



STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 4/24/85

**REQUEST**

Bill/Resolution No.: CSHB 161  
Title: Re: Student Loans

Sponsor: Binkley  
Requestor: House Finance  
Date of Request: 4/24/85

**FISCAL DETAIL**

Agency Affected: Education  
Program Category Affected: Postsecondary Education Commission  
BRU, Program or Subprogram(s) Affected: Student Loan Administration  
Student Loan Program

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

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL			28.4	60.2	63.8	67.6
300 CONTRACTUAL		20.0				
400 SUPPLIES			.1	.2	.2	.2
500 EQUIPMENT			1.2	1.2		
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>N.A.</b>	<b>20.0</b>	<b>29.7</b>	<b>61.6</b>	<b>65.0</b>	<b>67.8</b>

<b>CAPITAL</b>		(48.7)	(2,274.5)	(4,207.9)	(6,209.0)	(9,629.4)
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	N.A.	(28.7)	(2,244.8)	(4,146.3)	(6,144.0)	(9,561.6)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	N.A.	1.0	.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

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

See attached.

Prepared By: Kerry D. [Signature]  
Division: Postsecondary Education Commission

Phone: 465-2854  
Date: 4/25/85

Approved by Commissioner: \_\_\_\_\_  
Agency: \_\_\_\_\_

Date: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

Proposal No. 6. Increase loan interest to 8%, beginning in FY86, reduce grace period to six months, but maintain current monthly payment level for the first three years of repayment, then increase payments for the last seven years.

(a) Fiscal Impact:

Year of Impact	BORROWING YEAR													Total Impact
	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	
FY86	\$ 48.7	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 48.7
FY87	2,229.9	44.6												2,274.5
FY88	2,122.8	2,040.5	44.6											4,207.9
FY89	2,181.5	1,942.4	2,040.5	44.6										6,209.0
FY90	3,605.7	1,996.2	1,942.4	2,040.5	44.6									9,629.4
FY91	1,102.8	3,299.3	1,996.2	1,942.4	2,040.5	44.6								10,425.8
FY92	1,326.8	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6							12,378.9
FY93	1,966.2	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6						14,232.4
FY94	2,000.4	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6					16,075.7
FY95	2,010.4	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6				17,915.3
FY96	1,961.7	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6			19,706.2
FY97	[ 219.5]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6		19,320.0
FY98	[ 112.4]	[ 200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6	19,226.2
FY99	[ 171.1]	[ 102.8]	[ 200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	19,020.1
FY00	[1,595.3]	[ 156.6]	[ 102.8]	[ 200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	15,354.2

(b) Additional Administrative Cost:

The increase workload would result in the need for additional repayment staff, but not until FY87.

Object Code	FY86	FY87	FY88
100	\$ -0-	\$28.4	\$60.2
200	-0-	-0-	-0-
300	20.0	-0-	-0-
400	-0-	.1	.2
500	-0-	1.2	1.2
TOTAL:	\$20.0	\$29.7	\$61.6

(c) Comments:

1. The \$20.0 in contractual is for modifying the existing student loan on-line system to accommodate for individuals with loans carrying varying interest rates.
2. The monthly payments for borrowers would change upward the last seven years of the repayment cycle. Examples of the repayment schedule are:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>Delayed 8%</u>
\$ 1,000	\$ 10.61	\$ 10.61/\$ 12.80
\$24,000	\$254.56	\$254.56/\$306.89

3. Forgiveness would be applied as it is now, with the State paying on behalf of the borrower up to 50% of the principal and interest accrued. Hence, the delayed impact of the 8% interest will actually provide a small additional incentive for forgiveness (about \$26 on a \$24,000 loan).

Original sponsor: Binkley

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 161 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the interest rate and repayment  
7 provisions of scholarship loans; and providing for an  
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 14.43.120(f) is amended to read:

11 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is  
12 at the rate of eight [FIVE] percent a year unless the loan is in  
13 default. Interest on a loan that is in default is 10 percent a year  
14 for the period the loan is in default.

