Alaska at some time during the period began attending by the fall of 1997.

The 1994 Youth group attempted 276,866 credits and earned 207,528. The mean number of credits earned from 1996 through fall 2002 was 33, while the median credits earned was 14. More than 53 percent of the students attending the University of Alaska earned between 1 and 30 credits through the fall 2002, while an additional 11.8% of 1994 Youth attended, but earned no credits. (See Exhibit 9.)

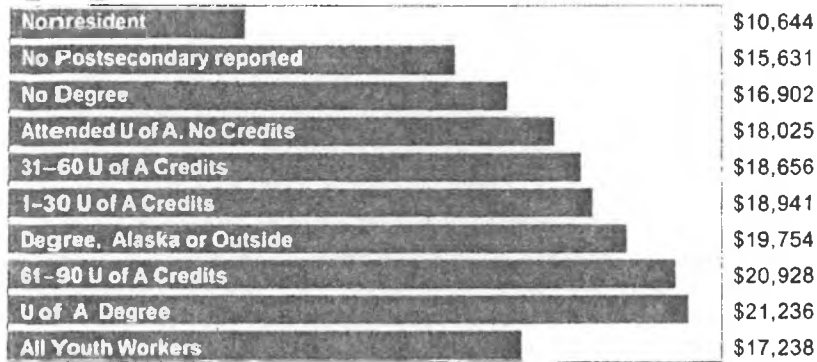
More than 43 percent of the female 1994 Youth group and nearly 35 percent of the males attended the University of Alaska at some time from 1996-2002. Approximately 53 percent of the 1994 Youth group that attended the University of Alaska were female. The average number of credits earned by females was 35.2, while males earned on average 30.8 credits.

As of fall 2002, 838 of the youth cohort had received one or more degrees from the University of Alaska. Based upon the first reported degree awarded, 488 had earned a bachelor's degree, 308 an associate degree, and the remainder had earned advanced degrees or other certifications. Each year, the University of Alaska awards approximately 1,300 bachelor's degrees.

Exhibit 13 shows the number of students who earned degrees and the current resident and employment status for each year's degree recipients. As expected, the more recent University of Alaska graduates have the highest current Alaska residency and employment rates, but those students that earned degrees early in the decade have relatively high and stable current employment and residency rates as well. For the more recent youth cohort, those Alaskans age 17-18 in 2000, 38.6% attended the University of Alaska at some time from 1996 through 2002. Nearly 16 percent were still attending the University of Alaska as of fall 2002.

11 Average Alaska Earnings

By education, 1994 Youth–2002



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

U of A student employment and earnings

A little more than 4,200 current and former students of the University of Alaska from the 1994 Youth cohort were employed in Alaska in 2002. This group earned more than \$79 million, based upon administrative record matches with Alaska UI wage records. Students who received one or more degrees at the University of Alaska had the highest average total Alaska earnings in 2002. (See Exhibit 12.) Workers that reported earning between 61 and 90 University of Alaska credits had the second highest average earnings.

No matter the level of educational attainment, males earned more than females in Alaska in 2002. Male University of Alaska degree recipients earned significantly more than females, although females received a much larger number of degrees and many more of them were employed in Alaska in 2002. (See Exhibit 13.) Females who earned a degree at the University of Alaska had wage and salary earnings approximately 50 percent greater than those females who did not attend the University of Alaska. In 2002, males that did not attend the University had average earnings that were 94% as much as the entire male youth cohort while women earned 83.9% as much as all women in the group.

12 Employment, Earnings, Residency

1994 Youth, U of A students–2002

	1994 Youth*	Resident in 2002	Employed in AK	Total AK Earnings	Average Earnings	Quarters Worked
Total	16,114	10,037	8,659	\$149,262,715	\$17,238	27,434
Attended UA, No Credits Earned	736	533	468	8,435,591	18,025	1,518
1 to 30 Credits Earned	3,327	2,458	2,143	40,589,836	18,941	7,014
31 to 60 Credits Earned	884	701	609	11,361,407	18,656	2,014
61 to 90 Credits Earned	486	431	354	7,408,458	20,928	1,160
91 to 120 Credits Earned	371	344	307	5,256,249	17,121	1,020
121 + Credits Earned	421	391	346	6,088,189	17,596	1,113
Earned One or More Degrees	838	734	657	13,952,018	21,236	2,210
Attended University of Alaska	6,264	4,887	4,255	79,561,938	18,698	13,924
Did Not Attend UA	9,850	5,150	4,404	69,700,777	15,827	13,510

* Age 15–16 in 1994

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

13 Employment and Earnings

1994 Youth by U of A attendance, sex–2002

	Male			Female		
	1994 Youth*	Employed in AK	Avg. Total Earnings	1994 Youth*	Employed in AK	Avg. Total Earnings
Attended UA, No Credits Earned	424	272	20,064	312	196	15,194
1 to 30 Credits Earned	1,546	985	20,699	1,779	1,156	17,441
31 to 60 Credits Earned	403	284	20,473	481	325	17,068
61 to 90 Credits Earned	239	177	24,719	247	177	17,136
91 to 120 Credits Earned	152	126	18,153	219	181	16,403
121 + Credits Earned	161	123	18,065	260	223	17,337
Earned One or More Degrees	314	237	25,267	524	420	18,961
Did Not Attend University of Alaska	5,511	2,619	17,967	4,327	1,784	12,686
Total	8,458	4,605	19,098	7,642	4,051	15,123

