

COMMITTEE REPORT  
SENATE

FURTHER:

4/1/86

Date 4/28/86

Mr. President

The Committee on FINANCE considered CSHB 161(Fin)am  
interest rate, loan conditions and repayment provisions of scholarship  
loans; efd.

and (a majority of the committee) (the committee) reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for CSHB 161 (Fin)  
 new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE  
25.0 DOE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

[Signature]  
[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

[Signature] Do Not pass.  
Paul Frick Non Rec  
[Signature] " "

[Signature]  
Chairman  
[Signature]  
Chairman recommendation

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 3/27/86

**REQUEST**

Bill/Resolution No. : SCSHCSHB 161  
 Title : Re: Scholarship Loans  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Sponsor : Binklev  
 Requestor : Senate HESS  
 Date of Request : 3/27/86

**FISCAL DETAIL**

Agency Affected : Education  
 BRU : Postsecondary Education  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Components : Student Loan Administration  
Student Loan Program

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

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		25.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	N.A.	25.0	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	N.A.	-0-	< 217.5 >	< 651.6 >	< 1,316.2 >	< 2,319.9 >
<b>REVENUE</b>	N.A.	-0-	217.5	651.6	1,316.2	2,319.9

**FUNDING : (Thousands of Dollars)**

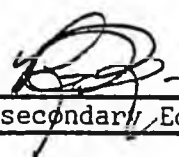
GENERAL FUND	N.A.	25.0	< 217.5 >	< 651.6 >	< 1,316.2 >	< 2,319.9 >
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		25.0	< 217.5 >	< 651.6 >	< 1,316.2 >	< 2,319.9 >

**POSITIONS :**

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. Romesburg   
 Division : Commission on Postsecondary Education Phone : 465-2854  
 Date : 3/27/86

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

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



Comments:

1. Contractual amount of \$25.0 is for modifying the existing student loan system to accommodate variable interest rates.
2. The monthly payment amount for borrowers will increase as a result of the increased interest rate. The changes would be:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>8%</u>
\$ 1,000	\$ 10.61	\$ 11.98
\$24,000	\$254.56	\$287.28

3. The reduced borrowing maximum will not result in program savings, rather it will permit additional students to borrow. This impact is presented below, first in a "dollar" term and then in an increased borrower term.

<u>Year</u>	<u>"Savings"</u>	<u>Number of Students</u>
FY87	\$2,405,000	544
88	\$2,618,000	575
89	\$2,652,000	567
90	\$2,686,000	558
91	\$2,726,000	551

Please note that the "savings" and number of students impacted overlaps slightly with the Commission's \$500 regulation. Without the regulation, the statutory impact would increase.

Offered: 4/1/86  
Referred: Finance

Original sponsor: Binkley

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2

SENATE CS FOR CS FOR HOUSE BILL NO. 161 (2d HESS)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

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

7

8

9

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

10

~~\* Section 1. AS 14.43 is amended by adding a new section to read.~~

DELETE

JF: Moved  
No Ob

11

~~Sec. 14.43.103 FEDERAL ASSISTANCE. A scholarship loan may only~~

12

~~be granted to an applicant who submits with the application information~~

13

~~required by regulation of the commission necessary to determine~~

14

~~whether the applicant qualifies for financial assistance from the~~

15

~~federal government.~~

16

\* Sec. ~~2~~<sup>1</sup> AS 14.43.110 is amended to read:

17

Sec. 14.43.110. UNDERGRADUATE LOANS. The student financial aid

18

committee may make a loan, not to exceed \$5,500 [\$6,000] in any one

19

school year, to an undergraduate student eligible under AS 14.43.125.

20

The committee may make a loan for a summer term, even if the total

21

loan for the school year exceeds the \$5,500 [\$6,000] maximum, if the

22

loan for the summer term is counted against the \$5,500 [\$6,000] maxi-

23

mum for the following school year.

24

\* Sec. ~~1~~<sup>2</sup> AS 14.43.115 is amended to read:

25

Sec. 14.43.115. GRADUATE LOANS. The student financial aid

26

committee may make a loan, not to exceed \$6,500 [\$7,000] in any one

27

school year, to a graduate student who is eligible under AS 14.43.125

28

and is pursuing an advanced degree. The committee may make a loan for

29

a summer term, even if the total loan for the school year exceeds the

1        \$6,500 [\$7,000] maximum, if the loan for the summer term is counted  
2        against the \$6,500 [\$7,000] maximum for the following school year.

3        \* Sec. <sup>3</sup> ~~4~~. AS 14.43.120(b) is amended to read:

4            (b) Scholarship [THE] loans may only be used to attend a  
5            (1) career education program that has been approved by the  
6            commission before July 1, 1986, or has been operating for at least two  
7            years before the borrower attends; or

8            (2) [A] college or university that  
9            (A) has been approved by the commission before July 1,  
10           1986, or has been operating for at least two years before the  
11           borrower attends;

12           (B) is accredited by a national or regional accredita-  
13           tion association recognized by the Council on Postsecondary  
14           Accreditation or is approved by the commission; [,] and [,]

15           (C) if the loans are federally insured, is approved by  
16           the United States Commissioner of Education.

17        \* Sec. <sup>4</sup> ~~5~~. AS 14.43.120(f) is amended to read:

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

22        \* Sec. <sup>5</sup> ~~6~~. By January 31, 1987, the Alaska Commission on Postsecondary  
23        Education shall submit a report to the legislature containing recommenda-  
24        tions for changes relating to interest rate, loan conditions, and repayment  
25        provisions designed to decrease the cost of the scholarship loan program.

26        \* Sec. <sup>6</sup> ~~7~~. This Act takes effect July 1, 1986.

4/22/86  
Ferguson  
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1 IN THE SENATE BY THE FINANCE COMMITTEE  
 2 SENATE BILL NO.  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 FOURTEENTH LEGISLATURE - SECOND SESSION  
 5 A BILL

6 For an Act entitled: "An Act relating to student loans; creating the  
 7 Alaska Student Loan Corporation; and providing for an  
 8 effective date."

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

10 \* Section 1. AS 14.42 is amended by adding new sections to read:

11 ARTICLE 2. ALASKA STUDENT LOAN CORPORATION

12 Sec. 14.42.100. CREATION OF ALASKA STUDENT LOAN CORPORATION.  
 13 There is created the Alaska Student Loan Corporation. The corporation  
 14 is a public corporation and government instrumentality within the  
 15 Department of Education but having a legal existence independent of  
 16 and separate from the state. The corporation may not be terminated as  
 17 long as it has bonds, notes or other obligations outstanding. Upon  
 18 termination of the corporation, its rights and property pass to the  
 19 state.

20 Sec. 14.42.110. PURPOSE OF CORPORATION. The purpose of the  
 21 corporation is to improve higher educational opportunities of resi-  
 22 dents of Alaska in accordance with the provisions of this chapter.

23 Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corpor-  
 24 ation shall be governed by a board of directors consisting of four  
 25 individuals serving on the Commission of Postsecondary Education  
 26 pursuant to AS 14.42.015(a)(1) - (2), (4) - (6) and (8), and one  
 27 member appointed under AS 14.42.015(a)(3). Members of the board serve  
 28 without compensation but are entitled to per diem and travel expenses  
 29 as may be authorized by law for boards and commissions.

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1           Sec. 14.42.130. MEETING OF THE BOARD. (a) The Board shall  
2 elect a chairman from among the membership at its annual meeting each  
3 year. A majority of the members constitute a quorum for organizing  
4 the board, conducting its business and exercising the powers of the  
5 corporation. The board shall meet at the call of its chairman and at  
6 such other times as the board may determine in accordance with its  
7 regulations.

8           (b) The board may meet and transact business by electronic media  
9 if:

10           (1) public notice of the time and locations where the  
11 meeting will be held by electronic media has been given in the same  
12 manner as if the meeting were held in a single location; and

13           (2) participants and members of the public in attendance  
14 can hear and have the same right to participate in the meeting as if  
15 the meeting were conducted in person; and

16           (3) copies of pertinent reference materials, statutes,  
17 regulations, and audiovisual materials are reasonably available to  
18 participants and the public.

19           (c) A meeting by electronic media as provided in this section  
20 has the same legal effect as a meeting in person.

21           (d) For purposes of AS 14.42.100 - 14.42.310 public notice of 24  
22 hours or more is adequate notice of a meeting of the board at which  
23 the issuance of corporation bonds is authorized.

24           Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep  
25 minutes of each meeting and send a certified copy to the governor and  
26 to the Legislative Budget and Audit Committee.

27           Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall  
28 manage the assets and business of the corporation and may prescribe,  
29 amend and repeal bylaws and regulations governing the manner in which

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1 the business of the corporation is conducted in the manner in which  
2 its powers are exercised in accordance with the administrative pro-  
3 cedures act AS 44-160. The board shall delegate supervision of the  
4 administration of the corporation to the executive director of the  
5 corporation.

6 Sec. 14.42.160. EXECUTIVE DIRECTOR. The corporation shall  
7 employ an executive director, who may not be a member of the board.  
8 The executive director shall be the executive director of the Commis-  
9 sion on Postsecondary Education appointed under AS 04.42.040a.

10 Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The board may appoint  
11 other officers and engage professional and technical advisors as  
12 independent contractors. The executive director may hire employees of  
13 the corporation and, subject to the approval of the board, engage  
14 professional and technical advisors under contract with the corpor-  
15 ation. The board shall prescribe the duties and compensation of  
16 corporation personnel, including the executive director.

17 Sec. 14.42.190. EXECUTIVE BUDGET ACT. The operating budget of  
18 the corporation is subject to the Executive Budget Act (AS 37.07).

