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Testimony
Alaska Student Loan Program / SSBH 32 - SSBH 42
by
Bill Zybach, Director of the Alaska Statewide Student Assoc.
before the
House HESS Committee
Feb. 18, 1981

Good Afternoon. Let me introduce myself and explain who I represent. My name is Bill Zybach, I am a full time student at the University of Alaska and am currently enrolled at UAJ. I am the Director of the Alaska Statewide Student Association. The Association represents the interests of students in post-secondary education institutions in Alaska. I have just concluded statewide telephone conferences with the representatives of our members schools and would like to present to you our united positions on these bills and the Student Loan Program.

Regarding SSBH 42, I would like to reiterate the earlier testimony of Representative Bucholdt's legislative aid, Lou Ann Culter. The students we represent are in favor of coupling academic excellence to the forgiveness clause of the state loan program.

Default On The State Loan* In relation to SSBH 42, we support the recommended changes concerning notification of students in default. SO we suggest that the forgiveness provisions of the program not be extended to those students who abuse the program through default. However, the idea suggested to give the barrower a second chance to return to a good paying status seems fair.

Increasing The Level Of State Loans We support provisions of SSBH 32 to increase the amount of the loans to \$6,000 and \$8,500 respectively for undergraduates and graduates. The reasons outlined in my testimony on SB 120 (which I have distributed) as well as the testimony and information you have received from Rep. Gardiner and Kerry Romesburg, clearly delineate the need for the increase. Let me stress, however, that the levels quoted are in reference to single students, not married, and to those who live on campuses where housing is provided. A great number of students are married and are not in student housing, both factors which increase the cost of education to them.

Extending the Period for Loan Participation Regarding the period for which the loans may be extended, we agree that it should be extended from the current six years to eight. Again, the reasons have been outlined. We would like to see the provision dealing specifically with the number of years of graduate work which is suggested in SSBH32 changed from five to six years if that clause is necessary. Such a change would allow those students who have sought two graduate degrees to pursue them under the state loan program, e.g., a student may take a Masters in Business Administration prior to entering Law School, or a student seeking entrance into a medical doctor's program may take an advanced degree in Biology in order to become a more attractive applicant.

Graduated Repayment Of Loan We strongly advocate a graduated repayment program for the student loan, one which acknowledges the increasing earning / income potential of students after receiving their degrees and participating in the job market over time. Often, when a student is just out of college, his earning ability is relatively low compared to his earning potential five or ten years later. We believe this must be recognized in the repayment schedule of the loan. It is much more realistic and better fiscal management, as many bankers have realized, to have graduated repayment which better suits the economic ability of the barrower and thus reducing the complications of collection and default. The payment schedule should start out at a low level and balloon towards the end of the period of loan repayment.

Increasing Incentives To Return To Alaska After Graduation** Recognizing the ever increasing costs of an education and the continuing need for education as an investment in the states human resources, we would like to suggest that the forgiveness for the loan be increased from the current 40 percent to 60 percent. The additional 20 percent, we suggest should be distributed over the current formula in 5 percent increments. This would increase the incentives for students to return and contribute to the state and also keep their indebtedness at a reasonable level.

Incentives to Attend In-State Institutions*** We believe that there should be incentives to induce residents to attend in-state educational institutions. We contend that state citizens have valuable contributions to make while attending school, and these benefits can only be realized if the students remain in the state. The state gains economically and socially from its citizens who participate in Higher Education in Alaska. To encourage this, we suggest that a maximum of 10 percent of the State Loan be forgiven for attendance in Alaska. We suggest that it be administered on the basis of forgiving 2.5 percent per year for up to four years.

Encouragement Of Academic Excellence**** Despite the controversy which may surround a definition of quality education or a standard of academic excellence, we believe that there is great value in attempting to promote excellence in all that we do, especially in higher education. Therefore, we suggest that students who graduate with honors from post-secondary institutions be given a 10 percent reduction in their loan. Rather than debating the issue of how excellence is defined, "graduating with honors" and other such value judgements should be determined by the institution.

Default Rate I would like to bring to the committee's attention the excellent collection rate and payment rate which this program has. The default rate is 11 percent in Federally defined dollar terms, or 14 percent in terms of people. This rate, I am lead to believe from the Post-Secondary Education Commission, is lower than the federal rate of almost 28 percent on their state loans, and one of the best payment rates in the nation. The Alaskan Student's taking out the Loans are responsible and are, relatively speaking, out "repaying" their loans in comparison to students in other states.

Bankruptcy We believe that students should be responsible for paying back the loans they secure from the state. This is the best state loan program in the nation and we respect that fact, and do not believe that students will jeopardize the program by abusing bankruptcy. We believe that the loan should not be discharged due to bankruptcy except in hardship cases. This may be a moot point anyway due to the information I received from the Attorney General's Office. I was informed that bankruptcy was a federal act and that the student loans fell under section seven of that act. The act provides that students are not released from repaying their loans in a case of bankruptcy if the loan came from a government agency.

Attached are changes to the State Loan Program which are not mentioned in SSHB 32 or SSHB 42:

Alaska Statewide Student Assoc. (cont.)

Suggested Changes to the Alaska Student Loan Program which were not discussed in SSHB 32 / SSHB 42 / SB 120.

1. Amend AS 14.40.763 to add (p):
 - (p) Portions of the loan shall be paid by the state under sections (j), (n), or (o), only if the barrower has not defaulted on the loan. Default under this section shall be determined by the commission.

2. Amend AS 14.40.763 (j) to read:
 - (j) A portion of a loan shall be paid on behalf of the barrower by the state, if upon completion of the course of study for which the loan was granted, the barrower spends at least three years employed in the state. The portion of the Loan which shall be paid by the state shall be the following percentages of the total loan received plus interst up to 60 [40] percent:
 - (1) two-three years residency, 15 [10] percent
 - (2) three-four years residency, 15 [10] percent
 - (3) four-five years residency, 15 [10] percent
 - (4) over five years residency, an additional 15 [10] percent

3. Amend AS 14.40.763 to delete (n) and replace it with the following:
 - (n) A portion of the loan, in addition to allowances under (j) of this section and (o) of this section, shall be paid on behalf of this barrower by the state if the barrower attends a post-secondary institution in Alaska. The portion of the loan to be paid by the state shall be the following percentage of the total loan plus interest up to 10 percent:
 - (1) One year in-state attendance, 2.5 percent
 - (2) Two years in-state attendance, 5.0 percent
 - (3) Three years in-state attendance, 7.5 percent
 - (4) Four years instate attendance, 10 percent

4. Amend AS 14.40.763 to add (o):
 - (o) In addition to allowances under (j) and (n) of this section, the state shall pay 10 percent of the loan on behalf of the barrower if the barrower completes his course of study with honors. Graduating with honors or other measures of academic excellence are or shall be thoses established by the particular institution.

STATE OF ALASKA

**STUDENT
LOAN
PROGRAM**

**ANNUAL REPORT
1979-1980**

**Alaska Commission on Postsecondary Education
Pouch F
Juneau, Alaska 99811**



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PREFACE

The Annual Report of the Alaska Student Loan Program for 1979-80 is hereby transmitted to the Governor and the Legislature of the State of Alaska. The Student Loan Program is administered by the Alaska Commission on Postsecondary Education with advice and guidance of the Student Financial Aid Advisory Committee. Membership of this advisory committee for 1979-80 included:

Mrs. Mildred Banfield (Chairman, Juneau)
Mr. Ron Castle (Wrangell)
Mr. Walter Furnace (ex officio, Anchorage)
Ms. Ida Groiner (Fairbanks)
Mr. Darrell Moore (Sitka)

The Commission and staff wish to express their gratitude for the work of this advisory committee.


Kerry D. Romesburg
Executive Director

July 1980
(1980)

TABLE OF CONTENTS

List of Tables	ii
List of Figures	iii
Introduction	1
Program Summary	2
Loan Award Amounts	2
Undergraduate Loans	4
Graduate Loans	8
Loan Repayments	11
Statistical Data	12

LIST OF TABLES

<u>Table</u>		<u>Page</u>
1	MEAN LOAN AMOUNT PER RECIPIENT BY IN-STATE AND STUDENT LEVEL, 1979-80	4
2	TEN TOP STATES OF ATTENDANCE FOR ALASKANS WITH UNDERGRADUATE LOANS	4
3	TEN TOP STATES OF ATTENDANCE FOR ALASKANS WITH GRADUATE LOANS	9
4	EIGHT-YEAR SUMMARY: (1971-72 through 1979-80)	13
5	YEARLY SUMMARY OF UNDERGRADUATE STUDENT LOANS	14
6	YEARLY SUMMARY OF GRADUATE STUDENT LOANS	15
7	YEARLY SUMMARY OF ALL STUDENT LOANS	16
8	MEAN LOAN AMOUNT PER RECIPIENT, BY IN-STATE/OUT-OF-STATE INSTITUTIONAL ATTENDANCE	17

LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
1	MEAN LOAN AMOUNT FOR ALL LOANS IN-STATE, OUT-OF-STATE, AND COMBINED	3
2	PERCENT OF UNDERGRADUATE LOANS USED IN ALASKA	5
3	GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1979-80	7
4	PERCENT OF GRADUATE LOANS USED IN ALASKA	8
5	GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR GRADUATE EDUCATION IN 1979-80	10
6	STUDENT LOAN COLLECTIONS AND CANCELLATIONS	12

Introduction

The 1971 Alaska State Legislature established the Alaska Student Loan Program to provide low cost educational loans to Alaskan students enrolled in undergraduate, graduate, or career degree programs. In the nine years of operation, from 1971-72 through 1979-80, over 18,500 loans have been awarded to Alaskans pursuing education at the postsecondary level. These loans have a combined total over \$37 million in State financial assistance.

Educational loans of up to \$3,000 and up to \$5,000 per year for undergraduate and graduate study, respectively, are provided to eligible State residents. These need-based loans offer the borrower a ten-year repayment period at an annual interest rate of five percent. The loans may be used for attendance at any accredited or approved college, university, or vocational-technical program. An incentive, in the form of up to forty percent cancellation, is offered to those borrowers who work in Alaska after completion of their program of study and for those who study in Alaskan institutions.

Program Summary

11 e. 2/3 kv. Alaska

1979-80 was the ninth year of operation for the Alaska State Student Loan Program. The program has now provided Alaskans 18,569 loans, totalling \$37,747,547. Of these loans, 64.5% have been loans for postsecondary attendance out-of-state, and 35.5% have been for attendance in Alaska.

Undergraduate loans still dominate the loan volume, with only 11.9% of the student loans going for graduate study over the past nine years. Freshmen continue to be the largest group of borrowers, representing 28.4% of the loan recipients for 1979-80.

Alaskans use these loans for study throughout the United States, and in a few cases, in foreign countries. In 1979-80, students used state loans for attendance in every state except Delaware and West Virginia. The most frequent choice remains to be Alaska by nearly a three-to-one margin over any other state.

