

SB

130



SB 130

By: Rodney Hackney  
& Adkett  
CSSB No

S.H.E.S.S. 79-80  
"Can let establishing incentive  
for students to attend colleges  
and universities in Ak. and  
provide incentive."

Introduced 2-12-79

Logged 2-12-79

Referrals Finance

Comm. meeting 3-14-79 - Passed CS

" action passed CS taken private party @ 9:30 AM 3-15-79

Telegram from Foster District  
stating position of U of AK.

Notified Spomer  
" U of AK. @ JUNEAU

Kerry Fontana

4-2-79 - sent telegram to Ron  
representing  
Hessinger

3/12/79

SB 130

(Sen. Ferguson, chairing meeting)

Sen. Rodey. Mr. Romesburg has some proposed amendments for this bill. The bill is very simple, it basically allows those students who go to school in Alaska to receive a quicker forgiveness, as members of the committee are aware, under the student scholarship loan program there is a forgiveness for 4 years and this allows those people who go to school in Alaska to receive 3 years of that forgiveness while they are going to school.

There are several benefits of this. First of all, the direct benefit to Alaskans who go to school in Alaska. Secondly, because the average loan for undergraduate students attending school in Alaska is lower than the average, there would be a benefit to them in that additional way and would hopefully provide for more loans in the future. Third, the benefit to the economy, particularly Anchorage and Fairbanks where we have most of our students centered.

I am very familiar with the Alaska Student Loan program and would be happy to answer any questions. This bill would, very simply, give an additional advantage to students in Alaska, Alaskan's going to school in Alaska without penalizing in any way those people who go outside to school. I realize it is necessary to go outside.

Sen. Sturgulewski. We are subsidizing by a great deal of dollars per student to keep our young people who go through education here is a very costly process. What do you feel again, if you could give me some of your benefits, what is the major thing that you see accruing to having those students stay? From what I understand an awful lot of kids go outside as my son and many others do simply because they want that experience, they come back and will be perhaps even better Alaskans after an education outside. Why encourage the keeping of the students here. Why not let them go where they can get excellence in whatever program they want?

Sen. Rodey. There are several reasons. First off, many students go outside, when I was in school, because it was cheaper in many ways. This would hopefully give us parity, whether you are a businessman or a working person in Alaska, we all know that it cost more to live here. This is a very indirect way of acknowledging that problem.

Sen. Fahrerkamp. In many areas of the University we are subsidizing and working in every way we can to try and improve the education that is available for the students within the state. This type of encouragement will help us to reach further along toward our goals of excellence within the courses offered here. More students we have available, the better our changes are of securing and having more excellent programs.

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Sen. Rodey. In response to Sen. Sturgulewski's earlier concern, education is subsidized regardless of what level and how we might have it, but society has determined, particularly in Alaska, that ability to have college level courses in a state university are absolutely essential to the wellbeing of the state. We are paying that subsidy as every other state is and I think it is a worthwhile one and a decision that was made by the public many years ago.

Sen. Sturgulewski. The more successful we are, the more expensive it is. I happen to believe in education and will be interested in Dr. Romesburg's comments.

Kerry Romesburg. I was asked to give a fiscal note on it and we haven't given one on the bill as it stands because we really don't know what kind of fiscal impact it would have. To determine fiscal impact we would have to determine how many students would be graduating from Alaskan institutions that would be not remaining here because if they stayed here there is no fiscal impact at all. They would get the same cancellation benefits from working and living in Alaska, it would just take them longer to get it, 5 years as opposed to having it upon graduation. So, assuming they stay here there is no impact. Some, undoubtedly go out after they graduate and do not return and I have no idea of the numbers so we really can't tell what kind of impact it would have fiscally.

This merely is to provide the incentive for them to attend in-state and it really is a compromise that's come out of a few years of this. Discussed past bills.

We have available the ability to get in on a program. There are a couple of things in your packet, "Guaranteed Student Loan Program". This program has been around for some time, in fact it was part of the 1965 higher education act. It provides funds for students to go to college under a federal subsidy. It is really an insurance program. What it is, the federal government insures a loan and says that if a bank or non-profit state or other agency makes a loan to a student for educational purposes, the federal government will underwrite it, will guarantee that that loan will be paid back. We have not participated in the program as far as the state goes. We have participated in the private sector for some years and our agency handles that.

