

SJR

23

<TARGET><BILL>SJR 23</BILL><SUBJECT>SJR
23</SUBJECT><COMM>HFIN28</COMM></TARGET>

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SJR 23
 Fiscal Note Number: 1
 (S) Publish Date: 3/7/14

Identifier: SJR023-OOG-DOE-3-3-14
 Title: CONST. AM: STUDENT LOAN DEBT
 Sponsor: FAIRCLOUGH
 Requester: Senate State Affairs

Department: Office of the Governor
 Appropriation: Elections
 Allocation: Elections
 OMB Component Number: 21

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services	1.5						
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	1.5	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1004 Gen Fund	1.5						
Total	1.5	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial Version

Prepared By:	Gail Fenumiai, Director	Phone:	(907)465-3876
Division:	Division of Elections	Date:	03/03/2014 08:30 AM
Approved By:	Guy Bell, Administrative Director	Date:	03/03/14
Agency:	Division of Administrative Services, Office of the Governor		

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SJR 23

Analysis

Passage of this resolution would require the constitutional amendment to appear on the 2014 general election ballot. The cost of providing information about the constitutional amendment in the Official Election Pamphlet, as required by AS 15.58, is \$1.5. Should the addition of this resolution require printing an 8-1/2 by 18 inch ballot, the cost will increase to \$22.0.



Alaska State Legislature

Senator Anna Fairclough — Senate District M

Sponsor Statement Senate Joint Resolution 23

“Proposing an amendment to the Constitution of the State of Alaska relating to contracting state debt for postsecondary student loans.”

Senate Joint Resolution 23 places a constitutional amendment before the voters in the fall 2014 general election. This proposal to amend Article IX, sec. 8, of the Alaska Constitution is to authorize state General Obligation (GO) debt for the purpose of funding state education loans for Alaska students.

Currently, state GO debt may only be authorized for capital improvements or housing loans for veterans.

Financial market conditions once allowed the Alaska Student Loan Corporation (ASLC) to offer competitive, low-cost education loans to a significant percentage of Alaska students without State support. Those conditions no longer exist and appear unlikely to occur again in the foreseeable future. As a result of these changed conditions, Alaska students and families are receiving decreasing levels of state support in meeting postsecondary education costs.

Senate Joint Resolution 23 will establish a cost-effective way to finance state education loans by leveraging the State’s outstanding general obligation credit ratings. Doing so will not only achieve lower costs of funds than what is otherwise available through current alternative financing structures, but will also permit some relaxation of the loan underwriting criteria which currently results in a 41% denial rate on loan applications.

These loan programs represent a critical component of the State’s student financial aid system and its efforts to enhance the workforce development pipeline in order to build and maintain a healthy state economy.

I appreciate your consideration and seek your support of SJR 23.



Alaska State Legislature

Senator Anna Fairclough — Senate District M

Senate Joint Resolution 23 **Sectional Analysis**

- *Section 1:** Amends Article IX, sec. 8, Constitution of the State of Alaska
Subject to approval by a vote of the general electorate, permits the issuance of General Obligations of the State of Alaska for the purpose of funding postsecondary student loans.

- *Section 2:** Clarifies that the proposed constitutional amendment must be put before the voters at the next general election.



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Alaska Student Loan Corporation

EXECUTIVE OFFICE

P.O. Box 110505
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acpe.alaska.gov

February 24, 2014

The Honorable Anna Fairclough
State Capitol, Room 514
Juneau, AK 99801

RE: Letter of Support for SJR 23

Dear Senator Fairclough,

In my capacity as the Alaska Student Loan Corporation's (ASLC) Executive Officer and as Executive Director of the Alaska Commission on Postsecondary Education (ACPE), I am writing to express support for SJR 23 – a proposal to permit the issuance of state debt to finance Alaska education loans.

The State of Alaska has a long-standing tradition, for more than forty years, of supporting residents in their pursuit of postsecondary education and training with robust state education loan programs. In 1988, to relieve the state general fund of the annual costs of these programs, the Legislature created ASLC as an enterprise agency of the state with the authority to issue revenue bonds in the financial markets to fund loans and agency operations. While for most of the intervening years this structure has been an effective means of aiding students and their families, changes to the financial markets in the wake of the 2008 market collapse necessitated program modifications that, in turn, have negatively impacted the cost and availability of state loans.

In light of the rising costs of postsecondary education and its increasing importance to Alaskans' ability to fill the high skill, high wage jobs in Alaska's economy, it is now more important than ever that state residents have access to low-cost education funding resources.

SJR 23 provides an opportunity through which ASLC could leverage the State of Alaska's outstanding credit to achieve the lowest possible costs of financing for state education loans and make loans more widely available. This approach to funding education loans is the most efficient, long-term means to ensuring this valued program continues to be available for the next generation of Alaskans.

Thank you for your commitment to ensuring Alaskans have an opportunity to pursue their educational goals and for your leadership in sponsoring SJR 23.

Sincerely,

A handwritten signature in black ink, appearing to read "Diane Barrans".