* Age 15–16 in 1994. For some youth gender data was unavailable, causing totals to differ.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

1994 Youth employment and earnings

Total wage and salary earnings in Alaska in 2002 for the 8,659 employed 1994 Youth were \$149.3 million. These workers, representing 53.7% of the total 1994 Youth study group, earned on average \$17,238 in 2002 compared with \$25,808 average annual earnings for all workers employed at some time during the year 2002 in Alaska. The largest number of workers and the largest total earnings were in the Trade, Transportation & Utilities industry. The highest average and median earnings were paid to workers in the Natural Resource & Mining industry. (See Exhibit 15.)

Nearly 53 percent of 1994 Youth employed at some time during 2002 were employed by a single employer. An additional 28.3% of workers were employed by two employers and 12.0% were employed by three. Youth workers were employed an average of 3.2 quarters per year.

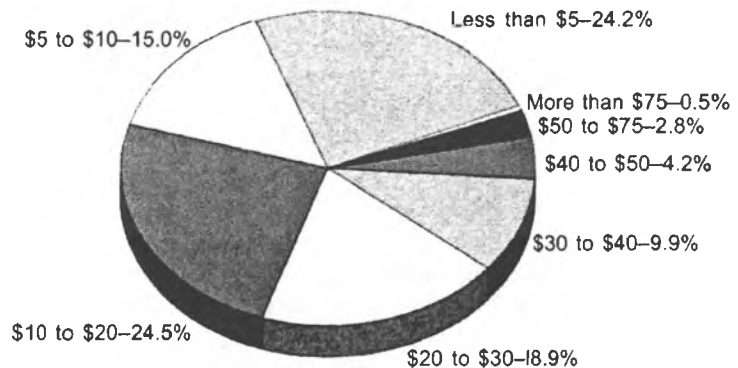
Migration and employment opportunities

The relatively high migration rate among youth from Alaska is the result of many factors. The estimated number of youth leaving the state is quite high, but the overall rate of outmigration has not increased in recent years. In fact, the percentage of 18-year-olds leaving the state in the late 1990s (about 9 percent annually) was lower than at any time during that decade.

Each year during this decade, at least 11,000 Alaska youth will enter the labor force. This increase will be more than matched by a growing number of job openings. Current projections call for an increase in Alaska employment of 16.7% over the 2000 to 2010 time period. This means employment is predicted to grow from 302,255 in 2000 to 352,693 in 2010, or an average annual increase of more than 12,000 jobs over the decade. These projected openings are the combined result of employment growth and net separations from the occupations and do not include jobs resulting from employee turnover.

Positions currently filled by nonresident workers represent potential opportunities for Alaska's workers, including new entrants to the labor force. The Alaska Department of Labor and Workforce Development estimates that there were nearly 68,000 nonresidents employed at some time in Alaska in 2001. Industries, occupations, and employers that have high nonresident hire rates signal an unmet training need and a placement opportunity for Alaska's training programs.

Total Average Earnings—2002 **14** 1994 Youth age 15-16 \$Thousands



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Employment and Earnings **15** By industry, 1994 Youth—2002

	Total Workers	Total Earnings	Mean Earnings	Median Earnings
Local Government	932	\$12,563,184	\$13,480	\$9,462
State Government	422	8,104,181	19,204	18,743
Unknown	9	176,494	19,610	11,298
Construction	808	19,437,983	24,057	21,488
Educational and Health Svcs	945	16,555,507	17,519	16,451
Financial Activities	451	8,155,414	18,083	17,446
Information	199	4,741,951	23,829	21,686
Leisure and Hospitality	1,175	11,782,065	10,027	7,197
Manufacturing	216	3,114,855	14,421	9,997
Natural Resources and Mining	312	10,990,562	35,226	32,650
Other Services	365	5,623,264	15,406	13,337
Professional and Business Svcs	715	11,742,102	16,423	13,514
Trade, Transportation, Utilities	2,110	36,275,154	17,192	14,840
Total	8,659	149,262,715	17,238	13,905

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Turnover in the workplace provides additional opportunities. In 2001, there were approximately 200,000 new hires, defined as a worker who had not worked for that employer at any time in the previous four calendar quarters. (See Exhibit 17.) New hires, along with other wage record transaction measures can help to identify employment opportunities for jobseekers and training needs for training providers.

Retirement is another avenue through which job openings occur. Alaska's population is aging rapidly. Assuming no significant change in the average retirement age, the quickly increasing average age of workers suggests that retirement (and death) will play an even larger role in the number of Alaska job openings during the next several years. In 2001, 16.6% of private sector workers in Alaska were age 50 and over, 8.5% age 55 and over. More than 20 percent of oil and health care industry workers are age 50 or older, and in state government, more than 28 percent of all workers are over age 50.

