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Jay Barton
President

UNIVERSITY OF ALASKA

FAIRBANKS ALASKA 99701

February 8, 1982

Dear Representative Beirne:

Thank you very much for the opportunity to offer comments and testimony on S.B.152, "An Act Changing the term of office for members of the Board of Regents of the University of Alaska and providing for an effective date." The issue to which your Committee is addressing itself is a most important one though the precise length of term for a Regent is not in itself of tremendous importance. I believe most states would agree that the term of an individual appointment should be longer than the term of the appointing authority - generally the governor. Hence, it is important that the term be more than four years here in Alaska. The bill you are considering specifies five - it meets the criterion.

The length of term should also be long enough to permit a regent to become fully aware of the complexities of the institution he or she serves and, hence, to be in a position to contribute substantively to the institution's future. Many of the UA Regents with whom I have talked informally have pointed out that becoming familiar with the operations and complexities of the University of Alaska requires a significant length of time - one Regent has suggested two years, another four. Hence, the length of term should be sufficiently long to allow a familiarization period and also a reasonably lengthy productive period. Obviously we should be cautious about cutting back too dramatically on the length of the term.

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I think in considering the legislation before you there are more important considerations, however, than debating precisely how many years a Regent should serve. That concern deals with the whole question of the relationship of politics to University governance. My concern is that this legislation not be seen as an effort to stack the Board with political appointments. We need Regents of ability and commitment.

The issue has been addressed recently by a national body - the American Association of Governing Boards. I commend their recent publication entitled "Recommendations for Improving Trustee Selection in Public Colleges and Universities" to you for use by your Committee in reviewing the pending legislation. I am enclosing a copy, additional copies are available from the Association in Washington, D.C.

Let me quote some of the basic assumptions that underlie the selection of trustees for public governing boards as reported by the Commission.

- "1. The future of the lay governing board as a viable alternative to direct state or federal control of colleges and universities will depend in large measure on the competence of those who are chosen to serve as trustees and regents."

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- "2. There has been a general and pervasive erosion in the autonomy of public governing boards and their presidents to manage internal affairs as a result of governmental regulatory initiatives. Such erosion threatens the independent authority for educational decisions which has been the strength of American higher education since its inception. Colleges and universities cannot fulfill their responsibilities to society if they are looked upon and treated as another public utility. Accordingly, it is even more crucial to select able women and men to serve on boards who can be effective in communicating the purposes of academic institutions and their need for a degree of autonomy from both the changing winds of partisan politics and demands by faculty and students for greater control of institutional affairs."
- "3. One manifestation of improper governmental intrusion is what seems to be the priority given to political rather than qualitative criteria in trustee selection processes."
- "4. The lack of diversity and balance in age, sex, minority status, geographic coverage, and professional expertise in board membership limits board perspective and seriously damages the board's legitimacy and credibility."

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At the same time, upon assuming their positions trustees must function in the interest of the whole institution rather than of any of its separate constituencies."

- "5. Current board members, college presidents, public citizens, and others concerned about the academic community can and should serve as consultants to the appointing authority when board vacancies arise."
- "6. Governors, state legislators, and other public officials will welcome guidelines to strengthen trustee selection processes - guidelines which can be adapted to the particular circumstances of their states or systems of public higher education."
- "7. More open and systematic procedures for trustee selection will improve the probability that only highly qualified persons with a demonstrated commitment to higher education will be chosen to serve on public governing boards".

The report goes on to identify 18 recommendations for the selection of trustees or regents. The essence of these recommendations is that regents should be appointed by the governor from a list of nominees who have been carefully screened and qualified by a special nominating committee. The Commission recommends that political party affiliation should not be a criterion for appointment. The Commission also recommends that trustees be appointed for terms of not more than six years and

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should not serve for more than twelve consecutive years. The Commission is a little negative with respect to the appointment of student regents and faculty regents. I am sure that you and the Committee will find the detailed recommendations of significance and application to the legislation.

There is a related issue that I think ought to be addressed. Many qualified and committed people in Alaska hesitate to serve on the Board of Regents or in other public capacities because of the highly detailed, and some say, harassing, conflict of interest statements that must be filed. There are simpler ways that are legally just as effective and yet are not quite as discouraging to individuals who might otherwise wish to serve in a public capacity. The AGB report speaks partially to this issue in its Appendix on potential conflicts of interest. I commend that section also for your consideration.

