

ALASKA LEGISLATURE

1809

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

**SB**

**183**

**SFIN**

**FILE**

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

no. 1  
Bill Version: 9B183  
(S) Publish Date: 4/22/97

Revision Date	Dept. Affected	Office of the Governor
Title	BRU	Elective Operations
	Component	Elections
Sponsor	Rules Committee	
Requester	Governor	Component Serial No. #21

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Personal Services						
Travel						
Contractual	(5.3)					
Supplies	(4.0)					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(9.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES [ ]</b>						
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**FUND SOURCE**

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF	(9.8)					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>(9.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY97) cost: none

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The cost savings reflected above are the reduced costs of conducting the REAA/CRSA elections by mail. The savings consist of fewer election board worker payments, polling place rentals, and precinct supplies. Some of the savings in these areas are offset by an increase in the cost of absentee review boards and counting teams. The next largest expense is the postal fees associated with mailing ballots to over 30,000 voters. The net result of conducting the elections by mail is a savings of \$9.8. The other benefit of by-mail elections is the potential of a higher voter turnout.

Prepared by Dana LaTour  
 Division Division of Elections  
 Approved by Co for Lt. Governor Fran Ulmer  
 Agency Office of the Lieutenant Governor

Phone 465-5347  
 Date 4/10/97  
 Date 4/10/97

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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

183

April 18, 1997

The Honorable Mike Miller  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

*Mike*  
Dear President Miller:

This bill I am transmitting amends the state election code to instill higher voter confidence in the election process and provide greater voter access to ensure maximum turnout at the polls.

This legislation proposes to change the election process in Regional Educational Attendance Areas (REAA) and Coastal Resource Service Areas (CRSA) by conducting elections through the mail. This is expected to increase voter turnout, which has historically been low in these areas. In 1996, average turnout for REAA elections was 35 percent; for CRSA it was 40 percent. Under this bill, the Division of Elections will mail a ballot to all eligible voters in these areas about three weeks prior to the election.

In the 1996 general election, 513 voters participated in the electoral process through absentee voting by personal representative. Fifteen percent of these voters' ballots were rejected. This legislation will make the process less time consuming, less confusing and provide for better accountability.

In an attempt to increase voter participation and voter access, this legislation proposes extending the application deadline for absentee voting by fax to the day before an election. Current law requires the application to be received four days before an election. This change would expand the opportunity to voters who find themselves in extenuating circumstances.


The Honorable Mike Miller  
April 18, 1997  
Page 2

The legislation also proposes to change the name of the "questioned ballot" to "special review ballot." Many voters have expressed concern and confusion over the term "questioned." This new name more accurately reflects the true intent of the ballot.

Other sections of the bill make technical changes to the election code regarding the official election pamphlet, public notice of elections, and transportation of ballots. Division of Elections staff will be available during the committee process on this bill to offer its full explanation and analysis.

. urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles  
Governor

**SB**

**185**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/18/98

FURTHER: 3/12/98

DATE TURNED  
IN TO OFFICE: 3/12/98

Finance Committee considered

SENATE BILL NO. 185

"An Act relating to the maintenance of voter lists and to the inactivation and cancellation of voter registration; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Paul E. Call</i>	✓	<i>Seamus Parnell</i>	x		
<i>Al Adams</i>	✓	<i>John Ryan</i>	+		
<i>William Boy</i>	✓				
Co-Chair: <i>[Signature]</i>		Co-Chair: _____			
Co-Chair: <i>[Signature]</i>	✓	Co-Chair: _____			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>new fiscal note forthcoming</i>			

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

No. 2  
 Bill Version: SB 185  
 (S) Publish Date: 2/18/98

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

Revision Date 2/11/98 Dept. Affected Office of the Governor  
 Title An Act relating to the maintenance of voter BRU Elective Operations  
 lists  Component Elections  
 Sponsor Rules Committee  
 Requester Senate State Affairs Component Serial No. #21

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	90.7	22.7	22.7	22.7	22.7	22.7
Travel						
Contractual	396.3	19.1	19.1	19.1	19.1	19.1
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>487.0</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	487.0	41.8	41.8	41.8	41.8	41.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>487.0</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>

Estimate of any current year (FY98) cost: none

**POSITIONS**

Full-time						
Part-time						
Temporary	8					

**ANALYSIS:** (Attach a separate page if necessary)  
 This fiscal note assumes that all registered voters will be sent an address update/confirmation card the first year after passage. It has been six years since the last list maintenance occurred and a statewide mailing will significantly improve the accuracy of the registration rolls.

The fiscal note shows \$90.7 in personal services, anticipating the need for 8 temporary employees (range 8A) for 5 months. An employee can process 150 registrations a day. Temporary employees will also process 246,000 microfilmed records. The fiscal note shows \$396.3 in contractual costs: \$12.0 in advertising, \$139.1 for the printing of the address update/confirmation cards, the ballot notices (required by the NVRA and sent to all voters with mail returned by the USPS) and new voter id cards, \$209.4 in postage costs (NVRA requires that the division pay all postage costs), \$3.3 for increased telephone/fax charges, \$6.5 for microfilming and \$26.0 for VREMS programming changes and increased DIS charges.

Prepared by Dana LaTour *D LaTour* Phone 465-5347  
 Division Division of Elections Date 2/11/98  
 Approved by C Lt. Governor Fran Ulmer *Fran Ulmer* Date 2/11/98  
 Agency Office of the Lieutenant Governor

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# FISCAL NOTE

REPORTED OUT OF  
SFS 3/12/98

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO. SB185**

Revision Date ( 3/12/98	Dept. Affected <u>Office of the Governor</u>
Title <u>An Act relating to the maintenance of voter</u>	BRU <u>Elective Operations</u>
lists	Component <u>Elections</u>
Sponsor <u>Rules Committee</u>	
Requester <u>Senate Finance Committee</u>	Component Serial No. <u>#21</u>

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	56.7	22.7	22.7	22.7	22.7	22.7
Travel						
Contractual	206.9	19.1	19.1	19.1	19.1	19.1
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>263.6</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	263.6	41.8	41.8	41.8	41.8	41.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>263.6</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>

Estimate of any current year (FY98) cost: none

**POSITIONS**

Full-time						
Part-time						
Temporary	5					

**ANALYSIS:** (Attach a separate page if necessary)

This fiscal note assumes that registered voters who have not had contact with the division of elections in the preceding two calendar years will be sent an address update/confirmation card. Voter contact includes having voter history in the preceding two calendar years, signing an initiative petition, making changes to a voter registration record, requesting an absentee ballot or responding to notices sent by the division.

The fiscal note shows \$56.7 in personal services, anticipating the need for 5 temporary employees (range 8A) for 5 months. An employee can process 150 registrations a day. Temporary employees will also process over 200,000 microfilmed records. The fiscal note shows \$206.9 in contractual costs primarily for printing the required notices and postage costs. The NVRA requires that the division bear the cost of all postage.

Prepared by <u>Dana LaTour</u> <i>[Signature]</i>	Phone <u>465-5347</u>
Division <u>Division of Elections</u>	Date <u>3/12/98</u>
Approved by C <u>Lt. Governor Fran Ulmer</u> <i>[Signature]</i>	Date <u>3/12/98</u>
Agency <u>Office of the Lieutenant Governor</u>	

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# FISCAL NOTE

No. 1  
 Bill Version: SB 185  
 (S) Publish Date: 4/22/97

STATE OF ALASKA  
 1997 LEGISLATIVE SESSION

Revision Date _____	Dept. Affected _____	Office of the Governor _____
Title <u>Maintenance of voter lists</u>	BRU _____	Elective Operations _____
Sponsor <u>Rules Committee</u>	Component _____	Elections _____
Requester <u>Governor</u>	Component Serial No. _____	#21 _____

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Personal Services	90.7	22.7	22.7	22.7	22.7	22.7
Travel						
Contractual	456.3	19.1	19.1	19.1	19.1	19.1
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>547.0</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES [ ]</b>						
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**FUND SOURCE**

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF	547.0	41.8	41.8	41.8	41.8	41.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>547.0</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>	<b>41.8</b>

Estimate of any current year (FY97) cost: none

**POSITIONS**

Full-time						
Part-time						
Temporary	8					

**ANALYSIS:** (Attach a separate page if necessary)

This fiscal note assumes that all registered voters will be sent an address update/confirmation card the first year after passage. It has been five years since the last list maintenance occurred and a statewide mailing will significantly improve the accuracy of the registration rolls.

The fiscal note shows \$90.7 in personal services, anticipating the need for 8 temporary employees (range 8A) for 5 months. An employee can process 150 registrations a day. Temporary employees will also process 246,000 microfilmed records. The fiscal note shows \$456.3 in contractual costs: \$12.0 in advertising, \$139.1 for the printing of the address update/confirmation cards, the 8d2 notices (required by the NVRA and sent to all voters with mail returned by the USPS) and the new voter id cards, \$269.4 in postage costs (NVRA requires that the division pay all postage costs), \$3.3 for increased telephone/fax charges, \$6.5 for microfilming and \$26.0 for VREMS programming changes and increased DIS charges.

Prepared by Dana LaTour  
 Division Division of Elections  
 Approved by Co Lt. Governor Fran Ulmer  
 Agency Office of the Lieutenant Governor

Phone 465-5347  
 Date 4/8/97  
 Date 4/9/97

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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 18, 1997

The Honorable Mike Miller  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

*Mike*  
Dear President Miller:

Maintaining clean voter registration lists is a critical part of ensuring the integrity of the electoral process. The bill I transmit today establishes a method that allows for annual maintenance of Alaska's voter registration lists as set out in the National Voter Registration Act (NVRA).

Prior to the 1994 passage of the NVRA, the Division of Elections reviewed the voter registration list annually and inactivated those people from the rolls who had not voted for at least two years. They were then deleted from the rolls four years later if they were never heard from. The NVRA, however, does not allow voter removal based on non-voting alone, without any prior notice.

The state passed legislation in 1996 in an attempt to comply with federal law. But the U.S. Department of Justice ruled the state's voter purge procedure continued to violate the NVRA and authorized the filing of a lawsuit against the state. This bill is offered in response. The Department of Justice has reviewed the bill and has indicated the federal government will drop its lawsuit against the state if it becomes law. Under this legislation, inactive voters will be sent multiple notices with a chance to respond before being removed from voter lists.

This legislation is necessary in order to avoid a costly lawsuit and to improve the accuracy of Alaska's voter registration rolls.

Sincerely,

*Tony Knowles*  
Tony Knowles  
Governor

**SB**

**189**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 7, 1997

FURTHER REFERRALS:

Date of Committee Action: 5/8/97

The FINANCE Committee considered:

CSSB 189(FIN)

CS FOR SENATE BILL NO. 189(FIN)

EDUC.LOAN REPAYMNT/ELIG.; OCC. LIC.

