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Senate Health, Education and Social Services Committee

Legislation Checklist

Bill number: HB 161

Sponsor: Binkley

Date referred to committee:

Synopsis completed:

Fiscal note:

Further referrals:

CONTACTS:

STATE OF ALASKA THE LEGISLATURE

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May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

Senate Health Education and Social Services Committee 1/28/86, 1:37 pm
" " " " " " 3/4/86, 1:34 pm
" " " " " " 3/18/86, 1:38 pm
" " " " " " 3/27/86, 1:38 pm

My name is Marie Motschman, I'm the legislative coordinator for the student association for UAA.

On February 3 & 4, SAUAA sponsored our second annual Student Information Days. It is a chance for a 2-way communication between SAUAA Senators and the students they represent. The results of our survey relating to HB 161 are as follows in priority fashion:

Restricting loans to U.S. Citizens or permanent alien residents. Since our survey, we have discovered the Commission on Postsecondary education has regulated this proposal and we feel it is a good regulation.

Our # 2 priority is to define institutional eligibility for student loan purposes as: 1) being accredited by a national or regional accreditation association recognized by the Council on Postsecondary Accreditation (COPA); or 2) having been approved for authorization to operate by the Alaska Commission on Postsecondary Education and having operated for two consecutive years prior to becoming eligible. We feel that if a vocational school has been in business successfully for a couple of years, that they must have a good program or they would not last long.

Our # 3 priority is to reduce the maximum loan amount available to \$5,500 for undergraduates and to \$6,500 for graduates. This will inject approximately 2.5 million back into the loan program immediately and would allow approximately 595 more perspective students accessibility to the loan program. Our students were concerned with the discriminatory effect of the \$500 contributory regulation made by Postsecondary in December. This decrease in in the loan amount would affect every borrower in-state or out-of-state fairly.

Since our third priority would negate our fourth we do not consider establishing a two-tier loan program as an alternative. Our students feel that if a needs-based test were established it would have to be liberal enough to allow a single parent to own a home and a car and still be eligible for a loan.

Our students at UAA overwhelmingly oppose raising the interest rate from 5% to 8%. They are more willing to give up \$500 a year than to restrict access due to a higher rate. There are other ways

to curb abuse of the loan program and SAUAA is looking into peer pressure techniques at this time. Our students are furious with the abusers that are damaging the program for honest users. The students are also very happy to hear of the harsh consequences imposed upon defaulters.

Thank you for your time and good luck in this session .

Voc

* Sec. 4. AS 14.43.120(b) is amended to read:

(b) Scholarship [THE] loans may only be used to attend a

(1) career education program that has been approved by the commission before July 1, 1986 or has been operating for at least two years before the borrower attends; or

(2) [a] college or university that

(A) has been approved by the commission before July 1, 1986 or has been operating for at least two years before the borrower attends;

(B) is accredited by a national or regional accreditation association recognized by the Council on Postsecondary Accreditation; or

~~(C)~~ is approved by the commission; [,] and

(C)(3) if the loans are federally insured, is approved by the United States Commissioner of Education.

Alaska State Legislature

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



Senate

Committee on

Health, Education and Social Services

FOUCH
STATE CAPITAL
JUNEAU, ALASKA 99801
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*adopted
by S HESS*

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

A draft committee substitute has been prepared that would:

- 1) Require all applicants to submit information necessary to determine their eligibility for federal assistance.
- 2) Reduce the maximum loan award for undergraduates from \$6000 to \$5500 and for graduate students from \$7000 to \$6500.
- 3) Allow loans to be awarded only to students attending schools that have been operating for at least two years.
- 4) Increase the interest rate from 5% to 8%.
- 5) Require the Commission on Postsecondary Education to report to the Legislature by January 31, 1987 with recommendations for meeting projected loan demand with decreased state appropriations to the fund.

A draft letter of intent has been prepared that clarifies that:

- 1) the information received by the Commission concerning a student's eligibility for federal assistance is to be used to encourage the use of federal aid programs and in the development of recommended changes to the program, and
- 2) the report to the legislature should include proposals for a "needs-based" program, a "two-tier" program, and a program that matches the federal loan program requirements.

Alaska State Legislature

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



Senate

Committee on

Health, Education and Social Services

*not adopted
by senate*

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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.

Voc. - grand father
provision
added

AS 14.43.120(b) is amended to read:

(b) The loans may only be used to attend a career education program or a college or university accredited by a national or regional accreditation association recognized by the Council on Postsecondary Accreditation or approved by the commission, and which has operated for at least the two years previous to the loan attendance. [APPROVED BY THE COMMISSION, AND, IF THE LOANS ARE FEDERALLY INSURED, BY THE UNITED STATES COMMISSIONER OF EDUCATION.]

prepared by Romesburg

ould be set at \$4,000. The second program would be need-based
able for up to \$3,000 in additional loan funds if the borrower
emonstrate (through a needs analysis mechanism) the need for the
ance.

is felt that this approach, despite requiring additional staff, would
result in reduced loan fund demand. A large majority of borrowers would
not bother with the supplemental loan, since so few would qualify and
since the needs analysis form is rather cumbersome. Estimated fund
reduced demand would be about \$8.0 to \$10.0 million.

Commission Action. The absence of a needs test is one of the most
popular aspects of the Alaska Student Loan Program. While remaining
strongly opposed to a required needs test for all borrowers, the
Commission feels this alternative may be a necessary compromise if demand
continues to exceed available funds. This alternative would require
statutory change.

5. Define institutional eligibility for student loan purposes as:
(1) being accredited by a national or regional accreditation association
recognized by the Council on Postsecondary Accreditation (COPA); or (2)
having been approved for authorization to operate by the Alaska
Commission on Postsecondary Education and having operated for two
consecutive years prior to becoming eligible. Current regulations
provide that a school is eligible to enroll students on Alaska Student
Loans if the school is accredited or approved by the Commission. The
two-year requirement is similar to that needed for federal VA benefit
approval, or for certain accreditation minimums (AICS and NATTS). The
largest impact of this change would be on vocational borrowers and
vocational schools. If there were no "grandfather clause," a number of
private Alaska vocational schools would become ineligible. Only one
vocational school currently has COPA-recognized accreditation, and as
many as 30 currently-authorized vocational schools have been in operation
less than two years.

The resulting reduced program cost would be dependent upon whether or not
existing schools were "grandfathered" in. If the Commission imposed a
strict requirement of accreditation only, the reduced cost would be
around \$13.0 million. If the Commission imposed accreditation and/or the
two-year rule, with no "grandfather clause," the reduced cost would be
around \$6.1 million, and if the "grandfather clause" were included, the
reduction would be negligible.

Commission Action. Much of the consideration of this alternative
centered on the issue of "grandfathering" existing schools. Since
grandfathering resulted in such negligible savings, no further action was
taken.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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M E M O R A N D U M

TO: Danny Constanstein
 Legislative Assistant to
 Senator Bettye Fahrenkamp

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

DATE: March 14, 1986

Following is a list of schools operating in Alaska which will have been in operation less than two years as of July 1, 1986. Also listed is the number and amount of 1985-86 student loans awarded for attendance at those schools.

<u>School</u>	<u>Student Loans</u>	
	<u>Number</u>	<u>Amount</u>
Air Cushion Guides	43	\$235,798
Alaska Air Academy	22	120,330
Alaska Institute of Travel	50	200,750
American Pacific Aviation	23	107,950
Amicus Curial School of Court Reporting	2	12,000
Asbestos Removal Specialists of Alaska	Not Approved for Loans	
Aviation Network of Fairbanks	21	105,150
Bob Brooks School of Real Estate	Not Approved for Loans	
Charter College	46	247,200
Fort Wainwright Flying Club	22	122,566
Hair Studio School of Design	4	17,500
High Tech Helicopters	26	136,266
Jolido/Annlynn's	Not Approved for Loans	
Mat-Su Bush Flying	17	73,074
Medical Support Services	Not Approved for Loans	
Myers Modeling & Self Development Services	Not Approved for Loans	
National Association of Bank Women	Not Approved for Loans	
New Frontier Voc-Tech Center	-0-	-0-
Northland Alaska Nannies	Not Approved for Loans	
Northwind Aviation	-0-	-0-
Professional Travel Institute	Not Approved for Loans	
Resurrection Christian College	Not Approved for Loans	
Skeers Word Processing	Not Approved for Loans	
The Secretarial Center	Not Approved for Loans	
Transalaska Data Systems	Not Approved for Loans	
Valley Natural Health Center	Not Approved for Loans	
Victorian Academy	47	243,624
Wayland Baptist University	Not Approved for Loans	

Danny Constanstein
March 14, 1986
Page 2

It would be incorrect to assume that loan amounts similar to those listed above would be saved if these schools were suddenly declared ineligible, since many of the students would simply attend another school (one approved). However, the impact upon any single school could mean the difference between continued operation and closure.

Effect of amendments. — The 1984 "Methodist" in paragraph (2) of subsection amendment substituted "Pacific" for (a).

Chapter 43. Scholarship, Loan, and Grant Programs for Postsecondary Students.

Article

- 4. Scholarship Loan Program (§§ 14.43.090, 14.43.095, 14.43.100, 14.43.110, 14.43.115, 14.43.120, 14.43.125, 14.43.130, 14.43.160)
- 7. Teacher Scholarship Loan Program (§§ 14.43.600 — 14.43.700)

Article 4. Scholarship Loan Program.

Section

- 90. Scholarship revolving loan fund
- 95. Financial aid committee
- 100. Applications
- 110. Undergraduate loans
- 115. Graduate loans

Section

- 120. Conditions of loans
- 125. Eligibility of students
- 130. [Repealed]
- 160. Definitions

Sec. 14.43.090. Scholarship revolving loan fund. (a) There is created a scholarship revolving loan fund. The fund shall be used to make scholarship loans to students selected under AS 14.43.090 — 14.43.160 and to pay the costs of collecting student loans that are in default if those costs are not recovered from the student. All repayments of principal and interest on scholarship loans shall be paid into the scholarship revolving loan fund. If money estimated to be available from scholarship loan repayments is inadequate to fully fund estimated scholarship loans for any fiscal year, additional funding from the general fund may be requested and appropriated for that year.

(b) *[Repealed, § 31 ch 59 SLA 1982.]*

(c) *[Repealed, § 31 ch 59 SLA 1982.]* (§ 1 ch 98 SLA 1971; am § 1 ch 156 SLA 1972; am §§ 1, 2 ch 136 SLA 1974; am § 1 ch 136 SLA 1975; am § 31 ch 59 SLA 1982; AS 14.40.751; am § 1 ch 158 SLA 1984)

Effect of amendments. — The 1984 amendment, in subsection (a), added "and to pay the costs of collecting student loans that are in default if those costs are not recovered from the student" at the end of

the first sentence and substituted "loan fund" for "fund shall be used to make new scholarship loans" in the second sentence and "money estimated to be" for "funds" and "is" for "are" in the third sentence.

Sec. 14.43.095. Financial aid committee. (a) The student financial aid committee is composed of the members of the Alaska Commission on Postsecondary Education. The commission may delegate its functions under AS 14.43.090 — 14.43.160 to a committee of its members, with augmented membership as the commission considers appropriate. The executive officer of the commission is the executive secretary of the committee. The Alaska Commission on Postsecondary Education shall administer the program established by AS 14.43.090 — 14.43.160.

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

(c) The committee shall make an annual report reviewing the work of the committee to the governor and the legislature.

(d) The committee shall meet at least once a year. The meetings shall be held at the call of the chairman or upon petition by two members. (§ 1 ch 98 SLA 1971; am § 2 ch 156 SLA 1972; am § 5 ch 78 SLA 1974; am § 3 ch 136 SLA 1974; AS 14.40.753; am § 57 ch 6 SLA 1984)

Effect of amendments. — The 1984 amendment substituted "and the legislature" for "the legislature and the private colleges and universities where students receiving tuition grants are enrolled" in subsection (c).

Sec. 14.43.100. Applications. (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose loan application is not recommended or presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971; am § 3 ch 156 SLA 1972; am § 4 ch 136 SLA 1974; AS 14.40.755; am § 58 ch 6 SLA 1984)

Effect of amendments. — The 1984 amendment deleted "or grant" following "loan" in subsection (b).

Sec. 14.43.110. Undergraduate loans. The committee may make a loan, not to exceed \$6,000 in any one school year, to an undergraduate student eligible under AS 14.43.125. The committee may make a loan for a summer term, even if the total loan for the school year exceeds the \$6,000 maximum, if the loan for the summer term is counted against the \$6,000 maximum for the following school year. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974; am § 1 ch 153 SLA 1978; am § 1 ch 89 SLA 1981; AS 14.40.759; am § 1 ch 34 SLA 1985)

Revisor's notes. — The amendments of AS 14.43.095(a) by § 5, ch. 78, SLA 1974 and § 3, ch. 136, SLA 1974, are in conflict, the first act rewriting the subsection to provide that the Alaska Commission on Postsecondary Education will act as the financial aid committee, the second act changing the name and term of members of the existing financial aid selection committee. It is considered, on the basis of the legislative history, apparent legislative intent, and later effective date of the first

act, that the re-enactment by ch. 78, SLA 1974 should prevail.

The last part of subsection (c) of this section is obsolete since the tuition grant program was repealed by Chapter 94, SLA 1980 and Chapter 59, SLA 1982.

In subsection (a), AS 14.43.095, 14.43.160 was substituted for a reference to AS 14.40.751 — 14.40.906 to conform to the renumbering of those sections by the revisor of statutes under AS 01.05.031.

Sec. 14.43.100. Applications. (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose loan or grant application is not recommended or presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971; am § 3 ch 136 SLA 1972; am § 4 ch 136 SLA 1974; AS 14.40.755)

Revisor's notes. — The reference to "grant application" in subsection (b) of this section is obsolete in light of the repeal of

the tuition grant program by Chapter 94, SLA 1980 and Chapter 59, SLA 1982.

Sec. 14.43.105. Administration of program. The executive secretary shall administer the programs subject to review by the committee and in accordance with the regulations prescribed by the committee. The promulgation of these regulations is subject to the Administrative Procedure Act (AS 44.62), and a summary of the regulations shall be distributed to each applicant. (§ 1 ch 98 SLA 1971; am § 5 ch 136 SLA 1974; AS 14.40.757)

Sec. 14.43.110. Undergraduate loans. The committee may make a loan, not to exceed \$6,000 in any one school year, to an undergraduate student eligible under AS 14.43.125. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974; am § 1 ch 153 SLA 1978; am § 1 ch 89 SLA 1981; AS 14.40.759)

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031.

amount of the loan from \$2,500.00 to \$3,000.00.

The 1981 amendment substitutes "\$6,000" for "\$3,000" following "not to exceed."

Effect of amendments. — The 1978 amendment increased the maximum

Sec. 14.43.115. Graduate loans. The committee may make a loan not to exceed \$7,000 in any one school year, to a graduate student who is eligible under AS 14.43.125 and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974; am § 2 ch 89 SLA 1981; AS 14.40.761)

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031. Effect amendments "5,000"

Sec. 14.43.120. Conditions of loans. (a) Loans may only be used for books, tuition and board.

The loans may only be used to attend a college or university approved by the committee and federally insured, by the United States Government.

To maintain a loan the student must be a full-time student in good standing in a college or university designated under (b) (1). The committee shall adopt regulations defining "good standing."

Scholarship loans may not be made for more than five years of undergraduate study or for more than five years of graduate study or for more than a total of eight years of graduate study.

(c) Loans are interest bearing while a student is in school under this section or is receiving a deferment under this section; however, a student is entitled to a refund of interest paid in accordance with (1) of this section.

(d) Interest on a loan given under AS 14.43.120 shall be at a rate of five per cent a year.

(e) Repayment of the principal and interest shall begin no later than one year after the borrower's last day of school. The borrower shall provide for repayment of the loan in not more than 10 years after the date of the loan agreement, except as provided in (k) and (l). The borrower shall repay the loan in accordance with the schedule. The borrower may make payments earlier than the schedule.

(f) Security may not be required for a loan. If security is required, it shall be made for payment of attorney fees and costs incurred in collection of the loan. If a loan is in default, the committee shall require repayment of the remaining balance of the loan and send the borrower a notice by registered mail.

(g) A portion of a loan shall be paid or repaid if, upon completion of the course of study, the borrower is a resident of the State of Alaska. The portion of the loan that shall be paid or repaid shall be percentages of the total loan received prior to the date of the total loan:

Effect of amendments. — The 1985 amendment, effective May 24, 1985, added the second sentence of the section.

Sec. 14.43.115. Graduate loans. The committee may make a loan, not to exceed \$7,000 in any one school year, to a graduate student who is eligible under AS 14.43.125 and is pursuing an advanced degree. The committee may make a loan for a summer term, even if the total loan for the school year exceeds the \$7,000 maximum, if the loan for the summer term is counted against the \$7,000 maximum for the following school year. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974; am § 2 ch 89 SLA 1981; AS 14.40.761; am § 2 ch 34 SLA 1985)

Effect of amendments. — The 1985 amendment, effective May 24, 1985, added the second sentence.

Sec. 14.43.120. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

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

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section. The commission shall adopt regulations defining "good standing" for purposes of this subsection.

(d) Scholarship loans may not be made to a student

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

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

(3) for more than a total of eight years of undergraduate and graduate study.

(e) Loans are interest bearing while a student is enrolled under (c) of this section or is receiving a deferment of payments under (k) of this section; however, a student is entitled to have a portion of the interest paid in accordance with (l) of this section.