In November of this year Congress made a change in this program which enables us to get into it now. What they did is in the past they had a parental income restriction, now they've removed it. Before they would pay interest only for a person who had a salary of less than \$25,000. That's gone now. There are no income restrictions. So now we can participate in the program. Went over figures on the sheet.

This requires a number of amendments and in your packet is a 3-page sheet of amendments to SB 130. I would like to apologize for the fact that we have to do it by this mechanism. I understand that the Senate has taken a position that they will take not new bills and so now we are going the amendment route

31  
instead of trying a separate bill.

Sen. Rodey. I am in agreement with these amendments and I think that Mr. Romesburg is to be congratulated for finding a way to save the state money and provide additional educational opportunities for Alaskan students and I will be more than happy to help carry this on the floor. I think it is a very desirable part of the bill.

Kerry Romesburg. A number of the amendments are really just housekeeping kinds of things. The principal change is the one labeled section 4 which makes loans interest bearing while a student is enrolled. The reason for that is not even the federal government will pay us interest if our law says we are not charging any. So we are going to charge them interest. The truth is the student won't pay any. If the federal government doesn't pay it, the state will waive it and pay it for them anyway.

Everybody who applies will be eligible, yes. But they may not be able to get 100% of their loan insured by the federal government. The remainder, for instance if we were to award a student \$3,000, \$2,500 would be insured by the federal government, \$500 by us. While they are in school, interest would accrue on all of that. The federal government would pay us, the State of Alaska, the interest on the \$2,500. We, the State of Alaska, would pay on behalf of the student the \$500, we would waive it. So, for the student there is no change. But for us it amounts to a lot of money.

Right now we say that payments begin within a year after they graduate and the federal language says 'shall begin no earlier than 9 nor later than 1 year. So we are changing that to get the no earlier than the nine months in and the fact that it has to be paid in not less than 5 nor more than 10 years. However, if they can accelerate their payments and receive benefits of that kind.

Then we have the deferments. The military deferment that we currently have for 3 years the in the Peace Corps, which we do not currently have. We have it only if it is required alternate service. The 3 years in the domestic volunteer service which is the VISTA program and the real new one which we haven't ever had before is the unemployment one. If a person simply cannot find a job and they are seeking unemployment and are registered as seeking unemployment we can waive payments for up to 12 months. The interest is paid by the federal government at that time. It is a one-time only during the life of the loan.

The remainder is mostly housekeeping.

One the fiscal note, these are our estimates. The first year that we would receive benefit would be not 80 but 81 when we actually receive payment. We would receive 300,000 from the federal government in the way of interest payments that would

4.  
come into the program. Not only with this program pay interest, but they will also pay an administrative cost allowance for the agency handling these loans -- 1% of the amount. So, we will get \$50,000 and 10,000 under contractual. So the first year we can get \$360,000 in income from the federal government and will reduce the general fund by that amount.

The way this looks to me, over the next 4 years we will have about \$1.6 for the State of Alaska without any appreciable change in the program whatsoever.

What happens if the federal program dries up? The State of Alaska reverts to the program we've always had.

Sen. Ferguson. I am ready for a motion, I would think it would be better to create a CS by this committee.

Sen. Fahrenkamp. I would move that this committee enter a CS for SB 130 to include amendments proposed to SB 130.

Sen. Ferguson. No objections? So ordered? The title should be changed.

Sen. Sturgulewski. I move that we pass out of committee CSSB 130 with individual recommendations. No obs so ordered.



# SHELDON JACKSON COLLEGE

P. O. BOX 479  
SITKA, ALASKA 99835

March 25, 1979

The Honorable Glenn Hackney  
Chairperson, Senate Health, Education  
and Social Services Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator Hackney:

*File*

Pleased be advised that Sheldon Jackson College endorses the intent and the substance of Senate Bill 1130 that establishes an additional incentive in the Student Scholarship Loan Program for students to attend colleges and universities in Alaska.

Thank you for your consideration and best wishes at this busy legislative season.

Sincerely,

*Hugh H. Holloway*

Hugh H. Holloway, Ph.D.  
President

cc: Rep. Eliason  
Senator Meland



UNIVERSITY OF ALASKA  
FAIRBANKS, ALASKA 99701

March 8, 1979

The Honorable Glenn Hackney  
Chairperson, Senate Health, Education  
and Social Services Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator Hackney:

I want you and other members of your committee to know that the University of Alaska strongly endorses both the intent and substance of Senate Bill 130, establishing an additional incentive in the Student Scholarship Loan Program for students to attend colleges and universities in Alaska.