15 \* Sec. 2. AS 14.43.120(g) is amended to read:

16 (g) Repayment of the principal and interest on the loan begins  
17 no later than six months [ONE YEAR] after the borrower's studies are  
18 terminated. The loan shall provide for repayment of the total amount  
19 owed in periodic installments in not more than 10 years from the  
20 commencement of repayment, except as provided in (k) and (n) of this  
21 section. Interest shall accrue as provided in (f) of this section,  
22 but the borrower shall be allowed to repay the loan at a five percent  
23 interest rate for the first three years of the repayment period, with  
24 the extra accrued interest to be paid in later years. If the commis-  
25 sion and the borrower agree to a different repayment schedule, the  
26 borrower shall repay the loan in accordance with the agreement. A  
27 borrower may make payments earlier than required by this subsection.

28 \* Sec. 3. This Act takes effect July 1, 1985.

P.O. BOX 1214  
JUNEAU, ALASKA 99802  
APRIL 11, 1985

REP. JOHN RINGSTAD, CHAIRMAN  
SUBCOMMITTEE ON ~~HEALTH, CAREER, AND ELDER SERVICES~~ UNIVERSITY OF ALASKA BUDGET  
HOUSE FINANCE COMMITTEE

TESTIMONY OF DENNIS P. HARRIS  
ON CS HB 161 (LOANS)

DEAR MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

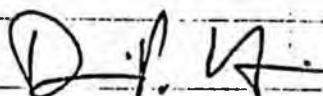
I WISH THAT I COULD TESTIFY IN PERSON TODAY ON CS HB 161 (LOANS) BUT I AM INSTEAD WORKING AT MY PART-TIME STUDENT JOB, BECAUSE THE AMOUNT OF MY STUDENT LOAN IS INSUFFICIENT TO COVER THE TRUE COST OF LIVING WHILE ATTENDING U.A.).

I RECOGNIZE THAT DECLINING OIL REVENUES MAY MEAN THAT THE LEGISLATURE WILL HAVE TO CUT BACK APPROPRIATIONS TO THE STUDENT LOAN FUND. UNFORTUNATELY, CS HB 161 (LOANS) DOES NOT ADDRESS ONE OF THE MAJOR REASONS WHY THE FUND REQUIRES MORE MONEY TO CONTINUE ITS LOAN PROGRAMS — DEFAULTS BY PRIOR BORROWERS. IT IS EXTREMELY UNFAIR TO PENALIZE CURRENT BORROWERS FOR THE FAILURE OF OTHERS TO REPAY THEIR OBLIGATIONS.

WHILE COLLECTION EFFORTS HAVE RECENTLY IMPROVED, I BELIEVE THAT THE LEGISLATURE SHOULD CONSIDER SELLING THE DEFAULTED LOANS AT A DISCOUNT IN ORDER TO IMMEDIATELY RETURN CASH TO THE FUND AND REDUCE FURTHER COLLECTION COSTS.

IF SECTION 4 OF THE COMMITTEE SUBSTITUTE MEANS THAT FORGIVENESS WOULD NOT APPLY TO LOANS MADE PRIOR TO 1990 BUT COLLECTIBLE AFTER THAT DATE, I WOULD OBJECT TO THAT PROVISION. WHILE THE FORGIVENESS CLAUSE WILL NOT AFFECT MY DECISION TO STAY IN ALASKA AFTER GRADUATION, IT WAS A MAJOR FACTOR IN THE FINANCIAL PLANNING THAT I UNDERTOOK WHEN DECIDING TO RETURN TO COLLEGE AT AGE 37. WHEN I GRADUATE, I WILL HAVE NO SAVINGS AND AT LEAST \$15,000 DEBT. IF FORGIVENESS WILL NOT APPLY TO MY LOANS, I WILL HAVE PLANNED MY FINANCIAL FUTURE IN VAIN.

THANK YOU FOR CONSIDERING MY TESTIMONY.



DENNIS P. HARRIS

(UAS) CLASS OF '87 - BUSINESS MAJOR

CUMULATIVE FISCAL IMPACTS

PROPOSAL	ONE YEAR		FIVE YEARS		TEN YEARS		FIFTEEN YEARS	
	With	W/O Forgiveness	With	W/O Forgiveness	With	W/O Forgiveness	With	W/O Forgiveness
1. 8%	\$-0-	\$-0-	\$ 2,662.8	\$-0-	\$ 27,586.8	\$ 29,070.0	<del>78,452.0</del> \$-29,070.0	\$106,093.5
2. 8% and 6-mo. grace	55.0	55.0	27,368.5	55.0	103,815.7	105,324.1	184,606.2	211,989.8
3. 1/2 / 1/2%	-0-	-0-	655.8	-0-	13,028.6	14,378.2	51,917.8	77,800.9
4. 1/2 / 1/2% and 6-mo. grace	49.7	49.7	23,730.3	49.7	86,305.4	87,678.0	150,483.0	175,725.0
5. Delayed 8%	-0-	-0-	-0-	-0-	13,269.1	14,752.3	48,538.3	76,179.8
6. Delayed 8% and 6-mo. grace	48.7	48.7	22,369.5	48.7	93,397.6	94,906.0	186,015.3	213,398.8