"An Act relating to eligibility for and default, collection, and repayment of student loans; relating to nonrenewal of certain occupational licenses for default on a student loan; and providing for an effective date."

recommends it be replaced with the following committee substitute CS SB 189 (FIN)  the same title  
 a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) \_\_\_\_\_

fiscal note(s) EDUCATION 4/30/97  
LABOR 4/30/97

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) AK Post Secondary 4/30/97  
LABOR 4/30/97  
DDA 4/30/97  
DCED 4/30/97

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Carm Therriault</i> Therriault			X	
<i>Edmond Gull</i> MULLDER	✓			
<i>Chris Kohring</i> Kohring				X
<i>John J. Davies</i> J. Davies			X	
<i>Paul G. Moses</i> MOSES	✓			
<i>Ferg J. Davis</i> J. Davis			✓	
<i>Mark Kelly</i> Kelly			✓	
<i>John Foster</i> FOSTER			X	
<i>Terry Martin</i> MARTIN			X	

(C) CHAIR'S SIGNATURE

*Carm Therriault*  
Therriault

# FISCAL NOTE

No. 1  
 Bill Version: SB 189  
 (S) Publish Date: 4/30/97

STATE OF ALASKA  
 1997 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Dept. Affected: EDUCATION  
 Title: Education Loan Repayment/Eligibility: BRU: Teaching and Learning Support  
Occupational Licensing Component: Teacher Certification  
 Sponsor: Senate Health, Education & Social Services  
 Requester: Senate Health, Education & Social Services COMPONENT SERIAL NO. \_\_\_\_\_ 1240

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	6.5	5.0	5.0	5.0	5.0	5.0
SUPPLIES	3.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>9.5</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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<b>CHANGES IN REVENUES</b>						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF Program Receipts						
1007 Interagency Receipts	9.5	7.0	7.0	7.0	7.0	7.0
<b>TOTAL</b>	<b>9.5</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>

Estimate of current year (FY97) cost: \$

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The legislation would require that teacher certification be withheld if a licensee is in default on a loan issued by the Alaska Commission on Postsecondary Education. The Teacher Certification Unit would be required to match up borrowers in default on a student loan with teaching certificates issued to determine if a license should be withheld. It also requires written notification of denial of renewal and issuance of a 150 day temporary license if the denial is appealed. The requested funding would come through the ACPE to DOE for costs associated with comparing borrower default information with licensees, issuing the written notice and temporary license. Contractual costs include revisions to regulations and procedures, computer programming time, additional phone and copy charges. Supplies costs include purchase of certification forms and office materials

Prepared by: Nancy Buehl  
 Division: Teaching and Learning Support

Phone: 465-8689  
 Date: 4/29/97

Approved by Commissioner: Shirley J. Holloway, Ph.D.  
 Agency: Department of Education

Date: 4/29/97

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# FISCAL NOTE

No. 2  
 Bill Version: SB189  
 (S) Publish Date: 4/30/97

STATE OF ALASKA  
 1997 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department: Commerce and Economic Development  
 Title: An Act relating to eligibility for and default, collection, BRU: Occupational Licensing  
and repayment of student loans;.... Component: Operations  
 Sponsor: Senate HESS  
 Requestor: Senate HESS COMPONENT SERIAL NO. 1844

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES</b>	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1008 GF/MHTIA						
Other 1091 Designated PR						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

SB 189 repeals AS 08.02.025 and reenacts new requirements under AS 14.43.148 concerning nonrenewal of a license for an individual in default with the student loan program. The renewal requirements are similar to those currently in place under AS 08.02.025 with the exception of adding a new provision for a 150 day temporary license. New funds are not required to implement the license renewal requirements in this bill.

Prepared by: Jennifer Strickler, Administrative Manager Phone: 465-2144  
 Division: Occupational Licensing Date: 4/28/97  
 Approved by Commissioner: William L. Hensley Date: 4-27-97  
 Agency: Commerce and Economic Development

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

No. 3  
Bill Version: SB189  
(S) Publish Date: 4/30/97

Revision Date: \_\_\_\_\_  
Title: An Act relating to eligibility for and default, collection, and repayment of student loans; relating to nonrenewal of certain occupational licenses for default on a student loan; and providing for an effective date.

Sponsor: Senate HESS  
Requester: Senate HESS

Department Affected: Education  
BRU: Alaska Commission on Postsecondary Education

Component: Student Loan Operations

COMPONENT SERIAL NO. 213

**EXPENDITURES/REVENUES:**

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	15.1	32.8	15.0	15.0	15.0	15.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>15.1</b>	<b>32.8</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>

**CAPITAL EXPENDITURES**

**CHANGE IN REVENUE ( )**

(Thousands of Dollars)

**FUND SOURCE:**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER Corp. Receipts 1022	15.1	32.8	15.0	15.0	15.0	15.0
<b>TOTAL</b>	<b>15.1</b>	<b>32.8</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>

Estimate of any current year (FY 97) cost: \$

**POSITION:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary.)

The student loan fund continues to experience an erosion of fund equity each year, primarily due to the drain of uncollectable debt and losses due to interest-free periods on loans. This legislation will establish a front-end credit assessment of loan applicants as another step towards preservation of the fund for future generations. The only assessment of an applicant's credit-worthiness currently available is a check to ensure that the applicant is not delinquent on a previously awarded State of Alaska student loan.

Please see attached page.

Prepared by: Mike Maher, Director Phone: 465-6743  
Division: Student Loan Operations Date: April 26, 1997

Approved by Executive Director: Diane Barrans  
Agency: Alaska Commission on Postsecondary Education Date: April 26, 1997

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FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. SB 189

ANALYSIS (continued)

The Commission proposes that credit assessments only be done on applicants 21 years of age and older. In the event that an applicant is denied due to "chronic" bad debt, the option of obtaining a co-signer who has good credit may be available. Credit reporting agencies generally have a model which analyzes credit histories based on a number of variables. Through the use of such models, the level of credit-worthiness can be assessed on a point basis, and a tolerance level for "chronic" debt can be established.

In addition, this legislation provides for administrative wage garnishment authority of wages of defaulted Alaska Student Loan borrowers who work in Alaska, either in the private sector or for state or local government employers. It also expands the licensing intervention process, which assures that defaulted borrowers seeking to renew specific licenses would be unable to do so until they have negotiated a payment arrangement with ACPE.

Section 4 amends the rate of interest charged for administrative costs of the student loan program from two and one-half percent to three percent. This change will provide for an increased rate of return on funds loaned, to offset current interest losses to the fund. This change will also have a positive impact to the loan fund of approximately \$350,000 per year, beginning at repayment (3 to 5 years out), for each loan year.

**Credit assessments.** The following analysis represents the loss-avoidance to the loan fund as well as the cost to ACPE of doing credit assessments.

Award year	Applications (11/1/97-7/31/98)			Sub-total	Cost	Total Cost
1997-98 (FY98)	6,000	A	63%	B	3,780	\$4 C \$15,120
(per assessment)						
Estimated Award (11/1/97-7/31/98)	Chronic Debtors	Loss Avoidance				
\$24,000,000	D	13%	E	\$3,120,000	F	

Award year	Applications			Sub-total	Cost	Total Cost
1998-99 (FY99)	13,010	A.1	63%	B	8,196	\$4 C \$32,785
(per assessment)						
Estimated Annual Award	Chronic Debtors	Loss Avoidance				
\$70,000,000	D.1	13%	E	\$9,100,000	F	

- A** The estimated number of initial loan applications ACPE expects to receive between November 1, 1997 and July 31, 1998. These dates are being used as ACPE does not expect regulations to be in effect prior to November 1, 1997. Without regulatory/statutory authority, ACPE cannot deny applications based on the credit worthiness of potential borrowers
- A.1** About 66.5% of the total number of applications received will be from borrowers with a prior loan. The estimated number of 1998-99 loan applications (17,000) less 66.5% of the number received between November 1, 1997 and July 31, 1998 (6,000) equals 13,010.
- B** Borrowers under the age of 21 do not generally have an established credit history. This population represents 37% of ASL borrowers. ACPE does not propose to assess the credit worthiness of applicants under 21 years of age.
- C** Credit report and risk score (credit worthiness):  $\$3.30 + \$0.55 = \$3.85$  / assessment
- D** The estimated net amount of dollars ACPE expects to award to borrowers between November 1, 1997 and July 31, 1998. These dates are being used as ACPE does not expect regulations to be in effect prior to November 1, 1997. Without regulatory/statutory authority, ACPE cannot deny applications based on the credit worthiness of potential borrowers
- D.1** The estimated net amount of dollars ACPE expects to award to borrowers during the 1997-98 award year
- E** Approximately 25% of applications received will be from borrowers ACPE could classify as having questionable credit worthiness. About half of this population, or 13% could be classified as having a history of "chronic" bad credit
- F** The estimated principal amount of dollars ACPE would not award to borrowers demonstrating a high risk of default to the ASL fund

**ANALYSIS.** (continued)

Administrative wage garnishment authority allows for garnishment of wages of defaulted Alaska Student Loan borrowers who work in Alaska, either in the private sector or for state or local government employers. Historical information is the basis for the following:

**ASSUMPTIONS**

- A. Approximately 18% (17,000-) of borrowers default on the student loans.
- B. Approximately 9% (1,500-1,600) of defaulters are employed in the public sector in Alaska.
- C. Approximately 16% (2,700-2,800) of defaulters are employed in the private sector (non-federal and non-self-employed).
- D. Based upon current loan balances in default, these 4,200-4,400 defaulters owe between \$27.6 and \$28.9 million dollars to the Loan Fund.

Administrative wage garnishment will provide for efficient collection of defaulted loans to borrowers employed in the public and private sectors in Alaska.

License Renewal Intervention authority in this bill will expand the Commission's existing ability to use the State's licensing activity as an incentive for improved repayment behavior on the part of licensees who have defaulted on their Alaska Student Loans and who continue to ignore this financial obligation to the State. While administrative wage garnishment can be used to improve collection of defaulted loans for borrowers who are employed by public and private sector employers, license renewal intervention provides a tool to compel repayment from those borrowers more likely to be self-employed as a licensee in one of the identified fields or professions.

**ASSUMPTIONS**

- A. Approximately 61% of borrowers live in Alaska while in repayment. Approximately 10,000 defaulters reside in Alaska.
- B. Given the numbers of defaulters known to be employed by state/local government or by private sector employers, as many as 5,600 defaulters may be self-employed and holding employment related licenses. This sector currently represents approximately \$36 million in defaulted loans.

# FISCAL NOTE

No. 4  
 Bill Version: SB 189  
 (S) Publish Date: 4/30/97

STATE OF ALASKA  
 1997 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: An Act relating to eligibility for and default, collection, and repayment of student loans.  
 Sponsor: (S) HES  
 Requestor: (S) HES

Department Affected: Administration  
 BRU: Centralized Administrative Services  
 Component: Finance  
 COMPONENT SERIAL NO. 59

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CI AIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY 97) cost: \$ 0.0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary.) This bill would require the Department of Administration, upon notification by the Alaska Commission on Post-secondary Education, to withhold money from a person to whom the State legally owes money. We understand similar legislation has been passed in other states and at the federal level to address the issue of collecting defaulted student loans. This document is intended to respond only to those provisions of the bill relating to the Department of Administration.