This legislation--also favored by the Alaska Student Lobby--has particular merit because it is not coercive, would not force students to attend institutions of higher learning within the state, and yet it would very substantially benefit those students who want to study and make their homes in Alaska. Current law provides an incentive to students to live and work in Alaska following completion of their education by converting to a grant up to 40 percent of their loans, based upon length of residence and employment in the state. To also allow time spent at an Alaskan college or university to be taken into account for this incentive would seem to be a move to strengthen the basic objective of the loan act.

As you are well aware, a majority of those students receiving state scholarship loans are attending colleges and universities outside Alaska. While many of these students undoubtedly desired to attend particular institutions beyond Alaska, for one reason or another, there could very well be among them a number who might have chosen to pursue their education in Alaska were an incentive such as that proposed in SB 130 available to them.

I have heard no adverse comments on SB 130 and would, again, commend it highly as a means of increasing that body of trained and educated persons who are contributing so substantially to Alaska's general well-being and progress. The legislation will also, I believe, materially strengthen Alaskan colleges and universities, public and private, and thereby provide yet another incentive for students to remain in the state.

Sincerely,

Foster F. Diebold  
President

FFD/bkd  
cc: Members, Senate HESS Comm.

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH F - STATE OFFICE BUILDING  
JUNEAU, ALASKA 99811  
(907) 465-2855

### M E M O R A N D U M

TO: The Honorable Glenn Hackney  
Alaska State Senate

FROM: Kerry D. Romesburg, Executive Director  
Alaska Commission on Postsecondary Education

SUBJECT: SB 130

DATE: March 16, 1979

An example: If a student wishes a loan to attend Alaska Bible College, they would still receive a loan under the state loan program. The difference being that their loan would not be federally guaranteed. Rather, it would be state "guaranteed"; that is, it would be handled the same as it is currently.

There would be no attendance restrictions which do not currently exist.

AMENDMENTS TO

SB 130

PURPOSE OF AMENDMENTS.

The State of Alaska, through the state scholarship loan program, is eligible to become a lender under the Guaranteed Student Loan Program as provided for under Title IV, Part B of the Higher Education Act of 1965, as amended. This program would provide certain benefits to the State and to the State loan program which otherwise would be unavailable. To enable this participation, the following amendments must be made to the scholarship loan program.

Section 3. AS 14.40.763(b) is amended to read:

- (b) The loans may only be used to attend a career education program [APPROVED BY THE COMMISSION] or a college or university [ACCREDITED BY THE ACCREDITATION ASSOCIATION FOR THE REGION IN WHICH THE COLLEGE OR UNIVERSITY IS LOCATED] approved by the commission, and if the loans are federally insured, by the U.S. Commissioner of Education.

Section 4. AS 14.40.763(e) is amended to read:

- (e) Loans are [NON-INTEREST] interest bearing while a student is enrolled under (c) of this section or is receiving a deferment of payments under (k) of this section however, a student shall be entitled to have paid on his behalf and for his account a portion of the interest in accordance with (m) of this section.

Section 5. AS 14.40.763(g) is replaced by:

- (g) Loan repayment of the principal amount together with interest thereon, in periodic installments, shall begin no earlier than nine months nor later than one year after the student terminates his studies and shall provide for repayment of the total amount owed in not less than five nor more than ten years from the commencement of repayment, and not more than fifteen years from the date of execution of the original promissory note evidencing the disbursement of the loan, except as provided for in (k) and (e) of this section.

Section 6. AS 14.40.763(k) is replaced by:

- (k) Periodic installments of principal shall be deferred, but interest shall accrue and be paid unless the borrower is eligible for interest payment benefits under (m) of this section, during any of the following:
1. return to student status as provided in (c) of this section;

2. serving on active duty as a member of the Armed Forces of the United States;
3. serving, for up to three years, as a volunteer under the Peace Corps Act;
4. serving, for up to three years, as a full-time volunteer under the Domestic Volunteer Service Act of 1973;
5. for a one-time, up to twelve months, period in which the borrower is seeking and unable to find employment in the United States; or
6. if borrower becomes disabled, 50 percent or greater, as certified by competent medical authority.

