

SJR

2

<TARGET><BILL>SJR 2</BILL><SUBJECT>SJR
2</SUBJECT><COMM>SEDC29</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Bill Version SJR 2
Fiscal Note Number _____
() Publish Date 2/9/2015

Identifier (file name) SJR002--OOG-2-9-15 Dept. Affected Office of the Governor
Title CONST. AM: G.O. BONDS FOR STUDENT LOANS Appropriation Elections
Allocation Elections
Sponsor MACKINNON
Requester Senate State Affairs OMB Component Number 21

Expenditures/Revenues (Thousands of Dollars)

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

	FY16 Appropriation Requested	Included in Governor's FY16 Request	Out-Year Cost Estimates				
			FY17	FY18	FY19	FY20	FY21
OPERATING EXPENDITURES	FY16	FY16	FY17	FY18	FY19	FY20	FY21
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1007	I/A Rcpts (Other)						
1156	Rcpt Svcs (DGF)						
		0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY15) operating costs 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY16) costs 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If yes, by what date are the regulations to be adopted, amended, or repealed? _____ Discuss details in analysis section.

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

Prepared by Gail Fenumiai, Director
Division Division of Elections
Approved by Guy Bell, Administrative Director
Agency Division of Administrative Services, Office of the Governor

Phone (907)465-3876
Date/Time 2/9/15 8:30 AM
Date 2/9/2015

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. SJR 2

Analysis

Passage of this resolution would require the constitutional amendment to appear on the 2016 general election ballot. The cost of providing information about the constitutional amendment in the Official Election Pamphlet, as required by AS 15.58, would be absorbed into the operating budget for the Division of Elections.



Alaska State Legislature

Senator Anna MacKinnon — Senate District G

Sponsor Statement Senate Joint Resolution 2

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

Senate Joint Resolution 2 proposes to place a constitutional amendment before the voters during the fall 2016 general election. This bill amends Article IX, sec. 8, of the Alaska Constitution and would authorize state General Obligation (GO) debt for the purpose of funding state education loans for Alaska students.

Currently, state General Obligation 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. However, 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, at a higher cost, in meeting postsecondary education expenses.

Senate Joint Resolution 2 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 flexibility of the loan underwriting criteria which currently results in a 43% 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 2.



Alaska State Legislature

Senator Anna MacKinnon — Senate District G

Senate Joint Resolution 2 **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.

Patrick Gamble, President
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Fax: (907) 450-8012
Email: ua.president@alaska.edu



UNIVERSITY
of ALASKA
Many Traditions One Alaska

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Fairbanks, AK 99775-5000

February 2, 2015

The Honorable Anna MacKinnon
Alaska State Senate
State Capitol, Room 516
Juneau, Alaska 99811

Dear Senator MacKinnon,

The University of Alaska strongly supports SJR 2, proposing an amendment to the Constitution of the State of Alaska relating to contracting state debt for postsecondary student loans.

SJR 2, if passed by the legislature and approved by the voters, will allow the Alaska Student Loan Corporation to issue general obligation bonds, which will result in lower interest rates for student loans. UA supports this resolution because it will reduce student debt, make it easier for students to successfully pay off their loans, and lower default rates. We believe that it will significantly improve access to postsecondary education in Alaska.

Thank you for your support of higher education.

Sincerely,

A handwritten signature in black ink that reads "PK Gamble". The signature is written in a cursive, flowing style.

Patrick K. Gamble
President, University of Alaska

Cc: Tom Case, Chancellor, UAA
John Pugh, Chancellor, UAS
Brian Rogers, Chancellor, UAF

Juneau

Chamber of Commerce

9301 Glacier Hwy, Suite 110 • Juneau AK 99801 • (907) 463-3488 • Fax (907) 463-3489
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Elgee Rehfeld & Mertz
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First National Bank of Alaska
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Samson Tug & Barge
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UAS
Wal-Mart
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Wostmann and Associates

February 10, 2015

The Honorable Anna MacKinnon
Alaska State Senate
State Capitol, Room 516
Juneau, AK 99801

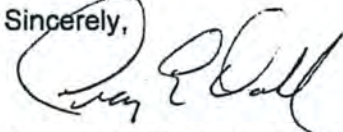
Dear Senator MacKinnon,

The Juneau Chamber of Commerce strongly supports the passage of SJR2, which if approved by the voters, will allow the Alaska Student Loan Corporation to issue general obligation bonds to fund the student loan program.