19 Sec. 14.42.200. EXECUTIVE POWERS. In addition to other powers  
20 granted in this chapter, the corporation may:

- 21 (1) sue and be sued in its own name;
- 22 (2) adopt an official seal;
- 23 (3) adopt bylaws for the regulation of its affairs and the  
24 conduct of its business;
- 25 (4) employ fiscal consultants, attorneys, and such other  
26 consultants and employees as may be required in the judgement of the  
27 corporation, and fix and pay their compensation from money available  
28 to the corporation;

- 29 (5) make and execute agreements, contracts and other

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1 instruments necessary or convenient in the exercise of the powers and  
2 functions of the corporation under this chapter, including contracts  
3 with any person, firm, corporation, governmental agency or other  
4 entity;

5 (6) receive, administer and comply with the conditions and  
6 requirements respecting any appropriation or gift, grant or donation  
7 of property or money;

8 (7) acquire real property, or any interest in real pro-  
9 perty, in its own name, by purchase, transfer or foreclosure, when the  
10 acquisition is necessary or appropriate to protect any loan in which  
11 the corporation has an interest; sell, transfer and convey any such  
12 property to a buyer; and, if the sale, transfer or conveyance cannot  
13 be effected with reasonable promptness or at a reasonable price, rent  
14 or lease the property to a tenant pending the sale, transfer or  
15 conveyance;

16 (8) borrow money as provided in this chapter to carry out  
17 an effectuate its corporate purposes and issue its obligations as  
18 evidence of any such borrowing;

19 (9) include in any borrowing the amounts to pay financing  
20 charges, interest on the obligations for a period not exceeding one  
21 year after the date on which the corporation estimates funds will  
22 otherwise be available to pay the interest, consultant, advisory and  
23 legal fees and such other expenses as are necessary or incident to  
24 this borrowing;

25 (10) invest or reinvest, subject to its contracts with  
26 noteholders and bondholders, any money or funds held by the corpor-  
27 ation in any obligations or other securities authorized under AS  
28 37.10.070;

29 (11) collect from a borrower amounts owed with respect to a

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1 student loan the corporation has purchased or made;

2 (12) gather information on loans available to residents of  
3 Alaska attending or planning to attend an eligible institution and  
4 disseminate the information to reasonably assure that qualified stu-  
5 dents are aware of financial resources available to those attending or  
6 desiring to attend an eligible institution;

7 (13) require an eligible institution or eligible lender to  
8 file reports with the corporation as the corporation considers neces-  
9 sary for the effective performance of its duties and publish the  
10 information from the reports or other sources as the corporation  
11 considers necessary;

12 (14) service student loans held by the corporation;

13 (15) except as specifically prohibited by law, obtain infor-  
14 mation from a state agency or instrumentality or other source to  
15 verify information submitted by or on behalf of a student applying for  
16 or receiving assistance from the corporation;

17 (16) make or participate in the making of and purchase or  
18 participate in the purchase of student loans;

19 (17) contract in advance for the purchase or sale of student  
20 loans;

21 (18) sell or participate in the sale, either public or  
22 private and on terms authorized by the board, or student loans to the  
23 Student Loan Marketing Association or to other purchasers;

24 (19) collect and pay reasonable fees and charges in connec-  
25 tion with the purchase, sale, and servicing of student loans;

26 (20) enter into agreements with the federal government  
27 (including guaranty agreements and supplemental guaranty agreements as  
28 described in the United States Higher Education Act of 1965) as  
29 necessary to provide for the receipt by the corporation of

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1 administrative allowances and other benefits available under the  
2 United States Higher Education Act of 1965;

3 (21) enter into contracts with lenders upon terms and con-  
4 ditions agreed upon between the corporation and the lenders, which  
5 terms and conditions may reflect the requirements of the United States  
6 Higher Education Act of 1965;

7 (22) enter into contracts with institutions upon the terms  
8 and conditions agreed upon between the corporation and the institu-  
9 tions, which terms and conditions may reflect the requirements of the  
10 United States Higher Education Act of 1965;

11 (23) administer federal money allotted to the state with  
12 respect to insured student loans and related administrative costs and  
13 other matters;

14 (24) consent to the modification of the rate of interest,  
15 time of payment of an installment of principal or interest, or other  
16 terms of a student loan made or purchased by the corporation;

17 (25) procure insurance against any loss in connection with  
18 the operation of its programs under this chapter;

19 (26) provide advisory services to borrowers and other parti-  
20 cipants in the corporation's programs under this chapter;

21 (27) do all acts and things necessary, convenient or desir-  
22 able to carry out the powers expressly granted or necessarily implied  
23 in this chapter.

24 Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund  
25 is established in the corporation. The student loan fund is a trust  
26 fund for the uses and purposes of AS 14.42.010 - 14.42.310. The  
27 student loan fund consists of money or assets appropriated or trans-  
28 ferred to the corporation and other money or assets deposited in it by  
29 the corporation.

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1 (b) Money and other assets of the student loan fund may be used  
2 to secure bonds of the corporation in the types of investments under  
3 AS 37.10.070a or shall be used to make or purchase loans approved  
4 under AS 14.43.09 - 14.43.160.

5 Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (g)  
6 of this section, the corporation may borrow money and may issue bonds,  
7 including but not limited to bonds on which the principal and interest  
8 are payable, (1) exclusively from the income and receipts or other  
9 money derived from the loans financed with proceeds of the bonds, (2)  
10 exclusively from the income and receipts or other money derived from  
11 designated loans whether or not they are financed in whole or in part  
12 with the proceeds of the bonds, or (3) from its income and receipts or  
13 other assets generally, or a designated part or parts of them.

14 (b) Bonds shall be authorized by resolution of the authority,  
15 and be dated and shall mature more than 20 years from the date of its  
16 issue. Bonds shall bear interest at the rate or rates, be in the  
17 denominations, be in the form, either coupon or registered, carry the  
18 registration privileges, be executed in the manner, be payable in the  
19 medium of payment, at the place or places, and be subject to the terms  
20 or redemption which the resolution or a subsequent resolution may  
21 provide.

22 (c) All bonds, regardless of form or character, shall be nego-  
23 tiable instruments for all the purposes of the Uniform Commercial  
24 Code.

25 (d) All bonds may be sold at public or private sale in the  
26 manner, for the price or prices, and at the time or times which the  
27 corporation may determine.

28 (e) Before issuance of any bonds, the corporation shall make  
29 provision by agreement or otherwise at least sufficient in the

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1 judgement of the corporation to pay the principal of and interest on  
2 the bonds as they become due and to create and maintain the reserves  
3 therefor as the corporation considers necessary or desirable and to  
4 meet all obligations in connection with the agreement and all costs  
5 necessary to service the bonds unless the agreement provides that the  
6 obligations are to be met or costs are to be paid by a party other  
7 than the corporation.

8 (f) The superior court shall have jurisdiction to hear and  
9 determine suits, actions or proceedings relating to the corporation,  
10 including suits, actions or proceedings brought to foreclose or other-  
11 wise enforce a mortgage or other security interest or brought by or  
12 for the benefit of a holder of its bonds or by a trustee for or other  
13 representative of the holders.

14 (g) The corporation may not issue bonds during any fiscal year  
15 in an amount greater than \$100,000,000 unless the legislature, by law,  
16 approves issuance of a greater amount.

17 Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. In the  
18 discretion of the corporation, an issue of bonds may be secured by a  
19 trust indenture or trust agreement between the corporation and a  
20 corporate trustee (which may be a trust company, bank, or national  
21 banking association, with corporate trust powers, located inside or  
22 outside the state) or by a secured loan agreement or other instrument  
23 or under a resolution giving powers to a corporate trustee (herein-  
24 after in this section referred to as "trust agreement") by means of  
25 which the corporation may:

26 (1) make and enter into any and all the covenants and  
27 agreements with the trustee or the holders or the bonds which the  
28 corporation may determine to be necessary or desirable, including,  
29 without limitation, covenants, provisions, limitations and agreements

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1 as to:

2 (A) the application, investment, deposit, use and  
3 disposition of the proceeds of bonds of the corporation or of money or  
4 other property of the corporation or in which it has an interest;

5 (B) the fixing and collection of loan payments and  
6 other consideration for, and the other terms to be incorporated in, a  
7 student loan;

8 (C) the assignment by the corporation of its rights in  
9 a student loan or in a mortgage or other security interest created  
10 with respect to a student loan to a trustee for the benefit of bond-  
11 holders;

12 (D) the terms and conditions upon which additional  
13 bonds of the corporation may be issued;

14 (E) the vesting in a trustee of rights, powers,  
15 duties, funds or property in trust for the benefit of bondholders,  
16 including, without limitation, the right to enforce payment, perfor-  
17 mance and all other rights of the corporation or of the bondholders,  
18 under a student loan or a security interest created with respect to a  
19 student loan;

20 (2) pledge, mortgage or assign money, agreements, property,  
21 or other assets of the corporation either presently in hand or to be  
22 received in the future, or both; and

23 (3) provide for any other matters of like or different  
24 character which in any way affect the security or protection of the  
25 bonds.

26 Sec. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND  
27 REQUIREMENTS. (a) For the purpose of securing one or more issues of  
28 its bonds, the corporation may establish one or more special funds,  
29 called "capital reserve funds", and shall pay into those capital

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1 reserve funds the proceeds of the sale of its bonds and other moneys  
2 which may be made available to the corporation from other sources for  
3 the purposes of the capital reserve funds. A capital reserve fund may  
4 be established only if the corporation determines that the establish-  
5 ment of the fund would enhance the marketability of the bonds. Money  
6 in a capital reserve fund, except as provided in this section, may be  
7 used as required only for (1) the payment of the principal of, and  
8 interest on, bonds or of the sinking fund payments with respect to  
9 those bonds; (2) the purchase or redemption of the bonds, or (3) the  
10 payment or a redemption premium required to be paid when the bonds are  
11 redeemed before maturity. However, money in a capital reserve fund  
12 may not be withdrawn if the withdrawal would reduce the amount in the  
13 capital reserve fund to less than the capital reserve fund require-  
14 ment, except for the purpose of making payment, when due, of princi-  
15 pal, interest redemption premiums on the bonds, and sinking fund  
16 payments when other money of the corporation is not available for the  
17 payments. Income or interest earned by, or increment to, a capital  
18 reserve fund, from the investment of all or part of the fund, may be  
19 transferred by the corporation to other funds or accounts of the  
20 corporation if the transfer does not reduce the amount of the capital  
21 reserve fund below the capital reserve fund requirement.

22 (b) If the corporation decides to issue bonds secured by a  
23 capital reserve fund, the bonds may not be issued if the amount in  
24 requirement, unless the corporation, at the time of issuance of the  
25 bonds, deposits in the capital reserve fund from the proceeds of the  
26 bonds to be issued or from other sources, an amount of which, together  
27 with the amount then in the fund, is not less than the capital reserve  
28 fund requirement.

29 (c) In computing the amount of a capital reserve fund for the

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1 purpose of this section, securities in which all or a portion of the  
2 fund is invested shall be valued by a reasonable method established by  
3 the corporation by resolution. Valuation shall include the amount of  
4 interest earned or accrued as of the date of valuation.