Summary

Alaska youth rates of attendance at postsecondary schools appear to be roughly comparable to those in the rest of the U.S. Among geographic areas in Alaska, the difference in participation rates is large. Overall migration from Alaska continues to be quite high, with the highest rates (about 38 percent) found in the older youth and young adult age groups. Just 62.3 percent of the study group of Alaska youth age 15-16 in 1994 retained their Alaska residency through 2002.

The 1990s was a period of slow economic growth, with a shift in predominant industries from resource extraction to services and retail. During the next ten years, overall employment is expected to exhibit growth, while underlying demographic shifts and turnover will provide an increasing number of job openings for the quickly growing young adult population in Alaska. Changes in the types of workers required and the number of youth seeking postsecondary education will continue to present opportunities and challenges to Alaska's educational institutions over the next ten years.

Methodology

More than 16,000 Alaskans age 15-16 in 1994 (1994 Youth) were identified based upon reported date of birth on their Alaska Permanent Fund Dividend application and matched with unemployment insurance wage records and a variety of administrative data. The group of high school age youth were tracked for the next eight years and their continuing education and employment outcomes were evaluated. No high school graduate database is available for Alaska, so this file was used as a proxy for that information. More than 12,200 high school graduates were reported in Alaska in 1996 and 1997. Another group of 20,413 17-18 year olds in 2000 was selected for tracking short-term postsecondary education choices.

The majority of the study group retained their Alaska residency during the evaluation period and had identifiable postsecondary education both within and outside Alaska. However, no information was found for some youth. No national data were used to identify those employed outside Alaska and no information is available for those that died or left the U.S. during this period. New youth arriving in Alaska after 1994 were also excluded from the group.

16 Employment and Earnings By educational status 1994 Youth-2002

	1994 Youth	Resident in 2002	Employed in AK	Total Earnings	Avg. Total Earnings	Total Qtrs Worked
Total	16,114	10,037	8,659	\$149,262,715	\$17,238	27,434
<u>Postsecondary Education Status</u>						
No Postsecondary Reported	7,211	4,202	3,623	56,633,076	15,632	11,252
AK Postsecondary Only	5,537	4,679	4,207	80,989,972	19,251	14,055
Outside AK Postsecondary Only	1,190	607	429	6,027,828	14,051	1,117
Inside and Outside AK	2,176	549	400	5,611,840	14,030	1,010
<u>Degree Status (AK and US)</u>						
No Degree Earned	14,125	8,803	7,635	129,034,593	16,900	24,209
One or More Degrees Earned	1,989	1,234	1,024	20,228,122	19,754	3,225

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Administrative Data

The Alaska Permanent Fund Dividend (PFD) is money paid to each Alaska resident from earnings from the Alaska Permanent Fund, an oil revenue funded endowment. In 2002, each Alaskan was paid \$1,542, a significant incentive to complete an application form that collects a few key demographic variables. Age, sex and place of residence information is collected from the file and used to identify the population, identify place of residence by year, determine continued residency and track in-state and estimate out-of-state migration.

Youth's continuing education was tracked using University of Alaska, other Alaska postsecondary education files and National Student Clearinghouse data showing education and degrees obtained in other Alaska schools and in other states. Although not all out-of-state schools and all years were available, the Clearinghouse data helped to fill a gap in information about the large number of Alaskans that pursue postsecondary education outside the state. Not all schools report, and information was not available for all years. The data provided was the best look yet at the postsecondary education activity and outcomes of Alaska youth.

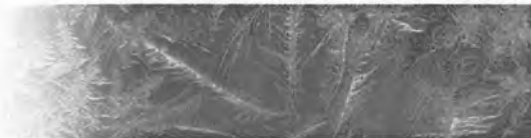
Alaska UI Wage Records and the Occupational Database

In addition to industry and earnings information, Alaska's unemployment insurance (UI) wage record file contains occupation and place of work information for most wage and salary workers in the state. Employers are provided with special occupational coding manuals that assist them in coding each of their workers using the Standard Occupational Classification system. Besides being able to follow the progress of workers through a career ladder, it allows for direct comparison with other occupational information to matching an occupation with the typical education level for that occupation and looking at earnings by occupation. In addition, occupation data attached to each worker helped in determining if workers were employed in an occupation related to their education and training. This information is collectively known as Alaska's Occupational Database (ODB). The Wage Record Interchange System (WRIS) could not be used to track the employment outcomes of youth that were employed outside the state, since that file can be used only for evaluating the performance of certain federally funded training programs, primarily those associated with the Workforce Investment Act.