- NOTES: 1. In time, the fiscal impact of Proposal No. 5 will be the same as that for Proposal No. 1, and that for Proposal No. 6 will be the same as the fiscal impact for Proposal No. 2.
2. Incorporating Proposal No. 7 with any of the above alternatives, would increase program receipts an average of around \$9.7 million after the effect levels--some years ahead.

1600.00  
 160.00 per month  
 10.61 PG 2  
 12.80 PG 2  
 156 3YR.  
 14,431.20  
 PG. 203  
 LAST SEMESTER

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 3/5/85

**REQUEST**

Page 1 of 2

**FISCAL DETAIL**

Bill/Resolution No.: CSHB 161(Loan)  
 Title: Student Loan Interest, Forgiveness, and Terms  
 Sponsor: Binkley  
 Requestor: House Loans Comm.  
 Date of Request: 3/4/85

Agency Affected: Education  
 Program Category Affected: Postsecondary Commission  
 BRU, Program or Subprogram(s) Affected: Student Loan Program

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

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	N.A.					
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	N.A.	-0-	-0-	-0-	-0-	-0-

<b>CAPITAL</b>				(56.7)	(168.9)	(349.3)
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<b>REVENUE</b>	N.A.	-0-	-0-	56.7	168.9	349.3
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**FUNDING: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	N.A.	-0-	-0-	(56.7)	(168.9)	(349.3)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	N.A.	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

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

See Attached

Prepared By: Kerry D. Romberg, Executive Director Phone: 465-2854  
 Division: Alaska Commission on Postsecondary Education Date: 3/6/85  
 Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

Assumptions

(1) % of borrowers entering repayment:

<u>Percent</u>	<u>Years after borrowing</u>
0.0	one year
22.4	two years
21.3	three years
.. 21.8	four years
32.3	five years
<u>2.2</u>	six or more years
100.0	

(2) Borrowing averages will be:

FY86	\$4,775	FY89	\$5,725
FY87	\$5,050	FY90	\$5,900
FY88	\$5,400		

(3) Loan volumes are at current projection levels and program is fully funded. Adjustments made will be the result of program changes.

Impacts

(1) Increasing loan interest from 5% to 8% (Section 1 of the bill).

- (a) The increase will not affect loan volume.
- (b) Increased interest will impact the fund over time in the following manner:

Year of Impact	Borrowing Year				Total New Revenue
	FY86	FY87	FY88	FY89	
FY86	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FY87	-0-	-0-	-0-	-0-	-0-
FY88	56.7	-0-	-0-	-0-	56.7
FY89	108.2	60.7	-0-	-0-	168.9
FY90	168.5	118.5	62.3	-0-	349.3
FY91	247.9	177.6	121.6	58.5	605.6
FY92	253.5	265.1	182.3	114.2	815.1
FY93	253.5	271.1	272.2	171.1	967.9
FY94	253.5	271.1	278.3	255.5	1,058.4

(2) Eliminating the forgiveness benefits in 1990 (Section 4 of the bill)

- (a) Elimination of forgiveness will not affect loan volume
- (b) The impact of eliminating forgiveness will be realized over time, however, delaying implementation until 1990, moves the fiscal impact even further into the future.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Additional Revenue</u>
FY86	\$ -0-	\$ -0-	\$ -0-
FY87	-0-	\$ -0-	\$ -0-
FY88	-0-	\$ -0-	\$ -0-
FY89	-0-	\$ -0-	\$ -0-
FY90	-0-	\$ -0-	\$ -0-
FY91	-0-	\$ -0-	\$ -0-