From a Division of Finance perspective, this means withholding of employee pay or vendor payments to satisfy the requirements of a withholding order, and turning the withholdings over to the Commission.

Prepared by Don Wanie Phone 465-3435  
 Division Finance Date: \_\_\_\_\_

Approved by Commissioner: Mark Bover *Mark Bover*  
 Agent, Department of Administration Date: 4/28/97

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# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

No. 5  
Bill Version: SB189  
BILL NO. (S) Publish Date: 4/30/97

Revision Date: \_\_\_\_\_ Department Affected: Labor  
Title: Education Loan Repayment  
Eligibility; Occ Licensing BRU: Workers' Compensation  
Sponsor: Senate HES Component: Workers' Compensation  
Requestor: Senate HES COMPONENT SERIAL NO. 344

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	18.0	9.0	9.0	9.0	9.0	9.0
TRAVEL						
CONTRACTUAL	10.5	0.9	0.9	0.9	0.9	0.9
SUPPLIES	0.4	0.2	0.2	0.2	0.2	0.2
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>28.9</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>

CAPITAL						
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CHANGE IN REVENUE						
FUND SOURCE #						

**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
1007 Interagency Receipt	28.9	10.1	10.1	10.1	10.1	10.1
<b>TOTAL</b>	<b>28.9</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)  
This legislation gives the Commission on Postsecondary Education (Commission) authority to collect certain workers' compensation benefits due an injured worker who has defaulted on an education loan. Section AS 14.43.147 appears to apply to workers' compensation payments and grant authority to the commission to obtain those payments. This legislation will require additional clerical time for the Workers' Compensation Division as attached:

Prepared by: Paul Grossi, Director *Paul Grossi* Phone: 465-2790  
Division: Workers' Compensation Date: 4/30/97  
Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*  
Agency: Department of Labor Date: 4/30/97

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**Analysis:**

The Post Secondary Education Commission estimates approximately 17,000 student loans are currently in default. This legislation will require additional clerical time and costs for the Workers' Compensation Division as follows:

Each request for workers' compensation benefits payable would need to be researched and verified. It is anticipated based on the number of existing student loans currently in default the first year would require 6 months of an Administrative Clerk III time. Response letters to requests to claimant will need to be prepared advising insurers and employees of the potential impact to compensation benefits. Programming and procedures would need to be developed to respond to match up request with workers' compensation claim files. Additional mailings and reports may be required.

One month programming time will be required to meet bill requirements.

**Line 100 Personal Services**

50% of 1 Administrative Clerk III  
(1st year, 25% subsequent years)

Salary	12.2
Benefits	<u>5.8</u>
	18.0

**Line 300 Contractual Services**

DP Programming (FY98 one time)	5.0
Postage	3.2
DP Operations one time overhead	0.4
Printing form letters	0.5
Indirect @ 8% salary	<u>1.4</u>
	10.5

**Line 400 Commodities**

Office Supplies	0.4
<b>Total</b>	<u><b>28.9</b></u>

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. No. 6  
Bill Version: 9B189  
(S) Publish Date: 4/30/97

Revision Date: \_\_\_\_\_ Department Affected: Labor  
Title: Education Loan Repayment  
Eligibility; Occ Licensing BRU: Employment Security  
Sponsor: Senate HES Component: Employment/Unemployment Services  
Requestor: Senate HES COMPONENT SERIAL NO. 1807

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL</b>						
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<b>CHANGE IN REVENUE FUND SOURCE #</b>						
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**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)  
  
(SEE ATTACHED)

Prepared by: Rebecca Nance, Director *Rebecca Nance* Phone: 465-2711  
Division: Employment Security Division Date: 4/30/97  
Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*  
Agency: Department of Labor Date: 4/30/97

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**ATTACHMENT  
FISCAL NOTE**

Page 2 of 2

This bill would give the Alaska Commission on Postsecondary Education additional tools to collect delinquent student loans. It has three main components: a grant of authority to attach wages and benefits by notice served on employers, political subdivisions, and state departments; a provision for denying state licenses to defaulting debtors; and a set of special provisions for permanent fund dividend attachment.

Attachment of wages and benefits. This provision will not significantly impact the Employment Security Division, because unemployment insurance benefits are exempt from attachment under AS 23.20.405 and AS 09.38.015. The bill would exempt any income which is exempted under AS 09.38.

Denial of State licenses. This provision will not directly affect ESD programs.

Permanent fund dividend attachment. No ESD impact.

Fiscal impact. No ESD fiscal impact.

# FISCAL NOTE

No. 7

Bill Version: SB189

BILL NO. (S) Publish Date: 4/30/97

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: Education Loan Repayment  
Eligibility; Occ Licensing  
 Sponsor: Senate HES  
 Requestor: Senate HES

Department Affected: Labor  
 BRU: Labor Standards & Safety  
 Component: Mechanical Inspection

COMPONENT SERIAL NO. 346

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	9.0	9.0	9.0	9.0	9.0	9.0
TRAVEL						
CONTRACTUAL	5.8	2.5	2.5	2.5	2.5	2.5
SUPPLIES	0.4	0.4	0.4	0.4	0.4	0.4
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>15.2</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>

<b>CAPITAL</b>						
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<b>CHANGE IN REVENUE FUND SOURCE #</b>						
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**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
1007 Inter-Agency Receipt	15.2	11.9	11.9	11.9	11.9	11.9
<b>TOTAL</b>	<b>15.2</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)

(SEE ATTACHED)

Interagency Receipts: RSA with Department of Education, Postsecondary Education Commission

Prepared by: Alan W. Dwyer, Director *Al Dwyer* Phone: 465-4855

Division: Labor Standards & Safety Date: 4/30/97

Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*

Agency: Department of Labor Date: 4/30/97

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**ANALYSIS:**

This legislation will require additional administrative and clerical time and costs for the Mechanical Inspection component as follows:

- 1) When individuals apply in person for new or renewal certificates of fitness at any of five offices (Anchorage, Juneau, Fairbanks, Sitka, and Kenai), the estimated increase in processing time will be 30 minutes per individual who is in non-compliance with an Alaska student loan. This does not include testing, proctoring, scoring or discussion of tests.
- 2) Renewal letters are mailed out monthly. New programming, different procedures, forms, and additional mailing and reporting costs will be incurred to provide the "temporary" renewal letters and to answer phone calls regarding the change.
- 3) Additional time will be required to process the releases and the permanent certificates, as individuals submit those to our office.
- 4) Two weeks programming time will be needed to respond to the bill's requirements.

**Line 100 - Personal Services**

25% of 1 PFT Admin Clerk II (PCN 07-4543)

Salary	6.1
Benefits	2.9
<b>Subtotal</b>	<u>9.0</u>

**Line 300 - Contractual Services**

Professional Services - DP Programming (FY98 one-time)	3.1
Postage @ \$2.52 x 2 x 5,650 x 5%	1.4
Printing - forms, notices, letterhead	0.1
DP Operations Overhead (FY98 one-time)	0.2
Phone Base & Long Distance	0.3
Indirect @ 8% of salaries	0.7
<b>Subtotal</b>	<u>5.8</u>

**Line 400 - Commodities**

Office Supplies	0.4
-----------------	-----

**TOTAL** 15.2

# Alaska State Legislature

Senator Gary Wilken, Chairman  
Senator Loren Leman, Vice Chairman  
Senator Lyda Green  
Senator Jerry Ward  
Senator Johnny Ellis



State Capitol  
Room 510  
Juneau, Alaska 99801  
(907) 465-3762

## Senate Committee on Health, Education and Social Services

### SPONSOR STATEMENT

#### SB 189 – Repayment of Student Loans

Currently the default rate of the student loans issued by the Alaska Commission of Postsecondary Education is unacceptable. Senate Bill 189 provides the Commission with the necessary financial tools to effectively and efficiently reduce the number of loans which are in default.

The ultimate goal of this legislation is to create a financially solvent Alaska student loan program that will be available to the next generation of Alaskan postsecondary students. SB 189 will (1) improve the credit rating of the Alaska Student Loan Program, (2) lower the loan program default rate, (3) improve the return rate on funds loaned to borrowers, and (4) increase the recovery rate on defaulted loans.

With the huge jump in loan demand that this program is now experiencing (20% – 25%), it is vital that the Commission be given the tools and authority to operate on a business-basis. Passage of Senate Bill 189 will be a step in the right direction.

CSSB189(FIN)  
Sectional Analysis

An act relating to eligibility for and default, collection, and repayment of student loans.

Sections 1- 3: Technical conforming amendments to reflect the appropriate citation referencing the Family Education Loan Program (FELP).

Section 4: Provides for deferment of Half-Time Alaska Student Loans for borrowers who are in full-time student status at postsecondary institutions outside of Alaska.

Section 5: Increases by one-half of one percent the interest rate allowance to be used to offset costs of administering corporation and commission.

Section 6: Borrower eligibility section is amended to clarify that borrower must be eligible not only at the time of application but also at the time the funds are received (may be several intervening months). Places the residency criteria in the appropriate section of statute (currently set out in AS 14.43.120(p)) and clarifies language relating to residency eligibility.

- **Substantive change is addition of (a)(6-8), page 5, beginning on line 26. Allows for assessment of applicants' credit history to identify chronic bad debt. Will allow program administrators to determine inability to repay.**

Section 7: Provides for loan eligibility if applicant obtains a credit-worthy cosigner.

Section 8: Expands tools for collecting on defaulted loans (Six months or more in arrears).

- **Page 6, line 12 – Page 7, line 2, (AS 14.43.145) describes the sanctions that will be imposed when a borrower defaults.**
- **Page 7, line 3 – Page 9, line 1, (AS 14.43.147) authorizes administrative wage garnishment and describe the legal process. (Modeled after Child Support Enforcement's garnishment in AS 25.27.070.)**
- **Page 9, line 2 – Page 12, line 9, (AS 14.43.148) expands existing authority to intervene in the renewal of professional or occupational licenses and provides for issuance of a temporary license during a period when the licensee may dispute that agency's action. Excludes those licenses which may be jointly owned or which are not centrally controlled. Exclusion will eliminate potential damage to non-borrowers and avoids targeting licenses that would require intensive manual intervention to administer.**

CSSB189(FIN)

Sections 9-15: Technical changes amending citation of FELP and making eligibility criteria consistent among Alaska Student Loans, Teacher Scholarship Loans and Family Education Loans.

Section 16: Clarifies that certain temporary licenses issued during a loan default appeal process are not eligible for transfer to a spouse of a deceased licensee.

Section 17: Re-states an existing Revenue statute to conform to this legislation (re: PFD garnishment).

Section 18: Technical conforming repealers. Specifically, AS 08.02.025 is replaced by new AS 14.43.148; AS 14.43.120(i) and (q) are replaced by new AS 14.43.145; 14.43.740(b) is replaced by amended AS 14.43.720(a); and, AS 14.43.790 is replaced by amended AS 14.43.740(a).