Section 7. AS 14.40.763 is amended by adding a new section which reads:

- (e) In case of hardship, the committee may, in up to six month increments, extend repayment of a loan for an additional period of up to five years, within the fifteen year requirement of (g) of this section.

Section 8. AS 14.40.763 is amended by adding a new section which reads:

- (m) a borrower is eligible for payment on his behalf by the U.S. Commissioner of Education, a portion of the interest on that portion of his loan which is federally insured, and by the State of Alaska, a portion of the interest on that portion of his loan which is not federally insured during
  1. that period prior to the beginning of the repayment period of that loan
  2. deferments as provided for under (k) of this section except
    - (i) when military service under (k)(2) exceeds three years, and,
    - (ii) when disability under (k)(6) is 50 percent or greater, but less than total

in which case, the State of Alaska will pay on behalf of the borrower the interest on all loan amounts.

Section 9. AS 14.40.763(j) is amended to read:

- (j) A portion of a loan shall be [CONSIDERED A GRANT] paid on behalf of the borrower by the State of Alaska, if, upon completion of the course of study for which the loan was granted, the [GRANTEE] borrower spends at least two years employed in the state. The portion of the loan which shall be [REGARDED AS A GRANT] paid by the State shall be the following percentages of the total loan received plus [ACCRUED] interest:

1.	two-three years residency		10 per cent
2.	three-four years residency	[20]	<u>10</u> per cent
3.	four-five years residency	[30]	<u>10</u> per cent
4.	over five years residency	[40]	<u>10</u> per cent

for a total of 40 per cent.

Section 10. AS 14.40.806 is amended by adding a new definition, and renumbering as required, that reads:

- (2) "federally insured" means a loan covered by the provisions of the Guaranteed Student Loan Program of Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329), as amended.

*gives those students a quicker  
forgiveness for those who  
attend at school*

Introduced: 2/12/79  
Referred: Health, Education  
& Social Services and  
Finance

1 IN THE SENATE BY RODEY, HACKNEY AND SACKE.

2 SENATE BILL NO. 130  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing incentives for students to attend  
7 colleges and universities in Alaska; and providing for  
8 an effective date." *enable Al loan to  
become a guaranteed loan  
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9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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- 11 (1) there are no incentives in the student loan program for resi-
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  - 13 with colleges and universities outside Alaska;
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  - 15 all undergraduate student loans and 92.9 per cent of graduate student loans
  - 16 go to students attending colleges and universities outside Alaska;
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  - 20 average loan for graduate students is the lowest in the West;
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  - 23 (5) it would be an aid to the Alaskan economy if the funds in the
  - 24 student loan program were spent for education in Alaskan colleges and univer-
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4. 4. serving, for up to three years, as a full-time volunteer under the Domestic Volunteer Service Act of 1973;
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ALASKA STUDENT LOAN PROGRAM

1978-79

A. Financial Status:

Actual Balance of Revolving Fund 6-30-78	\$ 2,690.2
79 Appropriation	3,600.0
Total Available	\$ 6,290.2
78-79 Loans Awarded as Per Authorization	(5,000.0)
Balance	\$ 1,290.2
78-79 Loans Awarded - Additional	(900.0)
Balance	\$ 390.2
Anticipated Collections thru 6-30-79	1,440.0
Projected Balance FY 80	\$ 1,830.2

B. FY 80 Budget (Original Request):

	Cont.	Add.	Total
General Fund	\$4,420.0	\$1,227.0	\$5,647.0
Revolving Fund	1,400.0	453.0	1,853.0
Total	\$5,820.0	\$1,680.0	\$7,500.0

C. Loan Awards:

	Undergrad.	Graduate	Total
77-78 Actual	1,985	280	2,265
78-79 Present (8-27-78)	2,328	345	2,673
78-79 Pending (11-17-78)	N.A.	N.A.	513

D. Descriptive Information:

1. Average award	77-78	\$2,033
	78-79	2,207

2. Undergrad./Grad. Ratio

	Undergrad.	Graduate
77-78	87.6%	12.4%
78-79 (8-27-78)	87.1	12.9

3. Attendance In-State/Out-of-State:

	Undergraduate		Graduate		Total	
	In-State	Out	In-State	Out	In-State	Out
77-78	35.9%	64.1%	9.6%	90.4%	32.7%	67.3%
78-79	31.9	69.1	16.5	83.5	29.0	71.0