HOUSE BILL 161

	<u>Original Bill</u>		<u>Loans Committee Substitute</u>
Sec. 1	Raises interest rates on loans from 5% to 8%.	Sec. 1	Raises interest rate to 8%.
Sec. 2	Changes eligibility--adds applicant must have graduated within one year, be within 6 months of graduating, or demonstrated financial need.	* Sec. 2(k)	Limits the amount of time a person can defer principal payments while in the military up to 6 years.
Sec. 3	If study interrupted for more than two years a new loan could be obtained only if financial need is shown.	* Sec. 3	Repealed and reenacted. Adds provision that a person cannot be delinquent or in default on a loan.  Grants exemptions for absences from the state under certain described conditions.
Sec. 4	A technical amendment clarifying the conditions for repayment of the rural teachers loans, and allowing the forgiveness portion to continue for these loans.	Sec. 4	Repeals the forgiveness.
Sec. 5	Keeps the interest rate for teachers scholarship loan at 5% unless it is in default.	Sec. 5	Makes forgiveness repealer take effect September 1, 1990.
Sec. 6	Repeals the forgiveness portion of the student scholarship loan.	Sec. 6	Increases interest rate as of July 1, 1985.
Sec. 7	Specifies when and for whom new eligibility requirements apply. Must be newly graduated from high school, have applied within one year of graduation and not interrupted studies for more than 2 years.	* Sec. 7	Makes new eligibility and limits on military service effective
Sec. 8	Effective date: July 1, 1985		

\* Elements of HB 185 which were incorporated into CSHB161

NOTE: By eliminating Sec. 4 of HB 161 the committee substitute in effect raises interest rates on rural teacher loans to 8% also.

STATE OF ALASKA

MEMBER  
FINANCE COMMITTEE  
SPECIAL COMMITTEE ON FISHERIES



POUCH V  
JUNEAU, ALASKA 99811  
(907) 485 4137  
PO BOX 1085  
BETHEL, ALASKA 99559  
(907) 543 2922

REPRESENTATIVE JOHNE BINKLEY

March 20, 1985

Mr. Al Price, Counselor  
Barrow High School  
Pouch 169  
Barrow, Alaska 99723

Re: House Bill 161 - State Student Loan Program

Dear Mr. Price:

Thank you for your letter concerning House Bill 161 which changes regulations of the State Student Loan Program.

The Student Loan Program is the best loan program we have in the State of Alaska today. There is no better way for the State to invest its money than in the education of its people. That is why we must make some changes in the program now to protect it for future generations to have the same opportunities. If we don't make changes now to put the Student Loan Program on a sounder financial base, it will end up short-funded before too long. All state loan programs this year are looking at reductions in funding, the student loan program included. That will mean some students who had planned on receiving state student loans may not receive them.

Changes in eligibility requirements would work to the benefit of young people just out of high school, and the older student who has financial need by giving them priority use of loan funds over the older students who have already gone through school and on to good paying jobs and who can truly afford to finance their own education. If choices have to be made, I feel young high school graduates and older students who demonstrate financial need should be given first priority.

I understand your concern about placing limitations on eligibility, but if the program is not fully funded who would you suggest not receive the loan funds?

Mr. Al Price  
March 20, 1985  
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On March 4 the House Special Committee on Loans offered out a Committee Substitute which changes the original bill and in effect would now change Student Loan Program regulations as follows:

- a) the interest rate charged for student loans would be raised from five (5) percent to eight (8) percent; and
- b) the forgiveness portion of the loan program would be eliminated in 1990.

Neither of these changes would affect loans which have already been received by students.

House Bill 161 is now in the House Health, Education, and Social Services Committee, and it is then scheduled to come to Finance Committee at which time I will be taking another really close look at alternatives to strengthen the program. In the meantime I am continuing to monitor the bill, and I will appreciate hearing any suggestions you may have in that regard.

I thank you for your interest. I hope you will continue to follow House Bill 161 and that you will lend your support to its passage.

Sincerely,



John Binkley  
Representative

cc: Senator Frank Ferguson  
Representative Al Adams

# NORTH SLOPE BOROUGH SCHOOL DISTRICT



MARCH 1, 1985

MAR 13 1985

Barrow Whalers  
Barrow High School  
Pouch 8950  
Barrow, Alaska 99723  
(907) 852-8950

Fred Ipalook Elementary School  
P.O. Box 450  
Barrow, Alaska 99723  
(907) 852-4711

Nunamiut Wolves  
Nunamiut School  
Anaktuvuk Pass, Alaska 99721  
(907) 661-3226