(f) Interest on a loan given under AS 14.43.090 — 14.43.160 is at the rate of five percent a year unless the loan is in default. Interest on a loan that is in default is 10 percent a year for the period the loan is in default.

(g) Repayment of the principal and interest on the loan begins no later than one year after the borrower's studies are terminated. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the

commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

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

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

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower is a resident of the state for at least two years. The portion of the loan that shall be paid by the state is the following percentages of the total loan received plus interest up to a total of 50 percent of the total loan:

(1) two — three years residence in the state, 10 percent;

(2) three — four years residence in the state, an additional 10 percent;

(3) four — five years residence in the state, an additional 10 percent;

(4) five — six years residence in the state, an additional 10 percent;

(5) over six years residence in the state, an additional 10 percent.

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

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

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

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

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

(5) for a one-time period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or

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

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

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

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

(m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than 12 months each.

(n) *[Repealed by § 11 ch 89 SLA 1981.]*

(o) The provisions of (j) of this section do not apply to a loan that is in default.

(p) For purposes of this section, a person qualifies as a resident if the person is physically present in the state with the intent to remain permanently in the state or, if not physically present in the state, the person intends to return to the state and is absent due to military service.

(q) For the purposes of this section a loan is in default if a loan payment is 120 or more days past due. (§ 1 ch 98 SLA 1971; am § 4 ch 56 SLA 1972; am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974; am §§ 1 — 4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979; am §§ 3 — 9, 11 ch 89 SLA 1981; am §§ 2 — 4 ch 158 SLA 1984; am § 3 ch 34 SLA 1985)

Effect of amendments. — The 1984 amendment added subsection (q) and, in subsection (n), added the second sentence and added "unless the loan is in default" at the end of the first sentence; and, in subsection (o), substituted "that is in default" for "to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure

payment of the unpaid balance of a loan made under AS 14.43.110 or 14.43.115."

The 1985 amendment, effective May 24, 1985, inserted "an initial period of up to six years" in paragraph (2) of subsection (k).

Editor's notes. — This section is set out above to correct errors in the main pamphlet.

Sec. 14.43.125. Eligibility of students. (a) A person may apply for and obtain a scholarship loan if the person

(1) is

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

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

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

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

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

(B) is dependent on a parent or guardian for care, the parent or guardian has been present in the state for at least two years immediately before the time of application for the loan and the person has been present in the state for at least one year of the immediately preceding five years except that the commission may by a two-thirds vote, acting upon a written appeal by the person, grant an exemption to the requirement that the person has been present in the state for one year of the immediately preceding five years;

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

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

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

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

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

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

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

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

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

(iii) full-time employment by the state;

(iv) being a member of or employed full-time by the state's congressional delegation;

(v) being a person who otherwise qualifies as a resident and is accompanying a spouse who qualifies as a resident under (i) — (iv) of this paragraph.

(b) A person does not qualify as a resident of the state under this section if the person declares or establishes residence in another state during an absence from Alaska. (§ 1 ch 98 SLA 1971; am § 10 ch 89 SLA 1981; am § 9 ch 67 SLA 1983; am § 4 ch 34 SLA 1985)

Effect of amendments. — The 1983 amendment, in paragraph (2) of subsection (b) deleted "and" following "guardian for care" and added the language beginning "and the person has been present" at the end of the paragraph.

The 1985 amendment, effective May 24, 1985, rewrote the section.

Editor's notes. — Section 18, ch. 67, SLA 1983 provided: "If the two-year resi-

dency requirement for scholarship loans provided by AS 14.43.125 is declared unconstitutional or otherwise invalid by a court of competent jurisdiction, the Commission on Postsecondary Education shall adopt regulations to impose the most stringent residency requirement allowable under the Constitution of the State of Alaska and the United States Constitution on scholarship loan applicants."

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§ 14.43.135

EDUCATION

§ 14.43.160

student loan program for residents of Alaska to attend colleges and universities in Alaska as compared with colleges and universities outside Alaska;

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

"(3) the amount of the average loan to undergraduate students attending colleges and universities in Alaska is lower

than the average of similar loans in all but one of the 10 western states and the amount of the average loan for graduate students is the lowest in the West;

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

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

Sec. 14.43.135. Discrimination prohibited. The student loan program shall be carried out without regard to the race, creed, sex, color, ancestry, national origin, or membership in fraternal or political organizations of the student applying for the loan. (§ 1 ch 98 SLA 1971; AS 14.40.769)

Sec. 14.43.140. Enforceability of certain contracts with minors. A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by the minor from any person for the purpose of furthering the minor's education in a career education program or an institution of higher learning, is enforceable against the minor with the same effect as if the minor were, at the time of its execution, 19 years of age, if the person making the loan has before making the loan a certification from the institution that the minor is enrolled in the institution or has been accepted for enrollment. (§ 1 ch 98 SLA 1971; AS 14.40.771)

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, ch. 58, SLA 1982.

Sec. 14.43.160. Definitions. In AS 14.43.090 — 14.43.160

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

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

Sec. 14.43.130. Selection criteria. [Repealed, § 19 ch 67 SLA 1983.]

Sec. 14.43.160. Definitions. In AS 14.43.090 — 14.43.160

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

(2) "commission" means the Alaska Commission on Postsecondary Education;

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

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

(5) "school year" means the period from September 1 of one year through August 31 of the following year;

(6) "summer term" means the period from June 1 — August 31. (§ 5 ch 156 SLA 1972; am § 8 ch 78 SLA 1974; am §§ 15 — 20 ch 136 SLA 1974; am § 5 ch 136 SLA 1975; am § 7 ch 246 SLA 1976; am §§ 5 — 7 ch 99 SLA 1977; am § 9 ch 87 SLA 1979; am § 11 ch 89 SLA 1981; am § 59 ch 6 SLA 1984; am § 5 ch 34 SLA 1985; am § 1 ch 52 SLA 1985)

Revisor's notes. — Reorganized in 1985 to alphabetize the defined terms.

Effect of amendments. — The 1984 amendment repealed former paragraph (3), which defined "part-time student."

The first 1985 amendment, effective May 24, 1985, added paragraph (6).

The second 1985 amendment, effective May 31, 1985 deleted "operating under a consortium" following "higher education" near the end of paragraph (4).

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

Superseded

1 IN THE HOUSE

BY BINKLEY

2

HOUSE BILL NO. 161

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

7

an effective date."

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

9

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

10

(f) Interest on a loan given under AS 14.43.090 - 14.43.160 is

11

at the rate of eight [FIVE] percent a year unless the loan is in

12

default. Interest on a loan that is in default is 10 percent a year

13

for the period the loan is in default.

14

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

15

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

16

person

17

(1) is a resident of the state at the time of application

18

for a scholarship loan;

19

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

20

(3) has

21

(A) graduated from high school within one year preced-

22

ing the date of application or is scheduled for graduation from a

23

high school within six months after the date of application, with

24

sufficient credits to be admitted to a career education program

25

or to an accredited college or university; or

26

(B) established financial need in accordance with

27

regulations adopted by the Alaska Commission on Postsecondary

28

Education.

29

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

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

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

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

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

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

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

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

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

1 the student

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

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

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

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

Original sponsor: Binkley

1 IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE
ON STATE LOANS

2

CS FOR HOUSE BILL NO. 161 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

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

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

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

12

(f) Interest on a loan given under AS 14.43.090 - 14.43.160 is

13

at the rate of eight [FIVE] percent a year unless the loan is in

14

default. Interest on a loan that is in default is 10 percent a year

15

for the period the loan is in default.

16

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

17

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

18

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

19

20

21

22

23

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

24

25

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

26

27

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

28

29

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

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

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

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

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

8 (1) is

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (iii) full-time employment by the state;
2 (iv) being a member of or employed full-time by
3 the state's congressional delegation;
4 (v) being a person who otherwise qualifies as a
5 resident and is accompanying a spouse who qualifies as a
6 resident under (i) - (iv) of this paragraph.

7 (b) A person does not qualify as a resident of the state under
8 this section if the person declares or establishes residence in another
9 state during an absence from Alaska.

- 10 * Sec. 4. AS 14.43.120(j), (o), and (p) are repealed.
11 * Sec. 5. Section 4 of this Act takes effect September 1, 1990.
12 * Sec. 6. Section 1 of this Act takes effect July 1, 1985.
13 * Sec. 7. Sections 2 and 3 of this Act take effect immediately in
14 accordance with AS 01.10.070(c).

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)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL

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

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

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

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

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

16 (g) Repayment of the principal and interest on the loan begins
17 no later than six months [ONE YEAR] after the borrower's studies are
18 terminated. The loan shall provide for repayment of the total amount
19 owed in periodic installments in not more than 10 years from the
20 commencement of repayment, except as provided in (k) and (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.

Offered: 5/9/85
Referred: Finance

Original sponsor: Binkley

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

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.

To the Alaska State Legislature

March 4, 1986

Re: Committee Hearings on Student Loans

I have experience and professional degrees in Government, particularly specializing in Public Finance. My dissertation was about the Alaska state budget process.

Budgets often reveal priorities. In Alaska, the number one priority of state government is education, according to Alaskan budgets. Over the years, the total spent on the University, State Operated Schools, and the Department of Education exceeds all other categories.

If education is the state's most important goal--as State and Territorial budget history suggests it is--wouldn't you be wanting to further that goal, rather than attempting to reduce it? Wouldn't you be finding ways to increase student loan amounts to reasonable levels, rather than trying to cut them?

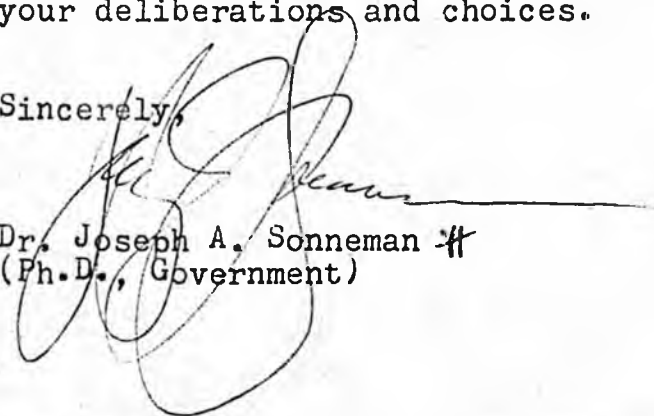
I have been applying to--and getting accepted at--law schools that I cannot afford to attend without assistance. Tuition, fees, transportation and low-level student living expenses approach or exceed \$20,000 per year at many schools. *

Any reduction in loan amount defeats the State's primary goal of education.

Please increase the loan amount even if, for financial reasons, you must reduce the forgiveness rate or otherwise change the program.

Texans have told me that their State, when oil revenues were high, established a foundation that by now has made the University of Texas one of the nation's best endowed...and has enabled state residents there to gain a quality education at relatively low cost. Perhaps further inspection of their example and practises can help you in your deliberations and choices.

Sincerely,


Dr. Joseph A. Sonneman #
(Ph.D., Government)

324 Willoughby, Juneau, AK 99801
Alaskan since 1971

*For example: Stanford, George Washington, Harvard, & Yale Law Schools

ALSO A REGISTERED REPRESENTATIVE LOBBYIST
FOR MY BUSINESSES + INTERESTS

Survey Results regarding HB(61)

FEE 1000

My name is Marie Motschman. I am the head lobbyist for the Student Association for the University of Alaska, Anchorage Legislative Affairs Committee.

On February 3 & 4 1986, I organized and coordinated the second annual Student Information Days. Our main objectives were to create a 2-way communication between SAUAA and the students we represent. We circulated a student survey and received the following results regarding alternatives to HB 161, currently in the Senate Health, Education and Social Services Committee (HESS). The majority of students polled agreed as listed in priority fashion:

1- Restricting loans to U.S. Citizens or permanent alien residents.

I may note at this time that during a United Campus's of Alaska teleconference held on January 27, which includes eight representatives of the university student government system, the #1 priority of UAA was supported by UAF, ACC, Kenai Community, Valdez Community, Sitka Community and Ketchikan Community Colleges.

2- Defining institutional eligibility for student loan purposes as: 1) being accredited by a national or regional accreditation association recognized by the Council on Postsecondary Accreditation (COPA); or 2) having been approved for authorization to operate by the Alaska Commission on Postsecondary Education and having operated for two consecutive years prior to becoming eligible.

Upon implementation of this priority, SAUAA realizes that the approximate 30 schools that have not been in business for two years would have to be "grandfathered in." The United Campus's of Alaska at the teleconference also agreed with UAA's 2nd priority. The student body representatives were from UAF, UAJ, Anchorage Community, Kenai Community and Ketchikan Community Colleges.

3- Reducing the maximum loan available to \$5,500.

UAA students are the only ones to favor reduction of the loan amount. Some students and statewide student representatives were concerned about the discriminatory effect of the \$500 contributory clause made in regulations in December of 1985. Reducing the amount would create a fair, across the board cut for all loan borrowers, those attending in-state and those attending out-of-state.

4- The establishment of a two-tier loan program.

This alternative was supported by a very narrow minority of UAA students. Since the third priority would cancel out the fourth priority, we do not consider it an alternative. Many students I spoke with agreed that if a needs-based test were considered, it would have to be more liberal than federal standards. Also, a single parent and full-time student owning a house and a car should be eligible for such a loan program. The administration cost of such a program by the Postsecondary Commission could be a forbidding reason as well.

Raising the interest rate was overwhelmingly turned down by students. Many students are furious with abusers that are ruining the program for honest users. Many students are glad to hear of the strict policy for repayment.

I have recommended to the Postsecondary Education's subcommittee on financial aid to print up a one page flyer enumerating the consequences of defaulting on a loan. These flyers would then be sent to each school instructing state loan recipients. The perspective percentage that would default in the future could drop dramatically in SAUAA Legislative Affairs Committee's opinion.

TESTIMONY: SENATE H.E.S.S.

MARCH 4, 1986

RE: C.S. for C.S. for H.B. 161

PRESENTED BY: LESA M. STEBBINS

REPRESENTING: STUDENT ASSOCIATION OF THE
UNIVERSITY OF ALASKA, ANCHORAGE (S.A.U.A.A.)
2801 PORVIDENCE DRIVE
ANCHORAGE AK 99508-4870
(907) 786-1207

TITLE: S.A.U.A.A. SENATOR,
CHAIRMAN, S.A.U.A.A. LEGISLATIVE AFFAIRS COMMITTEE

- I. S.A.U.A.A. students appreciate the deletion of the grace period reduction clause in H.B. 161.
- II. S.A.U.A.A. students do not support an interest rate increase to the Alaska student loan program.*
 - A. The first purpose of the Alaska student loan program as stated by the Alaska Commission on Postsecondary Education, reads:

"To provide Alaskans with access to postsecondary educational resources through low-interest loans to students."

 1. Education costs are not limited to tuition, books, room and board.
 - a. Non-traditional students may have high financial obligations upon re-entry.
 - b. Opportunity costs are high, especially when lost wages are considered.
- III. SPEAKING PERSONALLY ** I am opposed to lowering the loan limit for graduate students to \$5500, but favor a \$500 reduction.
 - A. This dramatic reduction of \$1500 per year toward graduate studies would place hardship on those graduate borrowers already in the midst of their program.
 - B. Graduate studies are much more costly than undergraduate studies.
 - C. Alaska does not have a well developed graduate school at this time, thus graduate students generally must travel out-of-state to receive their educations, and travel expenses are not loanable items. (Only 251 of the 1241 students receiving state loans attend Alaskan institutions.***)
 - E. The effects would be minimal, as graduate students only constitute approximately 8% of all borrowers.

3/4/86
Stebbins
H.B. 161

IV. S.A.U.A.A. supports a \$500 reduction in the maximum loan amount*

- A. More students would be able to receive the loan.
- B. This proposal is more equitable than others presented previously.

V. The second purpose of the Alaska student loan program as stated by the Alaska Commission on Postsecondary Education reads:

"To encourage an educated citizenry through initial access to education and training and through inducements to utilize that education and training in Alaska."

- A. Though the student loan program may be costly for the state in monetary terms, it makes good economic sense. An educated citizenry has a positive impact on the Alaskan economy. Thank you for your support of the loan program, and for your endeavors to keep the program around for posterity.

*Results of a recent S.A.U.A.A. student opinion survey.

**This question was not asked in the survey described above.

***Figures courtesy of the Alaska Commission on Postsecondary Education.

WAR 4 1000



Official Business

Alaska State Legislature

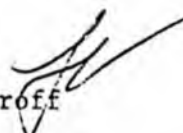
Senate

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

March 3, 1986

TO: All Legislators

FROM: Senator Fred F. Zharoff 

RE: HB 161 - State Student Loan Program

I have been requested by the Kodiak Community College Student Government to share this resolution with members of the legislature. The Senate HESS Committee will be holding a public hearing on HB 161 tomorrow at 1:30pm in the Beltz Room.

Kodiak Community College Student Body Government
Resolution No. 86-01

A resolution by the Kodiak Community College
Student Body Government opposing House Bill 161.

The Student Body of Kodiak Community College
has voted unanimously to oppose House Bill 161
or to any change relating to the interest rate,
loan conditions and repayment provisions of the
Alaska Student Loan Program.

