

H/B - 28

"An Act relating to the scholarship loan program: and providing for an effective date."

1/20/75

COMMITTEE REPORT

FINANCE

HOUSE

Mr. Speaker:

Date Feb 5, 1975

The Committee on HESS has had House Bill 28

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back ^{without} WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>NO REC</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>DO PASS</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

[Signature] recommends: [Signature]

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

AMENDMENT

OFFERED IN THE HOUSE:

By: 1926S Committee

To: _____ HOUSE BILL No. 28

SENATE BILL No. _____

PAGE: 1

LINE: 27 - 29

Change lines 27 through 29 to read.

- (1) one - two years residency 20 per cent
- (2) two - three years residency 40 per cent
- (3) three - four years residency 60 per cent

Change lines 1 and 2 to read:

- (1) one - two years residency 20 per cent
- (2) two - three years residency 40 per cent



Alaska State Legislature

House

JUNEAU ALASKA

HOUSE HESS MEETING

2-5-75

Members All Present

Chairman Sullivan called the meeting to order at 3:00
We will begin where we left off yesterday with HB 28.

Jac Carruthers gave his testimony to the bill.

Carruthers - From an administrative point of view, the 100% forgiveness as presently set up has a very serious flaw in it. At the end of the first year grace period, the student begins making his payments. If at the end of 2 years, we have forgiven 25%, do we give him back the money he paid during the second year? Or the other side would be that it looks as if the student was going to be forgiven so you decided not to collect that first years money because eventually he was going to be 100% forgiven, and then after 22 months in the State he decides to move south and then suddenly he would be almost 1 year in arrears in his payments. The only way around this would be to start the forgiveness at the end of the first year. With the 100% we will just have to do something about when the forgiveness starts. Otherwise its an administrative headache.

The other thing about the 100% forgiveness is the immense amount of paperwork that would have to go through. You would have the student, every year, certify that he is still an Alaskan resident, we go through all the paperwork each year for every student just to tell them they have gotten 25% again that year. But if you want the hold on them to make sure they stay in Alaska I don't see any other way around it. Psychologically to the problem, as you may recall the 68-69 and 70-71 loans were 100% forgiven to residences in Alaska, then the students attitude tends to be why go through all this paperwork, I'm still here in Alaska and I'm 100% forgiven so don't bother me. We send out the forms - they are not returned - we send follow up forms etc. One idea is that a student must, by June 1 of each year, certify to us that he is an Alaskan resident and if he fails to do so he loses the given per cent for that year. That could possibly be one approach.

Parr - You gave me the figures that roughly 62% of the students overall were out of state. 206 graduates and 1459 undergrad. How much money are we talking about that these students are spending at out of state universities?

Carruthers- Out of state undergrad student - \$1,408,978. Inside the state for undergrads - \$895,000. \$514,000. for out of state graduates and \$106,000. for inside state graduates.

Parr How many students are going out of state to take programs which are adequately offered here?

Page Two
HESS Meeting
2-5-75

Carruthers Every year we do a survey of the students and about 40% of them are returned. On that form we ask their major. So that 40% is just a cross section and there is no way of any accurate information in that area. We do have them broken down to what state they are going to. We have 16 international students.

Ose - Why is it going to be so much more paperwork on this 100%?

Carruthers - I was talking in the sense that there is no return for all this work we do. With a revolving fund when we get payments from the students why then it seems worthwhile to go thru the paperwork. If they are 100% forgiven, psychologically I think they are harder to trace down. There are 622 total in state students. Outside students is 1,043.

We have only had a positioned staff for repayments since the first of September. It will be another six months before we can say exactly how many people.

Hackney - Have you done any kind of survey among the students to see whether or not it does keep them in the state? And particularly if it does keep them in Alaska?

Carruthers - Yes, I have. We asked them the question that if the forgiveness clause influenced their plans to stay in Alaska. We asked three categories; totally based on that, partially, or if it made no difference at all. Roughly the split was 40-40-30. Wasn't quite 1/3. A lot of them that said it didn't influence them at all, in the comment section they put 'I love Alaska whether I'm forgiven or not I'm going to come back.'

Beirne - How much money has flown through the loan program at this time and how much have you received back?

Carruthers - In the neighborhood of 8 million that has gone out over the last six years and our repayments last year was approx. \$124,000. the year before that was about \$60,000. So far this year we've collected about \$80,000. (fiscal 75) Our projected estimate for this year was about \$200,000.