Atqasuk Eagles  
Meade River School  
Atqasuk, Alaska 99723  
(907) 633-6315

Kaveolook Rams  
Harold Kaveolook School  
P.O. Box 10  
Kaktovik, Alaska 99747  
(907) 640-6626

Nuiqsut Trappers  
Nuiqsut School  
Nuiqsut, Alaska 99724  
(907) 480-6712

Tikigaaq Harpooners  
Tikigaaq School  
P.O. Box 125  
Point Hope, Alaska 99766  
(907) 368-2662 or 368-2663

Cully School  
Point Lay, Alaska 99759  
(907) 833-2312

Alak Huskies  
Alak School  
P.O. Box 10  
Wainwright, Alaska 99782  
(907) 763-2541 or 763-2551

REPRESENTATIVE JOHN BINKLEY  
HOUSE OF REPRESENTATIVES  
STATE OF ALASKA  
POUCH V  
JUNEAU, AK 99811

DEAR REPRESENTATIVE BINKLEY,

I AM WRITING WITH SOME CONCERN ABOUT HOUSE BILL 161 PERTAINING TO THE ALASKA STATE LOAN PROGRAM. IT APPEARS THAT ONE PROVISION OF THIS BILL WOULD LIMIT LOAN AVAILABILITY TO RECENT HIGH SCHOOL GRADUATES, WHICH I BELIEVE IS A DISSERVICE BOTH TO THE PROGRAM AND TO A SIGNIFICANT PART OF THE STUDENT POPULATION. SOME OF THE MOST CONFIDENT AND SELF-MOTIVATED STUDENTS I HAVE KNOWN HAVE BEEN PEOPLE IN THEIR 20'S AND 30'S WHO HAVE BEEN PRODUCTIVE WORKERS BEFORE DECIDING TO PURSUE A HIGHER EDUCATION. I FEEL THAT SUCH PERSONS MAY ALSO HAVE A BETTER UNDERSTANDING OF THE FULL IMPLICATIONS OF BORROWING TO FINANCE EDUCATION. I HOPE YOU CAN GIVE SOME CONSIDERATION TO MY CONCERNS.

SINCERELY,

AL PRICE, COUNSELOR  
BARROW HIGH SCHOOL

AP:dm

STATE OF ALASKA

MEMBER  
FINANCE COMMITTEE  
SPECIAL COMMITTEE ON FISHERIES



POUCH V  
JUNEAU ALASKA 99511  
(907) 465-4737  
PO BOX 1265  
BETHEL ALASKA 99559  
(907) 543-2922

REPRESENTATIVE JOHNE BINKLEY

March 25, 1985

Ms. Barbara L. Finnie  
3630 Alexander Avenue  
Anchorage, Alaska 99504

Re: HB 161 - Student Loan Program

Dear Ms. Finnie:

I have received my copy of the letter you wrote to Representative Adams concerning HB 161 which would amend the Student Loan Program.

I am sure you will agree that the Student Loan Program is the best loan program we have in the State of Alaska today. There is no better way for the State to invest its money than in the education of its people. That is why we must make some changes in the program to protect it for future generations to have the same opportunities. If we don't make changes now to put the program on a sounder financial base it will end up short-funded before too long. All state loan programs this year are looking at reductions in funding, whether or not HB 161 passes, the student loan program included. That will mean that some students who had planned on receiving state student loans may not receive them.

The basis for changing eligibility regulations is the State's current revenue picture. As oil revenues decline, all State loan programs are facing shortfalls in funding. Before the day comes when not every person applying for a State Student Loan will be able to receive one, policies and guidelines must be established to assist the Post Secondary Commission in making those decisions. I feel it is important that the Legislature, as elected officials of our State, take the initiative in setting policies which will determine priority eligibility for student loans. I believe graduating high school students and people who can't afford to finance their education should be given top priority. We must not let the program default to a first come, first serve basis.

March 25, 1985


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The five percent (5%) payback does provide funds for the loan program, but not enough to sustain itself. Over the life of the Student Loan Program the State of Alaska has invested \$285 million, over one-quarter of a billion dollars. This year the State is looking to receive back just \$10 million to help fund this year's students. Revenues received from a 3% increase will certainly help in efforts to strengthen the financial base of the program for future users. An increase in interest rate from 5% to 8% would mean an additional monthly payment of \$1.37 per \$1,000 owed per month. I believe students will be willing to pay that additional amount in the interest of keeping the program alive for future students. I am glad to see that you agree that the increase in interest is necessary at this time.