Passed and approved this 20th day of January, 1986
Kodiak Community College Student Government

by *Lisa Camardello*
Student Body Representative

PROPOSED STUDENT LOAN PROGRAM REGULATION CHANGES

20 AAC 15.900(b)(3)(C) is repealed and readopted to read:

(b) For the purposes of 20 AAC 15.010 - 20 AAC 15.081

(3) "full-time" student means

(C) a student enrolled in a non-flight school career education program for at least 30 clock hours per week, a clock hour being a period of time which is equivalent of:

- (i) a 50 to 60 minute class, lecture, or recitation; or
- (ii) two hours of outside preparation related to the activities in (i) of this subparagraph, for up to a maximum of ten such preparation hours per week; or

20 AAC 15.900(b)(3) is amended by adding a new paragraph (D) which reads:

(b) For the purposes of 20 AAC 15.010 - 20 AAC 15.081

(3) "full-time" student means

(D) a student enrolled in an approved flight school program who logs a minimum of 40 hours per month, including pre- and post-flight instruction and ground school hours, or averages 80 hours for a two-month period.

P. O. Box 1214
Juneau, Alaska 99802

March 4, 1986

Bettye Fahrenkamp, Chairperson
Health, Education, and Social Services Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Fahrenkamp and members of the Committee:

I am a full time student at UAJ, majoring in Business Administration with an emphasis in Computer Information Systems. I hope to complete my requirements for a Bachelor's degree by December, 1987.

I regret that I am unable to attend your hearing on the student loan bill, but you have unfortunately scheduled your hearing during mid-term exams at UAJ. If you have few students at this hearing, you should not assume that it indicates a lack of interest in this legislation, since many of us are busy doing what we have put ourselves in debt to do...attend school.

I am a re-entrant student who returned to school at age 37. I cannot count on my widowed mother to provide support while I attend school. While I now have a part-time student job at UAJ, possible University budget cuts prevent me from depending on the availability of that income during the next two years. In spite of a diligent search for work last summer, I was unable to find employment for all but six weeks of the summer, and that job was in a fish processing plant where I was paid only \$6.00 per hour. Therefore, I must be able to count on the continued availability of student loans if I am going to be able to stay in school until I graduate.

During the last year and a half, I have exhausted my savings and put myself in debt to the state (through the student loan program) for \$10,400. For students living alone in off-campus housing, the maximum loan amount of \$6000 per year is insufficient to meet Juneau's living costs, the increased tuition, and the high prices of textbooks.

When I decided to return to school after an absence of 18 years, I knew that it would involve considerable sacrifice. I attempted to plan my finances for the three and one-half years that I expected to be in school, based on the maximum loan amounts. If this bill reduces the maximum amount of student loans, I may find myself financially unable to finish school unless I take some time off to seek work in a job market where the major employer (the state) has just announced a job freeze. In spite of my best attempt at sound financial planning for my education, I may be the victim of attempts to help newcomers to the student

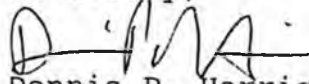
loan program. Is this fair? I am relatively fortunate, since I am a single person. What about the single parents (mostly women) who made the difficult decision to return to school so that they would not be condemned to attempt to support their children in pink-collar jobs? If you change the rules in midstream for those already in the program, you will make it even more difficult for us to finish our educations.

The Post-Secondary Commission has held meetings with high school students around the state to discuss the program, and I commend them for it. Unfortunately, the testimony of students who have never had to work for a living, have always depended on their families for support, and who have no idea of the true cost of attending college cannot be considered well-informed. The Commission has made little or no effort to discuss their lower loan amount recommendation with self-supporting, independent, or single-parent students.

I would suggest making minimal changes to the program for those already receiving loans, and making changes for new applicants. This would cause the least disruption to those already in the program. In addition, your committee should consider restricting the use of loans to attend schools outside Alaska to those seeking training or degrees that are not available in the state. This will help to keep loan money circulating in the state and decrease the likelihood of defaults.

Thank you for this opportunity to testify on this important subject. I hope that you will consider the needs of students who cannot depend on parental support when you make your decisions about this bill.

Sincerely,



Dennis P. Harris

ALASKA STUDENT LOAN PROGRAM

A. Increased Interest Rates - Fiscal Impact

<u>Year</u>	<u>5 1/2%</u>	<u>6%</u>	<u>6 1/2%</u>	<u>7%</u>	<u>7 1/2%</u>	<u>8%</u>
FY87	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
FY88	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FY89	36.3	72.5	108.8	145.2	181.5	217.5
FY90	108.6	217.2	325.8	434.4	543.0	651.6
FY91	219.4	438.7	658.1	877.6	1,097.0	1,316.2
FY92	386.7	773.3	1,160.0	1,546.8	1,933.5	2,319.9
FY93	565.8	1,131.7	1,697.5	2,263.2	2,829.0	3,395.0
FY94	744.4	1,488.7	2,233.1	2,977.6	3,722.0	4,466.2

B. Reducing Loan Maximum - Fiscal Impact

<u>Reduction</u>	<u>Annual Savings</u>
\$ 250	\$1.2 million
\$ 500	\$2.5 million
\$1,000	\$6.2 million

[Faint handwritten notes and calculations are visible below the tables, including phrases like "Annual Savings", "\$1000 loan", and "\$2000".]

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

prepared by Sen Fin 1-16-86

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

what term?

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.

from John Vlahely
UAE, ASUA,
United Campuses
2/17/86

GRAMM-RUDMAN-HOLLINGS DEFICIT REDUCTION:

The Amendment to the Debt Ceiling Extension Bill passed the House and Senate on Wednesday December 11th - over two months after its original introduction the first week of October. The Conference agreement which passed the Senate 61-31 and the House 271-154 calls for reducing the deficit to zero by 1991 through a massive overhaul of both the budget process and Congressional deadlines for action. Cuts will be forced by "sequestering" if the budget/appropriations process does not come up with the proposed savings (within \$10 billion) by September 1 of each year. For FY 1987 - the budget to be released on February 5, 1986 - the deficit target is \$144 billion. This requires cuts of \$50 billion which will most likely be requested out of the domestic part of the budget.

For FY 1986 - the fiscal year which began this past October 1, 1985 there will be forced cuts if \$11.7 billion to get closer to the deficit target of \$171.9 billion for FY 1986. Current estimates of the deficit are at least \$188 billion. These cuts will be issued in a February 1 Presidential order based on the Government Accounting Office report developed in January 1986 with implementation of the cuts on March 1, 1986.

WHAT WILL GRAMM-RUDMAN-HOLLINGS DO FOR EDUCATION FUNDING? The final conference agreement includes two amendments that minimize some of the damage to higher education funding during sequestering. The first is an amendment which allows two options for Guaranteed Student Loans. If sequestering takes place there will be a 1/2 of one percent increase in the origination fee and a reduction in the special allowance to no lower than 3%. The special allowance is a fee paid to the lender in addition to the interest rate. The rate of the allowance helps determine whether banks remain in the GSL program.

The original Senate passed Gramm-Rudman would have disproportionately cut funding for all education programs since they are forward funded - that means the dollars appropriated in one year pay for programs in the next academic year. The final version passed on December 11th would cut education in the same proportion as other programs during sequestering, yet the pot of programs that are "controllable" or cuttable is much smaller than in the original Senate passed Gramm-Rudman-Hollings.

For FY 1986 only 27% of the budget or \$265 billion is subject to sequestering. It is from this pot that \$11.7 billion must be cut.

THE SPRING AHEAD:

**Sequestering is the beginning of the process for FY 1986 but it is the end of the process for the FY 1987 budget calling for \$50 billion in cuts. USSA anticipates that the budget for education will call for the elimination of many programs and major cuts and changes in every student aid programs. Predictions abound that the budget will be along the lines of FY 1982 which called for 60% cuts in education funding. Last year's proposed cuts were 25% and we were able to defeat those very effectively. This year will be more difficult since Congress has tied its hands through Gramm-Rudman and the political pressure to come up with the deficit reduction targets right before the 1986 elections will be very strong.

Budget

We must be sure that education is seen at the top of every member's agenda since none of the education programs are considered in the low income or exempt category which does include Food stamps, AFDC, Veteran's, Social Security, Child Nutrition, Supplemental Security Income, Women, Infants, and Children (WIC) - which means that the potential for cutting our programs is even greater.

THE PLAN FOR 1986: Students must be in the forefront of organizing to maintain funding for student aid programs. Our response from campus must be very strong. You must begin NOW to plan letter-writing, district events, campus forums, rallies, articles in your campus newspaper, and lobbying in D.C. so that once again in 1986 as in 1982 it was student response to proposed cuts that made the difference!!!

DATES AHEAD:

- *January 20, 1986: Martin Luther King Holiday
- *January 21, 1986: Congress returns to D.C.
- *January 22-24: USSA West Coast Regional Conference, Berkeley, CA
- *Late January: State of the Union
- *February 5, 1986: Deadline for FY 1987 Budget
- *February 8-18: Congressional Recess - Members in Home Districts
- *March 14-17: USSA Legislative Conference Lobby Day to "Put the Green Back in the Education Budget"

Pell Grants:

USSA has consistently supported the expansion of Pell Grants and an increased importance in funding for grant and work-study programs instead of massive increases in loan indebtedness. The maximum award levels in the House passed legislation are \$2300 for academic year 1987-88 with a \$200 increase each year until 1991-92. The percentage of cost limitation would be 60 percent. The minimum Pell Grant would be \$50. for less than half-time students instead of the current \$200. In addition the campus can make corrections to minimize delays that currently occur through the Pell Grant processor. The FY 1987 ceiling is \$4.8 billion

The Senate Subcommittee draft Reauthorization bill calls for a \$2400 maximum award in 1987-88 with \$200 increases for the succeeding years. There is a family income cap of \$30,000. These issues will definitely be a major debate in Conference late Spring.

Supplemental Educational Opportunity Grants (SEOG):

The House authorization for FY 1987 is \$500 million. The maximum grant would increase from \$2,000. to \$4,000. and there would be increased efforts to target the funds to low income students. All students must demonstrate need and 75% of a campuses allocation of SEOG grants must be to Pell Grant recipients.

The Senate Subcommittee bill calls for a maximum grant of \$3,000/year with targetting on exceptionally needy students. The FY 1987 ceiling is \$455 Million.

State Student Incentive Grants (SSIG):

The authorization level would be \$100 million with the maximum grant increased from \$2,000 to \$3,000. The allocation of funds for a specific state will only count those students who could be served by the grant program. The matching share of the funds must be direct state appropriations by FY 1989.

TRIO: Special Programs for Students from Disadvantaged Backgrounds:

The authorization level would be \$400 million. A National Center for Postsecondary Opportunity would be established to ensure that adequate information on student aid is available for students, parents, counselors, community services programs, etc. The Senate Bill does not include the Center or the Toll Free 800 Student Information Hotline.

National Direct Student Loans (Perkins Loans):

The House authorization level would be \$300 million. Priority for getting loans will be to students with family income below \$25,000. Eligibility or ineligibility for a

Pell Grant must be granted prior to receiving a GSL or NDSL. Loan limits would be increased from \$3,000. to \$5,000 for the first two years of undergraduate with a total loan limit of \$10,000 at 7% interest, up from the current 5% interest.

The Senate authorization level would be \$228 million with loan limits at current levels and a 7% interest rate.

College Work Study (CWS):

The House authorization level is \$700 million for FY 1987. The match from the institution would rise from 25% in 1989-90 to 30% after 1990-91. 25% of allotted funds can be used for jobs in the private sector whose match will be 40, 45 and 50% in the next three years. Funds available for reallocation would be split between cooperative education programs and literacy projects.

The Senate would authorize a FY 1987 ceiling of \$622 million and would allow CWS funds to be used for community service learning programs.

TAX REFORM: The tax bill passed the House of Representatives during the last week of the session after a stormy time on the House floor. When the Rule originally came up for a floor vote, it was defeated by a coalition of Democrats and Republicans who opposed the bill - H.R. 3838 as it was reported out of the House Ways and Means Committee. USSA strongly supported the retention of the State and Local Tax Deduction which is in H.R. 3838. President Reagan had initially stated that he would not support any Tax Reform which did not eliminate the deduction, yet he went up to Capitol Hill supporting the House Ways and Means Bill in an effort to keep Tax Reform alive.

The Senate will begin their version of Tax Reform early this Spring, yet Senator Packwood (R-OR), Chair of the Senate Finance Committee has stated that he doesn't expect his version to be too different especially since the President actively supported House passage.

CIVIL RIGHTS RESTORATION ACT: H.R. 700/S.431 are still alive in both the House and Senate. The first three months of 1986 will be very critical to the future of the legislation. A massive grassroots effort is being planned which starts with discussion of civil rights over the past 20 years focussed on Martin Luther King's Birthday and other state and national events in the Spring including February 28th - the second anniversary of the Supreme Court decision. We will be working in coalition with other organizations both in Washington and in states to focus on the importance of quickly passing the legislation.

Joe Student

The purpose of this project is to show how much it costs a freshman to go to school at UAF and how much it has gone up between 1983-84 and 1985-86.

Introducing..... Joe Student

He is a resident of Alaska.

He owns a car.

He lives in Nerland Hall in a double room.

He eats 19 meals a week.

He needs tutoring in Calculus.

The semester is 16 weeks long.

He is taking a course load of 14 credits:

CHEM 105 - General Chemistry	4 credits
MATH 200 - Calculus I	4 credits
MUS 155 - Class lessons-Brass	1 credit
ENGL 111 - Methods of Written Communications	3 credits
PE 100 - Beginning Fencing	1 credit
LS 101 - Library Skills	1 credit

Joe's Expenses

<u>Fee paid for</u>	<u>1983-84</u>	<u>1984-1985</u>
Admission Fee (This is a fee for processing new students materials)	\$10.00	\$20.00
Dorm Deposit	\$50.00	\$50.00

Carl Triplehorn
 Executive Assistant/UAF
 ASUA/October 1985

Early Orientation for New Students	\$30.00	\$35.00
Tuition	\$25.00 per credit	\$35.00 per credit
Meal Ticket	\$800.00	\$725.00
Double Occupancy Dorm Room	\$350.00	\$500.00
Health Insurance	\$56.00	\$72.00
Activity Fee	\$24.00	\$24.00

*need to
extrapolate*

Class Fees

CHEM 105

Lab Fee	Deposit \$2.00	Deposit \$5.00
Lab book	\$21.35	\$10.00
Book	\$34.95	\$41.05
Study Guide	\$14.95	\$15.50

MATH 200

Book	\$42.75	\$42.75
Tutoring 1 hour a week	FREE	\$4.00 an hour

Carl Triplehorn
Executive Assistant/UAF
ASUA/October 1985

MUS 155

Fee for Class Lessons	\$15.00	\$65.00
Music Locker Deposit	\$10.00	Pay \$10.00

ENGL 111

Book	\$19.95	\$19.95
Book	\$14.40	\$14.40
Book	\$14.40	\$14.40

PE 100

Gym Fee	FREE	\$10.00
Gym Locker Fee	\$5.00	\$5.00

LS 101

Book	\$5.00	\$7.00
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Others

Dorm Dues	\$10.00	\$15.00
Hockey Game	\$1.50	\$2.00
ASUA Movies	\$1.00	\$1.50
Personal Expenses	\$20.00 a week	\$20.00 a week
Parking Sticker for Car	\$10.00	\$25.00

Carl Triplehorn
Executive Assistant/UAF
ASUA/October 1985

Parking Ticket	\$12.00	\$15.00
	-----	-----
TOTAL	\$2162.25	\$2543.55

If Joe Student paid for this exact amount with his student loan, at the present 5% for 10 years on the principle, his first freshman semester would have cost him:

Amount Joe would pay for his first semester his freshman year (this figure does not include the forgiveness clause)	\$3522.05	\$4142.44
---	-----------	-----------

If Joe Student worked at the University of Alaska he would have earned \$6.44 an hour in 1983 and \$5.60 in 1985. This amounts to:

10 hrs a week for 16 weeks	\$1030.40	\$896.00
-------------------------------	-----------	----------

Joe Student had a Student Loan both years . In 1983-84 1,902 students recieved loans at UAF for a total of \$6,700,571. This fall 2,111 checks were recieved by UAF for a total income of \$8,953,578. As college gets more expensive students must borrow more money :

Carl Triplehorn
Executive Assistant/UAF
ASUA/October 1985

Average Student Loan Check recieved by a student at UAF	\$ 3,522.90	\$4241.39
--	-------------	-----------

WEATHER

Mostly cloudy tonight. Low near 20. Thursday, cloudy. High near 32.

Weather, page B-8



Thursday daylight
7 Hrs. 36 Min.

Sunrise9:26 a.m.
Sunset5:02 p.m.

Friday daylight
7 Hrs. 42 Min.

Sunrise9:23 a.m.
Sunset5:05 p.m.

INDEX

- Alaska LifeB-9
- BusinessE-1
- City/StateB-1
- ClassifiedG-1
- ComicsI-8
- CrosswordI-11
- EditorialsA-10
- MoviesI-3
- ObituariesB-4
- On the RecordH-3
- SportsF-1
- Tune OutI-1
- TV listingsI-6



Times photo by Al Grillo

Inlet View Elementary School students watch the flag being lowered to half-staff Tuesday after the space shuttle explosion

Army halts Fairbanks project

FAIRBANKS (AP) — The Army has ordered a contractor to stop work on a \$50-million, 400-unit housing project at Fort Wainwright because of protests from four unsuccessful bidders on the project.

The housing project is being built to accommodate 3,500 soldiers and family members of a new brigade in the 6th Army Division, which is to have its headquarters at Fort Wainwright. Brigade personnel will be arriving in Alaska over the next two years.

Army officials have said the presence of the new brigade will lead to the hiring of about 500 civilian workers for service jobs.

The losing bidders claim that

in the first of two rounds of bidding, North Star Alaska Housing Corp. exceeded an \$8.14-million annual cost ceiling set by the government, Pat Richardson, spokeswoman for the Army Corps of Engineers, said Tuesday.