Section 19: Authority to promulgate regulations prior to effective date of this act, but which may not be in effect prior to the effective date of the act.

Section 20: Providing for an immediate effective date for Section 19.

Section 21: Providing for an effective date of July 1, 1997 for the act.

TONY KNOWLES, GOVERNOR

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**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

**SB 189-- "An act relating to eligibility for and default, collection and repayment of student loans; relating to nonrenewal of certain occupational licenses for default on a student loan; and providing for an effective date."**

- Allows the Alaska Student Loan Programs (ASLP) administrators to assess applicants' credit history to identify chronic bad debt. This provides an indicator of a borrower's potential ability to repay their debts;
- Provides applicants, found to have chronic bad debt, with an opportunity to obtain a credit worthy co-signer,
- Provides cost-effective, relevant sanctions that will be imposed when borrowers default and which will motivate borrowers to repay to avoid sanctions;
- Provides an increased rate of return on funds loaned to offset current interest losses to the fund;
- Provides for issuance of a temporary occupational/professional license during a borrower appeal of the nonrenewal of a license.

The ultimate goal of this legislation is to create a financially solvent Alaska student financial aid resource that will, without further assistance from the State coffers, still be available to the next generation of Alaskan postsecondary students. This bill contains a number of tools which are necessary to achieve specific objectives: improving the credit rating of the Alaska Student Loan Program; lowering the loan program default rate; improving the return rate on funds loaned to borrowers; and, increasing the recovery rate on defaulted loans.

These objectives are measurable and should be measured. If this bill is enacted, it would be with the intent that the Commission, in its annual report to the Governor and the Legislature, include these statistics as a report card on the effectiveness of these tools and to insure accountability on the part of program administrators. This bill supports this legislature's and the administration's goals for self-sustaining government operations.

**Are These Legislative Changes Really Necessary?**

The Alaska Student Loan Corporation is in critical need of assistance through legislative changes to the programs it funds. These are changes that would have been prudent to make at the point in time when the General Fund subsidy was eliminated, thereby funding the programs solely with private capital. The following are fund loss statistics.

- The total amount of forgiveness granted from 1972 to June 30, 1996 was approximately \$70 million. Of that amount, over \$57.3 million has been granted since the Corporation was created in 1987. Staff estimate that the Corporation will have to pay another \$8.7 million as these older loans are retired. Had the Corporation

continued to receive General Funds to offset these losses, it would have had a retained earnings balance of \$19.1 million at the end of the FY96 instead of the current deficit balance of \$47.3.

- Losses due to loans written-off (death, disability, bankruptcy and lack of payment activity) since the Corporation's creation total approximately \$47.8 million at 6/30/96. Staff estimate that another \$97.1 million, of the current loan portfolio, will be written-off in the future.
- Another 'public policy' loan issue is interest accrual. The September 30, 1996, unaudited financial statements indicated that loans totaling \$122,662,495, or 23% of the portfolio at September 30, 1996, were not accruing interest because they were in an interest-free period. Of these loans, approximately 60% were financed with bond proceeds. From a purely business perspective, any interest-free period on these student loans results in a loss to the Corporation as it pays interest on outstanding bonds from issuance until retirement of the bond debt and forgoes interest income on funds used to originate the loans.

At the time the Corporation was created, the ASLP was overcapitalized to a significant extent. Additionally, the Corporation adopted, and the legislature initially funded, the "Millennium Plan", a capitalization plan that assumed yearly influxes of General Funds leaving little concern that the Corporation would not be able to easily meet the debt service coverage ratio of 150% stipulated in its master bond indenture. The unanticipated elimination of General Fund support caused the abrupt curtailment of that plan in 1991, leading to several years of large bond issues to keep up with student borrowing needs. As a result, the Corporation is now very close to the minimal level of debt service coverage required by the master bond indenture.

With the huge jump in loan demand that the program is now experiencing (20% - 25%), it is vital that the Commission be given the tools and authority to operate on a business-basis. Alaska can no longer afford to characterize and consider this student aid source as simply a social service.

#### **What Methods Will be Used to Measure the Success of these Changes, if Enacted?**

The Commission/Corporation provides a variety of indicators that will reflect the effectiveness of program changes. They include: program default rate, annual audited financial statements, default recovery statistics, etc.

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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### EXCERPTS OF APPROVED MINUTES OF THE COMMISSION MEETING OF THE ALASKA COMMISSION ON POSTSECONDARY EDUCATION DECEMBER 13, 1996 RE: PROPOSED LEGISLATION

Commission members present for all or portions of the meeting were: Mark Begich, Chairman; Bobette Bush, Vice Chair; Dr. Milton Byrd; Senator Johnny Ellis; Rosa Foster; Dr. Roger Jarvis; Charles H. Parr; Scott Sterling; Dr. Alice Galvin and Dr. Lydia Hays.

At page 13:

#### LEGISLATIVE/REGULATION UPDATE

##### Endorsement of Legislative Amendment Proposal - Diane Barrans

Ms. Barrans provided a summary of comments received from various identified constituency groups concerning the proposed legislation. Our primary focus group was student representatives, and every effort was made to get a good sense of attitudes towards the different discussion items. Overall responses were positive, with some cautionary words regarding the Commission taking a deliberative approach to making positive reasoning changes. The most common comment was to use these instruments as a leverage and not a hammer...

**Dr. Lydia Hays moved to approve the legislative package as identified by Ms. Barrans. The motion was seconded by Ms. Bush.**

Mr. Parr asked what the procedures for administrative wage garnishment would entail. Ms. Williams stated that if the Governor's office asks her to draft something to implement this procedure, she would follow the child support enforcement division's administrative wage garnishment process.

Mr. Sterling stated that this type legislation continues to demonstrate to the underwriters of our bonds that we are fiscally serious people and that, within reason, we are going to reform a number of approaches we have taken to be on a business-like basis as possible, while at the same time keeping access to ASL far more open than [private] programs would ever allow. We need as many tools as the law allows. He stated that collections through the courts are difficult because an attorney will not consider a case unless it involves a large sum of money. Ms. Barrans stated that whatever enhancements we make to the program translates into more marketable bonds, at lower rates, which lowers the rate borrowers will pay.

Ms. Bush stated that she is familiar with the child support wage garnishment system from an employer's standpoint and feels it involves little paperwork and provides an efficient program in dealing with the state. It is very effective and if what we do is tailored along those lines, she is highly supportive of the proposal...

**Mr. Begich asked for any objections to moving forward with the proposed legislation to be presented to the Governor, excluding the setting of institutional authorization fees. There being no objections, the motion carried.**

TO: Diane Barrans  
C: Pat Born  
Charlene Morrison

FROM: Smith Barney Inc.

RE: Revenue/Expense Enhancements

DATE: April 1, 1997

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Alaska Student Loan Corporation ("ALSC") seeks ways to achieve positive future operating results with a goal of not attempting to fully recover prior losses from the pockets of current borrowers. Thus a long term strategy is essential to achieve an equitable turnaround of ASLC's finances. The purpose of this memorandum is to set forth our estimates for the effect several initiatives may have on ASLC earnings and net worth. These initiatives are set forth below:

- A) Pre-screening applicants for credit history/co-signers (we estimate that approximately 13% of applicants would be required to acquire a credit-worthy cosigner or be denied a loan)
- B) Increase array of sanctions/collection tools on defaulted loans to include:
  - i) Administrative wage garnishment (we estimate that 25% of ASL defaulters could be subject to this collection tool)
  - ii) Expanded occupational/professional license renewal intervention
- C) Increase of administrative cost cap in interest rate formula from 2.5% to 3%; or
- D) Charge interest during all borrowing periods

### Current Financial Situation

Over the last 5 years, ASLC has experienced an average *annual* loss, and thus decrease of Net Worth, of approximately \$3.5 million. This annual loss is the result of several major factors: (1) losses due to defaulting borrowers, (2) losses due to policies where borrowers are not charged interest during certain periods, and (3) expenses of servicing and administering the portfolio. Significant improvement in lowering defaults and charging interest during all periods would reverse the annual loss, and provide ASLC with annual surplus. This is particularly important now that annual origination is higher, and the ability to meet additional bonds test less certain.

- A. Pre Screen Applicants: Clearly, implementing credit underwriting standards would have a positive effect on reducing future default costs. Statistics nationally show that credit underwriting standards slightly less rigorous than home mortgage requirements will produce 2 to 4% default rates, whereas credit blind underwriting standards will produce default rates of 10% to 20% depending on the demographics of the target population. Alaska's experience recently is at the high end of this range with loan loss rates of 11% to 12%. Assuming \$70,000,000 of annual originations and an initiative that reduced that loss rate by 3% (from

**SMITH BARNEY**

say 12% to 9%) ASLC would save \$2.1 million for each annual cohort of loans. Thus, a reduction of 3% would slowly help stem the annual corporate loss, a great result from a financial perspective, but instituting credit standards on 13% of applicants carries significant public policy concerns. The benefits of reduced future defaults will occur in the first three years of repayment, or three to five years after implementation. This lag time makes this alternative the slowest acting change element when compared to either enhanced collection or restructured interest rates.

- B. Enhanced Collection Tools: From a financial standpoint, ASLC should utilize all of the collection tools available, including Permanent Fund Dividend garnishment, wage garnishment, license renewal intervention, commercially diligent loan collection, etc. National rules of thumb for recovery rates approach 50% of defaults and anything less than 30% recovery would be sub-standard. ASLC should target obtaining at least 50% recovery due to the availability of the Permanent Fund Dividend.

A program which allow rescheduling the debt or an amnesty with respect to late fees and overdue interest could enhance collections. Given the amount of defaulted loans, any collection improvement will yield large results compared to the size of the recent annual losses.

Any increase in collection of prior default has the additional benefit of results within twelve months. On the negative side, the enhancement to earnings comes from those least able to pay.

- C. Increase Interest Rates: Increasing interest rates by 1/2 of 1% will have an obvious positive impact of \$350,000 per year in repayment for each annual cohort of loans. This increase of revenue will begin at repayment (i.e., 3 to 5 years hence).
- D. Charge interest during in-school period: This alternative is very attractive as it will produce significant and immediate results. Currently, students do not pay interest during the in-school period. The proposal is to charge interest during this period. Below is a table which outlines the annual added revenue ASLC will receive, and the added cost to a student, under various scenarios. It is assumed that annual originations are \$70 million, and borrowers are in school an average of two years.

Assumed Interest Rate	First Year Enhanced Revenue to ASLC <sup>1</sup>	Second Year and Succeeding Years Annual Enhanced Revenue to ASLC <sup>1</sup>	Added Cost to Borrower with \$15,000 of Loans <sup>2</sup>	Added Cost to Borrower with \$30,000 of Loans <sup>2</sup>
3%	\$2.1 million	\$4.2 million	\$1,600	\$3,200
4%	\$2.8 million	\$5.6 million	\$2,140	\$4,280

1 Assumes \$70 million annual originations

2 Assumes 2 year in school period, borrower does not pay interest but it is added to principal of loan at repayment, interest rate on loan is 8.6%.