Loan Award Amounts

The average loan award continues to rise as the cost of postsecondary attendance increases. The over-all average loan in 1979-80 was \$2,393, a 4% increase over the \$2,296 average award for 1978-79, and a 61.4% increase over the \$1,483 average for 1971-72. This trend is graphically presented in Figure 1 for in-state, out-of-state and total loans of the program. All loans, whether in-state or out, have continued to rise in 1980-81. This is in part a reflection of the increased loan maximum for undergraduates, which in 1978-79 changed from \$2,500 to \$3,000.

7 1000

Table 1 contains average loan amounts by student level for 1979-80. Since this is the first year for these kind of data no historical comparisons are available, however, it is readily seen that loan amounts are smaller for in-state than for out-of-state attendance in all cases except vocational. There is a large degree of consistency among undergraduate loans in-state for all four undergraduate collegiate levels (around \$1,900) and again for all out-of-state undergraduate collegiate levels (around \$2,100).

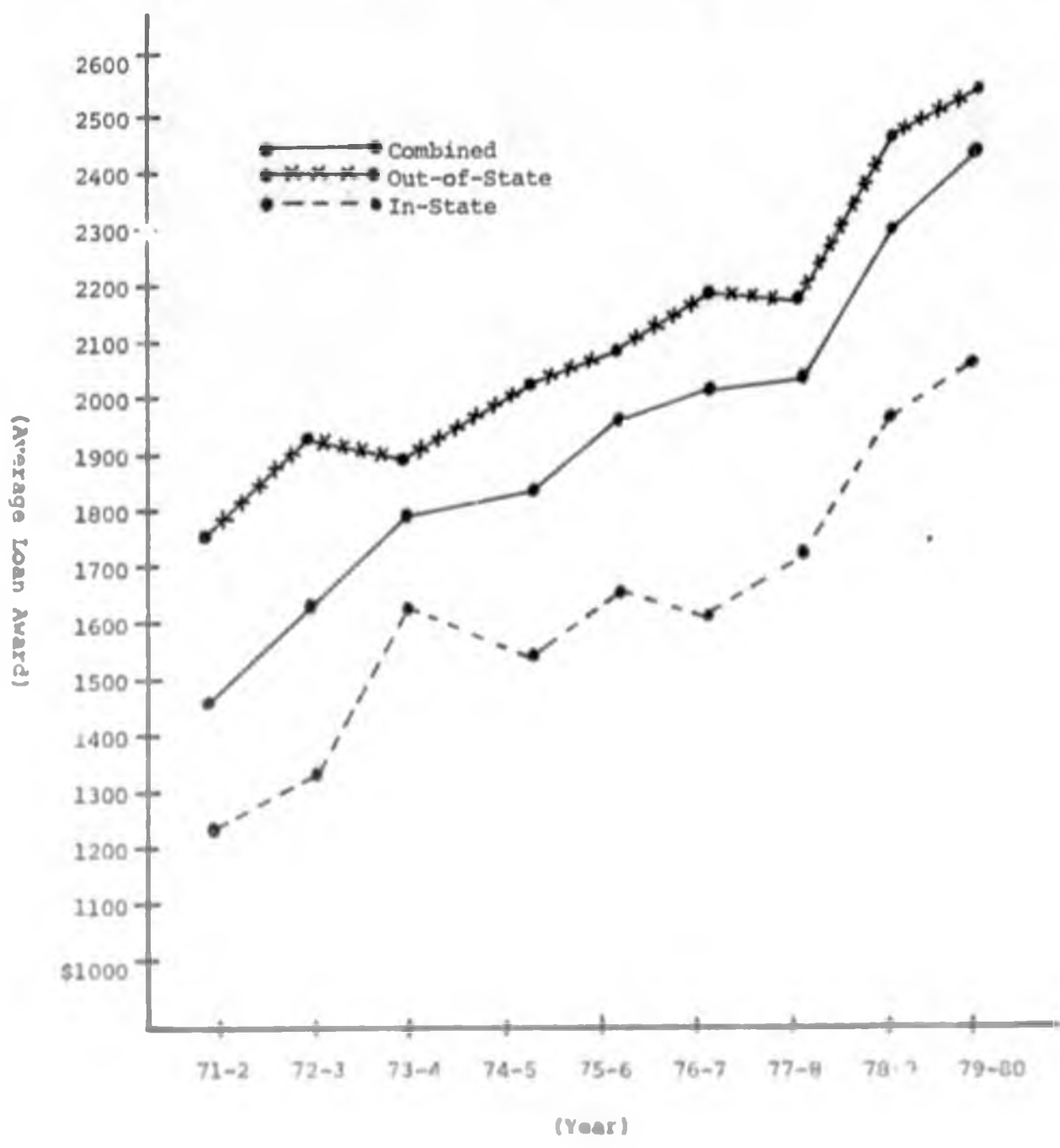


FIGURE 1

MEAN LOAN AMOUNT FOR ALL LOANS
IN-STATE, OUT-OF STATE, AND COMBINED

TABLE 1
 MEAN LOAN AMOUNT PER RECIPIENT BY
 IN-STATE/OUT-OF-STATE AND STUDENT LEVEL
 1979-80

STUDENT LEVEL	IN ALASKA	OUT-OF-STATE	TOTAL
Freshman	\$1,879	\$2,298	\$2,143
Sophomore	1,913	2,388	2,222
Junior	2,027	2,341	2,227
Senior	1,905	2,375	2,192
Vocational	2,766	2,480	2,571
Undergraduate	1,983	2,356	2,222
Graduate	2,906	3,750	3,646
TOTAL	\$2,024	\$2,576	\$2,393

Undergraduate Loans

The number of undergraduate students securing loans under the state program has increased greatly over the past nine years. In 1971-72, 100 undergraduates received assistance, while in 1979-80, the number has grown to 3,448 (nearly a 250% increase). Of these 3,448 loan recipients, 63.9% used their loans for attendance out-of-state, and 36.1% used their loans within Alaska. The states most frequently chosen by undergraduates in 1979-80 are presented below in Table 2.

TABLE 2
 TEN TOP STATES OF ATTENDANCE
 FOR ALASKANS WITH
 UNDERGRADUATE LOANS

STATE	NUMBER			AVERAGE LOAN		
	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80
Alaska	713	861	1,245	\$1,639	\$1,933	\$1,983
Washington	322	352	479	1,982	2,226	2,394
Oregon	220	285	372	2,021	2,297	2,360
California	136	192	191	2,000	2,271	2,517
Colorado	91	144	157	2,092	2,501	2,549
Arizona	49	61	104	1,859	2,163	2,261
Idaho	55	62	94	1,824	2,172	2,217
Hawaii	42	58	89	1,308	1,950	1,888
Utah	42	49	53	1,756	1,911	2,091
Montana	36	41	51	1,943	2,285	2,536
Remaining U.S.	279	347	613	N.A.	N.A.	N.A.
TOTAL	1,985	2,452	3,448	\$1,868	\$2,139	\$2,393

The consistency of student choice over the past few years is quite high. Alaska remains the most frequent choice for undergraduate attendance this year, as it has in the past. In fact, the number of undergraduates electing attendance in-state increased by 44.6% this year over last.

The average loan amount increased in almost every case, with the most pronounced increase in loans for attendance in Montana and California. Hawaii continues to be the state for which undergraduate loan amounts are the lowest (\$1,888).

The percent of undergraduates using their loans for attendance in Alaska increased this year. In fact, as can be seen in Figure 2, the 1979-80 rate of 36.1% is the highest rate since 1974-75.

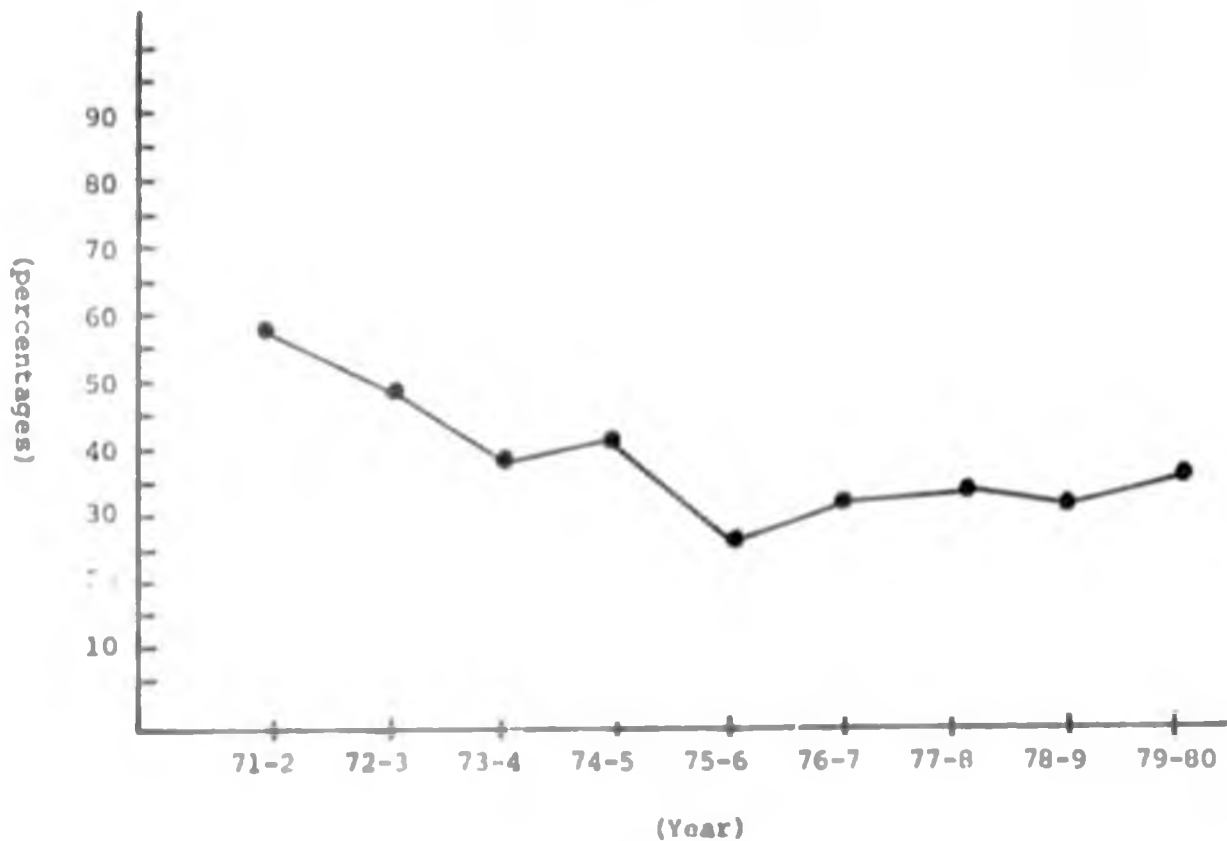


FIGURE 2

PERCENT OF UNDERGRADUATE LOANS
USED IN ALASKA

The wide geographic distribution of Alaskans pursuing undergraduate education is shown most vividly in Figure 3, with Alaskan undergraduates attending institutions in every state except Delaware and West Virginia. The predominance of the West and the Northwest is quite evident; with only Alaska, Washington, Oregon, California, Colorado, and Arizona receiving over 100 Alaskan undergraduates on state loans. Of the thirteen western states comprising the WICHE Compact (Western Interstate Commission for Higher Education), only Wyoming, New Mexico, and Nevada receive fewer than 21 Alaskan undergraduates on state loans. In fact, the WICHE states account for 82.9% of these loan recipients.