She said North Star, run by Fairbanks developer Dick Fischer, was ordered last week to halt work and minimize further costs associated with the contract. The stop-work order will remain in effect until a ruling by the General Accounting Office in Washington, she said.

Fred Frink, North Star's vice president, said the shutdown would not affect his business immediately.

When the formal board meets, it will face a mountain of data, thousands of photographs and libraries of papers tracing the history of each and every one of the millions of parts that made up

When the formal board meets, it will face a mountain of data, thousands of photographs and libraries of papers tracing the history of each and every one of the millions of parts that made up

clined to be admitted... said the investigation will focus the pattern of earlier space agency accidents, including the 1967 fire that killed three astro-

See Challenger, page A-12

"We don't expect to really do anything out there until March or April," he said. "We don't feel it's any detriment to us."

In a letter to North Star, the Corps of Engineers said that because of the project's urgency, it was seeking authorization to let Fischer resume work despite the protests.

North Slope won the bid Dec. 31, 1985, with a first-year annual rent of \$7.7 million. The contract calls for the company to build and lease back to the Army 400 housing units at Fort Wainwright.

The contract will be worth more than \$150 million during its duration of 19.5 years, with rent

adjusted to offset inflation as the contract progresses.

The request for proposals on the project specified that the "average annual cost" of the rent was not to exceed \$8.14 million. The Corps interpreted that to mean the first-year rent proposed by each bidder, and Fischer's initial bid was just \$200 under the mark.

But the protesting bidders said the specifications mean the average rent over the life of the project. They said Fischer should have been disqualified in the first round because inflation adjustments would put his average rent over the life of the project above the \$8.14 million ceiling.

Lawmakers call new loan rule discriminatory



Bettye Fahrenkamp

by Beth Barrett
Times Juneau Bureau

JUNEAU — A new regulation requiring many in-state college students to pay \$500 of their annual schooling costs was called discriminatory Tuesday by some lawmakers on the Senate Health Education and Social Services Committee.

The regulation was adopted last December by the Alaska Commission on Postsecondary

Education and would apply to students getting state loans next year, said Kerry Romesburg, executive director of the commission.

In 1987, students who attend schools where the annual cost is less than \$6,000 will have \$500 deducted from their loan amount. Those who go to more expensive schools, mostly Outside, could get the \$6,000 without the deduction.

"I don't like the discriminatory flavor of it," said committee chairwoman Bettye Fahrenkamp, D-Fairbanks. "But I don't know what the solution is."

Sen. Joe Josephson, D-Anchorage, said the regulation is regressive because it could keep the state's financially disadvantaged students from getting an advanced degree.

Students from middle and
See Legislators, page A-12



Joe Josephson

Legislators criticize

Continued from page A-1

upper class families can automatically get \$6,000 a year, he said. Poor students may not have the \$500 to pay the balance of their education costs, he said.

Romesburg said the lawmakers' concerns were justified. He said, however, that in-state students attending accredited institutions could apply for a \$500 federal grant to make up the difference.

Josephson said that depending on revenue trends within the next few months, he may propose legislation reducing the \$6,000 maximum loan amount for all students.

He said such a change might be required if state dollars available for the loan program decline.

The postsecondary commission disliked changing the regulations, Romesburg said, but did so because the loan fund is running out of money each year and leaving thousands of students stranded without loans.

"We're trying to find a way to spread funds to more students," Romesburg said. "We're turning away thousands of people."

This year 1,300 applicants weren't able to get loans. If the \$500 deduction had been in place last year, it would have meant an additional \$4 million to the program and all the applicants would have gotten loans, he said.

In another action important to students, the Senate Finance Committee kicked back to the health, education and social services panel a loan bill regarding interest rates and grace periods for state loans to students.

The bill, introduced last year by Rep. John Binkley, R-Bethel, would raise interest rates on student loans from 5 percent to 8 percent. Students would have to begin repayment within six months instead of a year.

Lawmakers said the solution to the student loan program might be more complicated than tinkering with interest rates and payment schedules.

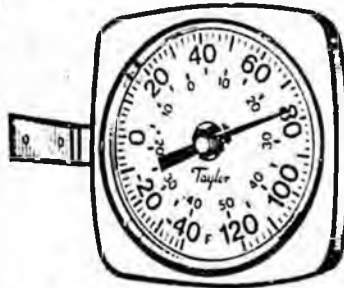
The federal government, for instance, is returning to a 12-month grace period after experimenting with the shorter one, Romesburg said.

The commission has estimated the state would have to spend \$83 million by 1990 to satisfy all loan applicants under the present terms of the loan program. That's \$20 million more than the state spent in 1986.

Health, education and social services panel vice chairman Arliss Sturgulewski, R-Anchorage, said the state can't make that kind of contribution to the loan program in the face of declining oil revenues.

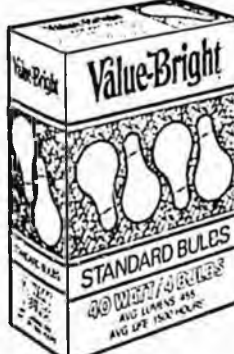
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JAN 15 1985

Register , 1985 MISCELLANEOUS BOARDS, COMMISSIONS 20 AAC 15.036

TITLE 20. MISCELLANEOUS BOARDS, COMMISSIONS

Chapter

15. Student Financial Aid (20 AAC 15.010 - 20 AAC 15.900)

CHAPTER 15. STUDENT FINANCIAL AID

Article

1. Scholarship Loans (20 AAC 15.010 - 20 AAC 15.081)

ARTICLE 1. SCHOLARSHIP LOANS

*adopted
12/14/85*

Section

- 10. Purpose of scholarship loan program
- 15. Administration
- 20. Filing dates
- 25. Priority ranking of applicants
- 30. Computation of authorized loan awards
- 35. Limitations on granting authorized loan awards
- 36. Limitations on granting loan awards
- 40. Conditions and limitations of loans
- 45. Disbursement of loan awards
- 50. Repayment of loans
- 55. Deferment of payments
- 60. State forgiveness payments
- 65. Default
- 70. Appeals to the executive secretary
- 75. Appeals to the commission
- 80. Complaint file
- 81. Loan audit and institutional sanctions

20 AAC 15.036 is amended by adding a new subsection (4) to read:

20 AAC 15.036. (4) a program of study offered outside the state in which the institution is located, unless the program's location is based upon, and serves, a bona fide educational purpose. (Eff. / /)

Authority: AS 14.43.105

20 AAC 15 is amended by adding a new section to read:

20 AAC 15.036. LIMITATIONS ON GRANTING LOAN AWARDS. A loan will not be awarded for

(1) an educational program that is avocational or recreational in nature;

(2) flight instruction leading to certification as a private pilot; or

(3) flight instruction for type ratings or other proficiencies, unless the student currently holds a commercial license. (Eff. 1/4/86, Reg. 97)

Authority: AS 14.43.105

prepared by Michael Smith, UAJ
H 586-4376
O 989-4537

STUDENT LOANS-- ONE STUDENT'S PERSPECTIVE

PROBLEMS WITH HB 161:

6% 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?

*excludes
older
students*

*incentive
or
penalty?*

NATIONAL WEEKLY EDITION

The Washington Post

VOLUME 3, NO. 7

DECEMBER 16, 1985

\$1.50

Student Aid

The House approved, 350 to 67, a bill providing \$10.6 billion in fiscal 1987 to extend for five years education aid programs for college students. The provides for Pell grants, guaranteed student loans and other government educational programs used by about 5.8 million graduate and undergraduate students. The measure would apply a needs test to all families, not just those with incomes above

\$30,000 as is currently the case. And for the first time it would consider a family's assets, and not just income, in the needs test. The bill would retain the \$2,500 annual borrowing limit for undergraduates in the first two years of college, but would allow them to borrow \$5,000 a year in their last two years. The bill would extend the grace period for repayment of loans from six to nine months after graduation beginning with students receiving loans in 1988. As a cost-saving measure and incentive to repay their guaranteed loans quickly, the legislation would increase interest rates on the loans from 8 percent to 10 percent, beginning in their fifth year of repayment. The measure also would tighten loan-collection procedures. It now goes to the Senate. The administration opposes the bill, calling for further program cuts. (HR3700; Dec. 4)

The Student Association of the University of Alaska, Anchorage (SAUAA), recognizes the need for revision of the Alaska Student Loan Program so that it may be available for future generations, but SAUAA completely rejects HB 161 for the following reasons:

1- The accessibility of the loan program must not be threatened. The five percent rate of interest encourages many Alaskans to further their educations. A three percent increase would mean on a \$20,000 loan an extra \$27 per month over a 10 year period. The burden of repayment becomes too great. The Postsecondary Education Commission no longer supports this increase and neither do the students of UAA.

2- The decrease of the grace period from one year to six months would create unneeded hardships for students. This part of the bill could increase the default rate due to problems encountered directly after graduation. If a student graduates in May, their note would become due in November which is typically a depressed financial time of year. If students take a break in the course of their studies, they will be forced into a repayment schedule. The students should be allowed the time of one year just to get their lives stable after being in school for so long. As many of us know, the federal government loan programs do not endorse six month grace periods either.

3- The ramping clause is misleading. It could not only lead to an administrative nightmare, but could lead to massive confusion by the students as well. SAUAA can see no good reason for its inclusion in the bill.

4- The Postsecondary Education Commission administers the Alaska Student Loan Program. With the budget cuts to the agency, the staff perform amazingly efficient. The commissioners are prominent, educated

leaders of Alaska. Their expertise and broad experiences should contribute towards a positive direction. On December 14, 1985, The commission passed a regulation that each student recipient of a loan must contribute \$500 to their own education. This will create an additional \$4.3 million into the fund to help other perspective students afford their educations.

We feel the commission has solved the problem Representative Binkley was concerned with in the beginning, the Postsecondary Education Commissioners should be congratulated on their efforts to rescue the Alaska Student Loan Program. Representative Binkley recognized a need and helped stimulate constructive discussions. There is no current need for HB 161 and SAUAA believes it should be taken off the agenda.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HESS 5-9-85 3:08pm

From: Mike Bradner

1/22/86

HB 161
Sandy

Problem:

The Administration is not unfriendly necessarily to the Alaska Student Loan Program supplemental, which has been forwarded from Post Secondary Commission to the Administration. However, it appears that the Administration's attitude may be to "wait-and-see" whether legislators are interested.

It may help if Legislators query both Ayers and Ray Gillespie about the status of the supplemental. Are they going to include it in their early February requests, and if so: How much?"

Second Problem:

There is a potential problem concerning funding of vocation technical loans as compared to four-year college loans. The problem is complex and is something the Post Secondary Commission will have to wrestle with, along with interested legislators, regarding a long term solution. In the meantime some kind of short-term solution may be needed to get by the immediate problem.

The problem has to do with how students approach a four-year academic program as opposed to short-term vocational training. University students tend to go on to school regardless, and leave their loan request on the table. Sort on in priority order.

Vocational technical students usually opt for training on an immediate basis, perhaps due to some change in their circumstances. They approach a school and decide or walk-away. They don't leave applications 'on the table.' What this means is that potentially the May 15th deadline and inadvertently favors university level students in a supplemental funding situation. The result is that voc-tech programs this spring could be empty.

In a year-long basis Post Secondary uses a 80% university and 20% voc tech funding. It would appear that care should be taken to split supplemental funds on an 80%/20% split. Or, given the inadvertant problem, created by the pattern intent might categorize supplemental funds only at a 70/30 split, insuring the variety of shortern term and diverse voc tech programs to have a reasonable life in the spring and summer period.

WHAT TO DO: In query of the governor's office might say there appears to be some problems with funding for voc tech programs, and ask if governor is going to specify some share to voc-tech. In the end probably the Finance Committees should simply establish some kind of intent. Additionally, it shou'd not be assumed that Post Secondary is necessarily opposed to such direction. They, in fact, may need it.

Senator Bettye Fahrenkamp
Chairperson - Senate HESS Committee

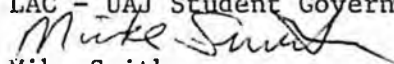
February 19, 1986

Dear Senator Fahrenkamp,

The Alaska Student Loan Program has been one of the most successful loan programs instituted by the State's Legislature. Both in its purpose and its structure, the Student Loan Program has performed well in comparison to many other loan programs available to Alaska's citizens. Inasmuch as this is the case, we would prefer that no changes be instituted in the Alaska Student Loan Program. However, in recognition of the fiscal realities facing the State, we have discussed the following list of alternatives for change in the program. We want to be sure that it is understood that this list serves only as suggestions for possible changes. The United Campuses of Alaska has officially taken a stand of "No Change" and is in opposition to those changes proposed in HB161. We hope this list will prove helpful to you in your deliberations. If we can otherwise help you, please let us know.



Steve Cole
LAC - UAJ Student Government



Mike Smith
President - UAJ Student Government

1. Two-Tier Program --
 - Essentially 2 programs
 - a) 1rst Program -- administered essentially the same as current loan program but with borrowing maximum set at \$4000, with 3% interest.
 - b) 2nd Program -- needs based; provides up to \$3000 in additional loan funds @ 5% interest.

2. Reduce borrowing miximums to:
 - \$5500 for all undergraduate, voc-tech, special program borrowers.
 - \$6500 for all graduate borrowers.

3. Incentive Based Limits on Loan Maximums --

Collegiate Borrowers

<u>Year</u>	<u>Loan Maximum</u>
1rst	\$5,000
2nd	5,000
3rd	5,500
4th & 5th	6,000
Graduate	6,500

*(these changes to be instituted in FY 88)

4. Increase interest rate on loans from 5% to 7%.

Alaska State Legislature

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



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STATE CAPITOL
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Senate Committee on Health, Education and Social Services

M E M O R A N D U M

TO: Members, Senate Committee on Health, Education and Social Services

FROM: Committee Staff

RE: Committee Meeting, March 4, 1986

DATE: March 3, 1986

On Tuesday, March 4, 1986, from 1:30-3:30 pm in the Beltz Room, the Senate Committee on Health, Education, and Social Services will hold a teleconferenced hearing on CSHB 161 (Finance)am, relating to the interest rate, loan conditions and repayment provisions of scholarship loans.

The attached draft committee substitute would:

- 1) reduce the maximum loan available for undergraduate students from \$6000 to \$5500,
- 2) reduce the maximum loan available to graduate students from \$7000 to \$5500, and
- 3) increase the interest rate from 5% to 8%.

Under the draft, the grace period would remain at 12 months and forgiveness of up to 50% of the loan amount would continue to be allowed.

Attached is a copy of the bill and an explanation of its fiscal impacts.

CHAPTER 15.
STUDENT FINANCIAL AID

Article

- 1. Scholarship Loans
(20 AAC 15.010-20 AAC 15.085)

ARTICLE 1.
SCHOLARSHIP LOANS

Section

- 10. Purpose of scholarship loan program
- 15. Administration
- 20. Filing dates
- 25. Priority ranking of applicants
- 30. Computation of authorized loan awards
- 35. Limitations on granting authorized loan awards
- 40. Conditions of loans
- 45. Disbursement of loan awards
- 50. Repayment of loans
- 55. Deferment of payments
- 60. State forgiveness payments
- 65. Default
- 70. Appeals to the executive secretary
- 75. Appeals to the committee
- 80. Complaint file
- 81. Loan audit and institutional sanctions
- 85. Definitions

20 AAC 15.010 PURPOSE OF SCHOLARSHIP LOAN PROGRAM. The scholarship loan program provides low-cost educational loans to Alaskan students enrolled in undergraduate, graduate, or career degree programs. (Eff. 2/3/77, Reg. 61)

Authority: AS 14.43.105

20 AAC 15.015. ADMINISTRATION. The executive secretary of the student financial aid committee shall appoint, subject to approval of the committee, a director of student financial aid. The director reviews all applications for scholarship loans and determines an applicant's eligibility and amount of award, subject to review by the executive secretary and the committee. (Eff. 2/3/77, Reg. 61)

Authority: AS 14.43.105

Editor's Note: Applications for scholarship loans are available from the Alaska Commission on Postsecondary Education, Director of Student Financial Aid, Pouch F, Juneau, Alaska 99811.

20 AAC 15.020. FILING DATES. (a) The

application deadline for loan applications is May 15 preceding the school year for which the loan is requested.

(b) An application will be considered timely only if it is postmarked on or before the applicable deadline, contains all information required to make a determination of the applicant's eligibility and the amount of the loan award, and is accompanied by four signed verification of residency forms. The residency forms must be signed by adults who live at different addresses from each other and who have periodic contact with the applicant. At least one residency form should be signed by a relative of the applicant.

(c) An incomplete application will be returned to the applicant with a request for further information. No further action will be taken on an incomplete application until it is resubmitted.

(d) Repealed 12/7/80.

(e) Except for good cause shown, as determined by the director, an application will not be accepted from a person who has attended more than two weeks of the school term for which the loan is requested. (Eff. 2/3/77, Reg. 61; am 12/7/80, Reg. 76; am 7/9/82, Reg. 83; am 6/12/85, Reg. 94)

Authority: AS 14.43.105

20 AAC 15.025. PRIORITY RANKING OF APPLICANTS. (a) Upon receipt of a completed application for collegiate study, an applicant will be assigned priority points based upon the schedule set out in (b) of this section.