New Hires by Occupational Group, and quarter, 2001 **17**

Occupational Category	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Management	1,338	1,351	1,243	1,041
Business and Financial Operations	671	545	504	513
Computer and Mathematical	376	207	210	210
Architecture and Engineering	542	935	464	289
Life, Physical, and Social Science	325	744	331	234
Community and Social Services	645	569	567	622
Legal	107	115	171	102
Education, Training, and Library	1,553	1,784	2,337	3,025
Arts/Design/Entertainment/Sports/Media	486	704	440	504
Healthcare Practitioners and Technical	2,378	1,170	1,135	961
Healthcare Support	1,280	769	690	929
Protective Service	639	716	690	728
Food Preparation and Serving Related	4,560	8,454	5,594	4,528
Building, Grounds Cleaning, Maint.	1,627	3,547	1,682	1,347
Personal Care and Service	1,517	3,818	1,856	2,041
Sales and Related	3,992	7,198	5,153	4,188
Office and Administrative Support	6,718	7,885	6,006	5,410
Farming, Fishing, and Forestry	571	1,254	550	156
Construction and Extraction	4,113	8,935	6,131	3,400
Installation, Maintenance, and Repair	1,988	2,611	1,805	1,441
Production	3,623	4,471	2,892	1,061

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section



Home Accounts Loans Rates Services Rewards Learn Community Year of the Member

3%^{apr} **auto loan rates**
Apply online today!

Click to find out how you can earn entries in Credit Union 1's Clean Slate Giveaway!

Is it time for a new set of wheels? Or, maybe not a brand *spankin'* new set, but new to you and that's still exciting! Well, guess what!? You've come to the right place because that's our specialty (*and not like a diner's "special surprise" meatloaf... We're talking grade "A" awesomeness here!*)

What makes our auto loans so irresistible?

- **No payments until 2012!** We want to help you coast through the holidays with no payments for 90 days!*
- **Tame your payment!** Our auto loan rates are **crazy-low at 3.00% APR**. That gives you wiggle room! Also, our loan experts will cater the terms of the loan to meet your budget and lifestyle.
- **Get Green for Going Green!** Save cash with our Green 1's discount by financing an eco-friendly (*hybrid or 25+ mpg*) current model year or newer vehicle. We'll knock off .25% from your already epically low rate for your contribution to Mother Earth!
- **Get Rewarded!** All members are automatically enrolled in our FREE One for All Rewards program which gives you real rewards! For instance, you could chop your rate down an additional 1.00% (*yes, that's a FULL percent!*)! Rewards start as low as 5,000 points for a .25% off your rate, *and it stays off for the life of your loan.*

Did You Just Read Me Correctly?!

Sure did! If you finance a Green 1's vehicle and redeem your points to drop your rate 1.00%, you could be sporting a full and fancy 1.25% rate discount and you'll have no payments until 2012!

Want some car-buying tips? We've compiled this miracle we call What to Consider When Buying a Car to help point you in the right direction!

Questions... Meet answers! **Speak** to one of our loan experts by calling (907) 339-9485, 800 478-2222 or by visiting your local branch.

Apply for a Loan

*Best annual percentage rate on approved credit is 3.00% APR, subject to change without notice; not valid for refinancing of existing Credit Union 1 loans. No payments for 90 days on approved credit. Offer valid for new or used auto loans only. Delaying your first payment increases finance charges. Green 1's auto loan offer valid only for current model year; CU1 may cancel or amend the program at any time. Other terms and conditions apply; speak with a credit union representative for details. Only one Rewards points interest rate discount is allowed on the life of any loan. [Click Here](#) for terms and conditions of the Rewards program.

Spotlight

3 EASY STEPS FOR STRESS-FREE GIFTING!

1. Stop running all over the place in the snow.
2. Purchase your gift cards at Credit Union 1.
3. Use that newly-found free time to kick up your heels and have some hot cocoa.

ENJOY!

Visa Gift Cards

CLICK TO FIND OUT MORE!



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About Us Education Planning Grants and Scholarships Loans Research

Loans > Student Education Loans > Alternative Consolidation Loan

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Alaska Alternative Consolidation Loan

The Alternative Consolidation Loan allows students to consolidate all current ACPE alternative student loans into a single fixed-rate loan. Depending on when you took out your alternative loans, the interest rates you are now paying may be less than the consolidation interest rate. Compare the terms and interest rates of your current loans with the consolidation interest rate before deciding if consolidation is right for you.

2011-2012

Rates and Borrower Benefits

Interest Rate

The base note rate is fixed, but borrower benefits are variable and may change annually.¹

Base note rate	7.50% (APR 7.50%) ²
Recurring online payment ³	-0.25%
Lowest rate for qualifying term	7.25%

Student

Alaska Alternative Loans

Alaska Supplemental Education Loan

Alternative Consolidation Loan

Career-Specific Loans

Teacher Education Loan

Professional Student Exchange Loan

Winn Brindle Loan

WWAMI Loan

Family

Family Education Loan

Eligibility

To qualify for an Alternative Consolidation Loan you must:

- have a minimum of \$3,500 of eligible debt to consolidate
- have a credit history that includes a FICO credit score of 680 or higher; or have made payments in full and on time for the 18 months preceding the consolidation loan application
- not be more than 29 days delinquent on any loan and voluntarily made the majority of payments

Borrowers must meet all other eligibility requirements, as stated under 20 AAC 15.174.