Under the state loan program, Alaskans may pursue their educational goals in whatever setting seems most appropriate for them. The freedom of choice which this provides is quite evident by the wide geographic distribution of our students.

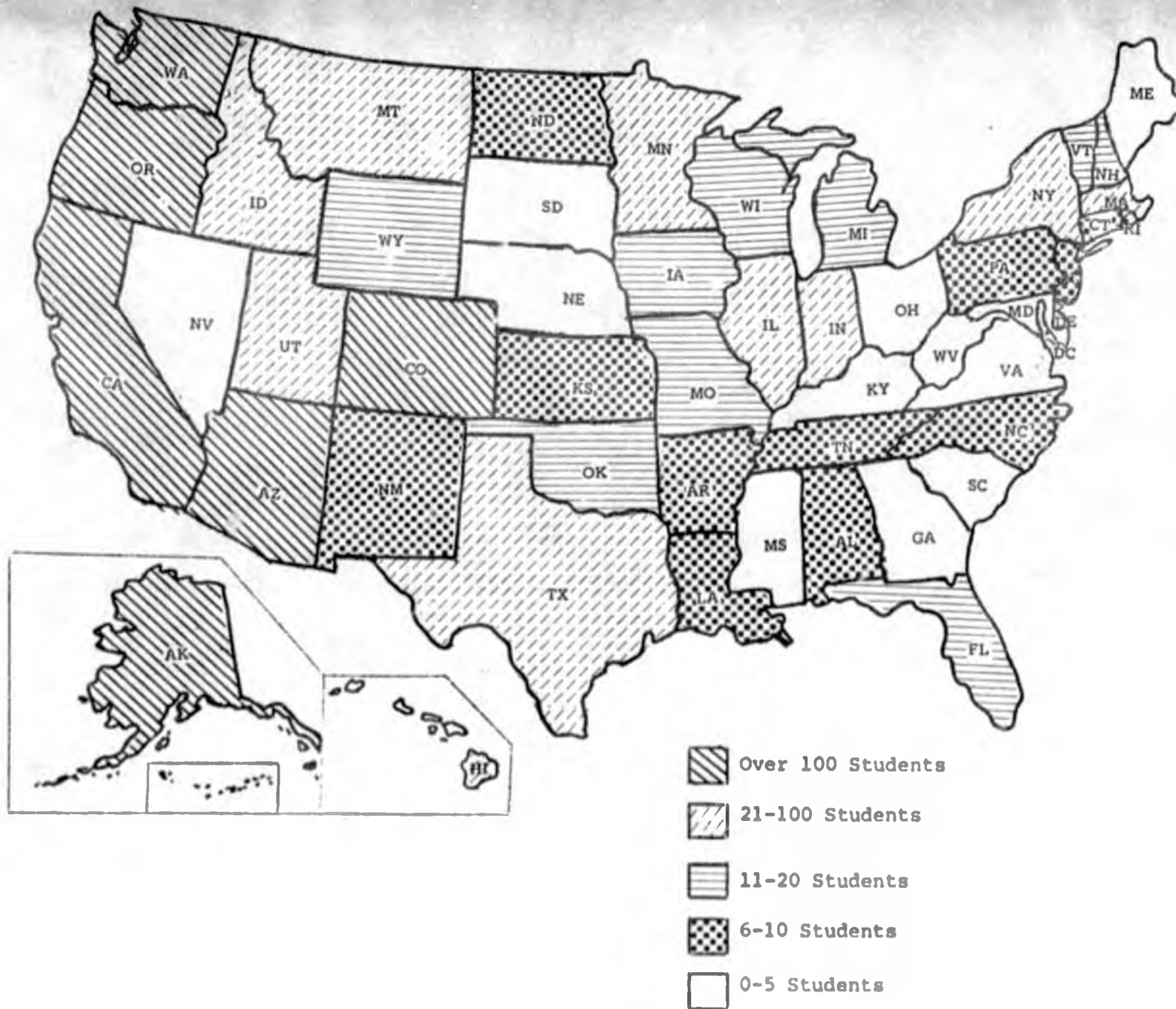


FIGURE 3

GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1979-80

Graduate Loans

The number of Alaskans receiving loans for graduate study has increased by over 500% since 1971-72, with 470 students receiving assistance in 1979-80. Of these 470, 87.7% used their loans for attendance outside of Alaska, while 12.3% used them for attendance in-state. The percentage of graduate loan recipients attending school in Alaska has increased both last year and again for 1979-80, after decreasing steadily from 1971-72 through 1977-78. This apparent reversal in trend is presented in Figure 4.

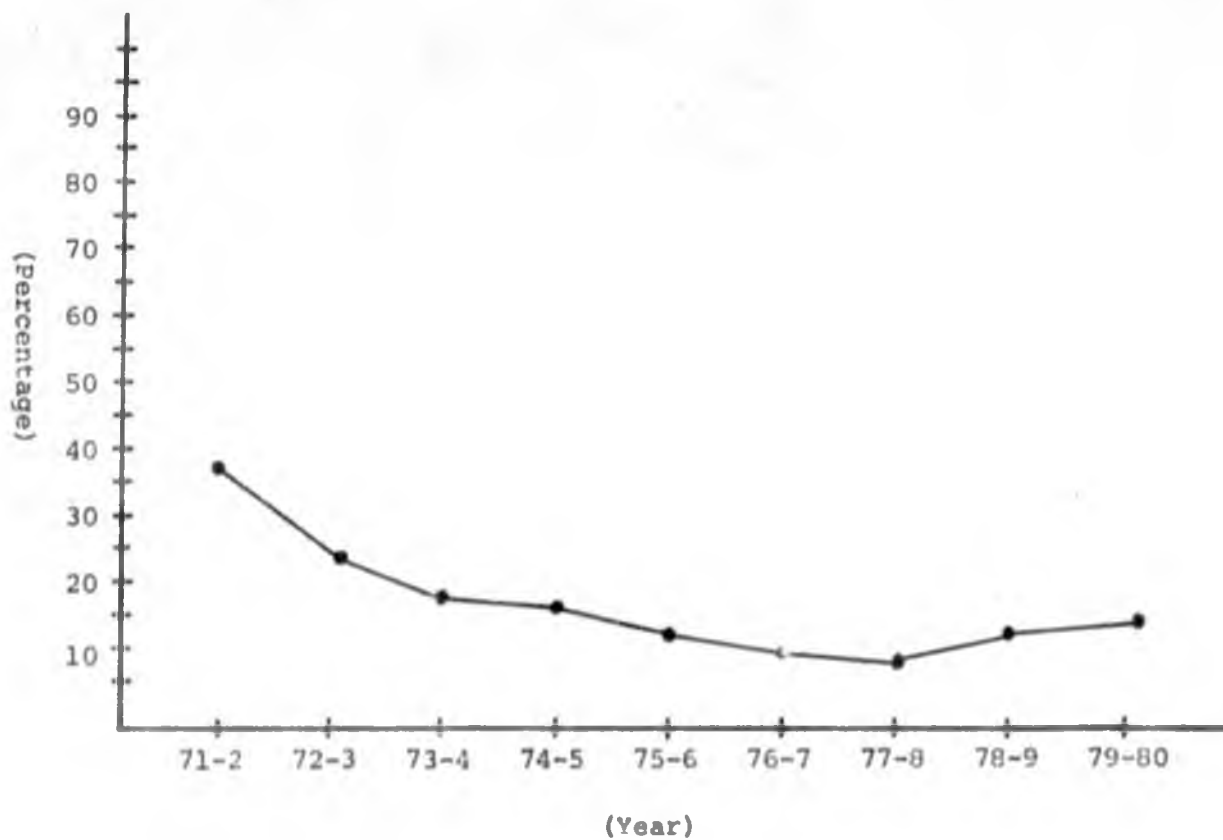


FIGURE 4

PERCENT OF GRADUATE LOANS
USED IN ALASKA

The states most frequently chosen by graduate students from Alaska in 1979-80 are presented in Table 3. Again, as with undergraduates, the students' preference is quite stable. The most dramatic increase is certainly Alaska, with a 41.5% increase over last year.

The average loan award for 1979-80 increased in most cases from the 1978-79 average, with the largest increases for students attending graduate institutions in Washington.

TABLE 3
TEN TOP STATES OF ATTENDANCE
FOR ALASKANS WITH
GRADUATE LOANS

STATE	NUMBER			AVERAGE LOAN		
	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80
Washington	56	72	77	\$3,743	\$3,542	\$3,847
California	42	75	73	3,150	3,650	3,441
Alaska	27	41	58	2,367	2,637	2,906
Oregon	34	42	49	3,125	3,287	3,526
Colorado	15	15	18	3,830	3,840	3,972
New York	7	8	13	2,214	4,375	3,781
Iowa	4	6	10	4,063	4,083	4,330
Massachusetts	11	9	9	3,900	4,389	3,911
Arizona	7	7	9	3,429	3,300	3,586
Hawaii	4	5	8	2,350	2,780	2,988
Remaining U.S.	74	62	146	N.A.	N.A.	N.A.
TOTAL	280	343	470	\$3,203	\$3,414	\$3,646

Alaskans pursuing graduate educational goals are also disbursed quite widely across the nation; with Alaskan graduate loan recipients attending institutions in all but fourteen of the fifty states. The predominance of the West, and particularly the West Coast is readily apparent in Figure 5.

Only Alaska, Washington, Oregon, and California receive more than 40 Alaskan graduate students on state loans. The thirteen states comprising the WICHE compact account for 65.5% of all the graduate Alaskan loan recipients for 1979-80.