(b) Each applicant for a loan for a collegiate program will be assigned priority points based upon student status and state of attendance, according to the following schedule:

(1) student status (during loan period):

(A) continuing undergraduate or graduate students with existing Alaska student loans for the previous school year or term 6 points

(B) remaining senior students. . . 5 points

(C) remaining junior students. . . 4 points

- (D) remaining sophomore students 3 points
- (E) remaining freshman students 2 points
- (F) remaining graduate students 1 point

(2) students attending colleges or universities in Alaska 1 point

(c) Completed applications for collegiate study received by February 15 will be grouped together. Complete applications received after February 15th will be grouped in monthly lots. The groups will be processed according to priority point accumulation. Those applicants receiving the highest priority point accumulation within a group will be processed first and those receiving the lowest priority point accumulation within a group will be processed last. In the case of equal point accumulation within a group, priority will be based upon the earliest date of receipt of the completed application.

(d) Completed applications for a non-collegiate postsecondary program will be processed in the order of receipt of the application in the loan office. (Eff. 2/3/77, Reg. 61; am 12/7/80, Reg. 76; am 11/19/83, Reg. 88)

Authority: AS 14.43.105

20 AAC 15.030. COMPUTATION OF AUTHORIZED LOAN AWARDS. (a) Repealed 7/9/82.

(b) The maximum authorized loan for an applicant enrolled for less than a full school year, as defined by the enrolling institution and as approved by the director, is determined by prorating the maximum authorized loan award based upon the actual period of attendance, unless the period of attendance encompasses the entire program of study, in which case the award will be based upon computation of financial need.

(c) Subject to the limitations of (b) of this section, an applicant's authorized loan award will be based on the director's computation of the applicant's financial need. Financial need will be computed as the difference between the required fees, tuition, room, board, books and

supplies, as applicable, charged by the institution for the course of study for which the applicant has been accepted or is enrolled in full-time status and the amount of funds available to the applicant from other sources to meet those expenses. The amount of the authorized loan award will be the next lower multiple of \$50 below the computed financial need.

(d) Married students applying for separate loans may apportion those expenses listed on their applications which are for common use or commonly held property as they see fit. However, the total of commonly shared expenses listed on both applications may not exceed 100 percent of the actual expense.

(e) An applicant who elects to live off campus when room or board is available from the institution may list as an expense only the cost of the room or board available from the institution, unless it can be demonstrated that any additional expense for living off campus is reasonable and necessary.

(f) The director may require an applicant to furnish copies of financial records and other relevant information to verify statements on his application.

(g) An applicant who has been awarded a loan based on admission to a particular institution shall notify the director immediately if the applicant elects to attend a different institution. The applicant shall then resubmit a loan application based on admission at the new institution. The applicant will not lose his or her priority category status, as determined under 20 AAC 15.025(a), but shall give 60 days' notice of the change in institutions to insure the timely receipt of money. (Eff. 2/3/77, Reg. 61; am 7/9/82, Reg. 83; am 12/13/84, Reg. 92)

Authority: AS 14.43.105

AS 14.43.110

AS 14.43.115

20 AAC 15.035. LIMITATIONS ON GRANTING AUTHORIZED LOAN AWARDS. Repealed 12/7/80.

20 AAC 15.040. CONDITIONS OF LOANS.

(a) The recipient of a scholarship loan shall report to the director any changes which affect

the conditions of his loan or his repayment schedule, including any change of address, withdrawal or dismissal from his full-time course of study, change in schools, or state residency status, or change in financial status.

(b) Money received for scholarship loan may be used only for books and supplies, tuition, required fees, room and board.

(c) A promissory note in full amount of the loan award must be signed by the recipient, or by the recipient's parent or legal guardian if the recipient is under 16 years of age. However, liability for the loan is limited to the actual amount of the loan funds disbursed to the recipient, plus interest and collection fees as necessary.

(d) The provisions of this chapter will be incorporated by reference into each promissory note.

(e) Loans will not be granted for more than five full undergraduate school years, or more than five full graduate years, or more than a total of eight full school years of combined undergraduate and graduate study.

(f) The costs incurred in the collection of a defaulted loan, including attorney fees and court costs, shall be borne by the recipient.

(g) Interest on a loan begins to accrue on the date of initial disbursement. However, interest will be paid for a student during the period before the repayment period of the loan begins and during a period of deferment provided under 20 AAC 15.055.

(h) Interest shall be computed at the annual rate of five percent of the outstanding balance of the loan.

(i) At the time student applies for a loan, the director will provide an anticipated repayment schedule for the total amount of the current loan and any loans received in prior consecutive years. The repayment schedule will be computed from the date the recipient anticipates the completion of his or her full-time course of study. The schedule will include a 12-month optional deferment period, the number and amount of payments, including interest, over the 10

succeeding years; and the annual percentage rate of interest.

(j) For non-collegiate postsecondary programs, the commission applies for standard of good standing used by the institution of attendance. For collegiate programs, the commission applies the cumulative grade point average (G.P.A.) based upon the following minimums, computed for two or more terms:

Student Level	Minimum Requirement
Undergraduate	2.00 cumulative G.P.A.
Graduate	3.00 cumulative G.P.A.

(k) In addition to the requirements established in (j) of this section, a borrower in a collegiate program must successfully complete all course work in which he or she is enrolled while a borrower under AS 14.43, up to the required full-time enrollment in each term of enrollment, and must maintain a grade point average of at least 1.50 or 2.50, for undergraduate and graduate students respectively, for each term in which he or she has borrowed under AS 14.43. If a borrower fails to meet good standing requirements, the borrower is ineligible to receive further loans or loan disbursements until the borrower successfully completes a term of full-time study and meets the minimum grade point average requirement.

(l) A borrower who fails to meet the good standing requirements in (j) and (k) of this section may request from the director a waiver of the requirements for good cause. The request for waiver must be filed on forms provided by the commission for that purpose and must set out the reasons for the request. The director shall determine whether the reasons constitute good cause shown as defined in 20 AAC 15.085(16) and may require documentation from the borrower. In his discretion, the director shall grant or deny the request for waiver.

(m) A borrower in a flight school program must hold, as a prerequisite for eligibility, a valid private pilot's certificate.

(n) A borrower may be enrolled in more than one institution, but must be enrolled for at least 75 percent of the full-time student requirement in the degree-granting institution for which the

loan is obtained. The combined total of these multiple enrollments must be equivalent to at least full-time enrollment.

(o) A borrower who has previously received loans under this program, and whose loans are in repayment, must be current in monthly payments through the month immediately preceding the new loan period in order to receive a new loan. (Eff. 2/3/77, Reg. 61; am 5/10/78, Reg. 66; am 12/7/80, Reg. 76; am 7/9/82, Reg. 83; am 11/19/83, Reg. 88; am 12/13/84, Reg. 92; am 12/13/84, Reg. 92)

Authority: AS 14.43.105
AS 14.43.120
AS 14.43.140

20 AAC 15.045. DISBURSEMENT OF LOAN AWARDS. (a) The loan will be disbursed in equal or proportionate installments, with each installment issued before the school term which the recipient has indicated he will attend.

(b) A warrant for the appropriate amount of the loan disbursement and a record of disbursement and receipt form will be mailed to the recipient in care of the financial aid officer of the institution which the recipient is attending.

(c) Before delivering the warrant to the borrower, the financial aid officer shall certify, on a form to be provided by the commission, that the borrower is a full-time student in good standing at the institution. If the full-time status is the result of attendance at more than one institution, the certifying institution must certify full-time and good standing status for the multiple enrollments.

(d) At the time the warrant is delivered to him, the recipient must certify its receipt on the record of disbursement and receipt form.

(e) The recipient is responsible for the return of the record of disbursement receipt form to the director. Failure to return a completed form will result in no further warrants being issued to the recipient.

(f) An institution may not hold loan warrants for longer than 60 calendar days after the beginning of the school term, or specified date of beginning, for which the warrant is issued. If

the warrant is unclaimed or the student is ineligible at the end of the 60-day period, the institution shall return the warrant to the commission, stating the reasons for its return; the loan will then be cancelled. (Eff. 2/3/77, Reg. 61; am 12/7/80, Reg. 76; am 7/9/82, Reg. 83; am 11/19/83, Reg. 88; am 12/13/84, Reg. 92; am 5/12/85, Reg. 94)

Authority: AS 14.43.105

20 AAC 15.050. REPAYMENT OF LOANS. (a) The repayment period of a loan begins 12 months after the date the loan recipient ends full-time student status. The first payment becomes due on the first day of the 13th month after the date the recipient ends full-time student status.

(b) At the time the recipient first ends his full-time student status, he must contact the director and establish a repayment schedule satisfactory to the director.

(c) Payments for all loans granted to a recipient may be consolidated into single monthly payments.

(d) Subject to the deferment provisions of 20 AAC 15.055 and the hardship provisions of (e) and (f) of this section, a loan must be fully repaid within 10 years from the date first payment is due.

(e) In cases of hardship and based on such factors as the seriousness of the hardship, its anticipated duration and the expectation of increased earnings in later years, the director may, in his discretion, alter the repayment schedule by extending the period of repayment, subject to the deferment provisions of 20 AAC 15.055, to a maximum term of 11 years, or weight the regular payments to ease payment in the first years and require larger payments in later years, or both.

(f) A recipient whose repayment schedule has been modified as a result of hardship must certify annually to the director the continued existence of the conditions under which the hardship determination was made. At the time the conditions no longer exist, the recipient must notify the director and renegotiate his payment schedule, based on the loan's outstanding balance and accrued interest, over a term acceptable to the director.

(g) If a recipient chooses to make a payment in an amount larger than that required by the repayment schedule, the difference will be applied to the remaining principal of the loan unless otherwise specified by the recipient. (Eff. 2/3/77, Reg. 61; am 5/10/78, Reg. 66; am 12/7/80, Reg. 76)

Authority: AS 14.43.105

AS 14.43.120

20 AAC 15.055. DEFERMENT OF PAYMENTS. (a) Periodic installments of principal will be deferred, but interest accrues and must be paid unless the loan recipient is eligible for interest payment benefits under 20 AAC 15.040(g) during any of the following:

- (1) return to full-time student status;
- (2) active duty as a member of the armed forces of the United States;
- (3) service for up to three years as a full-time volunteer under the Peace Corps Act;
- (4) service for up to three years as a full-time volunteer under the Domestic Volunteer Service Act of 1973;
- (5) for a one-time period of up to 12 months in which the loan recipient is seeking and unable to find employment in the United States;
- (6) a period of disability of the loan recipient if the loan recipient is at least 50 percent disabled as certified by competent medical authority; or
- (7) an internship or residency which is required as part of the program of study if the internship or residency does not exceed 24 months.

(b) A recipient who desires a deferment of payments under this section must inform the director of his request to be considered for a deferment. Upon receipt of this notification, the director will send the recipient a form by certified mail, return receipt requested, which must be completed by the recipient describing the conditions under which he requests the deferment. A failure to return the form within 30 days of the date it is received without good cause will result in the continuation of interest accrual and required payments, if applicable.

(c) Repealed 12/7/80.

(d) A recipient who has received a payment deferment must notify the director immediately when the conditions under which the deferment was granted no longer exist. When the director receives this notification, he will redetermine the recipient's payment schedule and notify the

recipient of the number and amount of the payments required to retire the loan. (Eff. 2/3/77, Reg. 61; am 5/10/78, Reg. 66; am 12/7/80, Reg. 76)

authority: AS 14.43.105
AS 14.43.120

20 AAC 15.060. STATE FORGIVENESS PAYMENTS. (a) Under AS 14.43.120(j), a recipient of a loan is eligible to have up to 50 percent of the total loan and accrued interest paid by the state if the borrower continues Alaskan residency after the successful completion of the course of study for which the loan was granted, and is awarded an appropriate degree, diploma, or certificate, and remains, except for brief periods, in the state during the period for which forgiveness is claimed.

(b) In order to qualify for forgiveness payments under AS 14.43.120(j), a borrower must, within one year after either the last day of the school year in which the borrower completed full-time study, or an extension of that period by deferment under AS 14.43.120(k), return to Alaska to live.

(c) Forgiveness payments under this section will be computed as follows:

(1) if the recipient satisfies the requirements of (a) and (b) of this section for at least two, but less than three, consecutive years, the recipient will be eligible for a first forgiveness payment in an amount equal to 10 percent of the total loan, plus 10 percent of the interest accrued as of the second anniversary of the date the recipient first returned to Alaska;

(2) if the recipient satisfies the requirements of (a) and (b) of this section for at least three, but less than four, consecutive years, the recipient will be eligible for a second forgiveness payment in an amount equal to 10 percent of the total loan, plus 10 percent of the interest accrued as of the third anniversary of the date the recipient first returned to Alaska;

(3) if the recipient satisfies the requirements of (a) and (b) of this section for at least four, but less than five, consecutive years, the recipient will be eligible for a third forgiveness payment in an amount equal to 10 percent of the total loan, plus 10 percent of the interest

accrued as of the fourth anniversary of the date the recipient first returned to Alaska;

(4) if the recipient satisfies the requirements of (a) and (b) of this section for at least five, but less than six, consecutive years, the recipient will be eligible for a fourth forgiveness payment in an amount equal to 10 percent of the total loan, plus 10 percent of the interest accrued as of the fifth anniversary of the date the recipient first returned to Alaska;

(5) if the recipient satisfies the requirements of (a) and (b) of this section for at least six consecutive years, the recipient will be eligible for a fifth forgiveness in an amount equal to 10 percent of the total loan plus 10 percent of the interest accrued, as of the sixth anniversary of the date the recipient first returned to Alaska.

(d) Subject to (g) of this section, that portion of the forgiveness payment based on the total loan will be credited against principal and that portion of the forgiveness payment based on accrued interest will be credited against interest. In order to receive the forgiveness credit, the recipient must be in repayment under AS 14.43.120(g) on the loan for which he or she claims the forgiveness. Subject to the requirements of this section, any previous state forgiveness due will be credited against principal. The forgiveness credit does not alter the amount of monthly principal and interest payments due or the terms and conditions of the repayment schedule.

(e) In order to receive a state forgiveness payment, the recipient must notify the director of his or her eligibility, and complete a form available from the director, certifying that the recipient has satisfied the appropriate requirements.

(f) A recipient who ceases to be physically present in Alaska during the period he or she is eligible for a state forgiveness payment loses eligibility for any further state forgiveness payment under this section.

(g) A recipient whose loan is completely repaid before becoming entitled to the maximum forgiveness payment available to that recipient may notify the director of his or her eligibility for a state forgiveness payment in the manner

provided in (e) of this section each time he or she qualifies for a recomputation of the forgiveness. Upon verification of the recipient's eligibility, the director will issue a warrant payable to the recipient in the amount to which he or she is entitled.

(h) A recipient who fails to meet the requirements of this section may request a waiver of the requirements from the director. The request for waiver must be filed on a form provided by the commission for that purpose and must set out good cause for the request as determined by the director. The director may require documentation, and may grant or deny the request. (Eff. 2/3/77, Reg. 61; am 12/7/80, Reg. 76; am 7/9/82, Reg. 83; am 12/13/84, Reg. 92; am 12/13/84, Reg. 92)

Authority: AS 14.43.105
AS 14.43.120

20 AAC 15.065. DEFAULT. (a) A recipient's loan will be considered in default if he fails to make three consecutive monthly payments or two consecutive quarterly payments, fails to comply with the reporting requirements of 20 AAC 15.040(a), or is determined by the director to have falsified any document required by this chapter.

(b) When a loan is found to be in default by the director, the recipient will be notified of that fact by certified mail, return receipt requested. The recipient has 30 days from the receipt of the notification to cure the default or otherwise respond in writing to the director's finding. Failure to cure the default or otherwise respond to the default notification within this time period will result in the director forwarding the recipient's file to the executive secretary for appropriate action. (Eff. 2/3/77, Reg. 61)

Authority: AS 14.43.105
AS 14.43.120

20 AAC 15.070. APPEALS TO THE EXECUTIVE SECRETARY. (a) A decision or other determination of the director under this chapter may be appealed in writing to the executive secretary of the committee, Alaska Commission on Postsecondary Education, Pouch F, Juneau, 99811. The appeal must be post-marked within 30 days of the date the decision or determination being appealed was mailed,

must clearly state the objections to that decision or determination, and must set out justification for any alternative action sought.

(b) The executive secretary shall acknowledge receipt of an appeal by certified mail, return receipt requested, within 30 days. The executive secretary shall render his decision, in writing, as expeditiously as possible after receipt of the appeal and send it to the appellant by certified mail, return receipt requested.

(c) At the appellant's request, the executive secretary shall afford the appellant or his designated representative the opportunity to present his appeal in person. (Eff. 2/3/77, Reg. 61)

Authority: AS 14.43.105

20 AAC 15.075. APPEALS TO THE COMMITTEE. (a) A decision of the executive secretary may be appealed to the chairman of the committee. The appeal must be made within 30 days of the receipt of the executive secretary's decision, must clearly state the objections to that decision, and must set out justification for any alternative action sought.

(b) The chairman of the committee will place an appeal on the agenda for the committee's next meeting and notify the appellant of the time and location of the meeting and that he or his designated representative may present his appeal in person to the committee at that time.

(c) The committee's decision on an appeal is final. (Eff. 2/3/77, Reg. 61)

Authority: AS 14.43.105

20 AAC 15.080. COMPLAINT FILE. (a) A written complaint regarding the administration of the scholarship loan program must be answered within 30 days of its receipt.

(b) The director shall maintain a separate complaint file.

(c) At the committee's first meeting of the calendar year the director shall provide the committee with a synopsis of all written complaints received during the prior 12 months and a description of the action taken on each complaint. (Eff. 2/3/77, Reg. 61)

Authority: AS 14.43.105

20 AAC 15.081. LOAN AUDIT AND INSTITUTIONAL SANCTIONS. (a) No loan may be made to a person to attend an institution which has failed to consent to periodic audits by the director for purposes of determining verification of student loan eligibility, management of student loan documents, and compliance with state student loan laws. The consent must be on forms provided by the commission.