We believe that any action that encourages and improves access to post-secondary education is not only good for students but for the future of our communities. Funding the student loans through general obligation bonds should result in lower interest rates thereby making it easier to repay their obligation, and in turn lower default rates.

Thank you for your support and commitment to this important piece of legislation.

Sincerely,



Craig E. Dahl, Executive Director
Juneau Chamber of Commerce

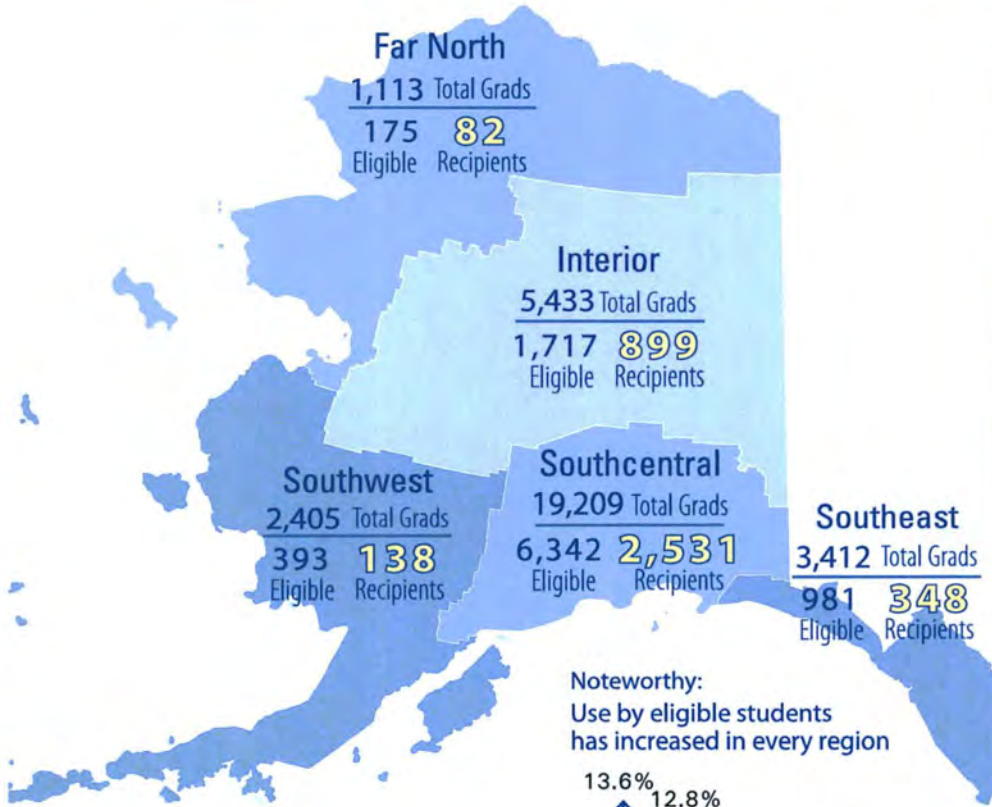


APS Statistics at a glance

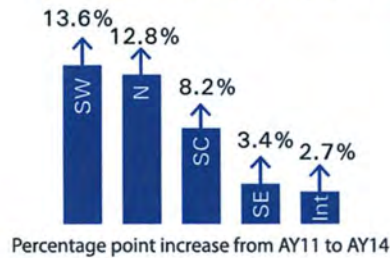
2015

The power of the APS - positive outcomes for postsecondary education

Now in its fourth year, the Alaska Performance Scholarship is an invitation to excellence for Alaska students and schools. The merit-based scholarship provides an opportunity for eligible students to annually receive between \$2,378 and \$4,755 toward postsecondary studies at qualifying Alaska institutions. Over 9,600 high school graduates from the classes of AY11 through AY14 have met the requirements to become APS eligible, and 4,155 have gone on to make use of the scholarship.