Beirne - Since we changed it last year so the money now is supposed to come back into the loan fund and make it a truly revolving fund rather than into the general fund, is that working?

Carruthers - What happened was that the Legislature tempered the amount of general funds. If I asked for a certain amount of money they then subtract from it my expected return and give me a lesser amount. And of course the people we forgive keep it from ever being a 100% revolving fund. From about 4 or 5 years from now the payment schedule gets up to where there is about $\frac{1}{2}$ the funds needed. It goes into the revolving fund but my budget statement, they take the amount anticipated in collections and subtract that from the amount asked so that the amount of the general fund plus the amount of program receipts add up to the total on hand.

Parr What is the average amount of money per year for the student in either paying or being forgiven?

Page Three
HESS Meeting
2-5-75

Carruthers - The average loan last year was about \$1,800 and about \$2,000 this year if we hadn't had that roll-back to make the funds stretch to every student. If a student had a \$10,000 loan, the payments would be \$170 per month.

Beirne Theoretically, they are to begin paying back in one year. Do you have any idea how many actually do pay back in one year?

Carruthers

- At the end of the one year grace period they have to start paying. I don't know how many of them actually do pay.

Beirne How many have asked for the 5 year hardship which would make it six years before they even start paying and 11 years before they finish paying.

Carruthers - They start paying at the same time but merely at a reduced amount. I don't believe there are more than 5 or 6. We have them furnish us with notarized proof of expenses.

Ostrosky How is the size of the loan determined from the individual student?

Carruthers - Determine first what the tuition fee, board and room and books cost. Then we have a column for complete education expenses, supplies etc. Then list the sources of funds available to the students for all the expenses. We subtract one column from the other and that is the financial need. Then is the statutory ceiling of \$2,500. Of those three figures, whichever one is the lesser is the amount of the actual award. \$2,500 is the maximum amount for an undergraduate, for a graduate it is \$5,000. It works out to about \$17 per thousand per month for the repayments.

Hackney - Your major objection to it is the bookkeeping involved?

Carruthers My personal objection to it is having two kinds of Alaskans- 40% and 100%. Eventually they'll say there will be 100% forgiveness for people who go outside providing they're taking a major that is not offered in the state. And I don't think anybody would want to be in the position of saying that this major is adequate and this one is not.

Beirne - How much is left in your revolving fund?

Carruthers - About \$250,000 uncommitted. The total number of awards is 2,149 for just this year. There are several hundred that have dropped out of the program. There is no more than about a 2 week delay in backlog due to the paperwork. We met the requirement of awarding to all eligible students. What we have left will take care of us through summer school which has never happened.

Fink - I think in some ways you've given the impression that you have enough money to go around but really you're 30% short on that money when you cut everybody back to 70%. I think you're way short in funds. Some people just can't go when they are cut back that much. My impression is that you're misleading the committee.

Page Four
HESS Meeting
2-5-75

Beirne Do you have a staff now to get notifications out, bring the money back in, interest which is due etc?

Carruthers I have also asked for additional people for this fiscal year. I had two new positions this year so we are better off then ever before so that gives us four girls now. We aren't falling as far behind as we used to be.

My solution to this bill would be at the end of the first year, give 20%, 2nd year 40% and so on until you reach 100%. Then it gets away from the whole bit about the four years forgiveness.

Ose I would recommend there be an amendment to this bill with starting the end of the first year of 20% forgiveness etc.

Miller Mr. Carruthers suggestion makes total sense to me. He has pointed out a mechanical deficiency and also suggested an amendment so I'd be delighted to go along with an amendment.

Ose - I move that we add this amendment to this bill.

Ostrosky Second

Chairman - All in Favor 9 Opposed 0

Amendment passes. Is there a motion yet in regard to the bill as amended?

Ose I move we pass it out with individual recommendation.

Hackney Second

Chairman All in favor 9 Opposed 0

Bill passes.

Mr. Sam Trivett gave a brief orientation of his Dept. and the Div. of Corrections. It has been taped and is available upon request.

HB 27

Swanson This bill came to me by request of a pilot who also works and drives a school bus. It isn't anything more than a vehicle where a pilot or anyone holding a valid first or second class medical certificate under the FAA would be exempt from taking another medical exam. when he asks for a permit to run a school bus. In rural Alaska there are many times where you might have to go 100 miles for the examination which would cause an extreme hardship.