(b) At the conclusion of the audit, the director shall set out an error rate based upon the number of institution loan files divided into the number of files failing to comply with eligibility requirements, necessary documentation, or other requirement of state student loan law.

(c) An institution enrolling less than 50 student loan recipients which receives an audit error rate of 10 percent or greater, or an institution enrolling 50 or more student loan recipients which receives an audit error rate of five percent or greater, must be placed on probation. The director shall specify the period of probation, not to exceed 24 months. The institution placed on probation may be audited again during the probationary period.

(d) An institution audited after being placed on probation will receive a new error rate and general audit report. If the error rate has been reduced to less than the level prescribed in (c) of this section, the probationary status will be removed.

(e) An institution audited after being placed on probation and receiving a second error rate in excess of that prescribed in (c) of this section must be designated "ineligible."

(f) An ineligible institution may not receive or distribute student loans under this program. The period of ineligibility will extend for not less than one year nor more than three years, as determined by the committee.

(g) After the period of ineligibility has expired, the institution will be placed on probation for a 24-month period, with audits to be performed at the end of 12 and 24 months.

(h) An institution declared ineligible under (e) of this section may request a hearing before the committee.

(i) Upon receipt of the request for hearing, the chairman of the committee shall schedule a hearing and shall notify the institution of the time and place of the hearing and of its opportunity to present facts and argument on its alleged non-compliance. (Eff. 11/19/83, Reg. 88)

Authority: AS 14.43.105

20 AAC 15.085. DEFINITIONS. In this chapter and AS 14.43.090 – 14.43.140, unless the context requires otherwise

(1) repealed 11/19/83;

(2) “career education degree program” means a full-time course of study in a recognized occupation leading to a degree, diploma or comparable certificate of completion;

(3) “commission” means the Alaska Commission on Postsecondary Education;

(4) “committee” means the student financial aid committee of the commission;

(5) “director” means the director of student financial aid;

(6) repealed 7/9/82;

(7) repealed 7/9/82;

(8) “full-time course of study” means a course of study, at least six weeks in duration, which

(A) consists of the completion of a minimum of 24 semester or 36 quarter hours within one school year by an undergraduate student or, if enrollment commences after the first term, the completion of that portion of the hourly requirements which equals the remaining portion of the school year;

(B) consists of the completion of a minimum of 18 semester or 27 quarter hours within one school year by a graduate student or, if enrollment commences after the first term, the completion of that portion of the hourly requirements which equals the remaining portion of the school year; or

(C) for a career education program.

(i) consists of the completion of a minimum of 1,080 clock hours, as a clock hour is defined in (9)(C) of this section, within one school year;

(ii) consists of the completion of that portion of the hourly requirements of (i) of this subparagraph which equals the remaining portion of the school year if enrollment commences after the first term of the school year; or

(iii) consists of the completion of that portion of the hourly requirements of (i) of this subparagraph which equals the portion of the school year represented by the length of the career education program if the career education program does not last for the entire school year.

(9) “full-time student” means

(A) an undergraduate student, in good standing, who is enrolled in any combination of courses, work experiences, research, or special studies which the school requires to consider the student as engaged in full-time study and which amount to the equivalent of 12 undergraduate semester, or quarter hours per academic term; or

(B) a graduate student, in good standing, who is enrolled in any combination of courses, work experiences, research, or special studies which the school requires to consider the student as engaged in full-time study and which amount to the equivalent of nine graduate semester, or quarter hours per academic term; or

(C) a student enrolled in a career education program for at least 30 clock hours per week, a clock hour being a period of time which is equivalent of:

(i) a 50 to 60 minute class, lecture, or recitation;

(ii) two hours of laboratory, shop training, or internship requiring outside preparation;

(iii) two hours of outside preparation related to the activities specified in (i) and (ii) of this subparagraph; or

(iv) three hours of laboratory, shop training, or internship not requiring outside preparation;

(10) "graduate degree program" means an educational program for which a master's degree, doctorate, or other degree requiring study beyond that necessary for a bachelor's degree is awarded;

(11) "hardship" means being unable to meet the obligation to repay a scholarship loan over the term or in the amount determined by the director;

(12) "prospective graduate" means a high school student who will graduate within six months of the submission date of his application for a scholarship loan;

(13) repealed 7/9/82;

(14) "total loan" means the total amount of all loans received by a recipient;

(15) "undergraduate degree program" means

(A) an educational program for which a bachelor's degree is awarded; or

(B) an educational program for which an associate degree, or comparable certificate is awarded, and which is acceptable, upon transfer, for full credit towards a bachelor's degree;

(16) "good cause shown" means duress, major medical disability, death in the immediate family, administrative error, or academic record which is at least five years old;

(17) "approved school" or "school approved by the commission" means an institution which is not on probation under 20 AAC 15.081 and is

(A) an Alaska institution which has been authorized to operate by the commission and issued a certified authorization; or

(B) a non-Alaska institution which has been approved by the United States Depart-

ment of Education, Office of Financial Assistance for receipt of federal student financial aid; or

(C) a non-Alaska institution which is accredited by a national accreditation association, or the regional accreditation association for the area in which the school is located; or

(D) a non-Alaska institution which is authorized as a certified flight school under 14 C.F.R. Part 141;

(18) "maintain a loan" means to continue to be eligible for loan disbursements;

(19) "present" or "physically present" means physically located in Alaska, except for absences of no longer than eight consecutive weeks or no more than 16 total weeks, for the 24 months immediately preceding loan application;

(20) "at least 50 percent disabled" means an illness or injury because of which the borrower is unable either to attend school or to be gainfully employed;

(21) "successfully complete" means to complete a course for which academic credit is earned. (Eff. 2/3/77, Reg. 61; am 12/7/80, Reg. 76; am 7/9/82, Reg. 83; am 11/19/83, Reg. 88; am 6/12/85, Reg. 94)

Authority: AS 14.43.105

**CHAPTER 16.
EDUCATIONAL INCENTIVE GRANT
PROGRAM**

Section

- 10. Applicant eligibility
- 20. Applicant priority
- 30. Application procedure
- 40. Disbursement of grant awards
- 50. Appeals
- 100. Definitions

20 AAC 16.010. APPLICANT ELIGIBILITY.
A student may apply for an educational incentive grant if he or she

(1) is enrolled, or is eligible for admission, as a full-time undergraduate in a degree program or comparable certificate program at an accredited postsecondary educational institution;

(2) if enrolled, is maintaining satisfactory progress in a course of study, according to the standards and practices of the institution in which he or she is enrolled;

(3) does not owe a refund on a grant previously received under the Basic Educational Opportunity Grant, Supplemental Educational Opportunity Grant, or the state educational incentive grant program for attendance at the institution in which he or she is (or intends to be) enrolled;

(4) is not in default on a loan made, insured, or guaranteed under the National Direct Student Loan Act or Guaranteed Student Loan Program for attendance at the institution in which he or she is (or intends to be) enrolled; and

(5) establishes substantial financial need. (Eff. 6/13/80, Reg. 74)

Authority: AS 14.43.405
AS 14.43.410
AS 14.43.415

20 AAC 16.020. APPLICANT PRIORITY.

(a) To the extent not inconsistent with applicable federal regulations, in selecting from among the eligible applicants those who will be awarded grants, priority will be given to those who

(1) are considered low-income applicants;

(2) are not in default on an Alaska scholarship loan awarded under the provisions of AS 14.43.090 - 14.43.160 and 20 AAC 15: and

(3) apply by the priority deadline.

(b) Distribution of funds among applicants who meet all criteria under (a) of this section will be made in order of greatest demonstrated financial need.

(c) Funds remaining after awards under (a) of this section have been made will be distributed to applicants who are not in default on an Alaska state scholarship loan and who applied by the priority deadline, based upon the degree of financial need.

(d) Distribution of funds remaining after awards under (c) of this section have been made will be made in the order of receipt of applications. (Eff. 6/13/80, Reg. 74)

Authority: AS 14.43.405
AS 14.43.415

20 AAC 16.030. APPLICATION PROCEDURE. (a) An Alaska resident attending, or planning to attend, an undergraduate program at either an in-state or out-of-state postsecondary institution, who wishes to apply for a state educational incentive grant shall

(1) obtain an SEIG Student Application Form and a current Financial Aid Form (FAF);

(2) complete and submit the FAF including the Basic Educational Opportunity Grant Program section;

(3) indicate on the FAF that the FAF needs analysis report should be sent to the commission (CSS code # 0276);

(4) complete the SEIG Student Application Form and forward it to the financial aid office of the institution to be attended for budget verification;

(5) mail the completed SEIG Student Application Form to the institution to be attended in time to allow institutional verification and forwarding to the commission by May 31 for priority processing; and

(6) submit the forms mentioned in this subsection each academic year for which a grant is requested.

(b) The commission

(1) will receive and evaluate the SEIG student application forms and FAF needs-analysis reports, verify student eligibility, and establish applicant priority;

(2) will determine and approve grant awards which meet all required criteria; and

(3) will issue grant-award warrants and send them to the student in care of the appropriate institutional office of financial aid. (Eff. 6/13/80, Reg. 74)

Authority: AS 14.43.405

20 AAC 16.040. DISBURSEMENT OF GRANT AWARDS. (a) The grant will be disbursed in equal installments, not to exceed \$750, with each installment issued for the school term the recipient will attend. Money will be disbursed upon a regular academic year schedule and will not include a summer session disbursement.

(b) A warrant for the appropriate amount of the grant disbursement and a record of disbursement and receipt form will be mailed to the recipient in care of the financial aid officer of the institution which the recipient is attending.

(c) The financial aid officer must certify on the record of disbursement and receipt form that the recipient is a full-time student in good standing at the institution before delivering the warrant to the recipient.

(d) The recipient must certify receipt of the warrant on the record of disbursement and receipt form at the time it is delivered to the recipient.

(e) The recipient is responsible for the return of the record of disbursement and receipt form to the commission. Failure to return a completed form will result in no further warrants being issued to the recipient. (Eff. 6/13/80, Reg. 74; am 12/13/84, Reg. 92)

Authority: AS 14.43.405

20 AAC 16.050. APPEALS. (a) A decision or other determination of the commission under this chapter may be appealed in writing to the executive secretary of the student financial aid committee, Alaska Commission on Post-secondary Education, Pouch F, Juneau, Alaska 99811. The appeal must be postmarked within 30 days after the date the decision or determination being appealed was mailed, must clearly state the objections to that decision or determination, and must set out justification for any alternate action sought.

(b) The executive secretary will acknowledge receipt of an appeal by certified mail, return receipt requested, within 30 days. The executive secretary will render his or her decision, in writing, as expeditiously as possible after receipt of the appeal and send it to the appellant by certified mail, return receipt requested.

(c) At the appellant's request, the executive secretary will afford the appellant or designated representative the opportunity to present his or her appeal in person to the executive secretary.

(d) A decision of the executive secretary may be appealed to the student financial aid committee. The appeal must be made within 30 days after the receipt of the executive secretary's decision, must clearly state the objections to that decision, and must set out justification for any alternative action sought.

(e) The chairman of the committee will place an appeal on the agenda for the committee's next regular meeting and notify the appellant of the time and location of the meeting and his or her right to present his or her appeal in person, through a representative, or in writing to the committee at that time.

(f) The committee's decision on an appeal is final. (Eff. 6/13/80, Reg. 74)

Authority: AS 14.43.405

20 AAC 16.100. DEFINITIONS. As used in AS 14.43.400 - 14.43.500 and this chapter, unless the context requires otherwise

(1) "accredited institution" means an institution accredited by a regional accrediting association for the region in which the institution is located, and approved by the commission;

(2) "Basic Educational Opportunity Grant Program" or "BEOG" means the federal Basic Educational Opportunity Grant Program provided for in Subpart 1, Part A of Title IV of the Higher Education Act of 1965, P. L. 89-329;

(3) "commission" means the Alaska Commission on Postsecondary Education;

(4) "executive secretary" means the executive director of the commission;

(5) "expected family contribution" means the sum of amounts which reasonably may be expected from the student and the student's spouse to meet the student's cost of education and, when relevant, the amount which reasonably may be expected to be made available to the student by the student's parents for this purpose as determined by the College Scholarship Service needs-analysis system;

(6) "Guaranteed Student Loan Program" means the Guaranteed Student Loan Program provided for in Part B of Title IV of the Higher Education Act of 1965, P. L. 89-329;

(7) "low income" means a demonstrated financial need of \$1500 or greater;

(8) "National Direct Student Loan Act" means the National Direct Student Loan Act provided for in Part E of Title IV of the Higher Education Act of 1965, P. L. 89-329;

(9) "substantial financial need" means

(A) the student's expected family contribution to the educational costs of the student is \$2,800 a year or less; or

(B) the student's, or when relevant, the student's parent's net income is \$20,000 a year or less; or

(C) the difference between the student's cost of education is at least \$90 greater than the student's expected family contribution;

(10) "Supplemental Education Opportunity Grant Program" means the Supplemental Education Opportunity Grant Program provided for in Subpart 2, Part A of Title IV of the Higher Education Act of 1965, P. L. 89-329; and

(11) "undergraduate" means a student pursuing a course of study for which the degree or certificate will be the first such degree or certificate for the student, and

(A) a bachelor's degree is awarded; or

(B) an associate degree or comparable certificate is awarded. (Eff. 6/13/80, Reg. 74)
Authority: AS 14.43.405

ALASKA STUDENT LOAN

Background and Discussion Materials

Jan '86

January 1986

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
LEGISLATIVE HISTORY	2
PROGRAM DESCRIPTION	3
PURPOSE	3
TERMS	3
FORGIVENESS	3
REPAYMENT SCHEDULE	4
TABLE 1: STUDENT FINANCIAL AID ADMINISTRATION STATE STUDENT LOAN ACTIVITY, Projected to 1990-91	5
1985-86 LOANS	6
PROGRAM STATUS (January 24, 1986)	6
AVAILABLE FUNDS	6
IN-STATE/OUT-OF-STATE ATTENDANCE BY LEVEL	6
PERCENT IN-STATE PREVIOUS YEARS	6
ATTENDANCE PATTERNS	7
FIGURE 1: GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1984-85	8
FIGURE 2: GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR GRADUATE EDUCATION IN 1984-85	9
TABLE 2: DISTRIBUTION OF ALASKA STATE STUDENT LOANS FOR STUDENTS ATTENDING IN ALASKA, (1985-86 Loans as of November 15, 1985)	10
TABLE 3: INSTITUTIONS AT WHICH AT LEAST FIFTY ALASKA STUDENT LOAN BORROWERS ATTENDED (1985-86 Loans as of November 15, 1985)	12
ALTERNATIVES FOR AMENDING THE PROGRAM	14
COMMISSION STATEMENT ON STUDENT LOANS	21
APPENDICES	22
TABLE 4: STUDENT FINANCIAL AID ADMINISTRATION, Personnel Summary, Projected to 1988-89	23
TABLE 5: STUDENT FINANCIAL AID ADMINISTRATION COST OF ADMINISTRATION	24
TABLE 6: ALASKA STUDENT LOAN BORROWING PATTERN CUMULATIVE-- BY MONTH	25

INTRODUCTION

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a postsecondary level. The program has grown from serving just over 1,000 Alaskans in 1971-72, to the current 1985-86 level of serving over 16,000 Alaskans. The true impact of this program is considerable, that is, the financial assistance, not only to the individual, but to the individual's family; the expanded educational opportunities afforded the citizens of the state; the societal benefits of having a more highly trained and educated citizenry; and the benefits to the state and the local communities of having educational institutions and resources available to meet current and future demands. All of these are related, either directly or indirectly, to the availability of student loans. Alaska has chosen to invest in the education of its people. Through these loans, which are in large part repayable to the state, Alaska has committed itself to providing opportunities and access to all those residents seeking postsecondary education. The value of this commitment is undeniable, but the program has now expanded to the point of placing a significant annual demand upon the state treasury and creating the need for greatly increased state staff'ng.

In the academic loan years of 1983-84, 1984-85, and again this year, 1985-86, loan demand has outstripped available funds, and thousands of applicants have been turned away. The state is rapidly approaching the time when some difficult decisions must be made concerning the future of the student loan program. For the first time, borrowers in 1986-87 must contribute at least \$500 from a non-state-loan source toward their eligible loan expenses. This alone will not solve the demand/availability problem, but it is an indication of the types of changes and alternatives which must be explored if the program is to be preserved for future Alaskan students.

LEGISLATIVE HISTORY

The current student loan program was created by the 1971 Alaska State Legislature, however, it was based upon a program which originated in 1968. The 1968 Alaska State Legislature established a program of Scholarship Loans (Senate Bill 378). These loans were for undergraduate students studying in Alaska at an accredited institution. The student could borrow up to \$500 per year for up to four years. The loans were non-interest-bearing and could be used only to meet the costs of books, tuition, and required fees (excluding room and board). If the student lived in Alaska after ceasing study, the loans were forgiven at a rate of \$500 of loan indebtedness for each six months spent in Alaska.

This program was amended by the 1970 Alaska State Legislature after a good deal of debate (based upon the bill number for the adopted legislation - FCCS SCS CSHB599). Loans now were for up to \$750; could be used at any accredited college or university, could be used for books, tuition, room and board, and required fees; and were eligible for forgiveness at a rate of \$750 of loan indebtedness for each full year spent in Alaska. The loans were still restricted to undergraduate students and were still non-interest-bearing.