The purpose of the Student Loan Program is to loan money to people. If we can have the foresight to make some changes today to protect the program, it will be around to loan money to people in the future. I hope you will continue follow House Bill 161 and will lend your support to its passage.

Sincerely,

A handwritten signature in black ink, appearing to read "John Binkley". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John Binkley  
Representative

cc: Representative Al Adams

Offered: 3/4/85  
Referred: Health, Education &  
Social Services and Finance

Original sponsor: Binkley

1 IN THE HOUSE  
2 CS FOR HOUSE BILL NO. 161 (Loans)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL

BY THE HOUSE SPECIAL COMMITTEE  
ON STATE LOANS

6 For an Act entitled: "An Act relating to the interest rate, forgiveness  
7 provisions, eligibility requirements, and conditions  
8 of scholarship loans; and providing for an effective  
9 date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. AS 14.43.120(f) is amended to read:

12 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is  
13 at the rate of eight [FIVE] percent a year unless the loan is in  
14 default. Interest on a loan that is in default is 10 percent a year  
15 for the period the loan is in default.

16 \* Sec. 2. AS 14.43.120(k) is amended to read:

17 (k) Periodic installments of principal shall be deferred, but  
18 interest shall accrue and be paid unless the student is eligible for  
19 interest payment benefits under (1) of this section during any of the  
20 following:

21 (1) return to student status as provided in (c) of this  
22 section;

23 (2) serving an initial period of up to six years on active  
24 duty as a member of the armed forces of the United States;

25 (3) serving, for up to three years, as a full-time volun-  
26 teer under the Peace Corps Act;

27 (4) serving, for up to three years, as a full-time volun-  
28 teer under the Domestic Volunteer Service Act of 1973;

29 (5) for a one-time period up to 12 months in which the

1 borrower is seeking and unable to find employment in the United  
2 States; or

3 (6) if the borrower becomes 50 percent or more disabled as  
4 certified by competent medical authority.

5 \* Sec. 3. AS 14.43.125 is repealed and reenacted to read:

6 Sec. 14.43.125. ELIGIBILITY OF STUDENTS. (a) A person may  
7 apply for and obtain a scholarship loan if the person

8 (1) is

9 (A) enrolled as a full-time student in a career educa-  
10 tion, associate, baccalaureate, or graduate degree program; or

11 (B) a graduate of a high school or the equivalent, or  
12 scheduled for graduation from a high school within six months,  
13 with sufficient credits to be admitted to a career education  
14 program or to an accredited college or university;

15 (2) is not delinquent or in default on a previously awarded  
16 scholarship loan; and

17 (3) is a resident of the state at the time of application  
18 for the loan; for purposes of this section, a person qualifies as a  
19 resident of the state if at the time of application for the loan the  
20 person

21 (A) has been physically present in the state for at  
22 least two years immediately before the time of application for  
23 the loan;

24 (B) is dependent on a parent or guardian for care, the  
25 parent or guardian has been present in the state for at least two  
26 years immediately before the time of application for the loan and  
27 the person has been present in the state for at least one year of  
28 the immediately preceding five years except that the commission  
29 may by a two-thirds vote, acting upon a written appeal by the

1 person, grant an exemption to the requirement that the person has  
2 been present in the state for one year of the immediately preced-  
3 ing five years;

4 (C) has been physically present in the state, or is a  
5 dependent of a parent or guardian who has been physically present  
6 in the state, for at least two years immediately before the  
7 applicant was absent from the state and the absence is due solely  
8 to

9 (i) serving an initial period of up to six years  
10 on active duty as a member of the armed forces of the United  
11 States;

12 (ii) serving, for up to three years, as a full-  
13 time volunteer under the Peace Corps Act;

14 (iii) serving, for up to three years, as a full-  
15 time volunteer under the Domestic Volunteer Service Act of  
16 1973;

17 (iv) required medical care for the applicant or  
18 the applicant's immediate family;

19 (v) being a person who otherwise qualifies as a  
20 resident and is accompanying a spouse who qualifies as a  
21 resident under (i) - (iv) of this paragraph; or

22 (D) has been physically present in the state, or is a  
23 dependent of a parent or guardian who has been physically present  
24 in the state, for at least two years immediately before the  
25 applicant or the parent or guardian was absent from the state and  
26 the absence is due solely to