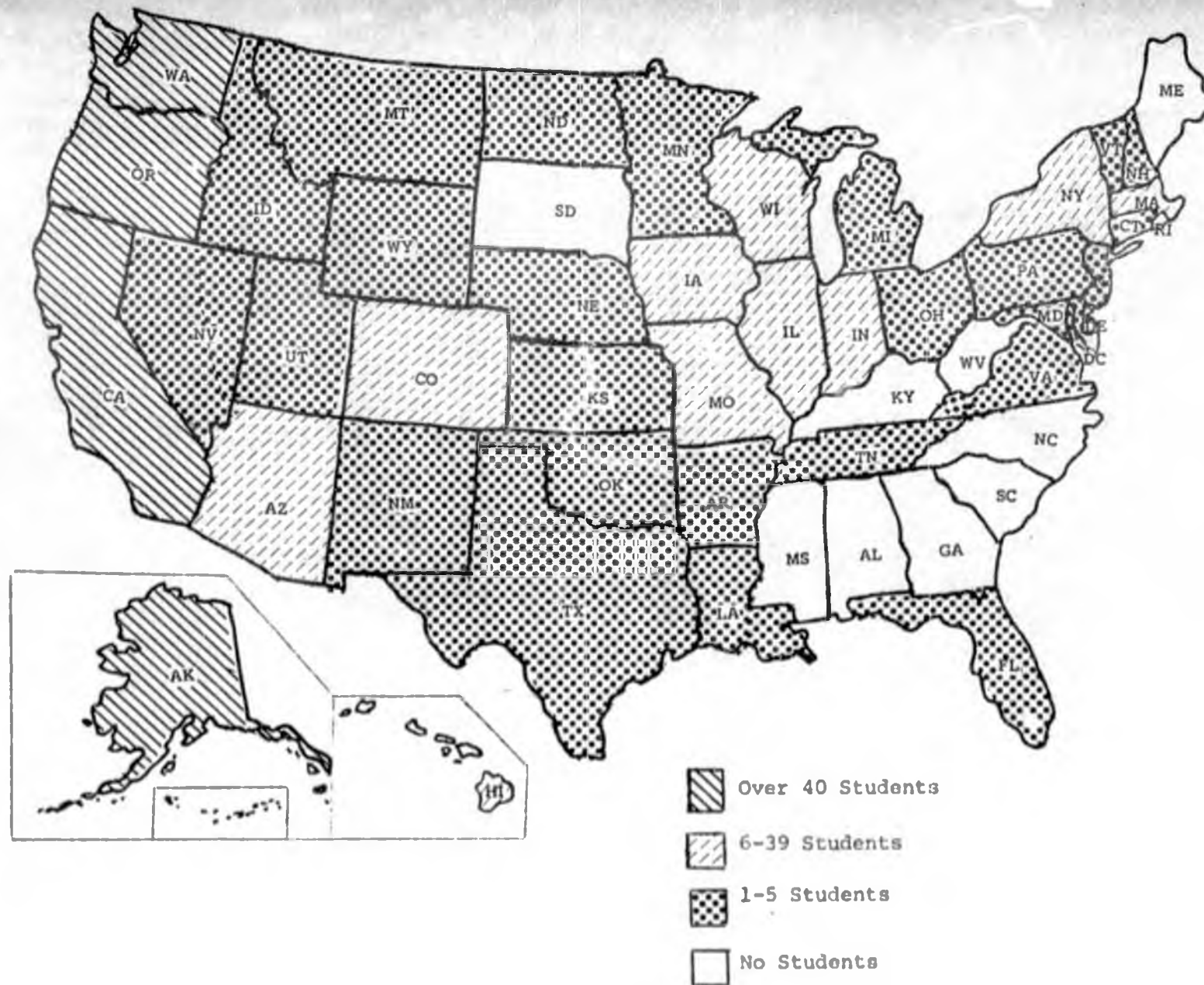


FIGURE 5

GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR GRADUATE EDUCATION IN 1979-80

Loan Repayment:

The student loan program is based upon a revolving fund with the students' loan repayments being re-utilized for future loans. Since 1971-72 (actually 1974-75, since that was the year payments were first received), Alaskans have repaid over \$6 million on their educational loans. The volume of these revolving funds now contribute a significant portion of the loan account, and as can be seen in Figure 5, these repayments are rapidly increasing each year.

Also presented in Figure 6 is a representation of the cancellation history of the student loan program. Students who work in Alaska after completion of their course of study are eligible to have up to 40% of their loans cancelled. Beginning with the first such cancellation in 1974-75, the total amount of loan funds (including interest) which the State of Alaska has cancelled has reached nearly \$1.3 million. The amount cancelled has increased rapidly the past few years and then essentially leveled this year, but this is expected to increase greatly over the next few years as larger numbers of students complete their educational programs.

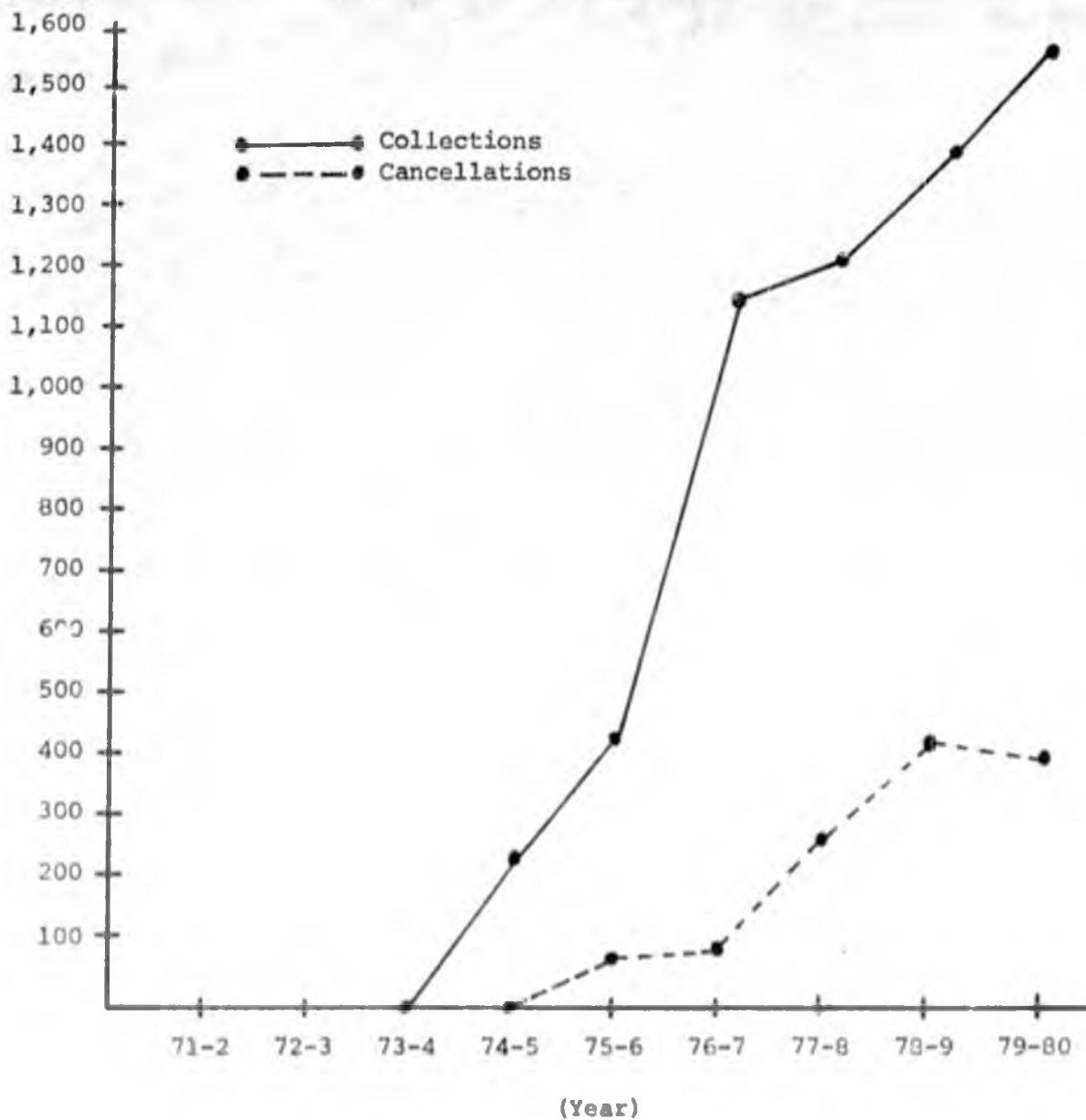


FIGURE 6
STUDENT LOAN COLLECTIONS
and CANCELLATIONS

Statistical Data

Following are Tables 4-8 containing data on the Alaska Student Loan Program from 1971-72 through 1979-80. Information on the number and amount of loans made annually to undergraduate and graduate students attending in-state and out-of-state are presented in Tables 4-7. Table 8 contains summaries of the average size loan awarded each year.

ALASKA STUDENT LOAN PROGRAM

(1971-72 through 1979-80)

TABLE 4

NINE-YEAR SUMMARY

(1971-72 through 1979-80)

STUDENT LEVEL	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
Under-graduate	6,281	38.4	\$10,273,835	33.8	10,079	62.2	\$20,107,873	56.2	16,359	\$30,381,708
Graduate	321	14.5	\$854,682	11.6	1,889	85.5	\$6,511,157	88.4	2,210	\$7,365,839
TOTAL	6,601	35.5	\$11,128,517	29.5	11,968	64.5	\$26,619,030	70.5	18,569	\$37,747,547

TABLE 5

YEARLY SUMMARY
OF
UNDERGRADUATE STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	570	57.6	\$680,351	50.1	420	42.4	\$666,536	49.5	990	\$1,346,887
1972-73	761	48.7	965,274	42.1	801	51.3	1,326,975	57.9	1,562	2,292,249
1973-74	585	40.1	913,284	38.8	874	59.9	1,438,990	61.2	1,459	2,352,274
1974-75	528	41.5	764,872	36.4	745	58.5	1,336,279	63.6	1,273	2,101,151
1975-76	456	30.5	747,112	27.9	1,041	69.5	1,927,334	72.1	1,497	2,674,446
1976-77	561	33.1	858,139	28.6	1,132	66.9	2,143,458	71.4	1,693	3,001,597
1977-78	713	35.9	1,211,203	32.7	1,272	64.1	2,496,063	67.3	1,985	3,707,266
1978-79	861	35.1	1,664,246	31.7	1,591	64.9	3,581,002	68.3	2,452	5,245,248
1979-80	1,245	36.1	2,469,354	32.2	2,203	63.9	5,191,236	67.8	3,448	7,660,590
TOTAL	6,280	38.4	\$10,273,835	33.8	10,079	62.2	\$20,107,873	66.2	16,359	\$30,381,708

TABLE 6
YEARLY SUMMARY
OF
GRADUATE STUDENT LOANS

ACADEMIC YEAR	STUDENT ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	31	34.1	\$74,613	29.1	60	65.9	\$181,658	70.9	91	\$256,271
1972-72	48	25.8	113,990	19.7	138	74.2	464,145	80.3	186	578,135
1973-74	37	18.0	107,988	17.0	169	82.0	525,914	83.0	206	633,902
1974-75	31	16.8	86,266	15.4	153	83.2	472,390	84.6	184	558,656
1975-76	25	11.3	61,424	8.7	197	88.7	647,127	91.3	222	708,551
1976-77	23	10.1	69,833	8.2	205	89.9	779,077	91.8	228	848,910
1977-78	27	9.6	63,919	7.1	253	90.4	832,982	92.9	280	896,901
1978-79	41	12.0	108,130	9.2	302	88.0	1,063,024	90.8	343	1,171,154
1979-80	58	12.3	168,519	9.8	412	87.7	1,544,840	90.2	470	1,713,359
TOTAL	321	14.5	\$854,682	11.6	1,889	85.5	\$6,511,157	88.4	2,210	\$7,365,839