In 1971, the Alaska State Legislature once again looked at student loans and passed CSHB415 (Finance) am S. This bill created the true framework for the present student loan program. Under the 1971 program, student loans could be obtained for undergraduate study, graduate study, and career education programs. Undergraduate students and career education students could borrow up to \$2,500 per year and graduate students could borrow up to \$5,000 per year. Students could borrow for up to six years of study. Loans were to bear interest at a rate of 5 percent and could be used for books, tuition, room and board, and required fees. Forgiveness was limited to 40 percent of the total borrowed (plus interest), and was accrued in 10 percent increments for each year of employment in Alaska after the grace year.

The loan program experienced minor amendments on a number of occasions, but remained relatively unchanged until the 1976 Alaska State Legislative Session. During that session, FCCSSB70 passed. Under this bill, the undergraduate and career education borrowing maximum was raised to \$3,000 per year, but the \$5,000 per year maximum for graduate students was maintained.

Subsequently legislatures continued to make relatively minor adjustments to the program, and then in 1981, the last major change occurred. The 1981 Legislature passed FCCSSB120, which raised the borrowing maximums to \$6,000 per year for undergraduate and career education students and to \$7,000 per year for graduate students. The bill also raised the amount of loan forgiveness up to 50 percent of the total borrowed (including interest), and provided that this forgiveness be accrued in 10 percent increments for each year of residence in Alaska after the grace year. Loans under this program could be obtained for up to five years for either undergraduate or graduate study or up to eight years of combined study. This is the program currently being administered by the state.

PROGRAM DESCRIPTION

PURPOSES

1. To provide Alaskans with access to postsecondary educational resources through low-interest loans to students.
2. To encourage an educated citizenry through initial access to education and training and through inducements to utilize that education and training in Alaska.

TERMS

1. Undergraduates and vocational students may borrow up to \$6,000 per year of full-time study.
2. Graduate students may borrow up to \$7,000 per year of full-time study.
3. Students may borrow for up to 5 years of undergraduate study, or up to 5 years of graduate study, but for not more than 8 years combined.
4. A student must be a two-year Alaska resident to borrow and must maintain full-time study in good standing to continue borrowing Alaska student loans.
5. Loans may be used for attendance at any approved institution.
6. Proceeds from loans may only be used for the costs of tuition and fees, room and board, and books and supplies.
7. Loan repayment begins one year after the student ceases to be a full-time student (except for approved periods of deferment).
8. Repayment is over a 10-year period with provision for extending to 15 years if necessary.
9. Interest charged on the loans is 5%.
10. No loan will exceed the cost of tuition and fees, room and board, and books and supplies less \$500, or the loan maximums, whichever is lower.

FORGIVENESS

If, upon completion of the program of study for which the loan was granted, the borrower resides in Alaska, a portion of the loan, plus interest, shall be forgiven by the State. That portion, for up to a total of 50%, shall accrue as follows:

1. 2-3 years residence in the state, 10%
2. 3-4 years residence in the state, an additional 10%
3. 4-5 years residence in the state, an additional 10%
4. 5-6 years residence in the state, an additional 10%
5. Over 6 years residence in the state, a final 10%.

This residence must be continuous and must begin within one year of completion of program.

REPAYMENT SCHEDULE

IF YOUR STUDENT LOANS TOTAL:	YOUR MONTHLY PAYMENT FOR 120 MONTHS (10 YRS.) WOULD BE:	TOTAL TO BE REPAYED:		
		5% Interest	Principal	Total
\$1,000.00	\$ 10.61	\$ 273.20	\$1,000.00	\$ 1,273.20
2,000.00	21.21	545.20	2,000.00	2,545.20
3,000.00	31.83	818.40	3,000.00	3,818.40
4,000.00	42.43	1,091.60	4,000.00	5,091.60
5,000.00	53.06	1,363.60	5,000.00	6,363.60
6,000.00	63.64	1,636.80	6,000.00	7,636.80
7,000.00	74.25	1,910.00	7,000.00	8,910.00
8,000.00	84.95	2,182.00	8,000.00	10,182.00
9,000.00	95.46	2,455.20	9,000.00	11,455.20
10,000.00	106.07	2,728.40	10,000.00	12,728.40
15,000.00	159.10	4,092.00	15,000.00	19,092.00
20,000.00	212.13	5,455.60	20,000.00	25,455.60
25,000.00	265.16	6,819.20	25,000.00	31,819.20
30,000.00	318.20	8,184.00	30,000.00	38,184.00
35,000.00	371.23	9,547.60	35,000.00	44,547.60
40,000.00	424.26	10,911.20	40,000.00	50,911.20
45,000.00	477.29	12,274.80	45,000.00	57,274.80
50,000.00	530.33	13,639.60	50,000.00	63,639.60

TABLE 1
STUDENT FINANCIAL AID ADMINISTRATION
STATE STUDENT LOAN ACTIVITY
Projected to 1990-91

Year	Loan Awards	% Change	Loan Volume	% Change	Average Loan	Loan Collections	General Fund	Loan Forgiveness	Repayment* Accounts	Default** Rate
1971-72	1,081	--	\$ 1,603,158	--	\$1,483	\$ -0-	\$ 1,500,000	\$ -0-	\$ -0-	N.A.
1972-73	1,748	61.8	2,870,384	79.0	1,642	-0-	2,952,900	-0-	-0-	N.A.
1973-74	1,665	(5.0)	2,986,176	4.0	1,793	-0-	2,952,900	-0-	-0-	N.A.
1974-75	1,457	(12.5)	2,659,807	(10.9)	1,826	235,476	3,105,600	703	1,626	80.0
1975-76	1,719	18.0	3,382,997	27.2	1,968	465,530	3,791,500	44,233	2,153	44.6
1976-77	1,921	11.8	3,850,507	13.8	2,004	1,141,461	3,550,900	64,746	2,775	24.9
1977-78	2,265	17.9	4,604,167	19.6	2,033	1,191,851	2,006,100	314,306	3,470	22.3
1978-79	2,795	23.4	6,416,402	39.4	2,296	1,311,643	3,600,000	445,985	4,289	19.3
1979-80	3,918	40.2	9,373,949	46.1	2,393	1,603,436	8,130,000	409,501	5,301	14.5
1980-81	6,460	64.9	15,957,717	70.2	2,475	2,225,388	12,821,127	555,494	7,196	11.2
1981-82	9,898	70.3	40,559,499	154.2	4,098	2,779,900	37,701,000	785,769	10,683	9.2
1982-83	13,058	31.9	55,007,395	35.6	4,213	4,609,051	52,000,000	(846,028)	15,669	9.1
1983-84	14,785	13.2	62,912,316	14.4	4,255	6,410,124	60,000,000	1,171,239	21,771	13.5
1984-85	17,173	16.2	75,075,883	19.3	4,372	9,572,795	60,000,000	1,664,612	27,886	12.4
1985-86*	16,130*	(6.1)	80,675,498*	7.5	5,002*	6,867,737*	63,600,000	1,190,263*	36,341*	14.3*
<u>Projections</u>										
1986-87	18,431	N.A.	81,557,175	N.A.	4,425	15,985,103	63,572,072	2,839,506	46,280	
1987-88	18,950	2.8	86,222,500	5.7	4,550	19,352,145	64,870,355	3,421,624	55,123	
1988-89	19,325	1.5	90,441,000	5.0	4,680	22,762,094	65,678,906	4,011,160	63,380	
1989-90	21,493	11.7	103,381,330	14.3	4,810	26,189,108	75,192,222	4,603,646	72,557	
1990-91	23,373	8.7	115,696,350	11.9	4,950	30,104,760	83,591,590	5,280,612	82,765	

*Repayment account totals and default rate are for June 30 of each year. All 1985-86 data are as of January 24, 1986.

1985-86 ALASKA STUDENT LOANS

PROGRAM STATUS (January 24, 1986)

<u>Student Level</u>	<u>Number</u>	<u>Amount</u>	<u>Average Loan</u>
Freshman	4,325	\$20,819,066	\$4,814
Sophomore	3,009	14,629,396	4,862
Junior	2,275	11,282,137	4,959
Senior	2,252	10,818,533	4,804
Vocational	<u>3,019</u>	<u>15,696,602</u>	<u>5,199</u>
Undergraduate	14,880	\$73,245,734	\$4,922
Graduate	<u>1,250</u>	<u>7,429,764</u>	<u>5,944</u>
TOTAL	16,130	\$80,675,498	\$5,022

AVAILABLE FUNDS

FY86 Appropriation	\$63,600,000	
FY85 Carry-forward	3,352,877	
Federal Receipts (GSL)	<u>225,000</u>	
	\$67,177,877	Sub-total
Estimated Receipts	<u>11,879,790</u>	
	\$79,057,667	Total
Vocational Set-Aside	\$15,811,533	
Collegiate	\$63,246,134	

IN-STATE/OUT-OF-STATE ATTENDANCE BY LEVEL (January 24, 1986)

<u>Student Level</u>	<u>Alaska</u>	<u>%</u>	<u>Out-of-State</u>	<u>%</u>
Freshman	2,250	52.0	2,075	48.0
Sophomore	1,459	48.5	1,550	51.5
Junior	1,027	45.1	1,248	54.9
Senior	1,000	44.4	1,252	55.6
Vocational	2,285	75.7	734	24.3
Undergraduate	8,021	53.9	6,859	46.1
Graduate	252	20.2	998	79.8
TOTAL	8,273	51.3	7,857	48.7

PERCENT IN-STATE PREVIOUS YEARS

<u>Year</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>All Loans</u>
1978-79	35.1	12.0	32.3
1979-80	36.1	12.3	33.3
1980-81	45.3	17.9	42.3
1981-82	47.3	23.8	45.0
1982-83	53.1	23.4	50.4
1983-84	53.3	21.9	50.5
1984-85	56.7	21.7	54.0
1985-86 (1-24-86)	53.9	20.2	51.3

ATTENDANCE PATTERNS

For a number of years there has been a pattern of increased attendance in Alaska. However, the out-of-state attendance has been surprisingly consistent. As can be seen in Figures 1 and 2, and Tables 2 and 3, there is a very heavy dominance of attendance in the West. After Alaska, the top five states of preference have consistently been Washington, Oregon, California, Arizona, and Colorado.

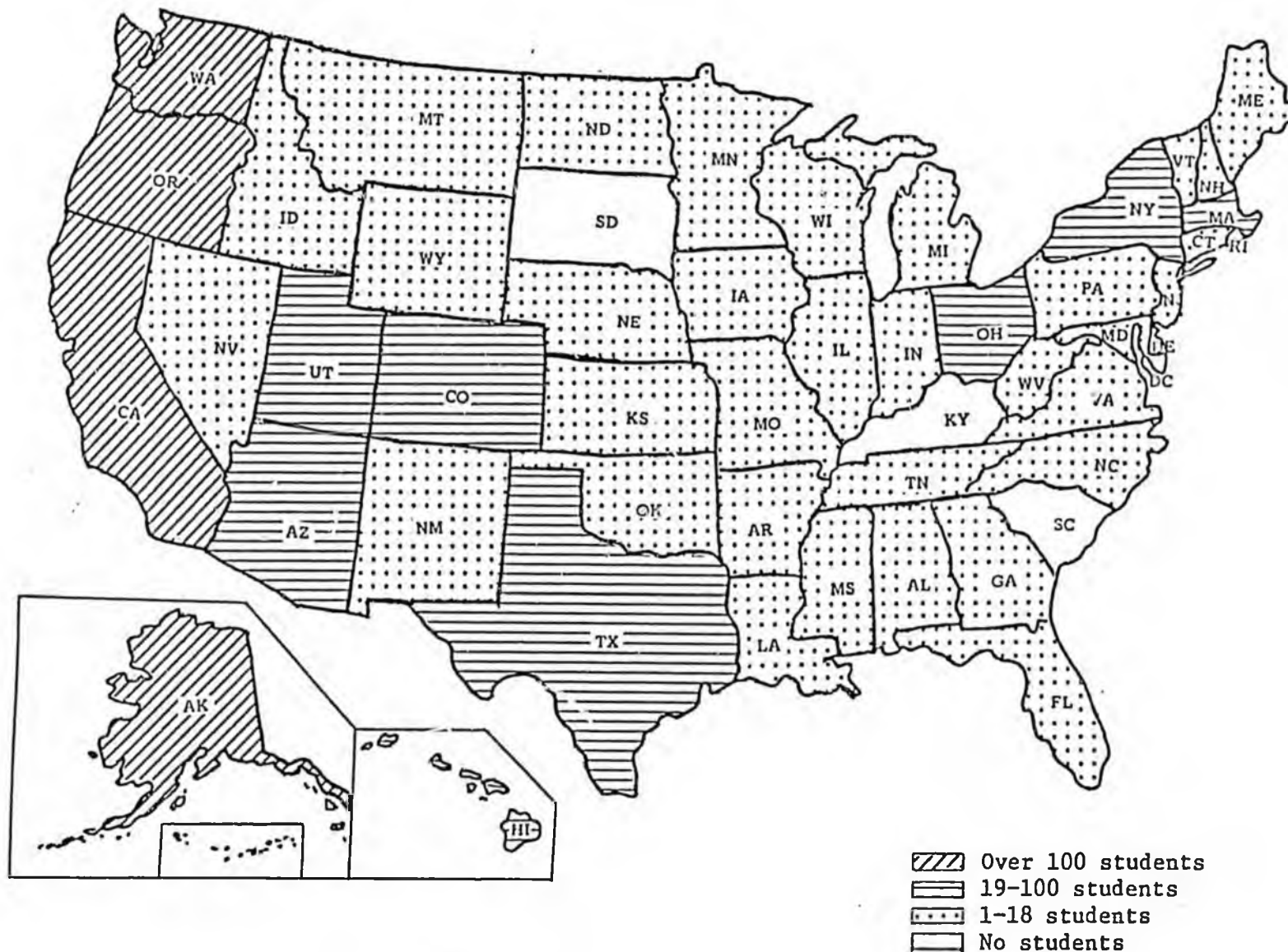


FIGURE 2
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING
STATE LOANS FOR GRADUATE EDUCATION IN 1984-85

TABLE 2
 DISTRIBUTION OF ALASKA STATE LOANS
 FOR STUDENTS ATTENDING IN ALASKA
 (1985-86 Loans as of November 15, 1985)

Institution	1985-86	
	No.	Amount
University of Alaska, Fairbanks	1,884	\$ 8,158,300
University of Alaska, Anchorage	1,504	7,193,575
Anchorage Community College	1,206	5,889,910
University of Alaska, Juneau	303	1,508,525
Kenai Peninsula Community College	271	1,365,525
Alaska Pacific University	234	1,220,575
Alaska Masonry School	233	1,274,500
Alaska Computer Institute of Technology	201	1,113,895
Bookkeeping Concepts	160	836,375
Alaska Technical Institute	155	811,310
Matanuska-Susitna Community College	153	783,400
Alaska Vocational-Technical Center	125	395,490
Tanana Valley Community College	120	636,250
The Travel Academy	104	493,650
Sheldon Jackson College	96	482,900
Alaska Business College	92	527,700
Alaska Vocational School	80	372,200
Testing Institute of Alaska	73	413,650
Clerical Skills Training	65	342,000
Ketchikan Community College	54	269,750
New Anchorage Beauty School	47	258,250
Alaska Travel Institute	43	177,500
Air Cushion Guides, Inc.	41	225,225
North Pacific Business Institute	39	220,300
Trend Setters School of Beauty	38	220,490
Charter College	36	201,200
Aviation Network	36	170,700
Prince William Sound Community College	35	183,900
Hutchison Career Center	35	152,250
Wilburs Flight Operation	32	174,400
Academy of Hair Design	32	167,500
Aviation North	31	169,890
Aero Tech Flight School	28	160,700
Elmendorf Aero Club	28	151,750
Kuskokwim Community College	28	119,850
Victorian Academy of Cosmetology and Barbering	26	174,400
Islands Community College	26	124,550
Kodiak Community College	25	123,650
Kotzebue Technical Center	24	111,600
People Count, Inc.	23	107,000
Fort Wainwright Flying Club	21	116,800
New Concepts Beauty School	21	114,950
High Tech Helicopters	21	112,265
Anchorage Alaska School of Barbering	20	115,675

TABLE 2
(Continued)

Institution	1985-86	
	No.	Amount
Delta Greely Rural Educational Center	20	\$ 80,200
World Security Police Academy	18	71,650
Alaska Air Academy	17	102,000
Alaska Flying Nook	17	97,000
St. Herman's Theological Seminary	17	71,150
Alaska School of Professional Floral Design	17	36,750
Scruples II, Action School of Broadcasting	15	70,350
American Pacific Aviation	14	75,000
Headquarters Barber & Beauty Academy	14	74,650
Fort Richardson Flying Club	13	72,000
Mat-Su Bush Flying	13	62,075
Vernair	12	66,250
Larry's Flying Service	11	63,000
Peninsula Hair Styling Academy	10	43,800
A.I.R. Center	9	53,700
Peninsula Institute of Welding Technology	8	46,950
Chapman College	6	29,550
Alaska Bible College	6	26,200
Fairbanks Beauty School	5	27,600
Action Helicopter	5	27,000
University of LaVerne	5	25,500
Amicus Curiae School of Court Reporting	2	12,000
Chukchi Community College	2	8,500
Northwest Community College	2	7,950
University of Alaska, Rural Education	2	7,200
Satellite Technicians Applied Research and Development	1	6,000
Arctic Bible Institute	1	3,050
TOTAL	8,111	\$39,185,400