If ASLC starts to charge interest during the in-school period, ASLC can give the borrowers the option to pay the interest currently, or have accrued interest added to the balance of the loan. In either scenario, ASLC will record enhanced revenue, which will help produce a small annual surplus, with immediate results beginning in the first year.

- E. Title IV Loans: We continue to urge a careful review of using Title IV Loans to supplement the Alaska Loan. As discussed above, the two major reasons for losses at ASLC are default costs and in-school interest rate subsidies; the federal government covers these two costs in the Title IV program. To the extent a borrower takes out a Title IV Loan instead of an Alaska Loan, there is a significant saving which can be (i) taken by ASLC, (ii) given to the borrower in a significantly lower interest rate, or (iii) a combination of the two.

### **Borrower Benefit Programs**

ASLC should consider incenting borrowers to pay on time. The most significant cost to ASLC of servicing a loan is corresponding with borrowers who are late. Thus, an incentive to cause borrowers to be on time with payments is of interest. The most prevalent borrower benefit program nationally is a program whereby if a borrower is on time (within 10 days of due date) for 43 consecutive payments, then for the balance of the loan term, the interest rate is reduced by 2% per year (i.e., from say 8% to 6% per year). Since most borrowers will not qualify (only 20% of borrowers are expected to pay on time) and since a good portion of the loans will be paid off after 48 months, the annual cost to ASLC is modest. Such a program is likely to reduce the overall yield on the borrower benefit portfolio by approximately 10 basis points per year, or \$70,000 per year for a \$70 million portfolio.

**SB**

**189**

**SFIN**

**FILE**

# FISCAL NOTE

No. 2  
 Bill Version: SB189  
 (S) Publish Date: 4/30/97

STATE OF ALASKA  
 1997 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department: Commerce and Economic Development  
 Title: An Act relating to eligibility for and default, collection, BRU: Occupational Licensing  
and repayment of student loans:.... Component: Operations  
 Sponsor: Senate HESS  
 Requestor: Senate HESS COMPONENT SERIAL NO. 1844

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES</b>	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1091 Designated PR						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

SB 189 repeals AS 08.02.025 and reenacts new requirements under AS 14.43.148 concerning nonrenewal of a license for an individual in default with the student loan program. The renewal requirements are similar to those currently in place under AS 08.02.025 with the exception of adding a new provision for a 150 day temporary license. New funds are not required to implement the license renewal requirements in this bill.

Prepared by: Jennifer Strickler, Administrative Manager Phone: 465-2144  
 Division: Occupational Licensing Date: 4/28/97  
 Approved by Commissioner: William L. Hensley Date: 4-27-97  
 Agency: Commerce and Economic Development

# FISCAL NOTE

No. 1  
 Bill Version: SB 189  
 (S) Publish Date: 4/30/97

STATE OF ALASKA  
 1997 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Dept. Affected: EDUCATION  
 Title: Education Loan Repayment/Eligibility: BRU: Teaching and Learning Support  
Occupational Licensing Component: Teacher Certification  
 Sponsor: Senate Health, Education & Social Services  
 Requester: Senate Health, Education & Social Services COMPONENT SERIAL NO. \_\_\_\_\_ 1240

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	6.5	5.0	5.0	5.0	5.0	5.0
SUPPLIES	3.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>9.5</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>CHANGES IN REVENUES</b>						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1007 Interagency Receipts	9.5	7.0	7.0	7.0	7.0	7.0
<b>TOTAL</b>	<b>9.5</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>

Estimate of current year (FY97) cost: \$

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The legislation would require that teacher certification be withheld if a licensee is in default on a loan issued by the Alaska Commission on Postsecondary Education. The Teacher Certification Unit would be required to match up borrowers in default on a student loan with teaching certificates issued to determine if a license should be withheld. It also requires written notification of denial of renewal and issuance of a 150 day temporary license if the denial is appealed. The requested funding would come through the ACPE to DOE for costs associated with comparing borrower default information with licensees, issuing the written notice and temporary license. Contractual costs include revisions to regulations and procedures, computer programming time, additional phone and copy charges. Supplies costs include purchase of certification forms and office materials.

Prepared by: Nancy Buel  
 Division: Teaching and Learning Support

Phone: 465-8689  
 Date: 4/29/97

Approved by Commissioner: Shirley J. Holloway, Ph.D.  
 Agency: Department of Education

Date: 4/29/97

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# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

No. 3  
Bill Version: SB189  
(S) Publish Date: 4/30/97

Revision Date: \_\_\_\_\_  
Title: An Act relating to eligibility for and default, collection, and repayment of student loans; relating to nonrenewal of certain occupational licenses for default on a student loan; and providing for an effective date.  
Sponsor: Senate HESS  
Requester: Senate HESS

Department Affected: \_\_\_\_\_  
B R U: \_\_\_\_\_

Education  
Alaska Commission on Postsecondary Education

Component: \_\_\_\_\_

Student Loan Operations

COMPONENT SERIAL NO. \_\_\_\_\_

213

**EXPENDITURES/REVENUES:**

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	15.1	32.8	15.0	15.0	15.0	15.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>15.1</b>	<b>32.8</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUE ( )						
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(Thousands of Dollars)

**FUND SOURCE:**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER Corp. Receipts .022	15.1	32.8	15.0	15.0	15.0	15.0
<b>TOTAL</b>	<b>15.1</b>	<b>32.8</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>

Estimate of any current year (FY 97) cost: \$

**POSITION:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary.)

The student loan fund continues to experience an erosion of fund equity each year, primarily due to the drain of uncollectable debt and losses due to interest-free periods on loans. This legislation will establish a front-end credit assessment of loan applicants as another step towards preservation of the fund for future generations. The only assessment of an applicant's credit-worthiness currently available is a check to ensure that the applicant is not delinquent on a previously awarded State of Alaska student loan.

Please see attached page.

Prepared by: Mike Maher, Director  
Division: Student Loan Operations

Phone: 465-6743  
Date: April 26, 1997

Approved by Executive Director: Diane Barrans  
Agency: Alaska Commission on Postsecondary Education

Date: April 26, 1997

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FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. SB 189

**ANALYSIS:** (continued)

The Commission proposes that credit assessments only be done on applicants 21 years of age and older. In the event that an applicant is denied due to "chronic" bad debt, the option of obtaining a co-signer who has good credit may be available. Credit reporting agencies generally have a model which analyzes credit histories based on a number of variables. Through the use of such models, the level of credit-worthiness can be assessed on a point basis, and a tolerance level for "chronic" debt can be established.

In addition, this legislation provides for administrative wage garnishment authority of wages of defaulted Alaska Student Loan borrowers who work in Alaska, either in the private sector or for state or local government employers. It also expands the licensing intervention process, which assures that defaulted borrowers seeking to renew specific licenses would be unable to do so until they have negotiated a payment arrangement with ACPE.

Section 4 amends the rate of interest charged for administrative costs of the student loan program from two and one-half percent to three percent. This change will provide for an increased rate of return on funds loaned, to offset current interest losses to the fund. This change will also have a positive impact to the loan fund of approximately \$350,000 per year, beginning at repayment (3 to 5 years out), for each loan year.

**Credit assessments.** The following analysis represents the loss-avoidance to the loan fund as well as the cost to ACPE of doing credit assessments.

Award year	Applications (11/1/97-7/31/98)	21 & Older	Sub-total	Cost	Total Cost
1997-98 (FY98)	6,000 <b>A</b>	63% <b>B</b>	3,780	\$4 <b>C</b> (per assessment)	\$15,120
Estimated Award (11/1/97-7/31/98)	\$24,000,000 <b>D</b>	Chronic Debtors 13% <b>E</b>	Loss Avoidance \$3,120,000 <b>F</b>		
1998-99 (FY99)	13,010 <b>A.1</b>	63% <b>B</b>	8,196	\$4 <b>C</b> (per assessment)	\$32,785
Estimated Annual Award	\$70,000,000 <b>D.1</b>	Chronic Debtors 13% <b>E</b>	Loss Avoidance \$9,100,000 <b>F</b>		

**A** The estimated number of initial loan applications ACPE expects to receive between November 1, 1997 and July 31, 1998. These dates are being used as ACPE does not expect regulations to be in effect prior to November 1, 1997. Without regulatory/statutory authority, ACPE cannot deny applications based on the credit worthiness of potential borrowers.

**A.1** About 66.5% of the total number of applications received will be from borrowers with a prior loan. The estimated number of 1998-99 loan applications (17,000) less 66.5% of the number received between November 1, 1997 and July 31, 1998 (6,000) equals 13,010.

**B** Borrowers under the age of 21 do not generally have an established credit history. This population represents 37% of ASL borrowers. ACPE does not propose to assess the credit worthiness of applicants under 21 years of age.

**C** Credit report and risk score (credit worthiness): \$3.30 + \$0.55 = \$3.85 / assessment.

**D** The estimated net amount of dollars ACPE expects to award to borrowers between November 1, 1997 and July 31, 1998. These dates are being used as ACPE does not expect regulations to be in effect prior to November 1, 1997. Without regulatory/statutory authority, ACPE cannot deny applications based on the credit worthiness of potential borrowers.

**D.1** The estimated net amount of dollars ACPE expects to award to borrowers during the 1997-98 award year.

**E** Approximately 25% of applications received will be from borrowers ACPE could classify as having questionable credit worthiness. About half of this population, or 13%, could be classified as having a history of "chronic" bad credit.

**F** The estimated principal amount of dollars ACPE would not award to borrowers demonstrating a high risk of default to the ASL fund.

**ANALYSIS: (continued)**

Administrative wage garnishment authority allows for garnishment of wages of defaulted Alaska Student Loan borrowers who work in Alaska, either in the private sector or for state or local government employers. Historical information is the basis for the following:

**ASSUMPTIONS**

- A. Approximately 18% (17,000+) of borrowers default on the student loans.
- B. Approximately 9% (1,500-1,600) of defaulters are employed in the public sector in Alaska.
- C. Approximately 16% (2,700-2,800) of defaulters are employed in the private sector (non-federal and non-self-employed).
- D. Based upon current loan balances in default, these 4,200-4,400 defaulters owe between \$27.6 and \$28.9 million dollars to the Loan Fund.

Administrative wage garnishment will provide for efficient collection of defaulted loans to borrowers employed in the public and private sectors in Alaska.

**License Renewal Intervention** authority in this bill will expand the Commission's existing ability to use the State's licensing activity as an incentive for improved repayment behavior on the part of licensees who have defaulted on their Alaska Student Loans and who continue to ignore this financial obligation to the State. While administrative wage garnishment can be used to improve collection of defaulted loans for borrowers who are employed by public and private sector employers, license renewal intervention provides a tool to compel repayment from those borrowers more likely to be self-employed as a licensee in one of the identified fields or professions.