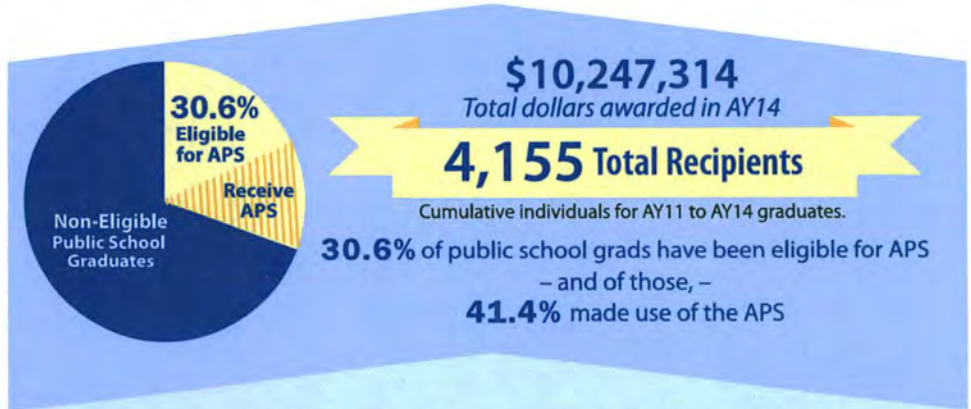


Noteworthy:
Use by eligible students has increased in every region

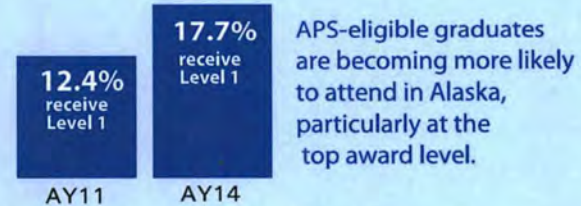


Noteworthy:

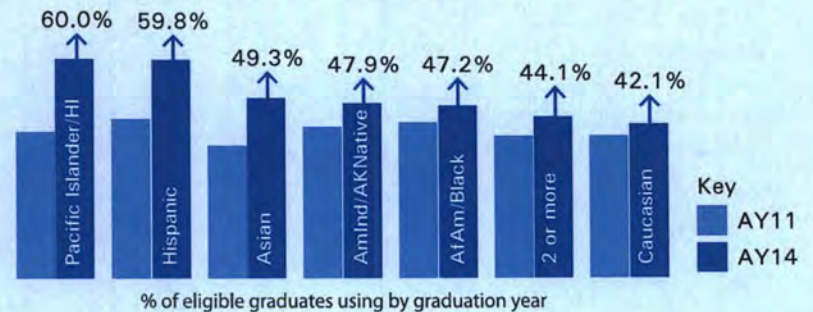
50/54 50 school districts have had APS-eligible graduates since the scholarship's inception



Who is staying in Alaska to use the APS?



Use has increased across all ethnic groups.





APS recipients are:

Less likely to need remedial classes

More likely to:

enroll full-time

attempt more credit hours

stay enrolled and persist

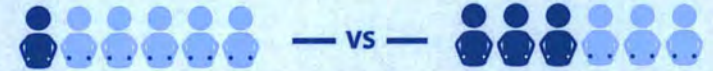
All behaviors shown to: **INCREASE**
chances of **GRADUATION**

How are they doing?

UA Students Taking Remedial Courses

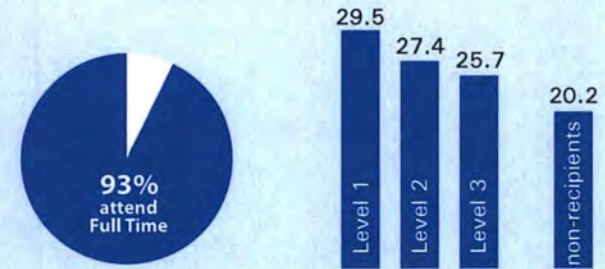
Require Remedial Classes Receiving APS

Require Remedial Classes Not-Receiving APS



1 in 6 APS first-time freshmen took remedial courses in fall 2014, compared to 1 in 2 of the non-recipients.

UA Students' Course Load in Credits



AY14 First-time Freshmen

APS recipients enroll in more credit hours on average than non-recipients.