How to Apply

You may download and submit a paper application.

[Download Application](#)

¹ Interest rates and Borrower Benefits are subject to approval annually by the Alaska Student Loan Corporation. Interest rates on loans issued prior to the 2006/2007 academic year are variable and change annually.

² The Annual Percentage Rate (APR) assumes a principal loan amount of \$10,000 and a repayment term of 10 years. The APR does not include the effects of borrower benefits.

³ To receive the interest rate reduction for recurring online payment, the loan must be in repayment status.

Quick Links

Find out more about



State of Alaska ACPE

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Loans > Student Education Loans > Alaska Supplemental Education Loan

Register | Login

Alaska Supplemental Education Loan

The Alaska Supplemental Education Loan (ASEL) provides funding to cover educational expenses for qualified students attending postsecondary institutions in Alaska, and qualified Alaska residents attending postsecondary institutions outside Alaska.

Origination fee - 5%

2011-2012

Rates and Borrower Benefits

Interest Rate

The base note rate is fixed, but borrower benefits are variable and may change annually.¹

Base note rate	7.50% (APR)
	7.66% ²
Alaska presence benefit	-0.50%
Recurring online payment ³	-0.25%
Lowest rate for qualifying term	6.75%

2011-2012

Loan Limits⁴

	Annual	Aggregate
Career Training (Vocational)	\$6,500	\$42,500
Undergraduate	\$8,500	\$42,500
Graduate	\$9,500	\$47,500
Combined	N/A	\$60,000

Student

Alaska Alternative Loans

Alaska Supplemental Education Loan

Alternative Consolidation Loan

Career-Specific Loans

Teacher Education Loan

Professional Student Exchange Loan

Winn Brindle Loan

WWAMI Loan

Family

Family Education Loan

Eligibility Requirements

To qualify for an Alaska Supplemental Education Loan you must:

- complete the FAFSA
- have a high school diploma or equivalent (i.e., GED)
- be enrolled at minimum half-time in an eligible program
- not be delinquent or have ever defaulted on a prior student loan or be past due in child support obligations
- have a credit history that includes a FICO credit score of 680 or higher, or have a cosigner who meets the 680 FICO requirement
- be an Alaska resident or be attending an eligible school in Alaska

How to Apply

Apply online now to receive an immediate response to your credit check. You can also download and submit a paper application.

Apply Now

Download Application

Cynthia Erickson

From: Colleen York <colleenknix@gmail.com>
Sent: Friday, April 06, 2012 10:16 AM
To: Rep. Alan Dick; Rep. Lance Pruitt; Rep. Eric Feige; Rep. Paul Seaton; Rep. Peggy Wilson;
Rep. Sharon Cissna; Rep. Scott Kawasaki
Subject: HB 272

I have a bachelors degree from UAF. I wouldn't have been able to go to college without student loan and I very much value my education. I know I'm contributing to the state by continuing to live and work in Alaska.

I'm an active voter, I'll be watching this bill, and I'm excited to show suport for those senators supporting it.

Sincerely,
Colleen York

Cynthia Erickson

From: Rebecca Barker <barker.rebecca@gmail.com>
Sent: Wednesday, March 28, 2012 2:10 PM
To: Rep. Alan Dick; Rep. Lance Pruitt; Rep. Eric Feige; Rep. Paul Seaton; Rep. Peggy Wilson;
Rep. Sharon Cissna; Rep. Scott Kawasaki
Subject: A Hearing for Student Loan Reduction Bill

Good Afternoon, Members of the House Education Committee:

I'm writing with the hope that you will schedule a hearing for the Student Loan Reduction Bill. Debt reduction and forgiveness is one of the surest ways to make life better for constituents and to stimulate local economies. Please give the Student Loan Reduction Bill its day in the sun.

Thank you for all your work.

Sincerely,

Rebecca Barker
Anchorage, AK.

Toby Smith

From: Rep. Les Gara
Sent: Sunday, March 04, 2012 9:57 AM
To: holmstrom; Toby Smith
Subject: Re: Support for Ed. Bill

Thanks. Toby pls add to bill packet

Sent from my iPhone

On Mar 4, 2012, at 9:34 AM, "holmstrom" <holmstrom@alaskalife.net> wrote:

I fully support lowering interest rates for students who will stay in or return to Alaska for their employment.

Now if House Finance will not gut the film bill, maybe we won't have some of our most talented young people packing up for Hollywood or New York City.

Sincerely,

Ron Holmstrom

Alaska Representative for Screen Actors Guild

Toby Smith

From: Rep. Les Gara
Sent: Sunday, March 04, 2012 9:56 AM
To: Andy Holleman; Toby Smith
Subject: Re: Student Loan Rates

Thanks. Toby pls add to bill packet

Sent from my iPhone

On Mar 4, 2012, at 9:39 AM, "Andy Holleman" <andy.holleman@anchorageea.net> wrote:

> Dear Representative Gara,

>

> I know that your committee is about to consider lowering the rate charged to students in higher education. I urge you and your committee to pass this out favorably.