Ostrosky Is that a regulation or is that a statutory requirement?

Swanson I'm sure it is a statutory regulation.

OSe Is a TB test required?

Page Five
HESS Meeting
2-5-75

Mr. Ose's question could not be answered and it was suggested that the bill be held over until Thursday's meeting in order that there may be further witnesses to testify in regards to HB 27.

Chairman Sullivan adjourned the meeting until 3:00 Thursday.

TO: HESS Committee FROM: Mike Bradner
Susan Sullivan, Chairman

SUBJECT: Scholarship Loan Program DATE: February 13, 1975

The attached materials are intended to assist you and your committee with a study of the Student Scholarship Loan Program.

The Student Scholarship Loan Program was started in 1968-69 with a maximum \$500.00 award granted. The same program was continued in 1969-70. These loans were forgiven in their entirety for all recipients who remained in the state for six months.

The program was then changed to a revolving fund which allows for a maximum \$2500 scholarship for undergraduates, and \$5000 for graduate students. Students pay 5% simple interest annually. There is provision for 40% forgiveness of the loan if the student remains in the state for five years. The first year following graduation and/or completion of military service is a period of grace. The loan recipient then has five years in which to repay the loan.

The Loan Program has been functioning for several years. For the first time, scrutiny of the system for repayment of loans seems in order by the HESS Committee. I hope the attached materials will prove useful to you in such a study of the Loan Program and repayment system.

MB

SG/kb

SCHOLARSHIP LOAN PROGRAM

FY 1975

No figures available until the end of the fiscal year. Loans are constantly changing as students drop out during the year or change colleges. In the latter case, students must reapply for a loan.

Repayments

From the beginning of the Student Loan Program in 1968 to June 30, 1974, 10,379 separate payments have been made. One student may have received several payments. These payments represent a total of \$7,653,939.33.

Complete figures are not available regarding repayment of loans. Legislative Audit is now completing an internal audit of the loan program, and anticipates a full report before the end of the 1975 legislative session. They will be strongly recommending that a better record be kept of outstanding loans and corresponding repayments.

7/1/74 - 1/31/75

Principal	\$72,512.21
Interest	\$31,588.16

\$104,100.37 *

* 350 loan recipients have paid this amount.

TABLE I

1972-73 STUDENT LOANS

COLLEGE OR STATE OR REGION	GRADUATE STUDENT		UNDERGRADUATE STUDENT		COMBINED	
	NO.	\$	NO.	\$	NO.	\$
U of A - FAIRBANKS	31	67,725	437	537,020	468	604,745
U of A - ANCHORAGE	15	44,200	214	269,959	229	314,159
AMU	2	2,550	43	48,475	45	51,025
SJC	-	-	12	19,550	12	19,550
COMMUNITY COLLEGES	-	-	14	20,000	14	20,000
AK. BUSINESS COLLEGE	-	-	31	64,450	31	64,450
OTHER AK. SCHOOLS	-	-	10	11,950	10	11,950
WASHINGTON, STATE OF	27	98,900	252	403,887	279	502,787
OREGON, STATE OF	25	73,700	115	209,275	140	282,975
CALIFORNIA, STATE OF	11	40,600	56	92,270	67	132,870
HAWAII, STATE OF	2	5,800	18	26,775	20	32,575
MIDWEST REGION	25	90,000	60	100,450	85	190,450
ROCKY MOUNTAIN REGION	5	13,250	176	303,197	181	316,447
SOUTHWEST REGION	13	42,500	65	101,400	78	143,900
NORTHEAST REGION	12	43,850	34	60,675	46	104,525
SOUTHERN REGION	15	47,850	20	30,825	35	78,675
FOREIGN COUNTRIES	3	11,500	5	9,100	8	20,600
SUB-TOTAL - IN-STATE	48	114,475	761	971,404	809	1,085,879
SUB-TOTAL - OUT-OF-STATE	138	467,950	801	1,337,854	939	1,805,804
GRAND TOTAL	186	582,425	1562	2,309,258	1748	2,891,683
				APPROPRIATION		2,904,600