5 (d) The chairman of the corporation shall annually, no later  
6 than January 2, certify in writing to the governor and the legislature  
7 the amount, of any, required to restore a capital reserve fund to the  
8 capital reserve fund requirement. The legislature may appropriate to  
9 the corporation the amount certified by the chairman of the corpora-  
10 tion. The corporation shall deposit the amounts appropriated under  
11 this subsection during a fiscal year in the proper capital reserve  
12 fund. Nothing in this section creates a debt or liability of the  
13 state.

14 (e) In this section, "capital reserve fund requirement" means  
15 the amount required to be on deposit in the capital reserve fund as of  
16 the date of computation as determined by resolution of the corpora-  
17 tion.

18 (f) The corporation may establish reserve funds, other than  
19 capital reserve funds, to secure one or more issues of its bonds. The  
20 corporation may deposit in a reserve fund established under this  
21 subsection the proceeds of sale of its bonds and other money which may  
22 be made available from any other source. A reserve fund established  
23 under this subsection must comply with (a) 9(c) of this section. The  
24 corporation may allow a reserve fund established under this subsection  
25 to be depleted without complying with (d) of this section.

26 Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the  
27 legislature that a pledge made in respect of bonds shall be valid and  
28 binding from the time the pledge is made; that the money or property  
29 so pledged and thereafter received by the corporation shall

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1 immediately be subject to the lien of the pledge without physical  
2 delivery or further act; and that the lien of the pledge shall be  
3 valid and binding as against all parties having claims of any kind in  
4 tort, contract or otherwise against the corporation irrespective of  
5 whether the parties have notice. Neither the resolution, trust  
6 agreement nor any other instrument by which a pledge is created need  
7 be recorded or filed under the provisions of the Uniform Commercial  
8 Code to be valid, binding or effective against parties.

9 Sec. 14.42.260. NONLIABILITY ON BONDS. (a) Neither the mem-  
10 bers of the corporation nor a person executing the bonds are liable  
11 personally on the bonds or are subject to personnel liability or  
12 accountability by reason of the issuance of the bonds.

13 (b) The bonds issued by the corporation do not constitute an  
14 indebtedness or other liability of the state or of a political  
15 subdivision of the state, except the corporation, but shall be payable  
16 solely from the income and receipts or other funds or property of the  
17 corporation. The corporation may not pledge the faith or credit of  
18 the state or of a political subdivision of the state (except the  
19 corporation) to the payment of a bond and the issuance of a bond by  
20 the corporation does not directly or indirectly contingently obligate  
21 the state or a political subdivision of the state to apply money from,  
22 or levy or pledge any form of taxation whatever to the payment of the  
23 bond.

24 Sec. 14.42.270. PLEDGE OF STATE. The state pledges to and  
25 agrees with holders of bonds issued under this chapter that the state  
26 will not limit or alter the rights and powers vested in the corpor-  
27 ation by this chapter to fulfill the terms of a contract made by the  
28 corporation with the holders or in any way impair the rights and  
29 remedies of the holders until the bonds, together with the interest on

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1 them with interest on unpaid installments of interest, and all costs  
2 and expenses in connection with an action or proceeding by or on  
3 behalf of the holders, are fully met and discharged. The corporation  
4 is authorized to include this pledge and agreement of the state in  
5 contract with the holders.

6 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal  
7 property of this corporation and its assets, income and receipts are  
8 declared to be the property of a political subdivision of the state  
9 and devoted to an essential public and governmental function and  
10 purpose, and the property, assets income, receipts, and other  
11 interests of the corporation shall be exempt from all taxes and  
12 special assessments of the state of a political subdivision of the  
13 state, including, without limitation, all borough, cities,  
14 municipalities, school districts, public utility districts and other  
15 taxing units. All bonds of the corporation are declared to be issued  
16 by a political subdivision of the state and for an essential public  
17 and governmental purpose and to be public instrumentality, and the  
18 bonds, and the interest on them, the income from them and the transfer  
19 of the bonds, and all assets, income and receipts pledged to pay or  
20 secure the payment of the bonds, or interest on them, shall at all  
21 times be exempt from taxation by or under the authority of the state,  
22 except for inheritance and estate taxes and taxes on transfers by or  
23 in contemplation of death. Nothing in this section affects or limits  
24 an exemption from license fees, property taxes, or excise, income or  
25 any other taxes provided under any other law, nor does it create a tax  
26 exemption with respect to the interest of any business, enterprise or  
27 the person, other than the corporation, in any property, assets,  
28 income, receipts, or other interest.

29 Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The

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1 bonds of the corporation are securities in which all public officers  
2 and bodies of the state and all municipalities and municipal sub-  
3 divisions, all insurance companies and associations and other persons  
4 carrying on a insurance business, all banks, bankers, trust companies,  
5 savings banks, savings associations, including savings associations  
6 and building and loan associations, investment companies and other  
7 persons carrying on a banking business, all administrators, guardians,  
8 executors, trustees and other fiduciaries, and all other persons  
9 whatsoever who are now or may hereafter be authorized to invest in  
10 bonds or other obligations of the state, may properly and legally  
11 invest funds including any other provisions of law, the bonds of the  
12 corporation are also securities which may be deposited with and may be  
13 received by all public officers and bodies of this state and all  
14 municipalities and municipal subdivisions for any purpose for which  
15 the deposit of bonds or other obligations of the state is now or may  
16 hereafter be authorized.

17 Sec. 14.42.310. OPERATION OF CERTAIN STATUTES EXCEPTED. (a)  
18 The corporation shall not be considered or constitute (1) a political  
19 subdivision of the state as the term is used in AS 37.10.085, (2) a  
20 municipal corporation or political subdivision of the state as the  
21 terms are used in AS 29, or (3) except as provided in AS 14.42.330, a  
22 state agency as the term is used in AS 37, but for all other purposes  
23 the corporation constitutes a political subdivision and an instrumen-  
24 tality of the state provided in this chapter.

25 (b) The funds, income or receipts of the corporation shall not  
26 be considered or constitute money of the state, nor shall real pro-  
27 perty in which the corporation has an interest be considered land  
28 owned in fee by the state or to which the state may become entitled or  
29 in any way lands belonging to the state, or state lands referred to in

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1 Article VIII of the Alaska Constitution.

2 Sec. 14.42.320. ANNUAL AUDIT. The corporation shall have its  
3 financial records audited annually by the legislative auditor or by a  
4 certified public accountant approved by the legislative auditor. The  
5 legislative auditor may prescribe the form and content of the finan-  
6 cial records of the corporation and shall have access to these records  
7 at any time.

8 Sec. 14.42.330. OPERATING BUDGET. The operating budget of the  
9 corporation is subject to the Executive Budget Act (AS 37.07).

10 \* Sec. 2. AS 14.43.120(d) is amended to read:

11 (d) scholarship loans may not be made to a student:

12 (1) for more than five years of undergraduate study;

13 (2) for more than five years of graduate study;

14 (3) for more than a total of eight years of undergraduate  
15 and graduate study;

16 (4) to attend an institution for which the default rate on  
17 loans made to students to attend the institution exceeds the program  
18 default rate by more than 150%.

19 \* Sec. 3. This Act takes effect immediately in accordance with AS  
20 01.10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

OK  
4/24/85

Page 1 of 3

Revision Date: 4/24/85

REQUEST

Bill/Resolution No.: CSHB 161 (Fin)  
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>	N.A.	20.0	29.7	61.6	65.0	67.8

<b>CAPITAL</b>		(48.7)	(2,274.5)	(4,207.9)	(6,209.0)	(9,629.4)
----------------	--	--------	-----------	-----------	-----------	-----------

<b>REVENUE</b>						
----------------	--	--	--	--	--	--

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.   
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)

7/1/84

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:

CSHB 161(Fin) 2 of 3

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	2,010.4	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
<b>TOTAL:</b>	<b>\$20.0</b>	<b>\$29.7</b>	<b>\$61.6</b>

(c) Comments:

CSHB 161(Fin) 3 of 3

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).

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ARLISS STURGULEWSKI, Vice Chairman  
JOE JOSEPHSON  
PAUL FISCHER  
EDNA ARMSTRONG-DE VRIES



POUCH 7  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
907-465-3634  
907-465-3635

## Senate Committee on Health, Education and Social Services

Letter of Intent for SCS CSHB 161 (2d HESS), An Act relating to the interest rate, loan conditions, and repayment provisions of scholarship loans.

SCS CSHB 161 (2d HESS) proposes several changes to the Scholarship Loan Program in an effort to enhance the activity of the program without increasing state appropriations to the fund.

Section 1 would require all applicants to submit information necessary to determine eligibility for federal financial aid. It is the intent of the Senate Committee on Health, Education and Social Services that this information be used to counsel and advise students on the availability of federal financial aid and to encourage qualified students to apply for federal assistance. It is also the intent of the committee that the information be kept on file with the Alaska Commission on Postsecondary Education and used in the development of recommendations for revisions to the program.

Section 6 would require the Alaska Commission on Postsecondary Education to submit recommendations to the legislature for changes to the scholarship loan program. It is the intent of the committee that the report include a detailed study of a proposal based on financial need, a "two-tiered" proposal that would provide supplemental loan funds based on financial need, a proposal that matches the features of the federal aid program and establishes the state as a lender of last resort, and other proposals that would enable the program to meet projected loan demand with reduced state appropriations.

# ALASKA STATE SENATE

JOE P. JOSEPHSON  
DISTRICT H — ANCHORAGE  
1024 WEST SIXTH AVENUE  
ANCHORAGE, ALASKA 99501

WHILE IN JUNEAU  
P. O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4525



## COMMITTEES

BUDGET & AUDIT  
HEALTH, EDUCATION & SOCIAL SERVICES  
RULES  
TRANSPORTATION

SENATE CHAIR, ANCHORAGE CAUCUS

OFFICE OF MINORITY WHIP

April 21, 1986

The Honorable Jan Faiks  
✓ The Honorable John Sackett  
The Honorable Al Adams  
P.O. Box V  
Juneau, Alaska 99811

RE: House Bill 161

Dear Finance Committee Chairpersons:

As you know, I have been a strong advocate of the student loan program in Alaska. I continue to believe that the program represents a wise investment in Alaska's future.

However, over time, it seems inevitable that changes in the program are going to be necessary. For example, I would urge that the legislature give notice of an intention, to be implemented five or six years hence, to move the program away from its present worldwide portability towards a policy in which student loans will be available for use within the State of Alaska, at public or private facilities here, unless the program sought by a student is not available within the state. In the interval, we would be building our University system and improving our offerings at the University and community colleges.