>

> One of the obstacles we have in middle and high school is the view of the future students have about education. For many families from lower income homes, the idea of college is getting priced out of range. While this bill doesn't affect the actual price tag, it makes managing the loans, grants, and scholarships more possible. Because it's a loan, I would hope that the Sate can still make money and the costs of Alaska students improving their standing can be held down.

>

> Thank you for working this issue.

>

> Andy Holleman

>

> ASD Classroom Teacher

>

> President-elect, Anchorage Education Association

>

>

Toby Smith

From: Rep. Les Gara
Sent: Sunday, March 04, 2012 10:51 PM
To: Amie; Toby Smith
Subject: Re: HB 272 Letter of Support

Thanks Amie. Toby pls cut and paste amd add to file.

Sent from my iPhone

On Mar 4, 2012, at 8:33 PM, "Amie" <amiestanley@gmail.com> wrote:

Sorry- sent a draft. Here's the correct version.

On Sunday, March 4, 2012, Amie <amiestanley@gmail.com> wrote:

>Dear House Education Committee Members,
>

> My name is Amie Stanley and I'm writing to urge every Alaska legislator to pass HB 272 reducing student loan interest rates for Alaskans. I've been fortunate as a senior at UAA to have received scholarships from competing with the UAA Debate Team and most recently as the USUAA Vice President. However even with these scholarships as a low-income, first generation student I have had an average annual unmet financial need over \$10000 and have had to take out loans or choose to work full-time, take less classes or quit my extracurriculars that I credit greatly now with my future employability and professional network I have.

>

> In total I have almost \$20000 of loans, some from ACPE's Alaska Supplemental Loan program but a great resume and degree that will help me do great things. As a lifelong Alaskan I want to stay in Alaska and work here, but I have aspirations of law school, politics, and working in public relations all widely employable fields for somekne like me outside Alaska. The decision to stay in Alaska when the cost of living is so high would be much easier for me to make with such an incentive as the loan interest reduction plan proposed in HB 272.

>

> Sincerely,
> Amie Stanley

>

> --

> ~Amie

>

--

~Amie

Toby Smith

From: melindab@gci.net
Sent: Sunday, March 04, 2012 12:20 PM
To: Rep. Les Gara
Subject: House Bill 272 - Support

Representative Gara,

I am writing in support of House Bill 272 "Reducing Alaska Student Loan Interest Rate by 2% for Those Who Remain In or Return to Alaska:
Building a Stronger Alaska Workforce"

Reducing the interest rate for our children and future workforce for Alaska makes sense. Not only is this a benefit for our children to attend higher education but potentially these college students will have to work in Alaska for 2 years or more, which will aid our economy and provide a baseline for hiring educated workers in state vs. out of state.

The State of Alaska should support Bill 272. SOA's support would encourage college graduates to continue working in the State of Alaska and add money to our economy.

Melinda Gant
Anchorage, AK

Toby Smith

From: Gerald Peavy <docpv1st@yahoo.com>
Sent: Sunday, March 04, 2012 12:58 PM
To: Rep. Les Gara
Subject: HB 272

I support this bill. Students need a hand up at this time of their lives. Let's help them! Rev. Gerald D. Peavy

Cynthia Erickson

From: Louise Lindley <louiselindley@yahoo.com>
Sent: Saturday, March 03, 2012 1:42 PM
To: Rep. Alan Dick; Rep. Peggy Wilson; Sen. Kevin Meyer; Sen. Joe Thomas; Sen. Bettye Davis;
Rep. Lance Pruitt
Cc: Janna Machalek; Louise Lindley
Subject: SSHB 272
Attachments: AlanDick.rtf

Hello from Petersburg,
Please read the attached letter regarding SSHB 272, a matter of immediate and utmost important to working
Alaska families.

Thank you for your time.
D. Louise Lindley Petersburg High School math teacher, business owner and 34 year Alaskan resident

Louise Lindley
P.O. Box 1042
Petersburg, AK 99833

Rep. Alan Dick
Chairman and Committee
Education

Representative Dick and Committee Members,

I am writing to express my support for SSHB 272.

As a math teacher at Petersburg High School for the last ten years I have been rigorously preparing my students for vocational school or college. The cost of post high school education has become a huge burden for working families. My daughter recently graduated with a Masters Degree in Counseling Psychology from Pacific University and returned home to Alaska.

She is very happy to be working for JYS as a Clinician for middle school students in Juneau. She currently owes \$90530.67 in loans administered through the Alaska "Advantage" program. The interest rate on most of her loans is around 7 %. I recently refinanced my house for 3.8% so that I could help her relocate and meet her loan payments. Her payments are approximately \$1000.00 month and with the cost of rent in Juneau, she could not afford top ramen. SSHB 272 would give her the hope of someday saving for a house in Alaska. The Alaska Scholars program was not available for her in 2003. Many of my students who have achieved Masters Degree and beyond have global opportunities. Alaska should encourage our best and brightest to return home and work for our great state. Thank you for your time and careful consideration to this matter of utmost importance.