E. Observations:

- The huge increase in applications this year is an across-the-board increase occurring at both the undergraduate and graduate levels.
- The increasing cost of attending a postsecondary educational institution, as well as the increased undergraduate loan maximum (from \$2,500 to \$5,000) is reflected in an 8.6% increase in the average loan award.
- The number of persons remaining in school is increasing, as is the number of new applicants. This is probably, in part, a reflection of the post-pipeline economy of the State.
- The FY 80 budget request is most likely underestimated. Funding for the current year could require as much as \$7.3 million, if all applicants were to receive funds. If \$7.3 million is used for 1977-78, 78-79 could require about \$8.2 million. This is based upon 3,400 applicants at an average loan award of \$2,400.

F. Alternate Actions:

AS 14.40.751. "There is created a scholarship revolving loan fund. . . . All repayments of principal and interest on scholarship loans shall be paid into the scholarship revolving loan fund and shall be used to make new scholarship loans. If estimated funds available from scholarship loan repayments are inadequate to fully fund estimated scholarship loans for any fiscal year, additional funding from the General Fund may be requested and appropriated for that year."

1.(a) We have mailed letters to all pending applicants informing them of the difficulty. We told them we will fund them if funds become available, and then maybe only for the second half of the academic year. We could continue in this manner, seek a supplemental budget appropriation when the Legislature convenes, and act accordingly.

(b) If we do this, it means that 515 applicants get nothing for first semester. It means some of these, plus new additional applicants attending a school on a quarter-term would get nothing for the first and possibly second quarter. If the supplemental passes, and if it survives veto possibilities, some students would receive funds. Based upon a 50% estimate, this would require about \$700 thousand and mean an 78-79 outlay of \$6.6 million. It also means we would have the projected \$1.8 million in the revolving fund for our FY 80 match.

2.(a) We could fund all applications out of the revolving fund. We could then ask the Legislature for a supplemental to reimburse the revolving account and thereby produce the FY 80 match. Or, we could go into FY 80 with little or no match (an estimated \$400 thousand would be left).

(b) The initial budget recommendations for FY 80 call for us to deplete the revolving fund next year in exactly the manner suggested here. The reason for this is to minimize the General Fund requirement. If we deplete the revolving fund this year and rely on total General Fund support for next year, we could face a difficult time -- if not in the Legislature, then surviving veto provisions. If funds are not forthcoming in FY 80, we would confront denying continued funding to as many as 1,500 students.

3. With either of the above alternatives, or any others, a number of changes could be suggested to reduce the loan volume. These include:

- a. increasing the interest rate
- b. removing the cancellation provisions
- c. increasing the residency requirements, or giving preference to those with longer residency
- d. making the loan program more "need" based in the Federal loan sense, i.e., restrictions on parental income, personal income, etc.
- e. restricting the loans to certain programs, states, levels.

"Our Copy"

Introduced: 2/12/79  
Referred: Health, Education  
& Social Services and  
Finance

1 IN THE SENATE

BY RODEY, HACKNEY AND SACKETT

2 SENATE BILL NO. 130

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THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 130 (as amended)  
 Title \_\_\_\_\_  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Education (Alaska Commission on Postsecondary Education)  
 Program Category Affected Education  
 BRU, Program, or Subprogram(s) Affected Student Scholarship Loan Program  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES			50.0	57.0	63.0	69.0
200 TRAVEL						
300 CONTRACTUAL			10.0	11.0	12.0	13.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	0	0	300.0	340.0	374.0	411.0
TOTAL	0	0	300.0	408.0	449.0	493.0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	(360.0)	(408.0)	(449.0)	(493.0)
FEDERAL FUNDS	0	0	360.0	408.0	449.0	493.0
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

FY 82, 83, 84 is based roughly upon a 10% annual increase in loan volumes.

IV. DATE March 12, 1979

PREPARED BY [Signature]  
 AGENCY Commission on Postsecondary Education  
 PHONE 465-2954

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

## GUARANTEED STUDENT LOAN PROGRAM

The Guaranteed Student Loan Program (GSL) was originally enacted under Title IV, Part B of the Higher Education Act of 1965. The purpose is to: encourage State and private non-profit agencies to establish adequate loan insurance programs for students in eligible institutions; provide a Federal program of student loan insurance for students not having reasonable access to a state or private non-profit student loan program (FISL); and pay Federal interest subsidy on loans made under these programs as well as on loans made under direct state loan programs.