Many in Alaska have assured me that modifications of the conflict of interest disclosure procedures could go a long way toward encouraging many capable individuals to seek and hold public office. This issue, of course, is much broader than the appointment of members of the Board of Regents.

Beirne, Representative -6- Feb. 8, 1982

Thank you very much for the opportunity to provide this information. I would be most pleased to testify at greater length at your convenience.

Respectfully,



Jay Barton
President

JB:dm
Enclosure
cc: The Honorable Charles Parr
The Honorable Michael Beirne
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

STATE OF ALASKA

JAY S. HAWKINS, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

December 22, 1981

The Honorable Albert P. Adams
Alaska State Representative
P. O. Box 333
Kotzebue, Alaska 99752

Dear Mr. Adams:

I last wrote you concerning the State Student Loan Program on October 6 of this year. At that time I indicated that the loan program would be about \$7 million short this year. I further indicated our intention of funding fall-term for late loan applicants, but holding action for Spring-term awards (for these late applicants -- those applying after August 31, 1981) until we received legislative decision upon a supplemental request for the \$7 million. Also, at that time, I reported that we were 6 weeks behind in loan processing.

We are now current in our loan processing. All applications are now worked within a week of their receipt. As of December 18, 1981, we have awarded loans to 8,989 students, for a total commitment of \$37,831,015. Of these 8,989 students, 44.7% (4,019) are for students attending school in Alaska. The average loan award is becoming lower due to the fact that many awards are only for the fall term. It appears that if we receive our supplemental and fully-fund all applicants, the average loan for this year will be around \$4,300 (\$4,100 for undergraduate students and \$5,500 for graduate students).

A number of Legislators have expressed interest in a careful analysis of the entire loan program. The Commission totally agrees, and has been examining the program for several months. A detailed report will be distributed to the Governor and the Legislature some time in February. That report will examine alternatives for administrative and programmatic changes and will establish Commission priorities for the various approaches. Included in our study is a management audit by Peat, Marwick, and Mitchell and a statewide meeting of secondary school counselors. The management audit is to suggest methods of improving the handling of the loans by our office. The counselor meeting is to gain input from those persons dealing directly with the students when attendance decisions are being made. Since the management study will not be completed until late January, and since the counselor meeting will not be held until February 4-5, 1982, we will not be able to report fully until mid-February.

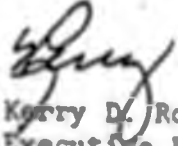
The Honorable Albert P. Adams

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Enclosed is a background paper for the counselor meeting. The paper contains most of the alternatives we are currently exploring. If you wish more information prior to our final report, please let me know and I will try to assist in whatever manner possible.

Sincerely,



Kerry D. Rosburg
Executive Director

Enclosure

Alternatives for Amending the Student Loan Program

The following alternatives for amending the current Alaska Student Loan Program are not meant to be exclusive, nor are they being suggested for adoption. Rather, they are simply those alternatives which have arisen from initial staff and Commission study and discussion. A number will surely be discarded as being impractical or unsatisfactory, but for the present, all must at least receive consideration.

Prior to presentation to the Legislature, the Commission will be establishing positions on each of these alternatives and will be assigning priorities for those being recommended for possible adoption if and when circumstances so warrant.

The order of presentation will be: those alternatives requiring administrative action, usually through regulations; those alternatives requiring legislative actions; and those miscellaneous alternatives dealing with the general administration of the program.

Alternatives Accommodated Through Regulations

1. Enforce a loan application deadline. The current deadline for applying for a student loan is May 15 of each year (20 AAC 15.020 [a]). For most purposes this deadline date is ignored. Persons may apply for a loan at any time throughout the year, with the only restriction being that of 20 AAC 15.020 [d]. Under that section of the regulations, a person may not apply for a school term which is one-half or more over.

An alternative is to set new realistic deadlines and then strongly adhere to those dates. Suggested deadlines are:

<u>For attendance</u>	<u>Application deadline</u>
Beginning July 1 - October 31	July 15
Beginning November 1 - February 29	November 15
Beginning March 1 - June 30	March 15

2. Restrict continuing loans to students maintaining certain grade-point averages. In order to receive a student loan, the student must be attending school full-time and be in "good standing". Good standing is defined by the Commission (through regulations) as having a 2.0 cumulative grade point average (g.p.a.) for undergraduate students and a 3.0 cumulative grade point average for graduate students (20 AAC 15.040(j)).