TABLE I

1973-74 STUDENT LOANS

COLLEGE/STATE/REGION	GRADUATE STUDENTS NUMBER	GRADUATE STUDENTS DOLLARS	UNDERGRADUATE STUDENTS NUMBER	UNDERGRADUATE STUDENTS DOLLARS	COMBINED GRAD/UNDERGRAD NUMBER	COMBINED GRAD/UNDERGRAD DOLLARS
U OF A - FAIRBANKS	19	37,725	312	438,377	331	476,102
U OF A - ANCHORAGE	16	60,420	202	356,955	218	417,375
ALASKA METHODIST UNIVERSITY	2	7,950	36	55,690	38	63,640
SHELDON JACKSON JUNIOR COLLEGE	-	---	5	5,550	5	5,550
OTHER COMMUNITY COLLEGES	-	---	15	14,030	15	14,030
ALASKA BUSINESS COLLEGE	-	---	8	19,690	8	19,690
OTHER ALASKA SCHOOLS	-	---	7	5,275	7	5,275
STATE OF WASHINGTON	36	102,525	227	375,484	263	478,009
STATE OF OREGON	26	68,050	150	236,072	176	304,122
STATE OF CALIFORNIA	21	67,805	72	117,816	93	185,621
STATE OF HAWAII	1	2,400	26	28,968	27	31,368
REGION - MIDWEST	25	73,800	65	103,229	90	177,029
REGION - ROCKY MOUNTAIN	11	31,590	185	313,508	196	345,098
REGION - SOUTHWEST	13	44,425	74	111,592	87	156,017
REGION - NORTHEAST	13	47,850	42	75,364	55	123,214
REGION - SOUTHERN	16	50,800	24	31,465	40	82,265
FOREIGN COUNTRIES	7	25,700	9	15,480	16	41,180
SUB-TOTAL IN-STATE	37	106,095	585	895,567	622	1,001,662
SUB-TOTAL OUT-OF-STATE	169	514,945	874	1,408,978	1043	1,923,923
GRAND TOTAL	206	621,040	1459	2,304,545	1665	2,925,585

1973-74 STUDENT LOANS

	\$	Number of Students	
APPROPRIATION	\$2,952,900	awards	1454
WAITING LIST	\$1,124,250	waiting	665

CANCELLED AND RE-AWARDED	\$755,200	awards	416
STILL ON WAITING LIST	\$369,050	waiting	249

STUDENTS NOT CURRENTLY RECEIVING LOANS

TO BE CONTACTED	750
PENDING REPAYMENT	400
STILL ATTENDING OR MILITARY	500
IN GRACE PERIOD	<u>375</u>
TOTAL	2025

ACTIVE REPAYMENTS	179
-------------------	-----

(WILL COLLECT ABOUT \$104,000 IN FY 73-74)

PAID IN FULL	37				
Principal	\$28,700.00	Interest	\$1,050.38	Total	\$29,750.38

DECEASED	14 (1969-74)	\$20,659.95 forgiven-	in-full
----------	--------------	-----------------------	---------

BANKRUPTCY	1	Total	\$1250.00
------------	---	-------	-----------

Table IV is a comparison chart for student loans for the years 1971-72 through 1973-74 with graduate and undergraduate students reported separately.

The table contains number of students, average dollar amount, percent of dollars, and percent of students in and out-of-state for the first three (3) years of the program.

It is quite apparent that the percent of students attending in-state has shown a decline while the out-of-state students show a steady climb. Obviously, the student loan program has given the Alaska students a wider choice in selection of a college by lessening the financial barrier. Also to be considered in this shifting is the likelihood that our publicity has been within Alaska primarily and upper class students may have been a bit slower in learning of the program than were their counterparts attending college within the state. The dramatic increase in the total of graduate students indicates that the loan program has opened the fiscal doors for graduate degree candidates. Of course in addition, we would expect graduate degree candidates to seek education out-of-state for the most part due to the limited offerings in-state. Economically, it is sounder to finance student attendance out-of-state than to try to duplicate programs in Alaska.