Under this program students may borrow up to \$2,500 as an undergraduate and up to \$5,000 as a graduate student per year. Repayment is to include a maximum of 7% interest on the loans.

While a student is enrolled in school or under the following deferments:

1. return to full-time student status,
2. active duty in Armed Forces (up to 3 years),
3. service in the Peace Corps or VISTA (up to 3 years),
4. seeking and unable to secure employment (up to 12 months), and
5. totally disabled

the federal program will pay, on behalf of the student borrower, the interest on the loan(s).

If a borrower defaults, files bankruptcy, or dies, the holder of the note is reimbursed the entire amount due, interest and principal. That is, the federal program "guarantees" the payment of the loan.

The program also provides for additional payments if defaulted loans are pursued and collected and annual administrative cost allowances. The administrative cost allowances are based upon loan volume for the preceding year.

*1% of amount*

STATEMENT

*Rec'd  
3-12-79  
10:10 AM*

TO: SEN. HACKNEY

FROM: FOSTER F. DIEBOLD, PRESIDENT, UNIVERSITY OF ALASKA, FBKS., AK 99701

I WANT YOU AND OTHER MEMBERS OF YOUR COMMITTEE TO KNOW THAT THE UNIVERSITY OF ALASKA STRONGLY ENDORSES BOTH THE INTENT AND SUBSTANCE OF SB 130, ESTABLISHING AN ADDITIONAL INCENTIVE IN THE STUDENT SCHOLARSHIP LOAN PROGRAM FOR STUDENTS TO ATTEND COLLEGES AND UNIVERSITIES IN ALASKA.

THIS LEGISLATION—ALSO FAVORED BY THE ALASKA STUDENT LOBBY—HAS PARTICULAR MERIT BECAUSE IT IS NOT COERCIVE, WOULD NOT FORCE STUDENTS TO ATTEND INSTITUTIONS OF HIGHER LEARNING WITHIN THE STATE, AND YET IT WOULD VERY SUBSTANTIALLY BENEFIT THOSE STUDENTS WHO WANT TO STUDY AND MAKE THEIR HOMES IN ALASKA. CURRENT LAW PROVIDES AN INCENTIVE TO STUDENTS TO LIVE AND WORK IN ALASKA FOLLOWING COMPLETION OF THEIR EDUCATION BY CONVERTING TO A GRANT UP TO 40 PERCENT OF THEIR LOANS, BASED UPON LENGTH OF RESIDENCE AND EMPLOYMENT IN THE STATE. TO ALSO ALLOW TIME SPENT AT AN ALASKAN COLLEGE OR UNIVERSITY TO BE TAKEN INTO ACCOUNT FOR THIS INCENTIVE WOULD SEEM TO BE A MOVE TO STRENGTHEN THE BASIC OBJECTIVE OF THE LOAN ACT.

\*\*\*\*\*THIS MESSAGE TO BE CONTINUED\*\*\*\*\* EOM

LA21 2395 15.55 JA01 0071 15.55 03/09/79

CONTINUATION OF MESSAGE TO SEN. HACKNEY FROM FOSTER DIEBOLD

AS YOU ARE WELL AWARE, A MAJORITY OF THOSE STUDENTS RECEIVING STATE SCHOLARSHIP LOANS ARE ATTENDING COLLEGES AND UNIVERSITIES OUTSIDE ALASKA. WHILE MANY OF THESE STUDENTS UNDOUBTEDLY DESIRED TO ATTEND PARTICULAR INSTITUTIONS BEYOND ALASKA, FOR ONE REASON OR ANOTHER, THERE COULD VERY WELL BE AMONG THEM A NUMBER WHO MIGHT HAVE CHOSEN TO PURSUE THEIR EDUCATION IN ALASKA WERE AN INCENTIVE SUCH AS THAT PROPOSED IN SB 130 AVAILABLE TO THEM.