An alternative could be to raise the requirement for maintenance of "good standing". Undergraduate good standing could be defined as a g.p.a. of 2.5 or 3.0, and graduate could be 3.5. This could greatly reduce the number of eligible borrowers.

It is estimated that raising the requirement to 3.0 and 3.5 would eliminate as many as 50% of the current borrowers. This would mean a savings of as much as \$31 million in 1982-83.

3. Require residency verification. Student loans are available to eligible borrowers who are at least two-year Alaska residents. There has been a good deal of hypothesizing as to the extent of persons willing to perjure themselves by falsely claiming Alaskan residency in order to obtain a student loan.

The Commission could, by regulation, require that a student obtain four references willing and able to attest to the student's residency claim. This verification would also be under personal oath.

The process could slow down processing somewhat, but it should not require increased staff, and it should eliminate some of the potential for abuse.

Alternatives requiring Legislative Changes

4. Employ a needs test. The imposition of a needs test is based upon the logic that if funds cannot be provided to fund all Alaskans wishing student loans, then those who are "most needy" are the ones who should receive support. A needs test can be handled in at least two ways. First, a level of available funds could be determined. Then, all applicants could be ranked, based upon need, and awards could be made until funds were exhausted. Second, a minimum level of "need" could be set. All persons meeting the need criteria would be funded, all others denied.

A nationally-known needs test would be employed. The students would be required to fill out the needs analysis form, pay a fee for processing, and send the form to a processing center (probably in California). The center would report results to the student and the Commission.

This would not require increased staffing at the state level, but would slow processing considerably.

A needs test would require a parental contribution based upon family income levels and would penalize the dependent student, as opposed to the independent student.

A substantial amount could be saved annually, depending upon how restrictive either the funding level or the income levels were.

5. Deny loans for foreign study. Loans can currently be used for study at any approved institution. A small number of students, 20-25 in 1981-82, use these loans for study in foreign countries. These loans could be denied. The savings would amount to \$120,000 - \$165,000 annually.

6. Deny loans to freshmen borrowers. Since freshmen tend to be the largest credit risk (after vocational students), the entire group of freshmen borrowers could be denied loans. This currently accounts for 31.8% of the student loans, so the savings for 1981-82 would be \$11.3 million, and for 1982-83, as much as \$21.3 million.

7. Restrict loan use to only tuition, fees, and books, or tuition, fees, books, room, and board. The current practice is to loan for tuition, fees, books, room, board, and other educational expenses. These "other expenses" include personal expenses, child care, travel, etc. At the University of Alaska, these expenses account for 22 to 35% of the standard student budget. If room and board were also eliminated, the savings would be another 40 to 65%. Hence, the savings of eliminating all expenses other than tuition, fees, and books would be from 60 to 90% of the current loan levels.

In 1982-83, eliminating "other expenses" could save from \$15 to \$24 million. Eliminating all expenses but tuition, fees, and books, could save as much as \$40 to \$60 million. It should also be noted that such restrictions in borrowing eligibility would also result in forcing some students not to attend school. In fact, those that need the funds the most would be those most likely to be forced out of school.

8. Roll back the borrowing maximums. The 1981 Legislature increased the undergraduate borrowing maximum from \$3,000 per year to \$6,000 per year, and the graduate maximum from \$5,000 to \$7,000 per year. The program then experienced a 70% increase in borrowers, and a 288% increase in funds requested. While other factors undoubtedly contribute to this increase, the principal element is the new borrowing limit.

Reducing the loan maximum could profoundly affect the cost of the program. Rolling back to \$3,000 and \$5,000 would save as much as \$30 million in 1982-83, but it would also mean some students could not attend school. If the large increase in borrowing is in part attributable to the increased maximums, a reduction would mean forcing some students back out of the educational system.

9. Raise the interest rate charged on loans. The current interest rate on Alaska student loans is 5%. Federal student loans are now at 9%. The interest rate charged to students could be raised to 7%, 8%, 9%, or even 10%. Raising the rate could make the loans less attractive and thereby discourage some borrowers, but probably very few. The effect would be negligible for the first few years, but raising the interest from 5% to 9%, for example, could result in as much as \$1.3 million in 1986-87.