TABLE IV
COMPARISON CHART
STUDENT LOANS
1971-72 through 1973-74

YEAR	NUMBER UNDERGRADUATE STUDENTS		AVERAGE DOLLAR AMOUNT		PERCENT DOLLARS		PERCENT STUDENTS	
	IN-STATE	OUT-OF-STATE	IN-STATE	OUT-OF-STATE	IN-STATE	OUT-OF-STATE	IN-STATE	OUT-OF-STATE
1971-72	570	420	\$ 1194	\$ 1587	50.5	49.5	57.6	42.4
1972-73	761	801	1276	1670	42.1	57.9	48.7	51.3
1973-74	585	874	1531	1612	38.9	61.1	40.1	59.9

YEAR	NUMBER GRADUATE STUDENTS		AVERAGE DOLLAR AMOUNT		PERCENT DOLLARS		PERCENT STUDENTS	
	IN-STATE	OUT-OF-STATE	IN-STATE	OUT-OF-STATE	IN-STATE	OUT-OF-STATE	IN-STATE	OUT-OF-STATE
1971-72	31	60	\$ 2407	\$ 3028	29.1	70.9	34.1	65.9
1972-73	48	138	2385	3391	19.7	80.3	25.8	74.2
1973-74	37	169	2867	3047	17.1	82.9	18.0	82.0

-- PROGRAM ACCOMPLISHMENT PLAN 1973-74

MEASURE	PRIOR YEAR 74		74-75 CURRENT YEAR PLAN (CY)	MAINTENANCE	REQUEST	EXPLANATION
	PLAN	ACTUAL				
1. <u>STUDENT LOANS</u>						
(a) number of loan awards	1700	1986*	2200	2450		* does not include waiting list
(b) average amount of award	\$1800.	\$1856.	\$1400	\$1950		** with 30% reduction to reach all eligibl
2. <u>TUITION GRANTS</u>						
(a) number of tuition grants awarded	900	962	800*	850		* reduction due to fewer part-time students
3. <u>REPAYMENT OF LOANS</u>	\$84.8	\$114.6	\$216.4	\$308.5		

SCHOLARSHIP LOAN PRINCIPAL (REPAYMENTS)

Fiscal Year 1974

Actual: 89,178,000

FISCAL YEAR	BUDGET ESTIMATE
1975	\$168,800
1976	\$240,600
1977	\$428,300
1978	\$634,500
1979	\$841,800
1980	\$990,800

SCHOLARSHIP LOAN INTEREST (REPAYMENTS)

Fiscal Year 1974 Actual: \$25,479,000

FISCAL YEAR	BUDGET ESTIMATE
1975	\$47,600
1976	\$67,800
1977	\$120,800
1978	\$179,000
1979	\$237,400
1980	\$279,500

ASSUMPTIONS

1. Amount available for student loans increases at 5% per year
2. 70% of students remain in Alaska and 40% is forgiven
3. 30% leave Alaska and repay 100%
4. 5% simple interest
5. 5% default rate
6. Estimate drop-outs at 20% between freshman and sophomore years; 10% between sophomore and junior years; 5% between junior and senior years; and 5% between senior and graduate years

ANALYSIS OF MAINTENANCE

ITEM	AMOUNT	FUNDING SOURCE		EXPLANATION
<p>A. SCHOLARSHIP LOAN PROGRAM</p> <p>Fiscal Year 1975 Authorized <u>\$3,322,000</u></p> <p>Fiscal Year 1976 Budget Request ----- \$4,334,200</p>		<p>General Fund Program Receipts</p> <p>General Fund Program Receipts</p>	<p>\$3,105,600 \$216,400</p> <p>\$4,025,700 \$308,500</p>	<p>Loan repayment</p> <p>Reflects increase in number of students and rising educational costs; an increase of \$1,012,200</p>
<p>B. ADMINISTRATION</p> <p>Adjusted Fiscal Year 1975 Authorization <u>\$139,400</u></p> <p>Increased Costs \$16,300</p> <p>Increased Costs \$155,700</p> <p>Increased Costs \$37,400</p>		<p>General Fund</p> <p>General Fund</p> <p>General Fund</p> <p>General Fund</p>		<p>Personal services</p> <p>Reflects need for larger staff as repayment volume is increasing plus the student loan and tuition grant programs are growing.</p>
<p>FISCAL YEAR 1976 MAINTENANCE LEVEL ----- \$193,100</p>		<p>Personal services \$26,300 (2 new positions plus merit increase)</p> <p>Travel \$700</p> <p>Contractual services \$11,100</p> <p>Commodities \$1,300</p> <p>Equipment ----- (\$2,000)</p>		<p>\$37,400</p>