I HAVE HEARD NO ADVERSE COMMENTS ON SB 130 AND WOULD, AGAIN, COMMENT IT HIGHLY AS A MEANS OF INCREASING THAT BODY OF TRAINED AND EDUCATED PERSONS WHO ARE CONTRIBUTING SO SUBSTANTIALLY TO ALASKA'S GENERAL WELL-BEING AND PROGRESS. THE LEGISLATION WILL ALSO, I BELIEVE, MATERIALLY STRENGTHEN ALASKAN COLLEGES AND UNIVERSITIES, PUBLIC AND PRIVATE, AND THEREBY PROVIDE YET ANOTHER INCENTIVE FOR STUDENTS TO REMAIN IN THE STATE.

FBKS L10/AW/EOM

FACT SHEET ON SB 130: "An act establishing incentives for students to attend colleges and universities in Alaska; and providing for an effective date."

Purpose: This bill would amend AS 14.40.763, changing the Alaska Student Loan Program by establishing financial incentives for Alaskan students to pursue their postsecondary education in-state. It does not punish, in any way, those students who nonetheless choose to go "outside" for their college education. For those persons, the loan program remains exactly the same.

Introduction: Established by the 1971 Legislature, the Alaska Student Loan Program provides low-cost educational loans to Alaskan students enrolled in undergraduate, graduate or career degree programs. In the seven years of operation, from 1971-72 through 1977-78, nearly 12,000 loans have been awarded to Alaskans pursuing education at the postsecondary level. These loans account for a combined total of over \$21 million in state financial assistance.

Loan amount ceilings have been \$2,500 and \$5,000 respectively for undergraduate and graduate students, though the maximum loan limit for undergraduate study was raised to \$3,000 by the 1978 Legislature. These need-based loans offer the recipient a ten-year repayment period at an annual interest rate of five percent. The student may use the state loan to attend any accredited college or university in the nation, or to attend approved vocational-technical education programs. An incentive, in the form of up to 40 percent cancellation, is offered to those individuals who work in Alaska after completion of their programs of studies.

Objectives: This bill, without changing the existant provision relating to the 40 percent cancellation, would also tie that provision to attendance at a college, university or voc-tech program in Alaska so that the student would enjoy a 10 percent cancellation after two years of attendance in-state, 20 percent after three years, 30 percent after four years, and the maximum cancellation of 40 percent after either five years of attendance or residence.

The benefits of this bill are primarily threefold:

1) Alaskans going to school in Alaska would receive direct financial benefit - without causing any reduction in benefits to those who still choose to go outside for their education;

2) because the amount of the average loan to undergraduate students attending colleges and universities in Alaska is lower than the average of similar loans in all but one of the 10 western states and the amount of the average loan for graduate students is the lowest in the West, the funds spent on educational loans would go further if a greater percentage of those funds were spent in-state (at present, 64.9 percent of all undergraduate student loans and 92.9 percent of graduate student loans go to students attending colleges and universities outside Alaska);

3) in addition to the point made above, that more students could receive loans without an increase in allocation of funds if more loans were made to students in-state, the Alaskan economy would also benefit from a greater expenditure of funds in-state.

Other Considerations:

Loan awards for FY 1979 have increased by approximately \$2.2 million over the total of \$4.6 million spent in FY 1978. That huge increase was due to three factors:

- \* increase in applications;
- \* increase in cost of education;
- \* increase in maximum undergraduate loan ceiling from \$2,500 to \$3,000.

There is another bill being considered by the Legislature this year, SB 10 by Sumner and Ferguson, which would make a special appropriation for FY 1980 of \$7.5 million (\$5.6 million General Fund), and for FY 1981 of \$8 million (\$5.9 million General Fund) to the student scholarship loan program. That bill has already passed out of Senate HESS and is presently before Senate Finance. Its significance rests in the fact that it would mandate a two-year appropriation so that loans could still be awarded in the spring of '80 for the '81 school year.

In addition, Kerry Romesburg, executive director of the Postsecondary Education Commission, has indicated that he will attempt to add several amendments to SB 130 when it comes before Senate HESS Committee. The effect of those amendments will be to enable the State Scholarship Loan Program to participate in the Federal Guaranteed Student Loan Program. The purpose of that is to take advantage of several of the provisions of the federal program which will, without increasing the costs to either the student or the state, make available a significant amount of federal money (possibly \$300,000) to add to the state funds for the program.

Prepared by Jim Kelly, Admin. Ass't.  
Senator Pa Rodey