**ASSUMPTIONS**

- A. Approximately 61% of borrowers live in Alaska while in repayment. Approximately 10,000 defaulters reside in Alaska.
- B. Given the numbers of defaulters known to be employed by state/local government or by private sector employers, as many as 5,600 defaulters may be self-employed and holding employment related licenses. This sector currently represents approximately \$36 million in defaulted loans.

FISCAL NOTE

No. 4  
 Bill Version: SB 189  
 (S) Publish Date: 4/30/97

STATE OF ALASKA  
 1997 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: An Act relating to eligibility for and default, collection, and repayment of student loans.  
 Sponsor: (S) HES  
 Requestor: (S) HES

Department Affected: Administration  
 BRU: Centralized Administrative Services  
 Component: Finance  
 COMPONENT SERIAL NO. 59

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.) This bill would require the Department of Administration, upon notification by the Alaska Commission on Post-secondary Education, to withhold money from a person to whom the State legally owes money. We understand similar legislation has been passed in other states and at the federal level to address the issue of collecting defaulted student loans. This document is intended to respond only to those provisions of the bill relating to the Department of Administration.

From a Division of Finance perspective, this means withholding of employee pay or vendor payments to satisfy the requirements of a withholding order, and turning the withholdings over to the Commission.

Prepared by: Don Wanie  
 Division: Finance

Phone: 465-3435  
 Date: \_\_\_\_\_

Approved by Commissioner: Mark Bover  
 Agency: Department of Administration

Date: 4/18/97

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# FISCAL NOTE

No. 5  
 Bill Version: SB189  
 (S) Publish Date: 4/30/97

STATE OF ALASKA  
 1997 LEGISLATIVE SESSION

BILL NO.

Revision Date: \_\_\_\_\_  
 Title: Education Loan Repayment  
Eligibility; Occ Licensing  
 Sponsor: Senate HES  
 Requestor: Senate HES

Department Affected: Labor  
 BRU: Workers' Compensation  
 Component: Workers' Compensation  
 COMPONENT SERIAL NO. 344

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	18.0	9.0	9.0	9.0	9.0	9.0
TRAVEL						
CONTRACTUAL	10.5	0.9	0.9	0.9	0.9	0.9
SUPPLIES	0.4	0.2	0.2	0.2	0.2	0.2
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>28.9</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>

CAPITAL						
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CHANGE IN REVENUE						
FUND SOURCE #						

**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
1007 Interagency Receipt	28.9	10.1	10.1	10.1	10.1	10.1
<b>TOTAL</b>	<b>28.9</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)  
 This legislation gives the Commission on Postsecondary Education (Commission) authority to collect certain workers' compensation benefits due an injured worker who has defaulted on an education loan. Section AS 14.43.147 appears to apply to workers' compensation payments and grant authority to the commission to obtain those payments. This legislation will require additional clerical time for the Workers' Compensation Division as attached:

Prepared by: Paul Grossl, Director *Paul Grossl* Phone: 465-2790  
 Division: Workers' Compensation Date: 4/30/97  
 Approved by Commissioner: Tom Cahen, Commissioner *Tom Cahen*  
 Agency: Department of Labor Date: 4/30/97

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**Analysis:**

The Post Secondary Education Commission estimates approximately 17,000 student loans are currently in default. This legislation will require additional clerical time and costs for the Workers' Compensation Division as follows:

Each request for workers' compensation benefits payable would need to be researched and verified. It is anticipated based on the number of existing student loans currently in default the first year would require 6 months of an Administrative Clerk III time. Response letters to requests to claimant will need to be prepared advising insurers and employees of the potential impact to compensation benefits. Programming and procedures would need to be developed to respond to match up request with workers' compensation claim files. Additional mailings and reports may be required.

One month programming time will be required to meet bill requirements.

**Line 100 Personal Services**

50% of 1 Administrative Clerk III  
(1st year, 25% subsequent years)

Salary	12.2
Benefits	<u>5.8</u>
	18.0

**Line 300 Contractual Services**

DP Programming (FY98 one time)	5.0
Postage	3.2
DP Operations one time overhead	0.4
Printing form letters	0.5
Indirect @ 8% salary	<u>1.4</u>
	10.5

**Line 400 Commodities**

Office Supplies	0.4
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<b>Total</b>	<u><b>28.9</b></u>
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# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

No. 6  
BILL NO. Bill Version: 9B189  
(S) Publish Date: 4/30/97

Revision Date: _____	Department Affected: <u>Labor</u>
Title: <u>Education Loan Repayment</u>	BRU: <u>Employment Security</u>
<u>Eligibility; Occ Licensing</u>	Component: _____
Sponsor: <u>Senate HES</u>	<u>Employment/Unemployment Services</u>
Requestor: <u>Senate HES</u>	COMPONENT SERIAL NO. <u>1807</u>

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
------------------------------------	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)

(SEE ATTACHED)

Prepared by: <u>Rebecca Nance, Director</u>	Phone: <u>465-2711</u>
Division: <u>Employment Security Division</u>	Date: <u>4/30/97</u>
Approved by Commissioner: <u>Tom Cashen, Commissioner</u>	
Agency: <u>Department of Labor</u>	Date: <u>4/30/97</u>

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**ATTACHMENT  
FISCAL NOTE**

Page 2 of 2

This bill would give the Alaska Commission on Postsecondary Education additional tools to collect delinquent student loans. It has three main components: a grant of authority to attach wages and benefits by notice served on employers, political subdivisions, and state departments; a provision for denying state licenses to defaulting debtors; and a set of special provisions for permanent fund dividend attachment.

Attachment of wages and benefits. This provision will not significantly impact the Employment Security Division, because unemployment insurance benefits are exempt from attachment under AS 23.20.405 and AS 09.38.015. The bill would exempt any income which is exempted under AS 09.38.

Denial of State licenses. This provision will not directly affect ESD programs.

Permanent fund dividend attachment. No ESD impact.

Fiscal impact. No ESD fiscal impact.

**FISCAL NOTE**

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

No. 7  
BILL NO. Bill Version: SB189  
(S) Publish Date: 4/30/97

Revision Date: \_\_\_\_\_  
Title: Education Loan Repayment  
Eligibility; Occ Licensing  
Sponsor: Senate HES  
Requestor: Senate HES

Department Affected: Labor  
BRU: Labor Standards & Safety  
Component: Mechanical Inspection  
COMPONENT SERIAL NO. 346

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	9.0	9.0	9.0	9.0	9.0	9.0
TRAVEL						
CONTRACTUAL	5.8	2.5	2.5	2.5	2.5	2.5
SUPPLIES	0.4	0.4	0.4	0.4	0.4	0.4
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>15.2</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>

<b>CAPITAL</b>						
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<b>CHANGE IN REVENUE</b>						
<b>FUND SOURCE #</b>						

**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
1007 Inter-Agency Receipt	15.2	11.9	11.9	11.9	11.9	11.9
<b>TOTAL</b>	<b>15.2</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)  
  
(SEE ATTACHED)  
  
Interagency Receipts: RSA with Department of Education, Postsecondary Education Commission

Prepared by: Alan W. Dwyer, Director *Al Dwyer* Phone: 465-4855  
Division: Labor Standards & Safety Date: 4/30/97  
Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*  
Agency: Department of Labor Date: 4/30/97

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**ANALYSIS:**

This legislation will require additional administrative and clerical time and costs for the Mechanical Inspection component as follows:

- 1) When individuals apply in person for new or renewal certificates of fitness at any of five offices (Anchorage, Juneau, Fairbanks, Sitka, and Kenai), the estimated increase in processing time will be 30 minutes per individual who is in non-compliance with an Alaska student loan. This does not include testing, proctoring, scoring or discussion of tests.
- 2) Renewal letters are mailed out monthly. New programming, different procedures, forms, and additional mailing and reporting costs will be incurred to provide the "temporary" renewal letters and to answer phone calls regarding the change.
- 3) Additional time will be required to process the releases and the permanent certificates, as individuals submit those to our office.
- 4) Two weeks programming time will be needed to respond to the bill's requirements.

**Line 100 - Personal Services**

25% of 1 PFT Admin Clerk II (PCN 07-4543)

Salary	6.1
Benefits	2.9
Subtotal	<u>9.0</u>

**Line 300 - Contractual Services**

Professional Services - DP Programming (FY98 one-time)	3.1
Postage @ \$2.52 x 2 x 5,650 x 5%	1.4
Printing - forms, notices, letterhead	0.1
DP Operations Overhead (FY98 one-time)	0.2
Phone Base & Long Distance	0.3
Indirect @ 8% of salaries	0.7
Subtotal	<u>5.8</u>

**Line 400 - Commodities**

Office Supplies	0.4
-----------------	-----

**TOTAL** 15.2

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/30/97

FURTHER: 5/01/97

DATE TURNED  
IN TO OFFICE: 5/01/97

Finance Committee considered

SENATE BILL NO. 189

"An Act relating to eligibility for and default, collection, and repayment of student loans; relating to nonrenewal of certain occupational licenses for default on a student loan; and providing for an effective date."

and recommends:

be replaced with CS SB 189 (FIN)

adopt previous CS (        )

attached amendment(s)

adopt Letter of Intent by          Committee

further referral to the          Committee

**Senate Bill:**  
 same title  
 new title  
**House Bill:**  
 same title  
 technical change  
 new: SCR#         

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Red &amp; Kelly</i>	✓	<i>Paul Barnett</i>	✓		
<i>John Ryan</i>	✓	<i>Dave Donly</i>	✓		
Co-Chair: <i>[Signature]</i>	✓	Co-Chair: <i>[Signature]</i>			
Co-Chair: <i>[Signature]</i>	✓	Co-Chair: <i>[Signature]</i>			

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal

Department	Date	Zero	Fiscal
DOE	4/29/97		9.5
DC #ED	4/29/97	∅	
DOE/Post Secondary	4/26/97		15.1
Admin.	4/28/97	∅	
DOL/Workmans Comp	4/30/97		28.9
DOL/Emp. Security	4/30/97	∅	
DOL/Mechanical Inspection	4/30/97		15.2

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**SB**

**192**

**SFIN**

**FILE**

DATE: 5/8/97

# SENATE FINANCE COMMITTEE REPORT

FURTHER: 4/23/98

DATE TURNED  
IN TO OFFICE: 23 April 98

Finance Committee considered

SENATE BILL NO. 192 am

"An Act relating to maintenance of state marine vessels; and providing for an effective date."

and recommends:

be replaced with \_\_\_\_\_ CS SB 192 ( FIN )

adopt previous \_\_\_\_\_ CS \_\_\_\_\_ ( \_\_\_\_\_ )

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to the \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title
- House Bill:**
- same title
- technical change
- new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Roll E (Roll)</i>	<input checked="" type="checkbox"/>	<i>Al Adams</i>	<input checked="" type="checkbox"/>		
<i>Sean R. Farrell</i>	<input checked="" type="checkbox"/>				
<i>John Ingram</i>	<input checked="" type="checkbox"/>				
<i>David Wiley</i>	<input checked="" type="checkbox"/>				
Co-Chair:		Co-Chair: <i>Pearce</i>	<input checked="" type="checkbox"/>		
Co-Chair:		Co-Chair: <i>Scott</i>	<input checked="" type="checkbox"/>		