TABLE 7
YEARLY SUMMARY
OF
ALL STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	601	55.6	\$754,964	47.1	480	44.4	\$848,194	52.9	1,081	\$1,603,158
1972-73	809	46.3	1,079,264	37.6	939	53.7	1,791,120	62.4	1,748	2,870,384
1973-74	622	37.4	1,021,272	34.2	1,043	62.6	1,964,904	65.8	1,665	2,986,176
1974-75	559	38.4	851,138	32.0	898	61.6	1,808,669	68.0	1,457	2,659,807
1975-76	481	28.0	808,536	23.9	1,238	72.0	2,574,461	76.1	1,719	3,382,997
1976-77	584	30.4	927,972	24.1	1,337	69.6	2,922,535	75.9	1,921	3,850,507
1977-78	740	32.7	1,275,122	27.7	1,525	67.3	3,329,045	72.3	2,265	4,604,167
1978-79	902	32.3	1,772,376	27.6	1,893	67.7	4,644,026	72.4	2,795	6,416,402
1979-80	1,303	33.3	2,637,873	28.1	2,615	66.7	6,736,076	71.9	3,918	9,373,949
TOTAL	6,601	35.5	\$11,128,517	29.5	11,968	64.5	\$26,619,030	70.5	18,569	\$37,747,547

TABLE 8

MEAN LOAN AMOUNT PER RECIPIENT
BY
IN-STATE/OUT-OF-STATE INSTITUTIONAL ATTENDANCE

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE			STUDENTS ATTENDING OUT-OF-STATE			TOTAL		
	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient
1971-72	601	\$754,964	\$1,256	480	\$848,194	\$1,767	1,081	\$1,603,158	\$1,483
1972-73	809	1,079,264	1,334	939	1,771,120	1,907	1,748	2,870,384	1,642
1973-74	6	1,021,272	1,642	1,043	1,964,904	1,884	1,665	2,986,176	1,793
1974-75	559	851,138	1,523	898	1,808,669	2,014	1,457	2,659,807	1,826
1975-76	481	808,536	1,681	1,238	2,574,461	2,080	1,719	3,382,997	1,968
1976-77	584	927,972	1,589	1,337	2,922,535	2,186	1,921	3,850,507	2,004
1977-78	740	1,275,122	1,723	1,525	3,329,045	2,183	2,265	4,604,167	2,033
1978-79	902	1,772,376	1,965	1,893	4,644,026	2,453	2,795	6,416,402	2,296
1979-80	1,303	2,637,873	2,024	2,615	6,736,076	2,576	3,918	9,373,949	2,393
TOTAL	6,601	\$11,128,517	\$1,686	11,968	\$26,619,030	\$2,224	18,569	\$37,747,547	\$2,033

M E M O R A N D U M

TO: Legislators and staff

FROM: Terry Gardiner

DATE: 24 February 1981

RE: Changes in student loan program to aid vocational students

Vocational education seems to be working in Alaska for motivated students who get the training. This can be best seen in the jump in incomes reported by students successfully completing programs at Alaska Skill Center at Seward, the state's only training facility strictly for adult vocational education. Tax returns showed that for FY1979, the pre-training average income for Skill Center students was \$4,247; the post-training average was \$10,023. (For FY1978, the figures were \$3,031 and \$11,972; for FY1977, \$4,755 and \$8,628.)

The Alaska student loan program, which is supposed to help citizens obtain post-secondary education, is not helping vocational students much. Just over eight per cent (8%) of the loans awarded in 1980-1981 were for vocational education (423 out of 5,232), reports Dr. Kerry Romesburg, executive director of the Alaska Commission on Postsecondary Education. **

Lack of demand for vocational training seems an unlikely explanation for the small number of loans made for this purpose. Bob Booher, director of the Skill Center, reports that the facility maintains a file of between 400 and 600 individuals who wish to attend but are not doing so, and says that at least half of this group cites lack of money as their major problem. In addition, a 1979 survey of adult vocational students in Fairbanks found that 26 per cent felt that the cost of training might prevent them from completing their education.

Factors apparently reducing the number of vocational students, and suggested changes:

1. Lack of awareness. Most Alaskans--including many educational professionals--simply don't know that state student

* Figures provided by the Alaska Department of Revenue to the Skill Center. The Skill Center accounts for less than 25 per cent of all vocational students in Alaska, and the income change for all such students would likely be somewhat less.

** There is some dispute over this figure. Eleanor Brown, director of financial aid at Anchorage Community College, estimates that 450 to 500 vocational students have loans at that institution. There may be a definitional problem here, as some students at community colleges take vocational education courses not to learn job skills, but to improve their personal skills. Romesburg only

counts in his 423 students enrolled at vocational institutions, such as the Skill Center.

loans are available for vocational education. A respected counselor at a Fairbanks career center says that it took her more than three years on the job before she discovered this.

Suggested changes: More publicity, outreach, and a program name change. Suggested language is being drafted to amend the student loan program to provide for:

a. Increased awareness. To make it generally known that student loans are available for vocational students, the commission should arrange for media advertising (radio, TV, newspapers) and the distribution of posters and brochures. These posters and brochures should be available at places frequented by teachers, counselors, and potential vocational students, including secondary schools, colleges and universities, government and private social service agencies.

In addition, the commission should administer a concentrated outreach campaign aimed at disseminating information about the availability of student loans for vocational purposes. The efforts could include itinerant loan information officers, who would travel the state spreading this message (the majority of these officers should be bilingual in English and an Alaska Native language). It could also include contracts with non-profit corporations in the state's various regions which are already engaged in similar counseling activities.

b. Program name change.

Finally, the program's name should be changed from the "Alaska Student Loan Program" to the "Alaska Academic and Vocational Student Loan Program."

2. Inappropriate funding cycle. Both vocational and academic students have been affected by the

funding shortfalls and administrative bottlenecks which have plagued the program the past three years. The program's need to wait each year for the budget to become law before awarding the loans has led to hurried disbursements of funds in the late summer and early fall, so that students can start the beginning of each school year. This process sometimes exhausts the funds between late fall and July, although the program has sought supplementals.

This pattern of disbursement can be bothersome for academic students, but it is much more of a problem for vocational education students. Vocational education programs often don't follow the lockstep September-May school year of colleges, but instead operate on an individualized, year-round, "open entry-open

exit" basis. Moreover, vocational education programs are sometimes tied to specific and immediate short-term needs of industry, requiring a turnaround between loan application and loan award (or rejection) as short as 30 days. Finally, for a number of would-be vocational students delaying a loan may end the possibility they will get the training, either because they won't wait (because of low goal orientation) or can't wait (because of pressing economic circumstances).

Suggested change: Create a forward funding mechanism to avoid shortfalls. SB88 provides such a revolving base for this program. This could allow the spreading out of the disbursements throughout the year instead of the current hurried process, which can be irritating for all students and particularly frustrating for those seeking vocational education.

Romesburg says this legislation would allow a two-week turnaround between loan application and loan decision, and--depending on the mails and the speed of the student's response--a 30-day turnaround between application and the time the student receives the funds. The legislative change would dovetail well with a new administrative policy announced by Romesburg, who has pledged to have the commission make lump sum payments of loans awarded to students in short-term vocational programs, as opposed to stretching them throughout the regular year.

As with the publicity campaign suggested in (1), the legislature should determine if the commission needs more staff to implement these changes, particularly the speedy processing

2-18-81

Alaska Student Loan Program

Fact Sheet

1. Total Loans 1971-72 through 1979-80:

Undergraduate	16,359	\$ 30.4 million
Graduate	<u>2,210</u>	<u>7.4 million</u>
Total	18,569	\$ 37.8 million

2. Current Year

(1980-81, as of 1/14/81): 5,880 loans \$ 16.0 million

3. Percent Loans In-State/Out-of-State (1979-80):

	<u>In-State</u>	<u>Out-of-State</u>
Undergraduate	36.1 (43.5)	63.9 (56.5)
Graduate	12.3 (19.0)	87.7 (81.0)

4. Loan Collections (per month average):

1974-75	\$ 19,623
1975-76	38,794
1976-77	95,122
1977-78	97,321
1978-79	115,970
1979-80	133,620
1980-81 (est.)	170,000

5. Loan Cancellations (per month average):

1974-75	\$ 59
1975-76	3,686
1976-77	5,396
1977-78	26,192
1978-79	37,165
1979-80	34,125
1980-81 (est.)	45,000

6. Individuals in Repayment

Account Status	October		November		December		January	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Current	4,121	9,833,332	4,168	10,179,865	4,115	10,214,971	4,257	10,736,864
31-60 days	484	1,171,102	478	1,032,186	547	1,174,413	508	1,053,685
61-90	204	451,853	268	649,596	288	585,991	295	585,775
91-120	180	505,039	178	389,083	188	463,252	193	385,664
120+	878	1,981,084	904	2,038,126	954	2,096,983	927	2,154,220
TOTAL	5,867	13,942,409	6,001	14,288,857	6,092	14,535,610	6,250	14,916,209
Default Rate	11.2%		11.2%		11.3%		11.3%	

7. Current year (as of 1/14/81)

	In-State	Out-of-State	Total
Freshman	864 (46.0)	1,014 (54.0)	1,878
Sophomore	512 (41.1)	734 (58.9)	1,246
Junior	399 (41.0)	575 (59.0)	974
Senior	327 (46.0)	384 (54.0)	711
Vocational	173 (40.9)	250 (59.1)	423
Sub-Total	2,275 (43.5)	2,957 (56.5)	5,232
Graduate	123 (19.0)	525 (81.0)	648
TOTAL	2,398 (40.8)	3,482 (58.2)	5,880

14% → people (loans)
2 yrs ago
25%!