27 (i) participating in a foreign exchange student  
28 program recognized by the commission;

29 (ii) attending a school as a full-time student;

1 (iii) full-time employment by the state;  
2 (iv) being a member of or employed full-time by  
3 the state's congressional delegation;  
4 (v) being a person who otherwise qualifies as a  
5 resident and is accompanying a spouse who qualifies as a  
6 resident under (i) - (iv) of this paragraph.  
7 (b) A person does not qualify as a resident of the state under  
8 this section if the person declares or establishes residence in another  
9 state during an absence from Alaska.  
10 \* Sec. 4. AS 14.43.120(j), (o), and (p) are repealed.  
11 \* Sec. 5. Section 4 of this Act takes effect September 1, 1990.  
12 \* Sec. 6. Section 1 of this Act takes effect July 1, 1985.  
13 \* Sec. 7. Sections 2 and 3 of this Act take effect immediately in  
14 accordance with AS 01.10.070(c).

Introduced: 2/1/85  
Referred: House Special Committee  
on State Loans, Health, Education &  
Social Services and Finance

1 IN THE HOUSE

BY BINKLEY

2

HOUSE BILL NO. 161

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to student loans; and providing for  
7 an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 14.43.120(f) is amended to read:

10 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is  
11 at the rate of eight [FIVE] percent a year unless the loan is in  
12 default. Interest on a loan that is in default is 10 percent a year  
13 for the period the loan is in default.

14 \* Sec. 2. AS 14.43.125(a) is repealed and reenacted to read:

15 (a) A person may apply for and obtain a scholarship loan if the  
16 person

17 (1) is a resident of the state at the time of application  
18 for a scholarship loan;

19 (2) meets the requirements of (b) of this section; and

20 (3) has

21 (A) graduated from high school within one year preced-  
22 ing the date of application or is scheduled for graduation from a  
23 high school within six months after the date of application, with  
24 sufficient credits to be admitted to a career education program  
25 or to an accredited college or university; or

26 (B) established financial need in accordance with  
27 regulations adopted by the Alaska Commission on Postsecondary  
28 Education.

29 \* Sec. 3. AS 14.43.125 is amended by adding a new subsection to read:

1 (c) The recipient of a scholarship loan may continue to apply  
2 for and receive scholarship loans during each year in which the recip-  
3 ient remains enrolled as a full-time student in a career education,  
4 associate, baccalaureate or graduate degree program. A recipient who,  
5 after the date of the initial application, interrupts study as a  
6 full-time student for periods totaling more than two years may receive  
7 a new loan only if the recipient can establish financial need under  
8 (a)(3)(B) of this section.

9 \* Sec. 4. AS 14.43.640(b) is amended to read:

10 (b) If a borrower meets the conditions provided in (a) of this  
11 section and is employed as a teacher in a rural elementary or second-  
12 ary school in the state, a portion of the loan shall be repaid by the  
13 state. The [THE] portion of the loan that shall be paid by the state  
14 [, NOTWITHSTANDING AS 14.43.120(j),] is the following percentages of  
15 the total loan received plus interest up to a total of 100 percent of  
16 the total loan:

- 17 (1) one year employment, 15 percent;
- 18 (2) two years employment, an additional 15 percent;
- 19 (3) three years employment, an additional 15 percent;
- 20 (4) four years employment, an additional 25 percent;
- 21 (5) over four years employment, an additional 30 percent.

22 \* Sec. 5. AS 14.43.640 is amended by adding a new subsection to read:

23 (e) Notwithstanding AS 14.43.120(f), interest on a loan made  
24 under AS 14.43.600 - 14.43.700 is at the rate of five percent a year  
25 unless the loan is in default. Interest on a loan that is in default  
26 is 10 percent a year for the period the loan is in default.

27 \* Sec. 6. AS 14.43.120(j), (o), and (p) are repealed.

28 \* Sec. 7. A student who received a scholarship loan during the school  
29 year before the year this Act takes effect may receive a new loan only if

1 the student

2           (1) initially applied for a loan while in high school or within  
3 one year after graduation from high school, and has not interrupted study  
4 as a full-time student for periods totaling more than two years; or

5           (2) can establish financial need under AS 14.43.125(a)(3)(B), as  
6 amended by sec. 2 of this Act.

7       \* Sec. 8. This Act takes effect July 1, 1985.