In order to prevent the necessity of legislative action every few years, the interest could also be based upon current interest rates for federal student loans. Therefore, when federal student loan interest rates change, the state's rates would also change.

10. Increase residency requirements for loans. To qualify for a student loan, a borrower must be at least a two-year Alaska resident. This could be increased to three, five, or ten years. All would save considerably over the present system; for example, raising to a five-year requirement would eliminate approximately 32% of the borrowers. In 1982-83, this could mean as much as \$20 million. However, it should be noted that the Attorney General has previously advised against such residency restrictions.

11. Eliminate forgiveness. If a borrower resides in Alaska after completion of study, up to 50% of the loan, including interest, may be forgiven (cancelled). This partial cancellation is earned at a rate of 10% per year of residence after completion of study, for up to five such cancellations.

If this provision were eliminated, a great deal of money would be saved eventually. It could not and would not affect the \$97 million already loaned under the program. Although the effect would be negligible for the next few years, there would be an increasing savings realized that would be at an annual level of \$2 to \$5 million by 1986-87.

There may be an impact which would not be desirable if this action were taken. The forgiveness, currently at 50%, is believed to be a significant inducement for persons to live in Alaska after completing study. Removal of that inducement would lessen the number of educated Alaskans remaining or returning to work in Alaska after schooling.

A second point should be made, and that is that the 1981 Legislature just took action raising the forgiveness from 40% to 50%.

12. Restrict loans to in-state students. Student loans could be made available only to those persons attending in-state educational institutions. This would save a considerable amount, since about 60% of all student loans are for study out-of-state. Some of those students would be forced to attend in-state if the loan program were not available, others would go out anyway, and still others would not go to school at all. The savings could easily be 40% over current levels. For 1980-81, that would be \$18.8 million, and for 1981-82, as much as \$26.8 million.

Previous legislative attempts at adopting this type of restriction were not very well received. Arguments against such a restriction included the absence of certain programs in Alaska, the issue of freedom of choice - particularly with a loan that had to be repaid, the issue of educational quality, the issue of educational diversity, and simply the issue of being able to leave home and experience life in another part of the country.

13. Eliminate interest waivers during in-school and other deferment periods. Interest and payments are currently deferred while the borrower is a full-time student, in the military, in the peace corps, serving an internship, on medical hardship and disability, and during a one-time unemployment period. Interest could accumulate during these periods. This would greatly increase the amount of interest to be paid and would increase monthly payments when the borrower enters the repayment cycle. The burden of repayment would be increased since the accumulated interest would be disbursed over the normal ten-year repayment period.

14. Establish a two-tier or dual, loan program. The state could continue to emphasize loans as its principal means of providing student assistance, but it could have two programs available. One, called something like the Alaska Basic Student Loan program, could be available only to those students able to demonstrate substantial "need". The loans could be varying amounts, dependent upon the level of need verified by a standard needs analysis, and should carry a low interest rate, such as 5%.

The second loan program, called something like the State Standard Student Loan Program, the State Supplemental Student Loan Program, or simply the State Student Loan Program, could be available to all those unable or unwilling to demonstrate the need required to qualify for a "basic" loan. This program could carry high interest rates, such as 10% or 11%.

Costs to the state would be decreased under such a plan, because of the higher income generated from the second program and also because a number of persons currently borrowing might choose not to borrow if the terms are less attractive. Forgiveness features would be at the discretion of the Legislature, but if these were eliminated, even greater savings would be realized.

General Administration Alternatives

A. The Commission has been quite concerned about the timely handling and processing of loan awards. Some suggestions and alternatives have been identified which could improve this processing time.

15. Fully staff the awards division. The current awards staff consists of 7.0 full-time people. These include a division officer, an awards specialist, three awards clerks II, and two awards clerks I. Using the adopted staffing formula of 1.0 staff member per 1,000 loan awards, the division is understaffed by 36.4%, or 4.0 people. With the additional personnel, loan processing could continue and be kept current. The division was operating 30 days behind in loan processing as of November 1, 1981. Even working evenings and weekends, the current staff cannot service the loan applicants in an adequate and timely manner.