B. Raising loan limits

	NR 41	NTS 42	ST
Undergraduate	\$3,500	\$4,500	\$5,000
Graduate	\$6,000	\$7,500	\$7,000

1981-82 (Cost) → \$1,571,700 \$3,619,600 \$4,041,704

9. Other Issues

- Adding a section which states that if a person allows the loan to become default (120+ days past due), all cancellation benefits are forfeited.
- Providing additional cancellation for in-state attendance, for example, an additional 5% per year of attendance, for up to a maximum of 20%.
- Providing additional cancellation for maintaining a "B" grade average for undergraduates, for example, an additional 5% upon graduation.
- Providing grant provisions for Alaskan borrowers age 60 and over.

provision

10. Sample Costs:

a. Single Student College-Approved Budgets (1980-81)

	<u>Undergraduate</u>	<u>Graduate</u>
University of Alaska, Anchorage	\$5,922	\$8,500
University of Alaska, Fairbanks	5,814	5,684
University of Washington	5,654	7,120
Gonzaga University	7,010	7,940
Western Washington University	6,280	7,890
University of Oregon	6,940	8,120
University of Colorado	8,150	9,540
Stanford University	9,800	11,250

b. Tuition and/or Required Fees (1980-81)

	<u>Undergraduate</u>	<u>Graduate</u>
University of Alaska, Fairbanks	\$ 562	\$ 792
University of Arizona*	2,500	2,500
University of Colorado*	3,584	3,752
University of Hawaii	480	582
University of Idaho*	1,990	2,000
University of Oregon*	3,431	2,433
University of Washington*	2,394	2,736

11. Miscellaneous Information:

a. Length of Residence of 1980-81 Borrowers:

<u>Student Level</u>	<u>Median Residency</u>	<u>Percent of Lifelong Residents</u>	<u>Percent of 7-year Residents</u>
Freshman	10.7 years	30.4	8.1 (152)
Sophomore	12.0 years	38.2	5.9 (74)
Junior	5.0 years	26.9	19.2 (187)
Senior	5.0 years	20.0	15.0 (107)
Graduate	4.0 years	28.6	21.4 (31)
Combined	8.6 years	30.0	10.4

b. Age of 1980-81 Borrowers:

<u>Age</u>	<u>Percent Freshmen</u>	<u>Percent Sophomores</u>	<u>Percent Juniors</u>	<u>Percent Seniors</u>	<u>Percent Graduate</u>
16-18	41.0	-	-	-	-
19-21	29.2	41.2	38.5	15.8	7.1
22-25	10.4	14.7	19.2	26.3	28.6
26-30	8.1	17.6	23.1	30.8	20.0
30-60	10.8	26.3	19.2	21.1	35.6
60+	.1	.2	N.A.	N.A.	.1
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Median Age	18.5 years	22.5 years	24.0 years	27.8 years	26.3 years

*Non-resident

A Comparison of the
Alaska State Student Loan Program
and the Federal Loan Program

The most common student loan program available in states other than Alaska is the Federal Guaranteed Student Loan (GSL) Program. The terms are dictated by federal regulation and are essentially the same as for the Federally Insured Student Loan Program.

<u>Terms</u>	<u>Alaska</u>	<u>GSL</u>
1. Maximum Loan		
(a.) Undergraduate	\$ 3,000	\$ 2,500 or \$ 3,000
(b.) Graduate	\$ 5,000	\$ 5,000
2. Interest rate	5%	9%
3. Maximum Indebtedness		
(a.) Undergraduate	\$18,000	\$12,500 or \$15,000
(b.) Graduate	\$30,000	\$25,000
4. Grace Period	12 months	6 months
5. Cancellation Provisions	up to 40%	None
6. Need Test	None	Required until 1979 and to be reinstated for 1981 and 82
7. Full-Time Attendance Required	Yes	No

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SSHB 42
 Title Amending Scholarship Loan Program
 Requested by Representative Buchholdt Date 2/18/81

II. FISCAL DETAIL
 Agency Affected Education
 Program Category Affected Commission on Postsecondary Education
 BRU, Program, or Subprogram(s) Affected Student 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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	N.A.					
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		1,575.7	1,970.6	2,331.1	2,814.8	3,472.8
TOTAL	N.A.	1,575.7	1,970.6	2,331.1	2,814.8	3,472.8

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	N.A.	1,575.7	1,970.6	2,331.1	2,814.8	3,472.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	N.A.	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

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

A. Fiscal impact of raising limits is based upon the following assumptions:

- current mix of 11% graduate, 89% undergraduate will continue
- current borrowing pattern will continue with slight increase upward, i.e.
 Undergraduate: 27.5% \$40-\$4,950 Graduate: 46.5% \$50-\$4,950
 29.3% \$2,000-\$2,950 53.5% \$5,000
 41.2% \$1,000
- 100% of undergraduate maximum borrowers will borrow increased maximum
 90% of graduate maximum borrowers will borrow increased maximum and
 another 8% will borrow \$5,500

B. Fiscal impact of HB 42, Section 3 will be negligible until 1988, then:

1988	\$1.5 million	1990	\$4.5 million	1992	\$6.8 million
1989	\$2.0 million	1991	\$5.6 million		

IV. DATE 2/18/81 PREPARED BY Kerry D. [Signature]
 AGENCY Commission on Postsecondary Education
 PHONE 465-2854
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)



Alaska Statewide Student Association

P.O. BOX 548
DOUGLAS, ALASKA 99824

Director - Bill Zybach

REPRESENTING STUDENTS OF THE UNIVERSITY OF ALASKA STATEWIDE SYSTEM

Senate Bill 120

Senator Charlie Parr, Chairman
Senate HESS Committee
Alaska State Legislature

Feb. 9, 1981

Mr. Chairman,

The Alaska Statewide Student Association is concerned with the committee action on SB120. The Student Loan Program has been an area of concern for the statewide student association for the past four years.

The legislation before you, we believe, will have a positive effect in keeping the program up to date in terms of the dollar amounts and the period under which the loan is extended. We believe that for the loan to keep pace with the escalating costs of education then the annual amounts must be increased. These increases will more realistically offset the costs of tuition for many students who are participating in the program out of state, but more importantly, it will better provide the funds which are necessary to attend higher education institutions in the state of Alaska for those students who are married, those who are returning to education, and those who are not participating in residence campus housing programs.

The extension of the period of eligibility, we believe is most needed and more realistic. The current period does not take into consideration those students who are in undergraduate work for more than 4 years in cases of the pursuit of double majors or more than one degree, and who will need assistance in graduate school. The current program would logically afford assistance to a student who would take a four year undergraduate program and a two years graduate program. Many graduate programs are for longer periods than two years, and assistance is needed for a three or four year period.

We would also like to suggest, as we have in the past, incentives be added to the State Loan Program which would help keep University Graduates in Alaska after they obtain their degree. At the same time we would like to promote academic excellence, and as such we would like to suggest amending SB120 to include the forgiveness clauses and academic incentives which are contained in Representative Buchholdt's pre-filed House Bill 47.

cc: Rep. Don Clocksin

With Respect,

Bill Zybach, Director ASSA
ASSA

SS HB 42: Section-by-section analysis

Section 1: Raises the upper limit on a student loan to \$3,500 for an undergraduate student.

Section 2: Raises the upper limit on a student loan to \$6,000 for a graduate student.

Section 3: Requires the Alaska Commission on Postsecondary Education to notify a student that his loan is in default and that repayment is accelerated and due.

Section 4: Changes "forgiveness clauses" as follows: (1) A borrower remaining in the state for 5 years after finishing school would have 70% of his loan forgiven. (2) A borrower whose GPA was "B" or better, remaining in the state for five years after finishing school would have 100% of his loan forgiven.

Section 5: States that the forgiveness provisions of the law would not apply to a student who defaults on his loan.

Section 6: Effective date: 7/1/81.

Revisor's note. — Chapter 30, SLA 1967, is from the Model Compact for Education.

Sec. 14.40.720. Execution of Compact by governor. Upon ratification and approval of the Compact for Education by 10 or more of the eligible party jurisdictions, including the State of Alaska, the governor shall execute the Compact on behalf of the state and perform other acts requisite to its formal ratification and promulgation. (§ 1 ch 108 SLA 1966)

Sec. 14.40.730. Members of the commission. (a) One of the commission members shall be the governor; one shall be the state commissioner of education; two shall be members of the state legislature selected by its respective houses and serving in such manner as the legislature may determine; one shall be the president of the state Board of Education; and two shall be appointed at large by and serve at the pleasure of the governor.

(b) The terms of office of the at-large members shall be four years; provided, however, that the first members shall be appointed as follows: one for two years, and one for four years. Each member shall hold office until his successor is appointed and qualified.

(c) The legislative and at-large members of the commission shall not receive compensation for their services, but they shall receive the travel expenses and per diem provided by AS 39.20.180 (2). (§ 1 ch 108 SLA 1966)

Article 9. Scholarship Loans and Tuition Grants.

Section

- 751. Loan and tuition funds created
- 753. Financial aid committee
- 755. Applications
- 757. Administration of program
- 759. Undergraduate loans
- 761. Graduate loans
- 763. Conditions of loans
- 765. Eligibility of students
- 767. Selection criteria
- 769. Discrimination prohibited
- 771. Enforceability of certain contracts with minors

Section

- 773. [Repealed]
- 776. Tuition grants
- 781. Limitations on grants
- 786. Conditions of grants
- 791. Eligibility of students
- 796. Application and certification
- 801. Fiscal and business management practices
- 806. Definitions

Repeal of former article. — Section 2, ch. 98, SLA 1971 repealed former Article 9, entitled "Scholarship Grants and Loans." The former article consisted of §§ 14.40.750

— 14.40.849, and derived from ch. 112, SLA 1968, and ch. 230, SLA 1970. Former AS 14.40.830 had been previously repealed by § 14, ch. 230, SLA 1970.

Sec. 14.40.751. Loan and tuition funds created. (a) There is created a scholarship revolving loan fund. The fund shall be used to make scholarship loans to students selected under §§ 751 — 806 of this chapter. 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.

(b) There is created a tuition grant fund as an account in the general fund. The fund shall be used to make tuition grants to students selected under §§ 751 — 806 of this chapter.

(c) On March 1 of each fiscal year, if there is a balance of appropriated but unobligated funds in the tuition grant fund created under (b) of this section, that sum shall be automatically transferred to the scholarship revolving loan fund created under (a) of this section to make additional scholarship loans during that fiscal year. (§ 1 ch 98 SLA 1971; am § 1 ch 156 SLA 1972; am §§ 1, 2 ch 136 SLA 1974; am § 1 ch 136 SLA 1975)

Effect of amendments. — The 1972 amendment, effective July 1, 1972, designated the former section as subsection (a) and added subsection (b). In subsection (a), the amendment substituted "806" for "773" in the second sentence.

The 1974 amendment deleted "as an account in the general fund" from the end of the first sentence of subsection (a), added the third and fourth sentences of that subsection, and added subsection (c).

The 1975 amendment, effective June 5, 1975, and retroactive to February 3, 1975, substituted "unobligated" for "unexpended" in subsection (c).

Editor's note. — Section 3, ch. 98, SLA 1971, provides: "Sec. 1 of this Act takes effect on July 1, 1971, or on the date the Alaska Higher Education Commission is enjoined from making payments under the provisions of AS 14.40.900, whichever date is earlier. Sec. 2 of this Act takes effect on July 1, 1972."

AS 14.40.900, referred to in this note, was repealed by § 2, ch. 98, SLA 1971.

Legislative committee report. — For report on ch. 98, SLA 1971 (CSHB 415 [Finance] am 3), see 1971 House Journal, p. 935.

Sec. 14.40.753. Financial aid committee. (a) The student financial aid committee is composed of the members of the Alaska Commission on Postsecondary Education. The commission may delegate its functions under §§ 751 — 806 of this chapter to a committee of its members, with augmented membership as the commission considers appropriate. The executive officer of the commission is the executive secretary of the committee. The Alaska Commission on Postsecondary Education shall administer the program established by §§ 751 — 806 of this chapter.

(b) Members of the committee serve without compensation but are entitled to per diem and travel expenses authorized by law for boards and commissions.

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§ 14.40.755

EDUCATION

§ 14.40.757

(c) The committee shall make an annual report reviewing the work of the committee to the governor, the legislature and the private colleges and universities where students receiving tuition grants are enrolled.