Level 1 - up to \$4,755 per year

High School GPA 3.5
ACT 25 or SAT 1680
Specified high school curriculum

38.0% receive Level 1

Level 2 - up to \$3,566 per year

High School GPA 3.0
ACT 23 or SAT 1560
Specified high school curriculum

32.6% receive Level 2

Level 3 - up to \$2,378 per year

High School GPA 2.5
ACT 21 or SAT 1450
Specified high school curriculum

29.4% receive Level 3

"APS recipients are, by definition, better prepared for postsecondary education than students who are not eligible for the scholarship."

-2015 APS Outcomes Report

Career and Technical Education awards can be earned with both the Workkeys and ACT/SAT scores.

Enrolled in Fall 2011 (first students to receive the APS)

APS Eligible

75% ARE STILL ENROLLED



vs

Not APS Eligible

40% ARE STILL ENROLLED



Cumulative APS/AEG Awards by Institution Totals FY15 through 1/31/2015

School Name	AEG Program		APS Program	
	Total # of Awards	Total Award Amount	Total # of Awards	Total Award Amount
AK Bible College	1	\$2,000	6	\$21,297
AK Christian College	26	\$53,000	0	\$0
AK Technical Center*	0	\$0	0	\$0
Amundsen Ed. Center*	0	\$0	0	\$0
APU	26	\$42,500	15	\$57,068
AVTEC	25	\$52,750	16	\$49,392
Alaska Career College	138	\$266,750	5	\$11,889
Charter College	180	\$340,255	3	\$8,325
Galena City School District*	0	\$0	0	\$0
Ilisagvik College	8	\$14,250	0	\$0
Metroasis	0	\$0	0	\$0
Northern Industrial Training*	0	\$0	0	\$0
Trendsetters*	0	\$0	4	\$14,264
UAA	1,626	\$2,439,625	1,694	\$5,386,362
UAF	624	\$1,021,250	1,097	\$4,078,038
UAS	202	\$315,000	139	\$449,214
Wayland Baptist	32	\$35,672	0	\$0
Totals	2,888	\$4,583,052	2,979	\$10,075,849

*Participation in the APS program only.

Sheila Peterson

From: Mitchell, Deven J (DOR) <deven.mitchell@alaska.gov>
Sent: Tuesday, February 24, 2015 7:57 AM
To: Sheila Peterson
Cc: Burnett, Jerry D (DOR)
Subject: constitutional amendment

Sheila,

You have asked if the proposed constitutional amendment to allow the State to guarantee student loan bonds would have an impact on the state's debt capacity or potentially result in the State paying debt service in the future.

The proposal to amend the State's constitution to allow general obligation bonds of the State of Alaska to be issued to fund student loans will result in the full faith and taxing authority of the State of Alaska backing securities issued by the Student Loan Corporation. These securities would be supported by collateralization of student loans of participants in the ASLC loan programs. As long as the securities are structured conservatively enough and there is never a draw on the State's back stop, bonds issued with this proposed authority should not be included in net tax supported debt of the State by the rating agencies. However, if there were a default based on a performance failure of the underlying collateralization the funds required would be taken from the general fund of the State, regardless of whether there is an appropriation to pay debt service, and all of the bonds issued under the program would become part of the State's net tax supported debt from an external rating agency perspective.

This proposal is similar to the 1982 amendment of the constitution to allow for the veteran's mortgage guarantee program, wherein the State's general obligation pledge supports collateralized securities issued to fund home mortgage loans to qualifying veterans. There are some differences as the veteran's mortgage program is based on a Federal allowance to issue fully tax exempt debt for mortgage loans to veterans if a program is structured with a state guarantee and in addition the underlying credit of the collateralized mortgages in the portfolio is rated AAA; equivalent to the State's rating and the highest credit rating possible. In the case of the student loan guarantee proposal there is no tax advantage to adding the State's guarantee to the bonds, and the collateralized student loan securities that the Student Loan Corporation has historically issued are not rated at a level equivalent to the State's rating. Due to these differences additional dialogue with rating analysts would be required to fully understand how they would view the proposal and the potential impact in their view on the State's debt capacity and how securities would have to be structured to eliminate any impact on the State's debt capacity/credit.

Hope this helps,

Deven