16. Maintain a revolving base for loan processing. The 1981 Legislature created a \$10 million revolving base for the program. This was to enable the processing of loans during February, March, April, and May. Unfortunately this benefit of the base was negated by the delay in program start-up this past year, but the concept of a revolving base is sound and would greatly improve loan processing by leveling the work load. The base, with the increased borrowing limits and volume of applicants, would need to be about \$25 million to be effective.

17. Eliminate the institutional sign-off on educational cost of attendance. The current procedure requires the applicant to have the school of attendance review the application and certify that the costs listed by the loan applicant are reasonable and appropriate for that particular institution. This step can cause great delays in the loan process. At times applications are lost or simply held by the schools until such time that the student does not receive funds in time for the beginning of school. If this step is eliminated, the process would be greatly accelerated.

The trade-off here is that the loan division would then have no check on the appropriateness of what the applicant says it will cost to attend a particular school. Budgets could be exaggerated to assure the qualification for a maximum loan.

B. The Commission has also expressed concern over administrative costs and growth of staff. Hence, a few alternatives to current practices have been explored.

18. Contract for loan collection with an outside agency. The current program only contracts out the basic receipt of payments. Coupon booklets are ordered and sent to loan recipients entering the repayment cycle. The monthly payments are then mailed to a "lock-box" contracted through a commercial bank. The bank receives the funds and transfers them to the state. The rest of the administration is handled in-house.

The increased loan volumes and the maturation of the program are creating large demands for increased staff. Using the adopted staffing formula, the current staff of 24.0 full-time persons will increase to 56.0 in 1982-83, 82.0 in 1983-84, and 106 in 1984-85. If state government is not to expand, alternatives need to be examined.

Loan collections actually consist of loan repayments and loan collections. Loan repayment is the routine repayment of loans, and loan collection is the collection of delinquent and default accounts. In exploring the use of an outside contractor, three approaches were explored: a nationwide loan management service, a commercial banking service, and a private collections agency.

(a) Loan management service. Three nationwide loan management services were contacted on behalf of the loan program. All three specialize in the collection of student loans and handle accounts for a number of institutions and states - usually federally guaranteed student loans. Since the Alaska program is so different from the federal program, one company would not submit a bid for servicing the Alaska loans, one did submit a bid, and a third has not responded definitively. The sound bid is from Wachovia Student Loan Management Services of Winston-Salem, North Carolina. Wachovia indicated a willingness to alter existing data processing software to handle Alaska's program. The costs, submitted October 27, 1981, are:

\$1.15 per borrower per month while in school
\$2.00 per borrower per month during deferments
\$2.85 per borrower per month during repayment

Wachovia will not be responsible for collection of delinquent or defaulted loans

Based upon current figures and estimates, the following cost comparison is made:

<u>Year</u>	<u>Wachovia</u>	<u>State</u>	<u>Difference</u>
1981-82	\$ 895,453	\$ 497,502	\$ (397,951)
1982-83	\$1,461,150	\$ 938,222	\$ (522,928)
1983-84	\$2,036,263	\$1,498,480	\$ (537,783)
1984-85	\$2,552,537	\$2,117,724	\$ (434,813)

Therefore, the cost of contracting these services would be considerably higher than "in-house" processing.

(b) Commercial banking services. Attempts to obtain sound bids from in-state banks have not been very successful. A few banks would be willing to administer all or parts of the loan program, but initial programming costs and staffing costs would be extremely high. Either the state or the borrower would have to absorb those costs and the result would again be increased cost to the state, when compared to maintaining the "in-house" servicing.

(c) Private collection agency. A number of private collection agencies will attempt to collect our "bad debts", i.e., the delinquent and defaulted loans; however, the charges all are around 50% to 65% of the amount recovered. This charge far exceeds that currently being paid the five persons handling these collections "in-house". The collection rate for the current staff for "bad debts" is averaging over \$200,000 per staff member per year.

19. Combine this loan program with other state loan programs. This alternative has been explored before and has been found to be not a workable alternative. The Legislature made this determination when all loan programs were being re-examined and re-vamped two sessions ago. They found that student loans should not be included in any type of large loan package portfolio, particularly if the bond market is to be involved.

Additionally, the transfer of the program to another state agency would not reduce administrative costs, rather it would simply transfer existing costs to another agency and would, in fact, result in increased costs to the state due to inefficiencies which would necessarily occur. The ability now exists to "package" a student's aid. The Commissioner administers three other programs (besides the loans) which affect a student's need for financial assistance. Currently all four programs are coordinated at the time of award and the problems of over-awarding are avoided. This would not be as easily accomplished with a second agency involved. A certain amount of staff over-lap would be necessary with another agency involved.