(d) The committee shall meet at least once a year. The meetings shall be held at the call of the chairman or upon petition by two members. (§ 1 ch 98 SLA 1971; am § 2 ch 156 SLA 1972; am § 5 ch 78 SLA 1974; am § 3 ch 133 SLA 1974)

Revisor's note (1974). — The amendments of AS 14.40.753(a) by § 5, ch. 78, SLA 1974 and § 3, ch. 136, SLA 1974, are in conflict, the first act rewriting the subsection to provide that the Alaska Commission on Postsecondary Education will act as the financial aid committee, the second act changing the name and term of members of the existing financial aid selection committee. It is considered, on the basis of the legislative history, apparent legislative intent, and later effective date of the first act, that the re-enactment by ch. 78, SLA 1974 should prevail.

Effect of amendments. — The 1972 amendment inserted "and tuition grant" in the first sentence of subsection (a).

The first 1974 amendment rewrote subsection (a).

The second 1974 amendment, in subsection (a), substituted "student financial aid committee" for "student loan and tuition grant selection committee" in the first sentence, added language beginning "for a staggered four-year term" to the end of the fourth sentence, substituted "is the" for "shall act as" in the sixth sentence, and substituted "programs established by §§ 751 — 806 of this chapter" for program established by this chapter" in the seventh sentence. The amendment also deleted "selection" preceding "committee" in subsection (b) and in the first sentence of subsection (d), and rewrote subsection (c).

Sec. 14.40.755. Applications. (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose loan or grant application is not recommended or presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971; am § 3 ch 156 SLA 1972; am § 4 ch 136 SLA 1974)

Effect of amendment. — The 1972 amendment inserted "loan or grant" near the beginning of subsection (b).

The 1974 amendment substituted "may

appeal to the committee" for "may appeal to the selection committee" in subsection (b).

Sec. 14.40.757. Administration of program. The executive secretary shall administer the programs subject to review by the committee and in accordance with the regulations prescribed by the committee. The promulgation of these regulations is subject to the Administrative Procedure Act (AS 44.02), and a summary of the regulations shall be distributed to each applicant. (§ 1 ch 98 SLA 1971; am § 5 ch 136 SLA 1974)

Effect of amendment. — The 1974 amendment substituted "programs" for "program," and "in accordance with the regulations prescribed by the committee"

for "such regulations as the committee may prescribe" in the first sentence and added the second sentence

Sec. 14.40.759. Undergraduate loans. The committee may make a loan, not to exceed \$3,000 in any one school year, to an undergraduate student eligible under AS 14.40.763. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974; am § 1 ch 153 SLA 1978)

Effect of amendment. — The 1974 "committee" near the beginning of the amendment deleted "selection" preceding section.

Sec. 14.40.761. Graduate loans. The committee may make a loan, not to exceed \$5,000 in any one school year, to a graduate student who is eligible under § 765 of this chapter and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974)

Effect of amendment. — The 1974 "committee" near the beginning of the amendment deleted "selection" preceding section.

Sec. 14.40.763. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

(b) The loans may only be used to attend a career education program approved by the Department of Education or a college or university accredited by the accreditation association for the region in which the college or university is located.

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section.

(d) Scholarship loans may not be made to a student for more than six years.

(e) Loans are noninterest bearing while a student is enrolled under (c) of this section or is fulfilling required military service.

(f) Interest on a loan given under §§ 751 — 806 of this chapter is at the rate of five per cent a year.

(g) Repayment of a loan shall commence within one year after a student terminates his studies or required military service, and shall be fully repaid within a period of six years; in cases of hardship, the committee may extend repayment of a loan for an additional five years.

(h) Security may not be required for the loans; however, provision shall be made for payment of attorney fees and costs of court if either or both are incurred in collection of the amount owed on the loan.

(i) If a loan is in default, the commission may notify the student that repayment of the remaining balance is accelerated and due by sending the student a notice by registered or certified mail.

(j) A portion of a loan shall be considered a grant if, upon completion of the course of study for which the loan was granted, the grantee spends at least two years employed in the state. The portion of the loan

Amended

which shall be regarded as a grant 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 per cent
- (3) four — five years residency 30 per cent
- (4) over five years residency 40 per cent

(§ 1 ch 98 SLA 1971; am § 4 ch 156 SLA 1972; am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974)

Amended

Revisor's note (1971). — In ch. 98, SLA 1971, AS 14.40.763 (j) (2) read "four — five years . . ." This was a typographical error occurring for the first time in the enrolled version of the bill (CSHB 415 [Finance am S]) and has been corrected here.

amendment substituted "806" for "773" in subsection (f).

The first 1974 amendment substituted "commission" for "Department of Education" in subsection (i).

The second 1974 amendment added "a year" to the end of subsection (f).

Effect of amendments. — The 1972

Sec. 14.40.765. Eligibility of students. A student may apply for a scholarship loan if

- (1) he is a resident of Alaska, and if
- (2) he is either
 - (A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or
 - (B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university. (§ 1 ch 98 SLA 1971)

Sec. 14.40.767. Selection criteria. In selecting from among the eligible students those students who will be awarded loans the selection committee shall take into consideration the following items:

- (1) the student's financial needs;
- (2) entering freshmen who are graduates of Alaska high schools or who are graduates of a high school outside the state if their Alaskan residency has been continuous;
- (3) personal recommendations from the student's instructors, employers, and others familiar with his abilities;
- (4) the student's record of achievement. (§ 1 ch 98 SLA 1971)

Amended

Sec. 14.40.769. Discrimination prohibited. The student loan program shall be carried out without regard to the race, creed, sex, color, ancestry, national origin, or membership in fraternal or political organizations of the student applying for the loan. (§ 1 ch 98 SLA 1971)

Sec. 14.40.771. Enforceability of certain contracts with minors. A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by him from any person for the purpose of furthering his education in a career education program or an institution of higher learning, is enforceable against the

Effect of amendment. maximum amount of the loan from
 The 1978 amendment increased the \$2,500.00 to \$3,000.00.

Sec. 14.40.763. Conditions of loans.

(b) The loans may only be used to attend a career education program or a college or university approved by the commission, and, if the loans are federally insured, by the United States Commissioner of Education.

(c) Loans are 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 is entitled to have a portion of the interest paid on his behalf and for his account in accordance with (1) of this section.

(g) The required repayment of the principal amount of the loan and any interest on the loan begins no earlier than nine months nor later than one year after the student terminates his studies. The loan shall provide for repayment of the total amount owed in periodic installments in not less than five nor more than 10 years from the commencement of repayment or more than 15 years from the date of execution of the original promissory note evidencing the disbursement of the loan, except as provided for in (k) and (m) of this section. Notwithstanding the provisions of this subsection, a student may at his option make payments earlier than this subsection requires.

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower spends at least three years employed in the state. The portion of the loan which shall be paid by the state shall be the following percentages of the total loan received plus interest for up to a total of 40 per cent:

- (1) two — three years residency, 10 per cent;
- (2) three — four years residency, an additional 10 per cent;
- (3) four — five years residency, an additional 10 per cent;
- (4) over five years residency, an additional 10 per cent.

(k) Periodic installments of principal shall be deferred, but interest shall accrue and be paid unless the student is eligible for interest payment benefits under (1) 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 full-time 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 period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or
- (6) if the borrower becomes 50 per cent or more disabled as certified by competent medical authority.

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(l) The state will pay the interest on that portion of a loan that is not federally insured during

(1) the period before the beginning of the repayment period of the loan; and

(2) deferments under (k) of this section.

(m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than six months each, within the 15-year requirement of (g) of this section.

(n) Each year spent attending a college or university in Alaska qualifies as a year of employment and residency under (j) of this section, if the borrower resides no less than three years in Alaska after completion of the course for which the loan was granted, and has a total Alaskan residency of 10 years time.

(am §§ 1 — 4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979)

Effect of amendments.

The 1977 amendment substituted "commission" for "Department of Education" in subsection (b), substituted "receiving of deferment of payments under (k) of this section" for "fulfilling required military service" at the end of subsection (e), rewrote subsection (g), and added subsection (k).

The 1979 amendment deleted "approved by the commission" following "career education program" and substituted the language beginning "approved by the commission" for "accredited by the accreditation association for the region in which the college or university is located" in subsection (b), substituted "interest" for "non-interest" in subsection (e), added the language beginning "however, a student shall be entitled" to the end of subsection (e), rewrote subsection (g), and in subsection (j), substituted "paid on behalf of the borrower by the state" for "considered a grant," "borrower" for "grantee," and "three years" for "two years" in the first sentence, substituted "paid by the state" for "regarded as a

grant" and "interest for up to a total of 40 per cent" for "accrued interest" in the introductory language of the second sentence, and substituted "an additional 10 per cent" for "20 per cent" in paragraph (2), for "30 per cent" in paragraph (3), and for "40 per cent" in paragraph (4). The amendment also rewrote subsection (k) and added subsections (h), (m), and (n).

As the rest of the section was not affected by the amendments, it is not set out.

Editor's note. — Section 8, ch. 99, SLA 1977 provides: "The change in the repayment period of student loans set out in AS 14.40.763(g) as amended by sec. 3 of this Act and the additional bases for granting a deferment of repayment of a student loan set out in AS 14.40.763(k) as enacted by sec. 4 of this Act shall, upon request of the loan recipient, be applied retroactively to the outstanding balance of principal of and accrued interest on loans made under AS 14.40.751 — 14.40.806 as they read before the effective date of this Act."

Sec. 14.40.767. Selection criteria. (a) The selection committee shall grant loans based on total point accumulations under this subsection with priority going to those applicants with the highest point accumulations, except as provided in (b) of this section for loan applications completed before May 15 of each year. Points shall be awarded to applicants based upon student status and continuous Alaskan residency, according to the following schedule:

(1) student status:

- (A) continuing undergraduate and graduate students with existing Alaska scholarship loans 4 points
- (B) continuing undergraduate and graduate students without existing Alaska scholarship loans 3 points
- (C) freshmen 2 points
- (D) new graduate students without existing Alaska scholarship loans 1 point
- (2) continuous Alaskan residency:
 - (A) students with continuous Alaskan residency of 10 years or more 3 points
 - (B) students with continuous Alaskan residency of at least 5 years and less than 10 years 2 points
 - (C) students with continuous Alaskan residency of more than 2 years and less than 5 years 1 point
- (3) students attending Alaska colleges or universities . . . 1 point
- (b) In awarding loans the selection committee shall award loans to applicants based upon the earliest date of completed applications if
 - (1) the applicant has accumulated at least 5 points under (a) of this section; and
 - (2) the applicant has filed a completed application not later than May 15 of the year for which the loan is requested. (§ 1 ch 98 SLA 1971; am § 2 ch 87 SLA 1979)

Effect of amendment. — The 1979 amendment rewrote this section.

Editor's note. — Section 1, ch 87, SLA 1979 provides: "The legislature determines that

"(1) there are no incentives in the student loan program for residents of Alaska to attend colleges and universities in Alaska as compared with colleges and universities outside Alaska;

"(2) the result of this lack of incentives is that 64.9 per cent of all undergraduate student loans and 92.9 per cent of graduate student loans go to students attending colleges and universities outside Alaska;

"(3) 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;

"(4) the funds spent on education in Alaskan colleges and universities go further than when the funds are spent out of state; and

"(5) it would be an aid to the Alaskan economy if the funds in the student loan program were spent for education in Alaskan colleges and universities."