I am enclosing a draft amendment which would save the State, according to information given to me, \$8-\$16 million dollars per year without jeopardizing any loan recipients ability to go to school. The amendment would require that all applicants for student loans through the Commission on Postsecondary Education, of which I was formerly a member, would complete forms for financial assistance from the federal government through the federal guaranteed student loan program. Students receiving a federally guaranteed student loan would still enjoy forgiveness through the state system of up to 50%, just as they enjoy partial forgiveness under the wholly state funded system.

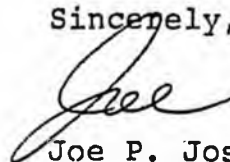
The only effect most applicants would notice from the adoption of the enclosed language is the requirement that they complete additional paper work. The federal program would be the loan of first resort and about 20% of Alaska's students, it is estimated, would qualify.

The Honorable Jan Faiks  
The Honorable John Sackett  
The Honorable Al Adams  
April 21, 1986  
Page Two

At present, most students don't bother to even apply for the federal program because of the inconvenience and, as a result, we spend state money that we ought not to be spending when some federal money is available.

With best personal regards, I am

Sincerely,



Joe P. Josephson  
State Senator

JPJ:rak  
Enclosure

Sec. 14.43.103. FEDERAL ASSISTANCE. The scholarship loan shall be used as a loan of last resort and shall only be granted to an applicant who, if eligible, first exhausts Federal Guaranteed Student Loan availability. As a condition of loan award, each applicant must submit, with the loan application, information necessary to determine whether the applicant qualifies for financial assistance from the federal government.

RECEIVED  
APR 11 1986

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

Date 3-27-86

1/16/86

Mr. President

The Committee on HESS considered CSHB 161 Fin am  
interest rate, loan conditions and repayment provisions of scholarship  
loans; efd.

and (a majority of the committee) (the committee) reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for CSHB 161 <sup>(2d HESS)</sup> ~~(HESS)~~
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Ardis Stupulis

Edna De Vries

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

Joe P. Josephson - No Recommendation

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

B. Faber-Kemp  
Chairman

Chairman recommendation \_\_\_\_\_

COMMITTEE REPORT  
SENATE

FURTHER:

*HESS*

5/9/85

Date 1/10/86

Mr. President

The Committee on FINANCE considered CSHB 161(Fin) am interest rate, loan conditions and repayment provisions of scholarship loans; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation

recommends/<sup>return</sup>referral to Senate HESS Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

<i>J. Kottuhl return to HESS</i>	<i>Ferguson NO RE</i>
<i>Kirk Stedman Return to HESS</i>	
<i>Saul Felt. Ret. to HESS</i>	
<i>William " " "</i>	
_____	_____
_____	_____
_____	_____
_____	_____

*Ann Fisher*  
Chairman  
*Return to HESS at*  
Chairman recommendation  
*sponsor's request.*

1  
COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

5/7/85

Date 5-9-85

Mr. President

The Committee on HESS considered CSHB 161(Fin)am

interest rate, loan conditions and repayment provisions of scholarship loans; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt 5 CS for CSHB 161 ~~HESS~~ HESS
- new title
- same title and recommends DO PASS
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Alexis Sturgulowski  
Edna de Vries  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dittye Fehrenkamp  
Chairman  
Do Pass  
Chairman recommendation

Offered: 5/9/85  
Referred: Finance

Original sponsor: Binkley

1 IN THE HOUSE  
2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (HESS)  
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, loan condi-  
7 tions and repayment provisions of scholarship loans;  
8 and providing for an 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 (m) 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.

Offered: 4/29/85  
Referred: Rules

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 161 (Finance) am  
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, loan condi-  
7 tions and repayment provisions of scholarship loans;  
8 and providing for an effective date."

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

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

11 (c) To maintain a loan the student must continue to be enrolled  
12 as a full-time student in good standing, or as a part-time student in  
13 good standing in more than one institution for a total number of  
14 credits equivalent to a full-time student in a career education pro-  
15 gram, college or university designated under (b) of this section. The  
16 commission shall adopt regulations defining "good standing" for pur-  
17 poses of this subsection.

18 \* Sec. 2. AS 14.43.120(f) is amended to read:

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

23 \* Sec. 3. AS 14.43.120(g) is amended to read:

24 (g) Repayment of the principal and interest on the loan begins  
25 no later than six months [ONE YEAR] after the borrower's studies are  
26 terminated. The loan shall provide for repayment of the total amount  
27 owed in periodic installments in not more than 10 years from the  
28 commencement of repayment, except as provided in (k) and (m) of this  
29 section. Interest shall accrue as provided in (f) of this section.

1        but the borrower shall be allowed to repay the loan at a five percent  
2        interest rate for the first three years of the repayment period, with  
3        the extra accrued interest to be paid in later years. If the commis-  
4        sion and the borrower agree to a different repayment schedule, the  
5        borrower shall repay the loan in accordance with the agreement. A  
6        borrower may make payments earlier than required by this subsection.

7        \* Sec. 4. This Act takes effect July 1, 1985.

# COMMITTEE REPORT

## SENATE

FURTHER:

5/9/85

Date 5/10/85

Mr. President

The Committee on FINANCE considered CSHB 161(Fin) an interest rate, loan conditions and repayment provisions of scholarship loans: eff.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to Finance Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

Rich Howard Peterson To Pass  
John F. Kelly To Pass  
John Han

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Chairman

Chairman recommendation

## SECTIONAL ANALYSIS FOR HOUSE BILL 161 (versions 1 & 2)

An Act relating to the interest rate, loan conditions and repayment provisions of scholarship loans and providing for an effective date

### Section 1

Increases the annual interest rate on a student loan from 5% to 8%. On a \$1000 loan, that would add \$2.19 to the monthly payment during the last 7 years of the loan. On a \$24,000 loan, the increase would amount to \$52.33 a month.

### Section 2

Raising the interest rate from 5% to 8% would not increase the monthly payment of the borrower during the first three years of repayment. Instead, this additional interest rate would be reflected in the monthly payments of the last 7 years of the loan. Essentially, this results in an interest average of 5% for the first three years and 10% for the remaining seven.

Version 2 includes an additional section that does the following. Under current law, a borrower has a one year grace period after studies are terminated before repayment begins. This section would reduce that time period to 9 months.

### Section 3

Effective date of July 1, 1986.

### Comments

As passed by the House, this bill contained a section which allowed borrowers to attend more than one institution in order to reach the 12 units needed to qualify for a student loan. The Senate HESS Committee deleted that section because Senate Bill 17, which did the same thing, passed during the 1985 session.

Version #12  
Cook ✓  
1/14/86

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL

6 For an Act entitled: "An Act relating to the interest rate, loan condi-  
7 tions and repayment provisions of scholarship loans;  
8 and providing for an 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 nine 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 (m) 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, 1986.  
29

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20 of repayment, except as provided in (k) and (m) of this section.  
21 Interest shall accrue as provided in (f) of this section, but the  
22 borrower shall be allowed to repay the loan at a five percent interest  
23 rate for the first three years of the repayment period, with the extra  
24 accrued interest to be paid in later years. If the commission and the  
25 borrower agree to a different repayment schedule, the borrower shall  
26 repay the loan in accordance with the agreement. A borrower may make  
27 payments earlier than required by this subsection.

28 \* Sec. 3. This Act takes effect July 1, 1986.

## SECTIONAL ANALYSIS OF HOUSE BILL 161

An Act relating to the interest rate, loan conditions and repayment provisions of scholarship loans

### Section 1

Would increase the annual interest rate on a student loan from 5% to 8%. On a \$1000 loan that would add \$2.19 to the monthly payment over the 10 year life of the loan. On a \$24,000 loan, the increase would amount to \$52.33 a month.

### Section 2

Under current law, a borrower has a one year grace period after studies are terminated before repayment begins. This section would reduce that to six months.

In addition, raising the interest rate from 5% to 8% would not increase the monthly payment of the borrower during the first three years of repayment. Instead, this additional interest rate would be reflected in the monthly payments of the last 7 years of the loan.

### Section 3

Effective date of July 1, 1985 which would of course have to be changed to July 1, 1986.

### Comments

As passed by the House, this bill contained a section which allowed borrowers to attend more than one institution in order to reach the 12 units needed to qualify for a student loan. The Senate HESS Committee deleted that section because Senate Bill 17, which did the same thing, passed during the 1984 Session.

### Fiscal Impact

The Postsecondary Education Commission estimates an FY 87 increase of \$20,000 to cover the cost of modifying the on-line system used for computing loan repayments. Future years would require additional funds for additional repayment staff.

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 1/15/86

**REQUEST**

Bill/Resolution No. : SCSCSHB 161  
 Title : Re: Student Loans  
 \_\_\_\_\_  
 Sponsor : Binkley  
 Requestor : Senate Finance  
 Date of Request : 1/14/86

**FISCAL DETAIL**

Agency Affected : Education  
 BRU : Postsecondary Commission  
 \_\_\_\_\_  
 Components : Student Loan Administration  
Student Loan Program

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

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		25.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	25.0	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
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**FUNDING : (Thousands of Dollars)**

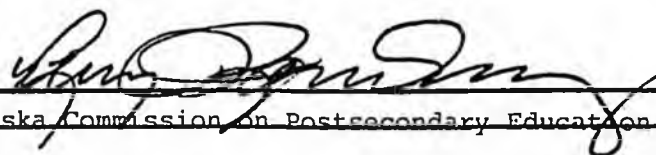
GENERAL FUND	N.A.	25.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

**POSITIONS :**

FULL-TIME	N.A.	N.A.	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

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

See attached

Prepared by :  Phone : 465-2854  
 Division : Alaska Commission on Postsecondary Education Date : 1/15/86

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

Distribution (by Agency preparing fiscal note) :

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 1/15/86

**REQUEST**

Bill/Resolution No.: SCSCSHB161  
 Title: Re: Student Loans  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Sponsor: Binkley  
 Requestor: Senate Finance  
 Date of Request: 1/14/86

**FISCAL DETAIL**

Agency Affected: Education  
 BRU: Postsecondary Commission  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Components: Student Loan Administration  
Student Loan Program

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

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES			30.3	63.7	67.5	71.6
TRAVEL						
CONTRACTUAL		25.0				
SUPPLIES			.1	.2	.2	.2
EQUIPMENT			1.2	1.2		
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL		(23.1)	(1,079.6)	(2,132.0)	(3,259.9)	(5,211.9)
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REVENUE						
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**FUNDING : (Thousands of Dollars)**

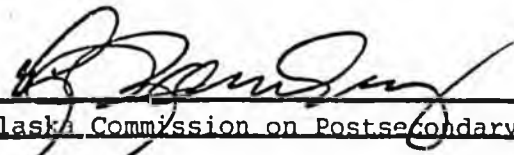
GENERAL FUND	N.A.	1.9	(1,048.0)	(2,066.9)	(3,192.2)	(5,140.1)
FEDERAL FUNDS						
OTHER						
TOTAL						

**POSITIONS :**

FULL-TIME	N.A.	-0-	1.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

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

See attached

Prepared by:  Phone: 465-2854  
 Division: Alaska Commission on Postsecondary Education Date: 1/15/86

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

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1985 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date: 10/22/85

**REQUEST**

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

Sponsor: Binklev  
 Requestor: Senate Finance  
 Date of Request: 10/22/85

**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>				30.3	63.7	67.5
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			25.0			
400 SUPPLIES				.1	.2	.2
500 EQUIPMENT				1.2	1.2	
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>			25.0	31.6	65.1	67.7

<b>CAPITAL</b>			(46.1)	(2,158.9)	(4,263.8)	(6,510.8)
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<b>REVENUE</b>						
----------------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**

	N.A.	N.A.	(21.1)	(2,127.3)	(4,198.7)	(6,443.1)
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

	N.A.	N.A.	-0-	1.0	2.0	2.0
FULL-TIME						
PART-TIME						
TEMPORARY						

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

See attached

Prepared By: Kerry D. Romesh Executive Director Phone: 465-2854  
 Division: Alaska Commission on Postsecondary Date: 10/22/85  
Education  
 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

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% rate est will actually provide a small additional incentive for forgiveness (about \$26 on a \$24,000 loan).