Sincerely, D. Louise Lindley Petersburg High School

Toby Smith

From: Rep. Les Gara
Sent: Sunday, March 04, 2012 10:57 AM
To: Kathryn Dietrich; Toby Smith
Subject: Re: House Education Committee

Thanks. Toby pls add to file

Sent from my iPhone

On Mar 4, 2012, at 10:44 AM, "Kathryn Dietrich" <dietrichak@gmail.com> wrote:

I fully support the bill to reduce the 8 percent interest on Alaska student loan rates . Please pass this bill. Thank you.

Kathy and Brian Dietrich
1977 Tall Timbers Drive
Fairbanks, AK 99709

Toby Smith

From: Rep. Les Gara
Sent: Sunday, March 04, 2012 6:03 PM
To: Toby Smith
Subject: Fwd: HB 272 - Education House Committee

Sent from my iPhone

Begin forwarded message:

From: Alissa Hickel <alissa.hickel@gmail.com>
Date: March 4, 2012 4:55:43 PM AKST
To: <Rep.les.gara@legis.state.ak.us>
Subject: **HB 272 - Education House Committee**

Dear AK Education committee:

It is time to take measures to strengthen support for Alaska's past, current, and future students. Our system of borrowing needs to be reevaluated and lowering the interest rates for Alaska student loans will be one step in demonstrating that our governance cares.

This program has supported me through my undergraduate studies and now to graduate school. I will be coming back to Anchorage for good in June to begin my thesis research and make my home again. I look forward to serving my community in the future knowing that my education has given me the tools I need.

Lowering interest rates will be one step in showing Alaskan communities that higher education doesn't have to saddle a person in unmanageable debt.

Thank you,
Alissa Hickel

Toby Smith

From: Rep. Les Gara
Sent: Sunday, March 04, 2012 10:09 AM
To: Toby Smith
Subject: Fwd: Support House Bill 272 Lowering Student Loan Interest Rates (revision)

Pls add to packet.

Sent from my iPhone

Begin forwarded message:

From: Shauna Thornton <shaunat@gci.net>
Date: March 4, 2012 10:07:27 AM AKST
To: <[Representative Les Gara@legis.state.ak.us](mailto:Representative_Les_Gara@legis.state.ak.us)>
Subject: Support House Bill 272 Lowering Student Loan Interest Rates (revision)

I am writing about Student Loans, and supporting Representative Gara's House Bill 272 to lower the Student Loan interest rate for students that remain and work in Alaska. Lowering Student Loans the proposed 2 percent will make the repayment of student loans manageable rate and will improve the workforce in Alaska by keeping our graduates in Alaska. According to House Bill 272, "This legislation is one way we can lessen the financial burden on Alaskans who receive their job training or higher education in Alaska, or who move back to Alaska after receiving that education. It is aimed at strengthening the Alaskan economy, helping Alaskans prosper, and retaining more talent that is Alaskan. This bill restructures Alaska student loan interest rates as follows. As long as a student remains in Alaska, the interest on state-issued student and vocational education loans will be reduced by 2%. If a student leaves Alaska for school or job training and returns within 2 years of completing coursework, that student will receive a rebate of the additional 2% interest that accrued on the loans while they were out of state. That rebate will come in equal amounts over a 5-year period so that if the student only returns to Alaska for a short period of time, he or she only qualifies for a partial rebate. A 2% reduction in the interest rate on an average loan will reduce interest payments by roughly one-third" (Gara).

House Bill 272 addresses economic stratification in Alaska by reducing student loan repayment rates to those who stay in Alaska. This also reduces other stratifications such as talent, age, gender, and many other disparities in Alaska. Those with privileged status in Alaska either gain scholarships, or have

parents that can afford to send them to college. It is imperative that the economic and class stratifications of Alaskans are reduced to ensure those with talent, and drive are kept in the state through improved economic, and equalization of privilege to benefit Alaska long term. This will improve the status of Alaska through a workforce that is comparative and competitive with other states, giving Alaska improved status in the United States. According to John Ogbu's book *Minority Education and Caste*, "Education is a bridge to adult status, but as already indicated in a caste like society all groups do not have equal access to same types of adult roles. Although caste like minorities is generally restricted from participating in the more desirable social, political, and economic sphere" (Ogbu 28). This shows that in any society there are restrictions. However, there should be parameters that guard against this type of discrimination and disadvantages to minds that could bring many benefits to our state. Intelligence doesn't follow social stratification rules and boundaries. Passing House Bill 272 would level the social and economic stratification for all Alaskans. Ember states in "Human Culture: Highlights of Cultural Anthropology" that, "Obtaining more education, particularly a university education, is one of the most effective ways to move upward in contemporary societies. For example, in the United States, individuals with a college bachelor's degree average 75 percent more income than those with only a high school diploma. And individuals with professional degrees earn on average 119 percent more than those with a bachelor's degree. In many countries, educational attainment predicts one's social class better than parents' occupation does.(Ember 116). This being said it is imperative Alaskans support House Bill 272 because an education dictates ones role in society, and Alaska needs educated individuals to keep our economy competitive into the future.