Secs. 14.40.776 — 14.40.796.

Repealed by § 15 ch 94 SLA 1980.

Editor's note. — The repealed sections — 15 ch 136 SLA 1974 §§ 2—4, ch 136, derived from § 5, ch 136 SLA 1972, §§ 9, SLA 1975, §§ 1—7, ch 246 SLA 1976

Sec. 14.40.801. Fiscal and business management practices.

Repealed by § 7 ch 246 SLA 1976 and § 15 ch 94 SLA 1980.

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Editor's note. — The repealed section ch. 78, SLA 1974; §§ 16, 17, ch. 136, SLA derived from § 5, ch. 156, SLA 1972; § 7, 1974.

Sec. 14.40.806. Definitions. In AS 14.40.751 — 14.40.806

(1) "career education" means a course or program in vocational-technical training or education approved by the commission;

(2) "full-time student" means an undergraduate or career education student who is enrolled and is in regular attendance at classes for at least 12 semester hours of credit or the equivalent during the semester or a graduate student who is enrolled and is in regular attendance at classes for at least nine semester hours of credit or the equivalent; any combination of semester hours of credit, or the equivalent, aggregating to the requisite number of semester hours and undertaken during a semester at two or more public or private institutions of higher education operating under a consortium constitutes full-time student status;

(3) "part-time student" means a student who is enrolled and is in regular attendance at classes for at least three but less than the semester hours of credit required for full-time student status under (2) of this section during the semester;

(7) Repealed by § 7 ch 246 SLA 1976.

(8) "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.

(am § 7 ch 246 SLA 1976; am §§ 5 — 7 ch 99 SLA 1977; am § 9 ch 87 SLA 1979)

Effect of amendments.

The 1976 amendment repealed paragraph (7), which defined "consortium."

The 1977 amendment substituted "commission" for "Department of Education" in paragraph (1), substituted "an undergraduate or career education student" for "a student" and the language beginning "or a graduate student who is enrolled" and ending "requisite number of semester hours and" for "any combination of 12 or more semester hours of credit" in

paragraph (2), inserted "or the equivalent" preceding "during the semester" in paragraph (2), and substituted "the semester hours of credit required for full-time student status under (2) of this section" for "12 semester hours of credit" in paragraph (3).

The 1979 amendment added paragraph (8).

As the rest of the section was not affected by the amendments, it is not set out.

Article 11. Alaska Commission on Postsecondary Education.

Section

- 909. Functions of the commission
- 917. Legal counsel
- 919. Councils

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH V - STATE CAPITOL
JUNEAU, ALASKA 99801
907-465-3800

MEMORANDUM

January 2, 1981

SUBJECT: Student loan amendments
(Work Order No. 12-0326)

TO: Representative Thelma Buchholdt

FROM: John B. Chenoweth
Legislative Counsel

Memos accompanying bill drafts are usually used to comment critically concerning deficiencies, real or otherwise, in the drafts. In this case, as an exception to the general use of these memos, I wanted to advise you that, at least with respect to those who process bills -- the typists and proofreaders and others in the division who handle drafts on a confidential basis (who have sons and daughters attending college usually with the aid of a loan) -- your suggestion that all of a loan for postsecondary education might possibly be forgiven based on evidence of superior academic standing and state residency met with favorable comment. There was a general feeling that the idea of forgiveness based on academic standing would be a good additional incentive to achieving higher grades.

JBC:jdn

Enclosure

ANNETTE ISLANDS SCHOOL DISTRICT

P.O. BOX 7

METLAKATLA, ALASKA 99926

(907) 886-6332
Supt. Office

(907) 886-4121
Elementary School

(907) 886-6000
Jr. - Sr. High School

January 15, 1981

State Representative Thelma Bucholdt
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Representative Bucholdt,

The Annette Island School District totally supports H.B. 42. However, there is one amendment that we would like to see:

We feel that the "3.0" grade point average is too high for students coming from small high schools in Alaska. A "2.0" GPA would be more realistic.

Small high schools cannot offer many advanced classes like chemistry, physics, advanced math, etc. Consequently, our students have a hard time in college and especially in the first year.

We commend you for your efforts of raising the dollar amounts for both undergraduates and graduates. What better way can Alaska spend money than on its future leaders.

Thank you.

Sincerely,

Annette Island School District



Larrae Rocheleau, Superintendent

6941 Tall Spruce Drive
Anchorage, Alaska 99502
February 5, 1981

Dear Rep. Buchholdt,

I have heard that there is consideration of introducing two pieces of legislation in the Legislature during this session.

One such proposal involves increasing the Student Loan Program from \$3000 per year to at least \$5000 per year. Having two children in college presently and another soon, I would like to ask you to support or introduce such a bill. Our daughter just informed us that her tuition "outside" is increasing \$2000 next year. Also, air fare has increased 10% in the last two months, greatly increasing the cost to and from college. What better investment of state money is there than in the future of our younger citizen's education?

The second proposal is the possibility of eliminating part or all of these loan repayments if the student maintains a "B" average. I would like this amended to read "student in good standing" at the university of attendance, rather than "B" average since universities vary in their grading systems and this would be more equitable. I do urge your support or introduction of such legislation. It seems a fair and just investment as well as an incentive for the students to achieve and continue their post-secondary education.

Thank you for your time and consideration concerning the above matters.

Sincerely,

Ismajean Barta
Donald J. Barta

REPORT R01-105-0090
 PROGRAM 105-0090 COMPILED 10/30/80
 DATE 01/08/81
 TIME 1:51:54

STATE OF ALASKA: COMM ON POST SECONDARY EDUCATION
 DIVISION OF STUDENT FINANCIAL AIDS
 STUDENT FINANCIAL AID SYSTEM
 PAST-DUE PAYMENT REPORT

LOAN CURRENT REPAYMENT SCHEDULE P A S T - D U E S C LAST PAYMENT PAID D E F E R M E N T CORRESPOND
 SFX DATE PRNCPAL INTRST TOTAL PRINCIPAL INTEREST 30 60 90 120 T D DATE AMOUNT THRU CODE BEGIN END CODE DA

RECOLLECTIONS ACTIVITY:

	NUMBER OF LOANS	ORIGINAL LOAN AMT	CURRENT BALANCE	P A S T D U E PRINCIPAL	A M O U N T INTEREST
AUTOMATIC TRANSFERS TO PRECOLLECTIONS TODAY	425	1,131,283.40	844,278.18	56,497.09	11,769.29
MANUAL TRANSFERS TO PRECOLLECTIONS LAST MONTH	4	15,540.00	14,101.09	734.18	247.21
AUTOMATIC CURES LAST MONTH	173	489,818.38	360,920.79	2,037.30	490.06
MANUAL CURES LAST MONTH	187	558,842.76	426,966.44	32,503.97	6,935.38
TRANSFERS TO COLLECTIONS LAST MONTH	13	26,753.99	26,289.22	3,727.62	801.09
TOTAL ACCOUNTS IN PRECOLLECTIONS	1,263	3,540,672.56	2,881,883.27	244,778.84	54,847.43

COLLECTIONS ACTIVITY

	NUMBER OF LOANS	ORIGINAL LOAN AMT	CURRENT BALANCE	P A S T D U E PRINCIPAL	A M O U N T INTEREST
TRANSFERS TO COLLECTIONS LAST MONTH	13	26,753.99	26,289.22	3,727.62	801.09
TRANSFERS TO REPAYMENT (CURES) LAST MONTH	15	32,016.39	29,593.01	2,536.62	437.40
TERMINATIONS FROM COLLECTIONS LAST MONTH	38	65,569.69	34.14	12,720.39	2,000.25
TOTAL ACCOUNTS IN COLLECTIONS	248	659,896.35	622,142.99	96,712.49	24,637.78

AGED ANALYSIS (ACCOUNTS IN DEFERMENT ARE CURRENT):

	NUMBER OF LOANS	ORIGINAL LOAN AMT	CURRENT BALANCE	P A S T D U E PRINCIPAL	A M O U N T INTEREST
CURRENT	4,257	13,598,688.81	10,736,864.63	289,885.93	4,807.74
30 TO 59 DAYS	508	1,502,268.83	1,053,685.06	18,756.70	4,254.84
60 TO 89 DAYS	295	755,963.25	585,775.44	19,677.65	4,270.21
90 TO 120 DAYS	193	512,008.03	385,663.97	19,471.50	6,033.83
PRECOLLECTIONS OVER 120 DAYS	700	2,019,412.37	1,665,342.80	211,582.95	47,078.19
COLLECTIONS OVER 120 DAYS	297	691,695.79	488,877.20	97,048.39	29,262.34
TOTAL	6,250	19,080,037.08	14,916,209.10	76,651.26	86,090.17

DEFAULT RATE 11.3%

FISCAL NOTE

Learn Act by act, to Budget

I. REQUEST

Bill/Resolution No. HB 42
 Title Amending Scholarship Loan Program
 Requested by Representative Buchholdt Date 1/20/81

II. FISCAL DETAIL

Agency Affected Education
 Program Category Affected Commission on Postsecondary Education
 BRU, Program, or Subprogram(s) Affected Student 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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	N.A.					
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		1,575.7	1,970.6	2,331.1	2,814.8	3,472.8
TOTAL	N.A.	1,575.7	1,970.6	2,331.1	2,814.8	3,472.8

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	N.A.	1,575.7	1,970.6	2,331.1	2,814.8	3,472.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	N.A.	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

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

- A. Fiscal impact of raising limits is based upon the following assumptions:
- current mix of 11% graduate, 89% undergraduate will continue
 - current borrowing pattern will continue with slight increase upward, i.e.

Undergraduate:	27.5%	\$50-\$1,950	Graduate:	46.5%	\$50-\$4,950
	29.3%	2,000-2,950		53.5%	\$5,000
	41.2%	\$3,000			
 - 100% of undergraduate maximum borrowers will borrow increased maximum
 90% of graduate maximum borrowers will borrow increased maximum and another 80% will borrow \$5,500
- B. Fiscal impact of HB 42, Section 3 will be negligible until 1988, then:
- | | | | | | |
|------|---------------|------|---------------|------|---------------|
| 1988 | \$1.5 million | 1990 | \$4.5 million | 1992 | \$6.8 million |
| 1989 | 2.0 million | 1991 | 5.6 million | | |

IV. DATE 1/22/81 PREPARED BY Kerry D. Romach
 AGENCY Commission on Postsecondary Education
 PHONE 465-2854
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

2-18-81
HSS-12

Lee Ann Carter - visit to Thelma Robinson

Jordanis -

- del in general rate?
Q - Bank investment error del.

% of repayment 14% deficit,

5 yr undergraduate

Rosenberg -

Bankruptcy - very NOT for permitted
i.e. Fed Court says not ad. loan of gov. not
with...

Part-time students

e.g. 60% @ U of A are part-time
some parents need it
no "need" attached