TABLE 1  
PROJECTED REPAYMENT WITH CURRENT  
PROGRAM TERMS

Year of Impact	BORROWING YEAR																		
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	
FY86																			
FY87																			
FY88	\$1,769.6	\$ 376.9																	
FY89	3,452.3	735.3	\$1,702.1	\$ 362.5															
FY90	5,174.5	1,102.2	3,320.5	707.3	\$1,777.5	\$ 378.6													
FY91	7,726.2	1,645.7	4,977.0	1,060.1	3,467.7	738.6	\$1,853.9	\$ 394.9											
FY92	7,900.0	1,682.7	7,431.3	1,582.9	5,197.6	1,107.1	3,616.7	770.4	\$1,930.6	\$ 411.2									
FY93	7,581.5	1,614.9	7,598.5	1,618.5	7,760.6	1,653.0	5,420.9	1,154.7	3,766.5	802.3	\$2,018.4	\$ 429.9							
FY94	7,278.6	1,550.3	7,292.1	1,553.0	7,935.2	1,690.2	8,027.9	1,709.9	5,645.4	1,202.5	3,937.6	838.7	\$2,110.2	\$ 449.5					
FY95	6,968.6	1,484.3	7,000.8	1,491.2	7,615.3	1,622.1	8,276.2	1,762.8	8,429.3	1,795.4	5,901.9	1,257.1	4,116.7	876.9	\$2,206.2	\$ 469.9			
FY96	6,509.3	1,386.5	6,702.6	1,427.7	7,311.0	1,557.2	7,942.5	2,075.2	8,618.9	1,835.8	8,812.3	1,877.0	6,170.3	1,314.3	4,303.9	916.7	\$ 2,306.5	\$ 491.3	
FY97	6,478.0	1,379.8	6,260.9	1,333.6	6,999.6	1,490.9	7,625.2	1,624.2	8,271.4	1,761.8	9,010.5	1,919.2	9,213.1	1,962.4	6,450.9	1,374.0	4,499.6	958.4	
FY98	5,026.9	1,070.7	6,230.8	1,327.2	6,538.3	1,392.6	7,300.4	1,555.0	7,940.9	1,691.4	8,647.2	1,841.9	9,420.3	2,006.5	9,632.1	2,051.6	6,744.3	1,438.5	
FY99	3,647.1	776.8	4,835.0	1,029.9	6,506.9	1,386.0	6,831.2	1,455.0	7,602.7	1,619.4	8,301.7	1,768.3	9,040.5	1,925.6	9,848.7	2,097.8	10,078.0	2,144.9	
FY00	2,234.9	476.0	3,508.0	747.2	5,049.3	1,075.5	6,706.5	1,445.5	7,102.6	1,512.9	7,948.2	1,693.0	8,309.6	1,769.9	9,451.6	2,013.2	10,296.6	2,193.2	

- Assumptions: 1. General Fund appropriation remains constant at \$60.0 million after FY87.  
2. The percentage of borrowers entering repayment, with a 12-month grace period, will be:

Percent	Years After Borrowing
0.0	one year
22.4	two years
21.3	three years
21.8	four years
32.3	five years
2.2	six or more years
100.0	

3. Borrowing rates will not be reduced if interest is increased to 8 percent.

TABLE 2  
PROJECTED DEPARTMENT WITH  
CSHB 161 TERMS

Year of Impact	BORROWING YEAR																	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
FY86																		
FY87			\$ 38.0	\$ 8.1														
FY88	\$1,769.6	\$ 376.9	1,740.1	370.6	\$ 39.7	\$ 8.5												
FY89	3,452.3	735.3	3,358.5	715.4	1,817.2	387.1	\$ 41.4	\$ 8.8										
FY90	5,174.5	1,302.2	5,015.0	1,068.2	3,507.4	747.1	1,895.2	403.7	\$ 43.1	\$ 15.0								
FY91	7,726.2	1,645.7	7,431.3	1,582.9	5,237.2	1,115.5	3,658.1	779.2	1,973.7	686.8	\$ 45.1	\$ 15.7						
FY92	7,900.0	1,682.7	7,598.5	1,618.5	7,760.6	1,653.0	5,462.3	1,163.5	3,809.6	1,325.7	2,063.4	718.1	\$ 47.1	\$ 16.4				
FY93	7,581.5	1,614.9	7,285.3	1,551.8	7,935.2	1,690.2	8,094.1	1,724.0	5,688.5	1,979.6	3,982.6	1,385.9	2,157.2	750.7	\$ 49.2	\$ 16.8		
FY94	7,278.6	1,550.3	6,954.0	1,489.7	7,608.1	1,620.5	8,276.2	1,762.8	8,429.3	2,933.4	5,946.9	2,069.5	4,163.8	1,449.0	2,255.4	784.9	\$ 51.5	\$ 17.9
FY95	6,968.6	1,484.3	6,695.8	1,426.2	7,303.9	1,555.7	7,935.1	1,690.2	8,618.9	2,999.4	8,812.3	3,066.7	6,217.4	2,163.7	4,353.1	1,514.9	2,357.9	820.5
FY96	6,509.3	1,306.5	6,261.0	1,333.6	6,992.5	1,489.4	7,617.7	1,622.6	8,263.6	2,875.7	9,010.5	3,135.7	9,213.1	3,206.2	6,500.1	2,262.0	4,551.1	1,583.8
FY97	6,478.0	1,379.8	6,230.8	1,327.2	6,538.3	1,392.7	7,293.0	1,553.4	7,933.2	2,760.8	8,639.1	3,006.4	9,420.3	3,278.3	9,632.0	3,351.5	6,795.8	2,364.9
FY98	5,026.9	1,070.7	4,803.9	1,023.2	6,506.9	1,386.6	6,819.3	1,452.5	7,595.0	2,643.1	8,293.6	2,886.2	9,032.0	3,143.1	9,848.7	3,427.3	10,070.1	3,504.4
FY99	3,647.1	776.8	3,476.8	740.6	5,016.8	1,068.6	6,786.5	1,445.5	7,101.6	2,471.4	7,940.1	2,763.2	8,670.8	3,017.4	9,442.7	3,286.1	10,296.6	3,583.2
FY00	2,234.9	476.0	2,118.5	451.2	3,630.8	773.4	5,232.4	1,114.5	7,067.5	2,459.5	7,424.3	2,583.7	7,551.7	2,628.0	9,064.8	3,154.6	9,872.2	3,435.5

Assumptions: 4. The percentage of borrowers entering repayment, with a 6-month grace period, will be:

Percent	Years After Borrowing
0.5	during first year
22.4	one year
21.3	two years
21.8	three years
31.8	four years
2.2	five or more years
100.0	

5. Forgiveness benefits will be received by 18 percent of the borrowers.

6. Default rate is not included.

TABLE 3  
FISCAL IMPACT OF  
CSHB 161

Year of Impact	BORROWING YEAR																		Total*			
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		P	I		
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I						
FY86																						
FY87			\$ 38.0	\$ 8.1																	\$ 38.0	\$ 8.1
FY88			1,740.1	370.6	\$ 39.7	\$ 8.5															1,779.8	379.1
FY89			1,656.4	352.9	1,817.2	387.1	\$ 41.4	\$ 8.8													3,515.0	748.8
FY90			1,694.5	360.9	1,729.9	368.5	1,895.2	403.7			\$ 43.1	\$ 15.0									5,362.7	1,148.1
FY91			2,454.3	522.8	1,769.5	376.9	1,804.2	384.3	1,973.7	686.8	\$ 45.1	\$ 15.7									8,046.8	1,936.5
FY92			167.2	35.6	2,563.0	545.9	1,845.6	393.1	1,879.0	914.5	2,063.4	718.1	\$ 47.1	\$ 16.4							8,565.3	2,623.6
FY93			(313.2)	(66.7)	174.6	37.2	2,673.2	569.3	1,922.0	1,177.3	1,964.2	956.0	2,157.2	750.7	\$ 49.2	\$ 16.8					8,627.2	3,440.6
FY94			(298.1)	(63.5)	(327.1)	(69.7)	249.3	52.9	2,783.9	1,730.9	2,009.3	1,230.8	2,053.6	999.5	2,255.4	784.9	\$ 51.5	\$ 17.9			9,431.0	6,255.9
FY95			(305.0)	(65.0)	(311.4)	(66.3)	(341.1)	(72.7)	189.6	1,204.0	2,910.4	1,809.6	2,100.7	1,286.8	2,146.9	1,045.0	2,357.9	820.5			8,748.0	5,961.9
FY96			(441.6)	(94.1)	(318.5)	(67.8)	(324.8)	(69.2)	(355.3)	1,039.9	198.2	1,258.7	3,042.8	1,891.9	2,196.2	1,345.3	2,244.6	1,092.5			6,952.2	6,397.2
FY97			(35.1)	(6.4)	(461.3)	(98.3)	(332.2)	(70.8)	(338.2)	999.0	(371.4)	1,087.2	207.2	1,315.9	3,101.1	1,977.9	2,296.2	1,406.5			4,151.3	6,611.0
FY98			(1,426.9)	(303.9)	(31.4)	(6.7)	(481.1)	(102.5)	(345.9)	951.7	(353.6)	1,044.3	(388.3)	1,136.6	216.6	1,375.7	3,325.8	2,067.9			515.2	6,163.1
FY99			(1,358.2)	(284.3)	(1,490.1)	(317.4)	(44.7)	(9.5)	(501.1)	852.0	(361.6)	994.9	(369.7)	1,091.8	(406.0)	1,188.3	226.6	1,438.3			(4,304.8)	4,949.1
FY00			(1,389.5)	(296.0)	(1,418.5)	(302.1)	(1,554.1)	(331.0)	(35.1)	946.6	(523.9)	890.7	(757.9)	858.1	(386.8)	1,141.4	(424.4)	1,242.3			(6,490.2)	4,150.0