Diane Barrans
Executive Officer/Director

University of Alaska System
Vice President for Academic Affairs
202-I Butrovich Building
P.O. Box 755000
Fairbanks, Alaska 99775-5000



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March 8, 2014

Senator Anna Fairclough
State Capitol Room 514
Juneau AK, 99801
Email: Senator.Anna.Fairclough@akleg.gov

Senator Fairclough:

The University of Alaska (UA) strongly supports SJR 23 and SB 195.

SJR 23, if passed by the legislature and supported by a public vote, will allow the Alaska Student Loan Corporation to issue general obligation bonds, which will result in lower interest rates for student loans. UA strongly supports this bill because it will reduce student debt, make it easier for students to successfully pay off their loans, and lower default rates. This bill clearly supports higher education in Alaska.

The second bill, SB 195, makes needed substantive changes to statute regarding the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation. UA is working hard to improve college completion rates in Alaska and this bill clearly supports that endeavor. In addition, the bill addresses the Alaska Education Grant to help qualified low income students and several ACPE housekeeping issues such as clarifying the process for nominating the student commissioner.

These two bills, if passed, will improve postsecondary education in Alaska. Thank you for your work on these important actions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dana L. Thomas'.

Dana L. Thomas, Ph.D.
Vice President for Academic Affairs

Cc: Patrick Gamble, President
Tom Case, Chancellor, UAA
John Pugh, Chancellor, UAS
Brian Rogers, Chancellor, UAF
Chris Christensen, Associate Vice President for State Relations
Michelle Rizk, Associate Vice President for Budget



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNEILL

**Alaska Commission on
Postsecondary Education**

EXECUTIVE OFFICE

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April 1, 2014

Senator Anna Fairclough
State Capitol Room 514
Juneau, Alaska 99801

Re: Resolution of Support for SB195 and SJR23

Dear Senator Fairclough,

Please find enclosed the Commission's Resolution expressing support for Senate Bill 195 and Senate Joint Resolution 23. The resolution was unanimously adopted by the Commission at their spring quarterly meeting on March 31, 2014.

Please feel free to contact me with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Rochelle Rogers".

Rochelle Rogers
Commission Secretary

Enclosure



Alaska Commission on Postsecondary Education

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Juneau, Alaska 99811-0505

Customer Service Center
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Resolution of Support for SB195 and SJR23

WHEREAS, Improving Alaska's postsecondary completion outcomes is critical to the state's economic future, to the cost effectiveness of Alaska postsecondary institutions, and to the career opportunities and earning potential of Alaskans who enroll in postsecondary education and training.

WHEREAS, Alaska has the lowest overall on time college completion rate in the nation at 23%. Among Alaska's adult population, 30% have some postsecondary training, but no degree.

WHEREAS, Postsecondary completion is influenced by a wide variety of factors: academic preparation, degree advising, course availability, and access to merit and need-based financial aid; yet a single cross-cutting factor that clearly stands out is students' enrollment intensity. The differences in completion rates for students who enroll exclusively part-time, exclusively full-time, or who alternate between full-time and part-time enrollment are striking.

WHEREAS, More than three-quarters (78%) of Alaska's exclusively part-time students stop attending postsecondary education – in Alaska or at any other institution in the U.S. - without achieving credentials and only 8% of part-time students achieve any credential within six years.

WHEREAS, In contrast, 50% of Alaska's exclusively full-time students complete their degrees within six years – making full-time students five times more likely to complete than part-time students.

WHEREAS, Public and private costs of high failure rates associated with part-time study are noteworthy. Federal and/or state financial aid goes to more than half of part-time students and those students are also investing their time and personal funds on education which, statistically, is unlikely to result in a credential. Moreover, 44% of part-time students also borrow to pay education costs—20% borrowing in excess of \$12,000, debt that must be repaid regardless of degree completion.

WHEREAS, Policies, including financial aid, should encourage and enable part-time students to increase to full-time (12 semester credits or equivalent) or on-time (15 semester credits or equivalent) enrollment to produce better outcomes for Alaskan students who enroll part time at very high rates.

WHEREAS, Data clearly show part-time study inhibits student success. It's time to do more to encourage and enable Alaskans to acquire credentials by enrolling at the full-time or on-time levels which are positively associated with completion.

THEREFORE BE IT RESOLVED, the ALASKA COMMISSION ON POSTSECONDARY EDUCATION fully supports passage of Senate Bill 195, an act relating to the Commission, the Alaska Student Loan Corporation and Commission membership, duties and financial aid programs—and Senate Joint Resolution 23, placing before the Alaskan voters a proposition to amend the Alaska Constitution to allow the incurring of general obligation debt for education loans—which will fund Alaska education loans at the lowest possible cost to students and with no additional cost to the State.

BE IT FURTHER RESOLVED, the ALASKA COMMISSION ON POSTSECONDARY EDUCATION respectfully urges the Alaska Legislature to take favorable action in passing the related legislation during this, the Second Session of the 28th Legislature.