Additional Financial Assistance Concerns

Alaska currently has a large loan program, a small, nearly non-existent federally-matched grant program, and no state scholarship or state work-study program. Each of these programs, other than loans, will be briefly described or discussed below.

Grants. The state currently participates in the federal/state cooperative State Educational Incentive Grant Program (SEIG). This is a "need-based" grant which requires a needs analysis of all applicants. Grants of up to \$1,500 per year are awarded for undergraduate attendance. In 1981-82 over 2,000 Alaskans applied for these grants, but funds were available to award grants to only 162. This program requires a federal match and is being drastically reduced in the current federal budget cuts.

There is a bill, SB 207, currently in the Legislature which would establish this program as an Alaskan program and would provide grants of up to \$3,000 per year.

Scholarships. Alaska currently has no state-level scholarships for outstanding high school seniors. Two bills currently exist which would establish scholarship programs. SB 310 would establish the Alaska State Scholarship Program and would provide competitive scholarships for in-state attendance. The scholarships would provide \$4,000 per year, and the student would need to maintain a grade-point-average of 3.25 to keep the scholarship.

SB 301 would establish the Alaska Cooperative Scholarship Program which would provide matching funds for private sources of scholarships. The scholarships would be for up to \$5,000 (\$2,500 state) per year, and the student would need to maintain a 3.0 grade average to keep the scholarship. The scholarships would be available for undergraduates attending in-state.

State Work Study. College Work Study, a federally-funded program, exists in Alaska, but only on a very limited basis. Some states, most notably Washington, have created state work-study programs directly designed to provide assistance for their in-state students. Alaska has no such program, but it is a possibility for the future. Under such a program, a student would be eligible to work for up to an average of 20 hours per week with a cooperating employer. The state would pay 65% of the student's wage and the employer would pay the remaining 35% for up to a pre-determined "need" level.



Alaska State Legislature

House of Representatives

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

January 20, 1982

To: Representative Mike Beirne
House HESS Committee

From: Speaker Joe Hayes

RE: Student Loan Program

Dear Mike:

As per the letter from Representative Terry Martin regarding suggestions in the student loan program, I have instructed my staff to research the question.

That information has been passed on to me and I include my recommendations as per the committee request.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Joe Hayes".

Joe Hayes
Speaker of the House

ALTERNATIVES FOR AMENDING
STUDENT LOAN PROGRAM

1. I agree with the proposal to enforce a loan application deadline. If we have stipulated that May 15 be that deadline, it should not be ignored. However I notice you have proposed new deadlines which appear more realistic and acceptable.
2. I would be in favor of increasing the GPA for undergraduates to 2.5 for a continuing loan. This would be in keeping with a GPA many institutions require for entrance and is an acceptable level for a student to maintain. However I think the 3.0 level should remain for graduate work. Establishing a 3.5 level appears excessive at this point in time.
3. I agree with some system to require residency verification if it will indeed curb some present abuse.
4. The needs test appears to be one of the major factors needed to improve the loan program. The student body president at UAA has expressed a desire to see a strong needs assessment. Your proposal appears acceptable as proposed. However a good look must be taken at how much effect this would have on the time needed to process applications. In any case I do support some type of needs test. That test should not only specify what the parent's income level is but what they are contributing to the education. There are many instances of rather wealthy parents who choose not to pay for their children's education.
5. Denying loans for foreign study would save little money and at this time is not a major problem.
6. Denying loans to freshman borrowers would deny many Alaskans from seeking continuing education either inside or outside the state. If we are to have a loan program for education as this...denying freshmen a chance to partake is not acceptable.
7. At this time I don't favor new legislation restricting loans only to tuition, fees, books, room and board. It has been shown that there are many other costs associated with attending college. I think if we can curb abuses in other areas and set up a strict needs assessment, we won't have to address this issue.
8. I would likely suggest rolling back the maximum loan for undergraduates to perhaps \$4500 or \$5000. The doubling of the amount last year to \$6000 created a high demand for loans. While there was a need to increase the amount, we may have overdone it. Lowering the amount would either cut the cost for the program or allow more Alaskans to take part. The graduate level may be appropriate as is. If any reduction is aimed at, I would probably support a cut to \$6000 but probably not much further.