\*NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

TABLE 4  
FISCAL IMPACT OF  
8% INTEREST

FY	BORROWING YEAR																Total*			
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		P	I
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I				
86																				
87																				
88																				
89				\$ 217.5																\$ 217.5
90				424.4		\$ 227.2														651.6
91				636.1		443.2		\$ 236.9												1,316.2
92				949.7		661.3		462.2		\$ 246.7										2,319.9
93				971.1		991.8		692.8		481.4		\$ 257.9								3,395.0
94				931.8		1,014.1		1,025.9		721.5		503.2		\$ 269.7						4,466.2
95				894.7		973.3		1,057.7		1,077.2		754.3		526.1		\$ 281.9				5,565.2
96				856.6		934.3		1,245.1		1,101.5		1,126.2		788.5		550.0		\$ 294.8		6,897.0
97				800.2		894.5		974.5		1,057.1		1,151.5		1,177.4		824.4		575.0		7,454.6
98				796.3		835.6		931.0		1,014.8		1,105.1		1,203.9		1,231.0		861.9		7,981.6
99				617.9		831.6		873.0		971.6		1,061.0		1,155.4		1,258.7		1,286.9		8,056.1
00				448.3		645.3		867.3		907.7		1,015.8		1,061.9		1,207.9		1,315.9		7,472.1

TE: Totals after FY94 will be effected by loans made in FY95 and beyond.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

*OL  
sup 5/1*

Page 1 of 3

Revision Date: 4/24/85

REQUEST

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

FISCAL DETAIL

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

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

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>	N.A.	20.0	29.7	61.6	65.0	67.8

<b>CAPITAL</b>		(48.7)	(2,274.5)	(4,207.9)	(6,209.0)	(9,629.4)
----------------	--	--------	-----------	-----------	-----------	-----------

<b>REVENUE</b>						
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FUNDING: (Thousands of Dollars)

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:

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)

7/1/84

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: CSHB 161(Fin) 2 of 3'

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	2,010.4	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	1,839.5	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:

CSHB 161(Fin) 3 of 3

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).

SCSCS HB 161: Student Loans  
(1-15-86 Analysis)

- Assuptions: 1. General Fund appropriation remains constant at \$60.0 million after FY87.
2. The percentage of borrowers entering repayment, with a 12-month grace period, will be:

<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
2.2	six or more years
<u>100.0</u>	

3. Borrowing rates will not be reduced if interest is increased to 8 percent.
4. The percentage of borrowers entering repayment, with a 6-month grace period, will be:

<u>Percent</u>	<u>Years After Borrowing</u>
0.5	during first year
22.4	one year
21.3	two years
21.8	three years
31.8	four years
2.2	five or more years
<u>100.0</u>	

5. Forgiveness benefits will be received by 18 percent of the borrowers.
6. Default rate is not included.
7. The percentage of borrowers entering repayment, with a 9-month grace period, will be:

<u>Percent</u>	<u>Years After Borrowing</u>
0.3	during first year
22.4	one year
21.3	two years
21.8	three years
32.0	four years
2.2	five or more years
<u>100.0</u>	

- Comments: 1. Contractual amount of \$25.0 is for modifying the existing student loan system to accommodate variable interest rates.
2. The monthly payment 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. The delayed 8% (ramping) translates into 5% interest for the first three years and 10.14% interest for the last seven years.
4. 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 \$24,000 loan).

TABLE 1  
PROJECTED REPAYMENT WITH CURRENT  
PROGRAM TERMS

Year of Impact	BORROWING YEAR																	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
FY86																		
FY87																		
FY88	\$1,769.6	\$ 376.9																
FY89	3,452.3	735.3	\$1,702.1	\$ 362.5														
FY90	5,174.5	1,102.2	3,320.5	707.3	\$1,777.5	\$ 378.6												
FY91	7,726.2	1,645.7	4,977.0	1,060.1	3,467.7	738.6	\$1,853.9	\$ 394.9										
FY92	7,900.0	1,682.7	7,431.3	1,582.9	5,197.6	1,107.1	3,616.7	770.4	\$1,930.6	\$ 411.2								
FY93	7,581.5	1,614.9	7,598.5	1,618.5	7,760.6	1,653.0	5,420.9	1,154.7	3,766.5	802.3	\$2,018.4	\$ 429.9						
FY94	7,278.6	1,550.3	7,292.1	1,553.0	7,935.2	1,690.2	8,027.9	1,709.9	5,645.4	1,202.5	3,937.6	838.7	\$2,110.2	\$ 449.5				
FY95	6,568.6	1,484.3	7,000.8	1,491.2	7,615.3	1,622.1	8,276.2	1,762.8	8,429.3	1,795.4	5,901.9	1,257.1	4,116.7	876.9	\$2,206.2	\$ 469.9		
FY96	6,509.3	1,386.5	6,702.6	1,427.7	7,311.0	1,557.2	7,942.5	2,075.2	8,618.9	1,835.8	8,812.3	1,877.0	6,170.3	1,314.3	4,303.9	916.7	\$ 2,306.5	\$ 491.3
FY97	6,478.0	1,379.8	6,260.9	1,333.6	6,999.6	1,490.9	7,625.2	1,624.2	8,271.4	1,761.8	9,010.5	1,919.2	9,213.1	1,962.4	6,450.9	1,374.0	4,499.6	958.4
FY98	5,026.9	1,070.7	6,230.8	1,327.2	6,538.3	1,392.6	7,300.4	1,555.0	7,940.9	1,691.4	8,647.2	1,841.9	9,420.3	2,006.5	9,632.1	2,051.6	6,744.3	1,436.5
FY99	3,647.1	776.8	4,835.0	1,029.9	6,506.9	1,386.0	6,831.2	1,455.0	7,602.7	1,619.4	8,301.7	1,768.3	9,040.5	1,925.6	9,848.7	2,097.8	10,070.0	2,144.9
FY00	2,234.9	476.0	3,508.0	747.2	5,049.3	1,075.5	6,786.5	1,445.5	7,102.6	1,512.9	7,948.2	1,693.0	8,309.6	1,769.9	9,451.6	2,013.2	10,296.6	2,193.2

- Assumptions: 1. General Fund appropriation remains constant at \$60.0 million after FY87.  
2. The percentage of borrowers entering repayment, with a 12-month grace period, will be:

Percent	Years After Borrowing
0.0	one year
22.4	two years
21.3	three years
21.8	four years
32.3	five years
2.2	six or more years
100.0	

3. Borrowing rates will not be reduced if interest is increased to 8 percent.

TABLE 2  
PROJECTED REPAYMENT WITH  
6-MONTH GRACE PERIOD

Year of Impact	BORROWING YEAR																			
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94			
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I		
FY86																				
FY87			\$ 38.0	\$ 8.1																
FY88	\$1,269.6	\$ 376.9	1,740.1	370.6	\$ 39.7	\$ 8.5														
FY89	3,452.3	735.3	3,358.5	715.4	1,817.2	387.1	\$ 41.4	\$ 8.8												
FY90	5,174.5	1,102.2	5,015.0	1,068.2	3,507.4	747.1	1,895.2	403.7	\$ 43.1	\$ 15.0										
FY91	7,726.2	1,645.7	7,431.3	1,582.9	5,237.2	1,115.5	3,658.1	779.2	1,973.7	686.8	\$ 45.1	\$ 15.7								
FY92	7,900.0	1,682.7	7,598.5	1,618.5	7,260.6	1,653.0	5,467.3	1,163.5	3,809.6	1,325.7	2,063.4	718.1	\$ 47.1	\$ 16.4						
FY93	7,581.5	1,614.9	7,285.3	1,551.8	7,935.2	1,690.2	8,094.1	1,724.0	5,688.5	1,979.6	3,982.6	1,385.9	2,157.2	750.7	\$ 49.2	\$ 16.8				
FY94	7,278.6	1,550.3	6,994.0	1,489.7	7,608.1	1,620.5	8,276.2	1,762.8	8,429.3	2,933.4	5,946.9	2,069.5	4,163.8	1,449.0	2,255.4	784.9	\$ 51.5	\$ 17.9		
FY95	6,968.6	1,484.3	6,695.8	1,426.2	7,303.9	1,555.7	7,935.1	1,690.2	8,618.9	2,939.4	8,812.3	3,066.7	6,217.4	2,163.7	4,353.1	1,514.9	2,357.9	820.5		
FY96	6,509.3	1,386.5	6,261.0	1,333.6	6,992.5	1,489.4	7,617.7	1,622.6	8,263.6	2,875.7	9,010.5	3,135.7	9,213.1	3,206.2	6,500.1	2,262.0	4,551.1	1,583.8		
FY97	6,478.0	1,379.8	6,230.8	1,327.2	6,538.3	1,392.7	7,293.0	1,553.4	7,933.2	2,760.8	8,639.1	3,006.4	9,420.3	3,278.3	9,632.0	3,351.9	6,795.8	2,364.9		
FY98	5,026.9	1,070.7	4,803.9	1,023.2	6,506.9	1,386.6	6,819.3	1,452.5	7,595.0	2,643.1	8,293.6	2,886.2	9,032.0	3,143.1	9,848.7	3,427.3	10,070.1	3,504.4		
FY99	3,647.1	776.8	3,476.8	740.6	5,016.8	1,068.6	6,786.5	1,445.5	7,101.6	2,471.4	7,940.1	2,763.2	8,670.8	3,017.4	9,442.7	3,286.1	10,296.6	3,583.2		
FY00	2,234.9	476.0	2,118.5	451.2	3,630.8	773.4	5,232.4	1,114.5	7,067.5	2,459.5	7,424.3	2,583.7	7,551.7	2,628.0	9,064.8	3,154.6	9,872.2	3,435.5		