Shauna Thornton

Kenai, Alaska

Bibliography:

Gara, Representative Les. *House Bill 272 "Reducing Alaska Student Loan Interest Rate by 2% for Those Who Remain In or Return to Alaska: Building a Stronger Alaska Workforce"*. February 2012. <http://akdemocrats.org/?bill=hb272>. 27 February 2012.

Ogbu, John U. *Minority Education and Caste*. New York: Academic Press Inc., 1978. PDF.

Carol R. Ember, Melvin Ember (2012-01-15). *Human Culture: Highlights of Cultural Anthropology* (Page 116). Pearson. Kindle Edition.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version 2D SSHB272
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) HB2722DSS-EED-ACPE-02-28-12 Dept. Affected Education
Title Student Loan Interest Reductions Appropriation ACPE
Allocation Program Administration & Operations
Sponsor Rep. Gara
Requester (H)EDC OMB Component Number 2738

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	541.5		399.8	412.3	424.7	437.4	450.5	
Travel								
Services	790.0		793.0	807.3	823.0	840.3	857.6	
Commodities								
Capital Outlay								
Grants, Benefits	8,366.9		8,102.5	7,802.8	7,461.7	7,086.8	6,599.4	
Miscellaneous								
TOTAL OPERATING	9,698.4	0.0	9,295.3	9,022.4	8,709.4	8,364.5	7,907.5	

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	9,698.4	9,295.3	9,022.4	8,709.4	8,364.5	7,907.5	
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		9,698.4	0.0	9,295.3	9,022.4	8,709.4	8,364.5	7,907.5

POSITIONS							
Full-time	3		3	3	3	3	3
Part-time							
Temporary	2						

CHANGE IN REVENUES	(8,366.9)	(8,102.5)	(7,802.8)	(7,461.7)	(7,085.8)	(6,599.4)
--------------------	-----------	-----------	-----------	-----------	-----------	-----------

Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 1,300.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Revised FN dated 2/27/12 to include Change in Revenues

Prepared by Diane Barrans, Executive Director Phone 465-6740
Division Alaska Commission on Postsecondary Education Date/Time 2/28/12 1:00 PM
Approved by Diane Barrans, Executive Director Date 2/28/2012
Alaska Commission on Postsecondary Education

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. 2D SSHB272

Analysis

This bill proposes to provide, under certain conditions, up to a 3% reduction in interest on Alaska Student Loan Corporation (ASLC) loans under the following programs: Alaska Student Loan (no longer being issued); Federal Family Education Loan (no longer being issued); and Alaska Supplemental Education Loans on existing and new loans, subject to a minimum rate floor of 3%.

Capital Costs

Implementation and Hardware/Software

ACPE will require \$1.3 million in the FY13 capital budget to cover costs for design and implementation of a loan management system to support this interest reduction program as proposed in the current version of HB272:

Implementation Operating Costs

Other implementation costs include a consultant to identify IRS reporting requirements - \$10,000; and, program staffing for two new long-term non-perm positions (business analyst and programmer) to integrate the new system with other systems used by the agency (accounting system, credit reporting, etc.) - \$139,000

Ongoing Operating Costs

Staff

Three new full-time permanent positions (program manager, business analyst, accountant) will be needed to maintain, monitor and manage the system as well as the program.

Contractual

Rating confirmations are required by existing financing documents when characteristics of pledged loans are changed. Cash flows must be prepared for the rating agencies when requesting rating confirmations. Ongoing mainframe costs of the new servicing system will also be incurred.

Loss in Revenue/GF payment to provide rate reduction without impairing ASLC debt holders

The following method and assumptions were used to estimate the revenue losses shown herein:

*Benefit applies to the following education loan portfolios: FFELP - \$175.2 million; Alternative Consolidation - \$64.1 million; Alaska Student Loan - \$63.1 million; and, Alaska Supplemental Education Loan - \$325.3 million.

*Borrower location was assumed to be as follows: FFELP loans – 78% in state and 21% out-of-state; Alternative loans – 54% in state and 46% out-of-state.

*Eligible loan balances at 12/31/2011 were estimated to be: FFELP - \$140.4 million; Alternative - \$262.2 million.

*The weighted average rate for the portfolio was used as the original rate.

*Declining balance worksheet for the FFELP estimated eligible portfolio assuming an interest rate of 5.91% and a repayment period of 17 years was compared to a declining balance worksheet for the same portfolio assuming an interest rate of 2.91% and a repayment period of 17 years. Seventeen years is the weighted average years to maturity on the portfolio.

*The same comparison was done for the Alternative loan portfolio, assuming an interest rate of 5.55% and 2.55% with a repayment period of 9 years. Nine years is the weighted average years to maturity on the Alternative loan portfolio.

*The difference between the declining balance worksheets represent the cost/forgone revenue associated with the 3% rate reduction.

*The Corporation continues to issue new alternative loans; \$13 million in new loans was added to the analysis for each year going forward.