### NEW FISCAL NOTE(S):

Department                      Date    Zero    Fiscal

<i>Forth coming</i>			
<i>fiscal note</i>			
<i>DOT &amp; PF</i>			

### PREVIOUS FISCAL NOTE(S):\*

Department                      Date    Zero    Fiscal


APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

4/22/98  
BILL NO. CSSB 192 FIN

**STATE OF ALASKA  
1998 LEGISLATIVE SESSION**

Revision Date	4/27/98	Dept. Affected	DOT&PF
Title	Maintenance and Repair of State Vessels	BRU	Marine Engineering
		Component	Overhaul
Sponsor	Senator Taylor		
Requester	S FIN	Component Serial No.	1212

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type) (IARF)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY98) cost: 0.0

**POSITIONS**

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

**ANALYSIS:**

Prepared by Dennis Peshard, Special Assistant  
 Division Commissioners Office  
 Approved by [Signature] Commissioner  
 Agency Department of Transportation and Public Facilities

Phone 465-3900  
 Date 4/27/98  
 Date 4/27/98

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**SB**

**193**

SFIN

FILE

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

Bill Version: SB193  
(S) Publish Date: 5/8/97

Revision Date: _____	Dept. Affected: <u>EDUCATION</u>
Title: <u>An act relating to a limitation on administrative expenditures of school districts</u>	BRU: <u>School Finance</u>
Sponsor: <u>Senator Torgerson</u>	Component: <u>District Support Services</u>
Requester: <u>Senate Health, Education &amp; Social Services</u>	COMPONENT SERIAL NO. _____ 155

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	54.1	54.1	54.1	54.1	54.1	54.1
TRAVEL						
CONTRACTUAL	35.0	35.0	35.0	35.0	35.0	35.0
SUPPLIES						
EQUIPMENT	4.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>93.1</b>	<b>89.1</b>	<b>89.1</b>	<b>89.1</b>	<b>89.1</b>	<b>89.1</b>

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	93.1	89.1	89.1	89.1	89.1	89.1
1005 GF/Program Receipts						
Other:						
<b>TOTAL</b>	<b>93.1</b>	<b>89.1</b>	<b>89.1</b>	<b>89.1</b>	<b>89.1</b>	<b>89.1</b>

Estimate of current year (FY97) cost: \$

POSITIONS:

FULL-TIME	1.0					
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The legislation requires that a school district may not spend more than \$950 per ADM multiplied by the area cost differential for school and district administration. The department must determine the districts that do not meet the requirements and the commissioner shall withhold state aid unless a waiver has been granted by the State Board of Education. The legislation also requires that the waiver requests be submitted to Legislative Budget & Audit for their review prior to submission to the SBOE. The department believes that this requirement violates the constitutional separation of powers. Preliminary estimates indicate that 44 districts would not meet these requirements. The Department does not have sufficient staff to work with districts or the waiver process. Costs include a Project Assistant, Range 16A; contractual for legal services, phone, fax, printing, mailing; and equipment.

Prepared by: <u>Eddy Jeans, School Finance Manager</u>	Phone: <u>465-8650</u>
Division: <u>Education Support Services</u>	Date: <u>5/3/97</u>
Approved by Commissioner: <u>Shirley J. Holloway, Ph.D.</u>	Date: <u>5/3/97</u>
Agency: <u>Department of Education</u>	

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ALASKA DEPARTMENT OF EDUCATION  
 FY97 FOUNDATION PROGRAM  
 SB193

	FY97 ADM	\$950 Per ADM	Area Diff.	Maximum Admin.	FY97 Budgeted		Total Admin.	% over Allowance	FY97 Foundation Aid	Reduction in State Aid
					School Admin.	District Admin.				
ALASKA GATEWAY	572.65	544,018	1.19	647,381	470,805	543,620	1,014,425	36.18%	5,414,827	1,959,084
ALEUTIAN REGION	34.00	32,300	1.31	42,313	30,829	190,200	221,029	80.86%	720,201	51,155
ALEUTIANS EAST	372.00	353,400	1.31	462,954	380,240	828,265	1,208,505	61.69%	3,761,704	2,320,595
ANCHORAGE	46,470.40	44,146,880	1.00	44,146,880	18,929,109	14,243,718	33,172,827	0.00%	183,046,419	0
ANNETTE ISLANDS	391.00	371,450	1.03	382,594	273,166	556,896	830,062	53.91%	1,696,475	914,570
BERING STRAIT	1,706.00	1,620,700	1.39	2,252,773	1,643,375	1,900,964	3,544,339	36.44%	15,630,898	5,695,899
BRISTOL BAY	313.45	297,778	1.27	378,178	170,117	339,988	510,105	25.86%	1,843,088	476,623
CHATHAM	334.30	317,585	1.03	327,113	189,519	317,213	506,732	35.45%	3,141,453	1,113,645
CHUGACH	157.00	149,150	1.14	170,031	55,000	355,661	410,661	58.60%	1,820,876	1,067,033
COPPER RIVER	772.60	733,970	1.14	836,726	409,290	492,132	901,422	7.18%	6,135,171	440,505
CORDOVA	534.30	507,585	1.11	563,419	298,877	340,655	639,532	11.90%	2,648,739	315,200
CRAIG	422.00	400,900	1.03	412,927	140,858	302,264	443,122	6.81%	2,273,847	154,844
DELTA/GREELY	843.65	801,468	1.16	929,703	576,960	641,358	1,218,318	23.69%	5,164,694	1,223,516
DENALI	390.90	371,355	1.23	456,767	276,864	343,770	620,634	26.40%	3,076,786	812,272
DILLINGHAM	541.25	514,188	1.27	653,019	291,854	515,674	807,528	19.13%	3,360,559	642,875
FAIRBANKS	16,131.65	15,325,068	1.04	15,938,071	6,292,778	5,555,663	11,848,441	0.00%	66,266,686	0
GALENA	165.00	156,750	1.30	203,775	142,306	293,249	435,555	53.21%	1,559,006	829,547
HAINES	444.90	422,655	1.05	443,788	245,167	224,958	470,125	5.60%	2,356,660	13,733
HOONAH	271.00	257,450	1.08	278,046	127,477	334,366	461,843	39.80%	1,843,962	733,897
HYDABURG	117.00	111,150	1.03	114,485	41,024	185,778	226,802	49.52%	987,649	489,084
IDITAROD	415.86	395,067	1.33	525,439	648,304	642,374	1,290,678	59.29%	5,229,673	3,100,673
JUNEAU	5,586.45	5,307,128	1.00	5,307,128	1,956,201	2,414,535	4,370,736	0.00%	21,472,481	0
KAKE	199.90	189,905	1.03	195,602	149,120	287,450	436,570	55.20%	1,372,984	757,887
KASHUNAMIUT	246.95	234,603	1.33	312,022	98,500	459,011	557,511	44.03%	1,807,644	795,906
KENAI	10,341.96	9,824,862	1.00	9,824,862	5,480,508	3,257,231	8,746,839	0.00%	43,308,644	0
KETCHIKAN	2,856.25	2,713,438	1.00	2,713,438	1,145,381	839,858	1,985,239	0.00%	9,765,241	0
KLAWOCK	210.30	199,785	1.03	205,779	120,187	277,399	397,586	48.24%	1,527,896	737,057
KODIAK	2,862.01	2,718,910	1.09	2,963,612	1,742,335	1,439,281	3,181,616	6.85%	13,324,204	912,708
KUSPUK	473.70	450,015	1.33	598,520	389,232	635,844	1,025,076	41.61%	5,136,846	2,137,442

page 2 of 3

#1

ALASKA DEPARTMENT OF EDUCATION  
 FY97 FOUNDATION PROGRAM  
 SB193

	FY97 ADM	\$950 Per ADM	Area Diff.	Maximum Admin.	FY97 Budgeted		Total Admin.	% over Allowance	FY97 Foundation Aid	Reduction in State Aid
					School Admin.	District Admin.				
LAKE AND PENN.	523.55	497,373	1.31	651,559	677,100	830,400	1,507,500	56.78%	6,937,552	3,939,142
LOWER KUSKOKWII	3,371.53	3,202,954	1.42	4,548,195	3,760,000	2,524,600	6,284,600	27.63%	36,904,560	10,193,300
LOWER YUKON	1,735.95	1,649,153	1.35	2,226,357	1,591,432	1,523,473	3,114,905	28.53%	13,600,325	3,880,173
MAT-SU	12,352.13	11,734,519	1.00	11,734,519	6,504,293	2,878,034	9,382,327	0.00%	58,193,865	0
NENANA	173.45	164,778	1.20	197,734	78,318	274,087	352,405	43.89%	1,492,067	654,868
NOME	776.55	737,723	1.34	988,549	508,761	556,887	1,065,648	7.23%	5,107,796	369,294
NORTH SLOPE	1,936.80	1,839,960	1.45	2,667,942	2,738,400	5,466,200	8,204,600	67.48%	11,157,270	7,528,926
NORTHWEST ARCT	2,000.10	1,900,095	1.45	2,755,138	1,849,606	1,680,562	3,530,168	21.95%	17,632,060	3,870,237
PELICAN	31.75	30,163	1.08	32,576	0	128,097	128,097	74.57%	555,036	413,890
PETERSBURG	763.05	724,898	1.00	724,898	377,817	281,102	658,919	0.00%	3,250,595	0
PRIBILOF	197.20	187,340	1.30	243,542	119,280	423,400	542,680	55.12%	1,739,504	958,815
SITKA	1,769.60	1,681,120	1.00	1,681,120	799,642	594,588	1,394,230	0.00%	6,640,829	0
SKAGWAY	136.66	129,827	1.05	136,318	166,454	104,410	270,864	49.67%	723,303	359,265
SOUTHEAST	325.55	309,273	1.04	321,644	120,287	507,425	627,712	48.76%	3,590,022	1,750,495
SOUTHWEST	700.80	665,760	1.31	872,146	606,733	796,499	1,403,232	37.85%	5,994,827	2,269,042
ST. MARY'S	130.00	123,500	1.30	160,550	65,300	196,300	261,600	38.63%	1,428,845	551,963
TANANA	102.00	96,900	1.30	125,970	94,881	244,574	339,455	62.89%	1,181,898	743,296
UNALASKA	374.60	355,870	1.27	451,955	228,076	334,077	562,154	19.60%	1,898,564	37,900
VALDEZ	877.00	833,150	1.11	924,797	532,644	357,699	890,343	0.00%	3,342,987	0
WRANGELL	528.00	501,600	1.00	501,600	312,599	253,113	565,712	11.33%	2,473,125	280,205
YAKUTAT	160.00	152,000	1.08	164,160	46,834	255,554	302,388	45.71%	1,234,244	564,173
YUKON FLATS	444.00	421,800	1.46	615,828	128,780	491,689	620,469	0.75%	6,027,523	45,206
YUKON/KOYUKUK	555.60	527,820	1.34	707,279	198,858	1,030,938	1,229,796	42.49%	6,879,611	2,923,147
YUPIIT	401.00	380,950	1.41	537,140	428,471	733,146	1,161,617	53.76%	4,081,286	2,194,099
<b>TOTAL</b>	<b>124,545.30</b>	<b>\$118,318,039</b>		<b>\$126,258,861</b>	<b>\$64,659,049</b>	<b>\$61,226,229</b>	<b>\$125,885,279</b>		<b>\$617,763,007</b>	<b>\$72,210,280</b>

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**SB**

**199**

SFIN

FILE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

FISCAL NOTE

N 1  
Bill Version: CSSB 199 (JUD)  
(S) Publish Date: 2-5-98

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
Title: Charitable Gaming and Gaming on State Festes BRU: Revenue Operations  
Component: Income and Excise Audit  
Sponsor: Senate Judiciary  
Requestor: (S) JUD COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	**	**	**	**	**	**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	***	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF						
1048 University of AK receipts						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year cost \$ \_\_\_\_\_

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis for details and explanation.