Assumptions: 4. The percentage of borrowers entering repayment, with a 6-month grace period, will be:

Percent	Years After Borrowing
0.5	during first year
22.4	one year
21.3	two years
21.8	three years
31.8	four years
2.2	five or more years
100.0	

5. Forgiveness benefits will be received by 18 percent of the borrowers.  
6. Default rate is not included.

TABLE 3  
FISCAL IMPACT OF  
6-MONTH GRACE PERIOD

Year of Impact	BORROWING YEAR																		Total*									
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		P	I								
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I												
FY86																												
FY87		\$ 38.0		\$ 8.1																\$ 38.0	\$ 8							
FY88		1,740.1		370.6		\$ 39.7		\$ 8.5												1,779.8	379							
FY89		1,656.4		352.9		1,817.2		387.1		\$ 41.4		\$ 8.8								3,515.0	748							
FY90		1,694.5		360.7		1,729.9		368.5		1,895.2		403.7		\$ 43.1		\$ 15.0				5,362.7	1,148							
FY91		2,454.3		522.8		1,769.5		376.9		1,804.2		384.3		1,973.7		686.8		\$ 45.1		\$ 15.7	8,046.8	1,986						
FY92		167.2		35.6		2,563.0		545.9		1,815.6		393.1		1,879.0		914.5		2,063.4		718.1	\$ 41.1	\$ 16.4	8,565.3	2,623				
FY93		[313.2]		[66.7]		174.6		37.2		2,673.2		569.3		1,922.0		1,177.3		1,964.2		956.0	2,157.2	750.7	\$ 49.2	\$ 16.8	8,627.2	3,440		
FY94		[298.1]		[63.5]		[327.1]		[69.7]		248.3		52.9		2,783.9		1,730.9		2,009.3		1,230.8	2,053.6	999.5	1,255.4	784.9	\$ 51.2	\$ 17.9	9,431.0	6,255
FY95		[305.0]		[65.0]		[311.4]		[66.3]		[341.1]		[72.7]		189.6		1,204.0		2,910.4		1,805.6	2,100.7	1,286.8	2,146.9	1,045.0	2,357.9	820.5	8,748.0	5,961
FY96		[441.6]		[94.1]		[318.5]		[67.8]		[324.8]		[69.2]		[355.3]		1,039.9		198.2		1,258.7	3,042.8	1,891.9	2,196.2	1,345.3	2,244.6	1,092.5	6,952.2	6,397
FY97		[30.1]		[6.4]		[461.3]		[98.3]		[332.2]		[70.8]		[338.2]		999.3		[371.4]		1,087.2	207.2	1,315.9	3,181.1	1,977.9	2,796.2	1,406.5	4,151.3	6,611
FY98		[1,426.9]		[303.9]		[31.4]		[6.7]		[481.1]		[102.5]		[345.9]		951.7		[353.6]		1,044.3	[388.3]	1,136.6	216.6	1,375.7	3,425.8	2,067.9	515.2	6,163
FY99		[1,358.2]		[289.3]		[1,490.1]		[317.4]		[44.7]		[9.5]		[501.1]		852.0		[361.6]		994.9	[369.7]	1,091.8	[406.0]	1,188.3	226.6	1,438.3	[4,304.8]	4,949
FY00		[1,389.5]		[296.0]		[1,418.5]		[302.1]		[1,554.1]		[331.0]		[35.1]		946.6		[523.9]		890.7	[757.9]	858.1	[386.8]	1,141.4	[424.4]	1,242.3	[6,490.2]	4,150

NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

TABLE 4  
FISCAL IMPACT OF  
8% INTEREST

Year	BORROWING YEAR																		Total*	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94			
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
86																				
87																				
88																				
89				\$ 217.5																\$ 217.5
90				424.4		\$ 227.2														651.6
91				636.1		443.2		\$ 236.9												1,316.1
92				949.7		661.3		462.2		\$ 246.7										2,319.9
93				971.1		991.8		692.8		481.4		\$ 257.9								3,395.1
94				931.8		1,014.1		1,025.9		721.5		503.2		\$ 269.7						4,446.1
95				894.7		973.3		1,057.7		1,077.2		754.3		526.1		\$ 281.9				5,565.1
96				856.6		934.3		1,245.1		1,101.5		1,126.2		788.5		550.0		\$ 294.8		6,897.1
97				860.2		894.5		974.5		1,057.1		1,151.5		1,177.4		824.4		575.0		7,454.1
98				796.3		835.6		911.0		1,014.8		1,105.1		1,203.9		1,231.0		861.9		7,981.1
99				617.9		831.6		873.0		971.6		1,061.0		1,155.4		1,258.2		1,266.9		8,056.1
00				448.3		645.3		867.3		907.7		1,015.8		1,061.9		1,207.9		1,315.9		7,472.1

NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

TABLE 5  
FISCAL IMPACT OF  
CSHB 161  
9-MONTH GRACE

Year of Impact	BORROWING YEAR																				Total*	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94					
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I		
FY86																						
FY87		\$ 19.0		\$ 4.1																		
FY88		870.1		185.3	\$ 19.9	\$ 4.3																
FY89		828.2		176.5	908.6	193.6	\$ 20.7	\$ 4.4														
FY90		847.3		180.5	865.0	184.3	947.6	201.9	21.6	\$ 7.5												
FY91		1,227.2		261.4	804.8	180.5	902.1	192.2	986.9	343.4	\$ 22.6	\$ 7.9										
FY92		250.8		53.4	1,281.5	273.0	922.8	196.6	939.5	457.3	1,031.7	359.1	\$ 23.6	\$ 8.2								
FY93		(156.6)		(33.4)	261.9	55.8	1,336.6	284.7	961.0	88.7	982.1	478.0	1,078.6	375.4	\$ 24.6	\$ 8.4						
FY94		(149.1)		(31.8)	(163.6)	(34.9)	372.5	79.4	1,391.9	865.5	1,004.7	615.4	1,026.8	499.8	1,127.7	392.5	\$ 25.8	\$ 7.9	4,610.9	2,391.1		
FY95		(152.5)		(32.5)	(155.7)	(33.2)	(170.6)	(36.4)	284.4	59.7	1,455.2	904.8	1,050.4	643.4	1,073.5	522.5	1,178.9	410.3	7,604.6	2,431.1		
FY96		(220.8)		(47.1)	(159.3)	(33.9)	(162.4)	(34.6)	(177.7)	(37.9)	297.3	62.4	1,521.4	946.0	1,098.1	672.7	1,122.3	546.3	3,318.9	2,071.1		
FY97		(60.2)		(12.8)	(230.7)	(49.2)	(166.1)	(35.4)	(169.1)	(36.0)	(185.7)	(39.0)	310.8	65.3	1,590.6	988.9	1,148.1	703.3	2,237.7	1,581.1		
FY98		(713.5)		(152.0)	(15.7)	(3.4)	(240.6)	(51.3)	(173.0)	(36.8)	(176.8)	(37.1)	(194.2)	(40.8)	324.9	68.2	1,662.9	1,034.0	474.0	1,251.1		
FY99		(679.1)		(144.7)	(745.1)	(150.7)	(22.4)	(4.8)	(250.1)	(53.3)	(180.8)	(38.0)	(184.9)	(38.8)	(203.0)	(42.6)	339.9	71.4	(1,925.5)	(101.1)		
FY00		(694.8)		(148.0)	(709.3)	(151.1)	(777.1)	(165.5)	(17.6)	(3.7)	(262.0)	(55.0)	(379.0)	(79.6)	(193.4)	(40.6)	(212.2)	(44.6)	(3,245.4)	(681.1)		

\*NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

TABLE 6  
FISCAL IMPACT OF  
8% INTEREST WITH RAMPING  
12-MONTH GRACE PERIOD

Year of Impact	BORROWING YEAR																				Total*	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		P	I		
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I		
FY86																						
FY87																						
FY88																						
FY89																						
FY90																						
FY91																						
FY92																						
FY93																						
FY94																						
FY95																						
FY96																						
FY97																						
FY98																						
FY99																						
FY00																						

\*NOTE: Totals after FY94 will be affected by loans made in FY95 and beyond.

TABLE 7  
FISCAL IMPACT OF  
CSHB 161  
9-MONTH GRACE AND  
6% INTEREST

BORROWING YEAR

Year of Impact	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		Total*			
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I		
FY86																						
FY87			\$ 19.0	\$ 4.1																	\$ 19.0 \$ 4.1	
FY88			870.1	185.3	\$ 19.9	\$ 4.3															890.0 189.4	
FY89			828.2	176.5	908.6	193.6	\$ 20.7	\$ 4.4														1,757.5 374.4
FY90			847.3	184.7	865.0	184.3	947.6	201.9	\$ 21.6	\$ 7.5												2,681.5 578.4
FY91			1,227.2	451.9	884.8	192.9	902.1	192.2	986.9	343.4	\$ 22.6	\$ 7.9										4,023.5 1,188.4
FY92			250.8	421.0	1,281.5	472.0	922.8	201.1	939.5	457.3	1,031.7	359.1	\$ 23.6	\$ 8.2								4,449.9 1,918.4
FY93			(156.6)	683.8	261.9	439.7	1,336.6	492.3	961.0	596.4	982.1	478.0	1,078.6	375.4	\$ 24.6	\$ 8.4						4,488.1 3,074.4
FY94			(149.1)	1,043.2	(163.6)	714.1	372.5	479.9	1,391.9	1,218.5	1,004.7	623.5	1,026.8	499.8	1,127.7	392.5	\$ 25.8	\$ 8.9				4,610.9 4,980.4
FY95			(152.5)	1,542.3	(155.7)	1,089.4	(170.6)	744.8	284.4	476.7	1,455.2	1,274.0	1,080.4	651.8	1,073.5	522.5	1,178.9	410.3				7,604.6 6,711.4
FY96			(220.8)	1,465.0	(159.3)	1,610.9	(162.4)	1,699.3	(177.7)	775.7	297.3	498.3	1,521.4	1,331.9	1,098.1	681.3	1,122.3	546.3				3,318.9 8,608.4
FY97			(60.2)	1,499.3	(230.7)	1,529.8	(166.1)	1,611.6	(169.1)	1,183.4	(185.7)	811.5	310.8	521.1	1,590.6	1,392.4	1,148.1	712.4				2,237.7 9,261.4
FY98			(713.5)	1,200.3	(15.7)	1,508.4	(240.6)	1,525.5	(173.0)	1,678.3	(176.8)	1,237.6	(194.2)	848.4	324.9	544.7	1,662.9	1,455.8				474.0 9,999.4
FY99			(679.1)	899.6	(745.1)	1,246.7	(22.4)	1,460.5	(250.1)	1,588.8	(180.8)	1,365.3	(184.9)	1,293.9	(203.0)	887.0	339.9	569.6				(1,925.5) 9,311.4
FY00			(694.8)	610.0	(709.3)	939.5	(777.1)	1,300.3	(17.6)	1,530.4	(262.0)	1,891.1	(339.0)	1,909.9	(193.4)	1,352.7	(212.2)	927.2				(3,245.4) 10,461.4

\*NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

# Alaska State Legislature

CO-CHAIRMAN  
FINANCE COMMITTEE

907-465-3740



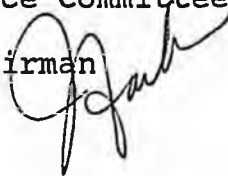
JAN FAIKS  
POUCH V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

## Senate

January 15, 1986

### MEMORANDUM

TO: All Members, Senate Finance Committee

FROM: Senator Jan Faiks, Co-Chairman  
Senate Finance Committee 

SUBJECT: House Bill 161

I received the following recommendations from the Student Financial Aid Advisory Committee of ACC and UAA over the telephone and was requested to relay them to the Finance Committee.