8. cont. It's well known that graduate work tends to cost more than undergraduate work although many graduates may supplement loans with income as graduate assistants. Out of state tuition costs on both a graduate and undergraduate level continue to rise dramatically.
9. The 5% interest rate appears acceptable at this time. Remember that most of these students will be in a first job following graduation with limited incomes. However, I might suggest that perhaps a base of the first \$3000 be set at a five per cent interest and interest then increasing for added amounts. Example: 6% on the next one thousand dollars and 7% above that. This perhaps might cut down somewhat on students taking larger loans than they really need.
10. The current residency requirement of two years should remain as is. I believe many students would be denied an education in state if this were changed. As the University's programs become widely recognized, we are seeing an influx of out of state students. We should not hinder their efforts to take part in what our University has to offer.
11. I am not in favor of eliminating forgiveness. This is a major factor in keeping those students who take part in the program in Alaska. I recommend no change at this time.
12. For the reasons stated, I am also against restricting loans to instate students.
13. I would be against elimination of interest waivers during in school periods. It places an unnecessary burden on those borrowing the loan.
14. The dual loan program deserves some further thought. As per #9 above, I think the plan may have some merit. I urge further consideration.
15. I agree that loan applications need to be processed in a timely fashion and perhaps the addition of more personnel would accomplish this. I would support the added personnel as long as the overall budget guidelines we have established are followed.
16. Increasing the revolving loan base is also a good idea.. again if it fits within the overall budget guidelines.
17. I am against elimination of the institutional sign off. While I realize this may slow down the process, there must be some check on the loans as to how much money is needed at an institution. If we are to eliminate this step, it should be replaced with a viable alternative to track the loans.

18. I have no recommendation on the contracting of loan collection with an outside agency at this time. This matter will have to be studied further. We will have to explore what the cost benefits are and drawbacks. I agree the private collection agency route is not a way to go.
19. I agree with the report that this program should not be consolidated with other loan programs.

ADDITIONAL FINANCIAL ASSISTANCE

I believe this area deserves a lot of consideration. The State of Alaska is providing financial aid largely through the loan program with little other form of aid.

Washington State, for example, provides aid through a combination of federal, state grants, scholarship, loans and work study. Consideration should be given to establishing a comprehensive financial aid package.

State grants must be tied to established need factors.

I believe that scholarships in a limited amount would also be beneficial as proposed in current legislation.

I strongly urge that a study be made of work study programs in other states such as Washington..and that, if feasible, such a program be implemented in Alaska.

The student loan program is a good program but does need changes. The basic focus should remain to provide funds to as many Alaskans as possible who truly need the financial assistance to obtain an education. Those funds should be distributed as quickly as possible to avoid inflicting financial hardships on students.

There should be no restriction on where the student may obtain an education but there should be an incentive to bring that student back to Alaska if he/she goes outside. In that way both the student and the state stand to benefit.

Alaska State Legislature

REPRESENTATIVE
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WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
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REPRESENTING
DISTRICT II

House of Representatives

MEMORANDUM

TO: Rep. Mike Beirne, Chairman
House HESS Committee

FROM: Rep. Bernie Bylsma

DATE: January 26, 1982

RE: Student Loan Program Amendments

Postseco .ry recommendations:

- #1 Enforcement of deadlines,
- #2 G.P.A. 2.5 and graduate 3.25,
- #3 Verification requirement.

Use all of the above.

Legislative requirements:

- #7 No "other expenses",
- #8 Roll back to \$4,500 and \$6,000,
- #10 Possible increase to 3 years residing requirement,
- #17 Eliminate sign off.



Official Business

Alaska State Legislature

House of Representatives

Committee on

Health, Education & Social Services

Poach V
State Capitol
Juneau, Alaska 99811

February 10, 1982

SECTIONAL ANALYSIS-HB 683

Section 1

AS 14.40.140 is amended to reduce the term of office of the Board of Regents from the present eight year term to five. It also specifies that the members will serve staggered terms.

Section 2

All current members of the Board would be allowed to complete their terms. The first two appointments and/or reappointments would serve for two years, the next two would serve for three years and so on. The effect of this clause is to provide a gradual phasing in of staggered five year terms.