\*\* See the attached analysis, item # 9, the department has prepared a short analysis of the issues and approximate dollar amounts involved. Additional information and discussion with the sponsor is needed prior to recommending a specific dollar amount.

\*\*\* See the attached analysis, item # 8, the department has prepared a short analysis of the issues and approximate dollar amounts involved. Additional information and discussion with the sponsor is needed prior to recommending a specific dollar amount.

Prepared by: Robert N. Bartholomew, Deputy Director Phone: 465-4773  
 Division: Income and Excise Audit Date: February 2, 1998  
 Approved by Commissioner: Wilson L. Condon Date: February 2, 1998  
 Agency: Revenue

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**ALASKA DEPARTMENT OF REVENUE**  
**Income and Excise Audit Division**

SB 199 – Charitable Gaming  
Version – O-LS1010A  
February 2, 1998  
Page 2 of 4

Overview and Fiscal Analysis – SB 199 Charitable Gaming and Gaming on State Ferries.

**1) New Type of Gaming Allowed** - SB 199 would expand the charitable gaming options available under AS 05.15. The most significant change would be authorization of "video lottery machines" (VLM). VLM means an electronic video game machine operated with coins or cash to play poker, keno, or blackjack. A VLM must have accounting software that keeps track of total money played, value of winning tickets, and lottery credits allowed. VLM would not directly pay off winners but would print a winning ticket stating the value of the prize.

**2) Who is Authorized to Obtain VLM** – Any qualified organization that is currently eligible for other charitable gaming could apply for a video lottery endorsement. DOR would review applications and issue the endorsement.

**3) Where VLM Can be Played** – VLM's would be allowed:

- a) in all "vendor" locations where pull-tabs are currently allowed. Vendor location means a business that has a beverage dispensary license and has been contracted to conduct VLMs' by a qualified permittee.
- b) In Clubs, where permittees have a "club license" under AS 04.11.110 (club, fraternal organization, patriotic organization, or social organization that has state or national charter).
- c) on Alaska Marine Highway Vessels.
- d) In any location where access is restricted to persons 21 years of age or older in a municipality where sale of alcoholic beverages has been prohibited, the department could issue an endorsement that authorizes VLM use in a manner consistent with (a) above.

Note: VLM could not be played in locations currently run by operators or self-directed gaming operations.

**4) Permittee Limitations for Number of VLMs and Gross Gaming Sales** - A permittee may contract with up to 5 video lottery vendors and have up to 10 VLMs. Thus each permittee could be authorized to have 50 machines in play. There is a \$2 maximum limit on the amount of a single play. There would be no limit on the dollar value of gross VLM gaming sales a permittee could have in a year.

**5) Prize Limitations** - On a single play the minimum play is \$.25 (cents) and the maximum prize is \$125. On a single play the maximum play is \$2 and the maximum prize is \$1,000. This bill exempts VLM from the \$1 million prize limitation and would provide an advantage over pull-tabs.

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**ALASKA DEPARTMENT OF REVENUE**  
**Income and Excise Audit Division**

SB 199 – Charitable Gaming  
Version – O-LS1010A  
February 2, 1998  
Page 3 of 4

**6) Allocation of Net Gaming Income** – Net income from VLM gaming means total money put into a machine minus credits (prizes) paid out. When a permittee contracts with a vendor the allocation of net income would be a) 30% to the vendor, b) 30% to the permittee, c) 15% to the state and d) 25% to the municipality where the VLM is located. When the VLM gaming is conducted by a "club" the permittee gets 60% of net income.

**7) Costs of Licenses, Endorsements and Fees –**

- a) VLM manufacturer - \$5,000.
- b) VLM distributor - \$5,000.
- c) Vendor location - \$100.
- d) VLM - \$100

**8) Gaming Revenue Analysis** – No specific study or analysis has been completed to estimate the dollar amount of gaming or net income that would result from authorizing VLMs in Alaska. Several issues need to be addressed. For example: 1) what would be the effect on the existing pull-tab sales, 2) how much new money would be spent on charitable gaming.

The proposed legislation would significantly increase the state share of net income from a gaming activity. For vendor and club operations the state share could increase to 15% of net income, as compared to less than 1% currently received on pull-tabs.

Municipal governments would go from receiving no gaming revenues (except jurisdictions that currently charge sales tax on charitable gaming) to receiving 25% of net income. The share of charitable gaming going to vendors would remain approximately the same.

The effect on gaming revenues going to exempt organizations, from vendor activity, would very much depend on the level of gaming activity. If there were no new gaming dollars being spent but there were a transfer from existing pull-tab activity the share to organizations would decline from approximately 70% to 30% of net gaming income. Thus, unless there were significant new gaming dollars being spent the exempt organizations would receive less money.

**9) State Expenditure Analysis** – The proposed legislation directs the department to the extent practicable to contract out the administration and monitoring of video lottery

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**ALASKA DEPARTMENT OF REVENUE**  
**Income and Excise Audit Division**

SB 199 - Charitable Gaming

Version - O-LS1010A

February 2, 1998

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charitable gaming. This is to be done to the extent contracting will not jeopardize the integrity of gaming and enforcement of laws. The following discussion of costs would be

**9) State Expenditure Analysis, continued**

approximately the same whether handled by the state or contracted. The difference is whether the amount would be included on the personal services or contractual line.

Video gaming would add a new gaming activity at a time when the resources available to gaming have been reduced by 33%. Based on administration costs of current gaming activities, 2.5 permanent full time positions would be required to; a) issue licenses and endorsements, b) process and analyze tax returns and reports, c) develop internal controls and monitor gaming activity and d) respond to questions from permittees, local governments and the public. Positions would approximate ranges 8, 12 and 14, with a personal service cost of \$94,000. Increased resources would be needed for auditing, enforcement and administrative appeals. Initially this would require the equivalent of 1.5 positions, with a cost of \$95,000. These cost estimates are based on the assumption that video gaming would be popular and there would be a significant increase in gaming activity. Until further information and analysis can be completed no specific cost to administer video gaming will be estimated.

**SB**

**203**

SFIN

FILE

# FISCAL NOTE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

No. 1  
Bill Version: SSSB 203  
(S) Publish Date: 4-9-98

Revision Date: 5-Mar-98 Dept. Affected: EDUCATION  
Title: Language Education BRU: Teaching and Learning Support  
Component: Quality Schools  
Sponsor: Senator Taylor  
Requesier: Sen: te HESS COMPONENT SERIAL NO. 2147

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES	150.0	150.0	150.0	150.0	150.0	150.0
TRAVEL	15.0	15.0	15.0	15.0	15.0	15.0
CONTRACTUAL	792.0	792.0	792.0	792.0	792.0	792.0
SUPPLIES	161.0	161.0	161.0	161.0	161.0	161.0
EQUIPMENT	9.0	9.0	9.0	9.0	9.0	9.0
LAND & STRUCTURES						
GPANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGES IN REVENUES						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	1127.0	1127.0	1127.0	1127.0	1127.0	1127.0
1005 GF/Program Receipts						
Other:						
<b>TOTAL</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>

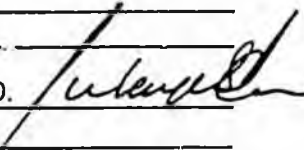
Estimate of current year (FY98) cost: \$                      \$0

POSITIONS:

FULL-TIME	2					
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Please see attached analysis of estimated costs.

Prepared by: Barbara Thompson, Director Phone: 465-8727  
Division: Teaching and Learning Support Date: 3/20/98  
Approved by Commissioner: Shirley J. Holloway, Ph.D.  Date: 3/20/98  
Agency: Department of Education

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**Additional Analysis**

This legislation seeks to ensure that all public school elementary students receive adequate language instruction. Mandatory testing of all students in first, second, and third grades is required annually. Additional diagnostic testing is required for students who test at or below the 25th percentile rank. For elementary schools in which a majority of students in a grade test at or below the 25<sup>th</sup> percentile rank for three consecutive years, intensive systematic phonics and spelling instruction must be included in the curriculum of the school.

This fiscal note represents funding necessary to implement, administer and maintain two levels of testing at the state and local levels; compilation, analysis and reporting of test information; and assistance for schools required to implement a new language education curriculum, as a result of testing data.

This request will fund staff necessary to:

- Provide technical assistance and training for teachers and school staff related to the administration of tests
- Provide technical assistance and training for teachers, school staff, parents, and community members to better help our young children to be successful readers
- Identify and disseminate information and models on promising practices, standards-based reading instruction and assessment, and program development. The teaching of phonics is embedded in these activities.
- Compile, analyze and report on school and statewide test data, as related to all requirements of SSSB 203

Funding included in this fiscal note represents the following:

***Personal Services – \$150.0***

This will provide funding for a full-time Education Specialist II, Range 21, to provide training and technical assistance to teaching staff in school districts across the state. This position will be responsible for ensuring that a language education curriculum is developed and implemented, when necessary and will ensure that staff are trained to teach the components of this curriculum, including phonics, in the context of a total reading program. This staff person will prepare school and statewide reports related to the testing data that is gathered.

This funding will also provide funding for a full-time Research Analyst III to compile and analyze statewide testing data and prepare statistical reports and information for schools and for public dissemination.

***Travel - \$15.0***

This funding will allow department staff to provide direct training and technical assistance to school districts in matters relating to language education curriculum development and implementation and test administration.

***Contractual - \$792.0***

This will provide basic scoring services for the standardized tests; funding for school district staff training and administration of individual diagnostic tests; contractual costs related to researching and disseminating information and model language education programs, and general costs for phone, fax, copier and printing.

***Supplies - \$161.0***

These funds will be used to purchase necessary testing materials (booklets, directions, examiner kits); office supplies and educational materials, as needed to compile, analyze, and report on testing data.

***Equipment - \$9.0***

These funds will be used to purchase the necessary computer and office equipment for the new staff positions and ongoing upgrade and replacement costs.