The recommendations are as follows:

- 1) Support restricting loans to United States citizens and permanent resident aliens only. They estimate a savings of \$75,000 to \$100,000.
- 2) Define institutional eligibility as being accredited by national or regional accreditation organization or having been approved by the Postsecondary Education Commission and having operated for 2 consecutive years prior to becoming eligible.
- 3) Reduce the maximum loan available to \$5500. Estimate savings of \$2.5 million.
- 4) Establish a two-tier loan program partially based upon need. Everyone would be eligible to borrow up to \$4,000. Remaining \$2,000 - \$3,000 would be loaned using a needs based test. However, they do not want to use federal standards of need because of Alaska's higher cost of living.

The Committee wanted to stress that they were most supportive of recommendations 1 and 2.

OUT OF SESSION

1024 WEST SIXTH AVENUE, SUITE 302 ANCHORAGE, ALASKA 99501 907-274-6611

## STUDENT LOANS-- ONE STUDENT'S PERSPECTIVE

### PROBLEMS WITH HB 161:

60% INCREASE IN INTEREST-- WHY SHOULD THE STUDENT LOAN PROGRAM, WHICH HAS ONE OF THE BEST RECORDS FOR PAYBACK, BE SINGLED OUT FOR SUCH A HUGE INCREASE IN INTEREST?

GRACE PERIOD ON REPAYMENT MOVED AHEAD 6 MONTHS, AT A TIME WHEN THE GRADUATING STUDENT CAN LEAST AFFORD IT.

THE BILL DOES NOT DO WHAT IT IS INTENDED TO DO

### WHAT IS WRONG WITH THE STUDENT LOAN PROGRAM?

PEOPLE COME UP FROM OUT-OF-STATE LONG ENOUGH TO QUALIFY FOR THE RESIDENCY REQUIREMENT, APPLY FOR A LOAN, AND TAKE THE MONEY BACK OUT OF THE STATE. ALASKA PAYS FOR THEIR EDUCATIONS AND THE MONEY SPENT ON LIVING EXPENSES (OFTEN THE MAJOR PART OF THE LOAN) IS SPENT OUT OF THE STATE.

THERE ARE CASES OF PEOPLE WHO MAKE OVER \$50,000 ANNUALLY, APPLY FOR THE LOW-INTEREST LOAN, AND THEN PROCEED TO MAKE MONEY BY REINVESTING THE LOAN FUNDS.

THE POSTSECONDARY EDUCATION COMMISSION HAS DECREED THAT STUDENTS MUST SHOW THAT THEY SPEND \$500 OF THEIR OWN MONEY TO ATTEND SCHOOL. THIS AFFECTS IN-STATE STUDENTS PRIMARILY BECAUSE OUT-OF-STATE STUDENTS HAVE NO PROBLEM SHOWING THAT THEIR COSTS FOR LIVING, TUITION, AND BOOKS ALREADY EXCEED THE MAXIMUM AMOUNT OF THE LOAN BY AT LEAST \$500.

### ALTERNATIVES TO HB 161:

1. CHARGE A DIFFERENTIAL RATE OF INTEREST 5% TO IN-STATE STUDENTS, 8% TO OUT-OF-STATE STUDENTS. EXEMPT THOSE STUDENTS ENROLLED IN DEGREE PROGRAMS NOT OFFERED WITHIN ALASKA.

OR

REQUIRE GRADUATION FROM AN ALASKA HIGH SCHOOL FOR STUDENTS WHO WANT A STUDENT LOAN TO ACQUIRE A DEGREE FROM OUTSIDE ALASKA IF THAT PROGRAM IS ALSO OFFERED WITHIN THE STATE.

2. INSTITUTE A REALISTIC INCOME/NEEDS FORMULA FOR ELIGIBILITY ON THE LOW-INTEREST LOAN. SOME STUDENTS HAVE A PROBLEM WITH AN INCOME CEILING FIGURE OF \$20,000. NOBODY HAS A PROBLEM WITH \$50,000. A REALISTIC FIGURE IS PROBABLY SOMEWHERE IN BETWEEN.

3. ANOTHER SUGGESTION THAT WOULD BRING MONEY BACK INTO THE PROGRAM MORE QUICKLY IS TO CREATE INCENTIVES FOR EARLY PAYBACK. THE CURRENT PROGRAM OFFERS NO REASON FOR EARLY PAYBACK. PERHAPS A FIRST-5-YEAR AT 5%, SECOND-5-YEAR AT 10% SCHEDULE WOULD DO IT?

The delegates of the United Campus's of Alaska Conference held in Juneau, Alaska on January 9, 10, & 11, 1986 are unanimously opposed to HB 161.

The impact of the new Post-Secondary Education Commission regulation requiring a \$500 contribution by students needs time to be ascertained.

We support the maintainence of the present 5% interest rate. A low interest rate helps to ensure the accessibility of the loan program as the burden of repayment is more appealing.

Furthermore, we find the proposed change in the grace period for repayment from one year to six months to be unrealistic for the following reasons:

First, when the federal Guaranteed Student Loan Program underwent a similar change it was discovered that there was a substantial increase in the default rate. This increase caused the GSL program to recind its decision.

Second, Alaska has a seasonal economy. If a student graduates in June, the six month grace period means that the repayment begins in December which is not a good time for employment in Alaska. This could result in many hardships.

Finally, if a student withdraws from school for one semester or takes part-time status, the loan then becomes due for repayment. The current one year period allows the student the kind of flexibility we would like to see maintained in the Alaska State Student Loan Program.

Michael Jensen Smith Pres. U.S. U.A.S.  
Robert A. Vallee Pres. K.C.C.  
Virginia Belknap Vice Pres. ACCSA  
Michael A. Hoffender Vice Pres. Prince William Sound Community College  
Barbara Finnie Campus Assembly, ACC  
Marie Mutschman Lobbying Coordinator, U.A.A.  
Carolyn Minor Student Rep., Ketchikan Community College  
Bonnie Easwath Student Rep., Ketchikan Community College  
Paul G. Williams Secatary, Student Assoc. of U.A.A.  
J. M. Rene Eyon Senate Representative, Ketchikan Comm. College  
Bruce Bruckman PRES ACCSA

B. Lynn Shaver, Student Member Board of

Patricia L. Staafford, Senate Representative K&CC Regents

Gloria Eyon, K&CC Conference Delegate

Frances L. Kingshore, ICC Student President.

Stuart M. Cole, LEGISLATIVE AFFAIRS COORDINATOR; UAF

J.P. Mahedy Vice-President ASUA - UAF

David A. Smith Legislative affairs coordinator K&CC

Jusan R. Ness, President Student Government, R.U.S.C. Valley A.S.

Jawn J. Gayheart, Rep. of Student Assoc. of U.A.A.

Karen E. Yetka, Legislative Council of UAF

Alexander Kottlarov, legislative council of UAF

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

5/7/85

Date 5-9-85

Mr. President

The Committee on HESS considered CSHB 161(Fin)am

interest rate, loan conditions and repayment provisions of scholarship loans; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt 5 CS for CSHB 161 ~~HESS~~ HESS
- new title
- same title and recommends DO PASS
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING

DO PASS

Alexis Sturgulowski  
Edna de Vries  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING

OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dittie Fabunke  
Chairman  
Do Pass  
Chairman recommendation

Offered: 5/9/85  
Referred: Finance

Original sponsor: Binkley

1 IN THE HOUSE  
2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (HESS)  
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, loan condi-  
7 tions and repayment provisions of scholarship loans;  
8 and providing for an 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 (m) 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.

Offered: 4/29/85  
Referred: Rules

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
2 CS FOR HOUSE BILL NO. 161 (Finance) am  
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, loan condi-  
7 tions and repayment provisions of scholarship loans;  
8 and providing for an effective date."  
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
10 \* Section 1. AS 14.43.120(c) is amended to read:  
11 (c) To maintain a loan the student must continue to be enrolled  
12 as a full-time student in good standing, or as a part-time student in  
13 good standing in more than one institution for a total number of  
14 credits equivalent to a full-time student in a career education pro-  
15 gram, college or university designated under (b) of this section. The  
16 commission shall adopt regulations defining "good standing" for pur-  
17 poses of this subsection.  
18 \* Sec. 2. AS 14.43.120(f) is amended to read:  
19 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is  
20 at the rate of eight [FIVE] percent a year unless the loan is in  
21 default. Interest on a loan that is in default is 10 percent a year  
22 for the period the loan is in default.  
23 \* Sec. 3. AS 14.43.120(g) is amended to read:  
24 (g) Repayment of the principal and interest on the loan begins  
25 no later than six months [ONE YEAR] after the borrower's studies are  
26 terminated. The loan shall provide for repayment of the total amount  
27 owed in periodic installments in not more than 10 years from the  
28 commencement of repayment, except as provided in (k) and (m) of this  
29 section. Interest shall accrue as provided in (f) of this section,

1        but the borrower shall be allowed to repay the loan at a five percent  
2        interest rate for the first three years of the repayment period, with  
3        the extra accrued interest to be paid in later years. If the commis-  
4        sion and the borrower agree to a different repayment schedule, the  
5        borrower shall repay the loan in accordance with the agreement. A  
6        borrower may make payments earlier than required by this subsection.

7        \* Sec. 4. This Act takes effect July 1, 1985.