TABLE 3
 INSTITUTIONS AT WHICH AT LEAST FIFTY ALASKA
 STUDENT LOAN BORROWERS ATTENDED
 (1985-86 Loans as of November 15, 1985)

Institution	1985-86	
	No.	Amount
*University of Alaska, Fairbanks	1,884	\$8,158,300
*University of Alaska, Anchorage	1,504	7,193,575
*Anchorage Community College	1,206	5,889,910
*University of Alaska, Juneau	303	1,508,525
*Kenai Peninsula Community College	271	1,365,525
University of Washington (WA)	270	1,553,535
*Alaska Pacific University	234	1,220,575
*Alaska Masonry School	233	1,274,500
University of Oregon (OR)	221	1,187,300
Oregon State University (OR)	215	1,157,875
*Alaska Computer Institute of Technology	201	1,113,895
Arizona State University (AZ)	171	926,400
Northern Arizona University (AZ)	171	899,775
Washington State University (WA)	160	897,800
*Bookkeeping Concepts	160	836,375
Western Washington University (WA)	159	843,075
*Alaska Technical Institute	155	811,310
*Matanuska-Susitna Community College	153	783,400
Brigham Young University (UT)	143	545,500
*Alaska Vocational-Technical Center	125	395,490
*Tanana Valley Community College	120	636,250
University of Puget Sound (WA)	113	689,550
*The Travel Academy	104	493,650
Central Washington University (WA)	102	547,400
DeVry Institute of Technology (AZ)	101	567,425
University of Arizona (AZ)	98	519,550
*Sheldon Jackson College	96	482,900
*Alaska Business College	92	527,700
Willamette University (OR)	91	539,100
University of Idaho (ID)	82	432,950
Southern Oregon State College (OR)	81	460,400
*Alaska Vocational School	80	372,200
Montana State University (MT)	79	406,850
Gonzaga University (WA)	77	461,150
*Testing Institute of Alaska	73	413,650
University of Montana (MT)	71	335,100
Seattle University (WA)	68	381,000

*Alaskan Schools

TABLE 3
(Continued)

Institution	1985-86	
	No.	Amount
Denver Automotive & Diesel College (CO)	67	386,800
*Clerical Skills Training	65	342,000
University of Colorado, Boulder (CO)	63	346,450
Eastern Washington University (WA)	61	335,550
University of Hawaii, Manoa (HI)	59	293,500
Lewis and Clark College (OR)	59	215,000
Stanford University (CA)	58	345,550
Pacific Lutheran University (WA)	57	312,000
Seattle Pacific University (WA)	54	310,250
Colorado State University (CO)	54	308,950
*Ketchikan Community College	54	269,750
West Coast Training Services (OR)	52	216,300

*Alaskan School

ALTERNATIVES FOR AMENDING THE ALASKA STUDENT LOAN PROGRAM

The Alaska Commission on Postsecondary Education, faced with denying loans to thousands of Alaskans, has explored a great number of changes in the loan program. During the past year, seventeen such alternatives have been examined. Two have now been adopted, three others have been targeted for further consideration, and the others have been discarded as being undesirable or unworkable. A short summary of those seventeen alternatives is presented here.

Alternatives adopted.

1. Require each borrower to contribute at least \$500 from a non-state-loan source toward eligible loan items. The Alaska Student Loan Program does not require a needs test or needs analysis in order to qualify for a loan, but a borrower must list eligible costs and indicate what resources are available to meet those costs. The loan amount will not exceed the difference between those two totals. The funding sources listed on the current application include:

SEIG, Pell Grant
Parents
Student Savings
Other Scholarships and Grants
WICHE
VA Benefits
Other

It is currently estimated that between 70-75 percent of all 1985-86 applicants list no resources available to meet the costs of tuition/fees, room/board, and books/supplies. Using this estimate, the \$500 requirement would result in a reduced program cost of around \$4.0 to \$4.3 million in 1985-86, or, could have the effect of funding an additional 1,500 students.

Commission Action. This requirement has now been adopted through regulation, 20 AAC 15.030(c), for all loans beginning with the 1986-87 borrowing year. The one problem with this alternative is that it almost solely effects University of Alaska students and vocational students.

2. Restrict loans to U.S. citizens or permanent alien residents. In order to be eligible to apply for an Alaska Student Loan, an individual must be a two-year Alaska resident, or be a dependent of a two-year Alaska resident. It is possible for a non-U.S. citizen to move to Alaska, wait two years, and qualify for a loan. In fact, the loan may even be obtained to study out-of-state or out-of-country.

The reduced program cost would be quite small, probably less than \$75,000 to \$100,000 per year.

Commission Action. Upon further investigation, the Department of Law determined that the residency requirement of AS 14.43.125 actually involves two tests. One, the applicant must be an Alaska resident, and two, the applicant must have been physically present in Alaska for two years. The first requirement of residency is further defined in AS 01.10.55 which states that to be a resident (among other things) a person must declare residency "with an intent to remain a resident." By the terms of a student visa, an individual may not make such a declaration. Therefore, we have ceased awarding loans to students attending school on a student visa.

Alternatives for further consideration.

3. Reduce the maximum loan available. The 1981 Legislature increased the undergraduate borrowing maximum from \$3,000 per year to \$6,000 per year, and the graduate maximum from \$5,000 to \$7,000 per year. The next year, the program experienced a 70 percent increase in borrowers and a 288 percent increase in loan funds requested. A great number of students who could not afford full-time schooling, now were enabled to attend, and program participation has remained high (with steady growth) since that time.

Reducing the borrowing maximum would directly affect the cost of the program. However, its impact on individual borrowers is far less certain. We do not know the balance between loan amount and denying access to the needy student.

Approximate reductions in program costs resulting from reducing the loan maximum are:

<u>Amount of Reduction</u>	<u>Reduced Cost</u>
\$ 250	\$1.2 million
\$ 500	\$2.5 million
\$1,000	\$6.2 million

Translating this into spreading available funds to more students, the reduced maximums could mean 285, 595, or 1,476 additional borrowers for the \$250, \$500, and \$1,000 reductions, respectively.

Commission Action. The Commission considered this action in concert with alternative one listed above. A regulatory change reducing the borrowing maximum by \$500 would, when combined with alternative one, treat all borrowers equally. However, this alternative was not adopted. There remains a good deal of question as to whether an agency should "undo" a legislatively-enacted statute with an administrative regulation.

4. Establish a two-tier loan program. The state could continue to emphasize loans as its principal means of providing student assistance, but it could offer two programs. The first could be available to all students in the same manner as the current program, except the borrowing

Maximum would be set at \$4,000. The second program would be need-based and available for up to \$3,000 in additional loan funds if the borrower could demonstrate (through a needs analysis mechanism) the need for the assistance.

It is felt that this approach, despite requiring additional staff, would result in reduced loan fund demand. A large majority of borrowers would not bother with the supplemental loan, since so few would qualify and since the needs analysis form is rather cumbersome. Estimated fund reduced demand would be about \$8.0 to \$10.0 million.

Commission Action. The absence of a needs test is one of the most popular aspects of the Alaska Student Loan Program. While remaining strongly opposed to a required needs test for all borrowers, the Commission feels this alternative may be a necessary compromise if demand continues to exceed available funds. This alternative would require statutory change.

5. Define institutional eligibility for student loan purposes as: (1) being accredited by a national or regional accreditation association recognized by the Council on Postsecondary Accreditation (COPA); or (2) having been approved for authorization to operate by the Alaska Commission on Postsecondary Education and having operated for two consecutive years prior to becoming eligible. Current regulations provide that a school is eligible to enroll students on Alaska Student Loans if the school is accredited or approved by the Commission. The two-year requirement is similar to that needed for federal VA benefit approval, or for certain accreditation minimums (AICS and NATTS). The largest impact of this change would be on vocational borrowers and vocational schools. If there were no "grandfather clause," a number of private Alaska vocational schools would become ineligible. Only one vocational school currently has COPA-recognized accreditation, and as many as 30 currently-authorized vocational schools have been in operation less than two years.

The resulting reduced program cost would be dependent upon whether or not existing schools were "grandfathered" in. If the Commission imposed a strict requirement of accreditation only, the reduced cost would be around \$13.0 million. If the Commission imposed accreditation and/or the two-year rule, with no "grandfather clause," the reduced cost would be around \$6.1 million, and if the "grandfather clause" were included, the reduction would be negligible.

Commission Action. Much of the consideration of this alternative centered on the issue of "grandfathering" existing schools. Since grandfathering resulted in such negligible savings, no further action was taken.

Alternatives opposed.

6. Raise the grade-point requirements for good standing. In order to receive a student loan, a borrower must be attending school full time and be in "good standing." Good standing is defined by the Commission (through regulations) as enrolling in and successfully completing the minimum full-time student requirement each term while maintaining a cumulative grade point average (GPA) of 2.0 for undergraduate and 3.0 for graduate students. Additionally, no single term GPA may fall below 1.5 or 2.5 for undergraduate or graduate students, respectively.

Two actions are available. The Commission could raise the single term minimums, or the Commission could raise the cumulative GPA minimums. Raising the single term minimum, to 1.8 and 2.8 or 2.0 and 3.0, would eliminate some borrowers since they would be declared ineligible. The largest impact would be on first term freshmen having difficulty adjusting to college.

Raising the cumulative GPA would have a profound effect across all student levels. It is estimated that raising the single term GPA could result in reduced program costs of \$250,000, while raising the cumulative GPA could result in reduced program costs of as much as \$25.0 to \$30.0 million.

Commission Action. The existing good-standing requirement meets the intent of the statute and is not unduly prohibitive or discriminatory. Raising the required grade point average would simply deny educational opportunity to too many persons. The Commission opposes this alternative.

7. Award out-of-state loans only if the program is unavailable in Alaska. This approach has been debated in the Legislature in the past, and the problems are many. Should the choice of students, who are incurring a debt, be restricted in what could be viewed as an attempt to increase in-state enrollments? Is the state willing to fund the cost of greatly increased enrollments? Who is to compare programs, i.e., is a Music Degree at a state school the same as at Juilliard, is engineering the same at a state school as it is at M.I.T., and so on?

However, depending upon how "unavailable" was defined, the resulting reduction in loan fund demand could be rather substantial. On the average, a student borrowing to attend in-state qualifies for a lower loan than one attending out-of-state. Added to this is the hypothesis that at least some students would attend out-of-state even if the loan program were unavailable. This savings would be offset somewhat by the increased cost of providing the education in-state, so a sound fiscal impact is difficult to predict.

Commission Action. The Commission is opposed to creating a financial barrier to student choice. This alternative is opposed.

8. Restrict loans to collegiate borrowers. The loan program was originally established to assist collegiate students. Vocational borrowers were included in 1971. If all students cannot be accommodated, the college community should be served first. Eliminating the vocational borrowers would reduce the loan fund requirement by around \$15 million.

Arguments against this alternative would be that quite often the students in this classification are those most needing assistance. These students normally borrow much less than college students, since their programs are much shorter in duration, and the heavy representation of these students attend in Alaska also argues against such an alternative.

Commission Action. The Commission opposed this alternative and can find no sound basis for its support.

9. Eliminate the graduate student borrowing differential. The borrowing maximum for graduate borrowers could be reduced to the same level as undergraduate borrowers. Graduate students tend to be older more established students, and hence, may be better able to absorb a portion of the cost of college attendance. Quite often the credit hour cost is exactly the same for graduate and undergraduate students, and graduate students enroll in fewer hours per term. The reduced loan demand resulting from this alternative would be around \$500,000 per year.

Commission Action. As with alternative 3, such an action by the Commission could be viewed as circumventing the statutes adopted by the legislature. Secondly, the savings may not warrant singling out this group to impact. The Commission opposes this alternative.

10. Restrict loans to vocational borrowers and collegiate borrowers above the freshman level. Freshmen borrowers are among the worst credit risks, since quite often they do not complete their programs of study and are less likely to feel compelled to repay the state for benefits received. Eliminating freshmen borrowers would reduce the loan fund demand by nearly \$20 million.

Arguments against this alternative include that it works against educational opportunities and access and in many ways penalizes those individuals, who need assistance most.

Commission Action. The Commission views this alternative as undesirable and opposes it.

11. Eliminate forgiveness. If a borrower resides in Alaska after completion of the program study for which a loan was obtained, up to 50 percent of the loan may be forgiven. This forgiveness (partial cancellation) is earned at a rate of 10 percent per year of residence after entering repayment. This alternative would result in saving a great deal of money eventually. The only impact on the funding level for

the first few years would be the possible change in borrowing patterns. It could be that persons would not borrow as much if they did not anticipate only having to pay back half.

Commission Action. The Commission supports maintaining the forgiveness provisions and opposes this alternative.

12. Raise the interest rate charged on loans. The current interest rate on Alaska Student Loans is 5 percent. Federal Guaranteed Student Loans (GSL) currently have an interest rate of 8 percent. An interest rate of 5 percent, combined with the absence of a needs test, provides no disincentive for borrowing as much as one can possibly borrow. A higher interest rate produces more income in four or five years and could result in some borrowers borrowing less.

Commission Action. The Commission, in adopting alternative one, attempted to provide some immediate ease to the demand for additional loan funds. Raising interest does not impact the program for years, and while the Commission opposes raising interest at this time. If interest rates are changed on all subsidized loan programs, an adjustment may be appropriate for student loans as well.

13. Restrict loans to study in the United States. Loans may currently be used at any approved postsecondary educational institution. In 1984-85, 76 students borrowed to study in eighteen foreign countries. The loan program could be restricted for use in the United States.

The reduced program cost of this alternative is quite small, since it is believed that a number of students would not study abroad without the assistance of the loan program. The net result would be around \$300,000.

Commission Action. As with alternative nine, the Commission felt the savings to be questionable justification for singling out this group of borrowers. The alternative is opposed.

14. Require a needs test and award loans based upon demonstrated need. If there is not enough money to fund all persons wishing to borrow, then those who can demonstrate the most need should receive support. The state could require all loan applicants to submit a needs analysis form (similar to the CSS Financial Aid Form). The applicant would obtain the form, complete it, and mail it and a processing fee to a regional processing center (probably California). The center would provide the results to the applicant and to the Commission.

Since the regional processing would produce a federally-defined need level, it would be necessary for the Commission to use the raw data and re-calculate need based upon an Alaskan definition. All persons meeting the need criteria would be eligible for funding, and all others would be denied.

Critics of this approach cite philosophical differences of relying upon parental income, home equity, etc., as factors in computing need. Others refer to the increased requirement for staff at the state level and the increased processing time.

A substantial amount of program costs could be reduced--even with the increased administration costs--depending upon how restrictive the definition of need is made.

Commission Action. The Commission opposes this alternative and any general comprehensive needs requirement. Alternative four is believed to be much more desirable.

15. Eliminate the interest subsidy during the grace year. Interest could be charged during the 12-month grace period and added to the total indebtedness when the student enters repayment. Over a number of years, this would produce quite a bit of program income, but not much in the short term.

Commission Action. The Commission opposes this alternative since it simply places an added financial burden to the borrower at a time when unemployment is quite likely.

16. Reduce the grace period to six or nine months. The grace period is currently twelve months, and has been since the program began. By reducing the grace period, borrowers enter repayment earlier and the cash flow of the program is greatly altered. The net effect is zero, since receipts in later months are forgone for receipts in earlier months.

The federal GSL program, after moving from a twelve-month grace period to a six-month grace period, is now moving back up to a nine-month grace period. The reason for this reversal in Congress was given as the shortened grace period resulted in increased loan defaults, and with the government guaranteeing the loans, the result was a loss.

Commission Action. The Commission opposes this alternative and cannot endorse repeating the mistake of the federal program.

17. Increase full-time definition to 15 credit hours for undergraduate students. This would reduce demand greatly, since it would eliminate a large number of borrowers. The students would be forced to carry a heavier load and many would not meet good standing. It is estimated that this change could reduce fund demand by around \$5 million.

Commission Action. The Commission opposes this alternative since it feels it could unduly impact first-time freshman borrowers, particularly those from rural Alaska.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ADOPTED STATEMENT ON THE
ALASKA STUDENT LOAN
PROGRAM

The State of Alaska can make no better commitment of resources than investing in the education of its citizens. Direct support of Alaska's public elementary, secondary, and postsecondary school systems is vital to the state's continued growth and development. It is in the best interest of the state to provide access to these educational resources for the citizens of Alaska.

The best method of assuring access and opportunity is through the direct provision of educational services, but this is not always practical or possible, particularly at the postsecondary level. Therefore, the most effective and efficient method of attaining these goals of access and opportunity is through a system of low interest loans which allow the students to choose the educational setting most appropriate for their particular needs.

The Commission endorses and recommends the continuation and full-funding of the Alaska State Student Loan Program. Amendments which restrict access by denying loans to groups of Alaskans, either by design or by default, are vigorously opposed.

APPENDICES

TABLE 4
STUDENT FINANCIAL AID ADMINISTRATION
Personnel Summary
Projected to 1988-89

Year	Loan Awards	Awards Staff	Awards/Staff	Accounts In Repayment*	Repayment/Staff	Repayment Clerks	Accounts/ Clerk	Records Staff	Accounting/ Support	Total Staff	
										Full-Time	Seasonal
1971-72	1,081	2.0	540.5	0	0	0	N.A.	0	0	2.0	0
1972-73	1,748	3.0	582.7	0	0	0	N.A.	0	0	3.0	0
1973-74	1,665	3.0	555.0	0	0	0	N.A.	0	0	3.0	1.0
1974-75	1,457	3.0	485.7	1,626	2.0	1.0	1,626.0	0	0	5.0	1.0
1975-76	1,719	3.0	573.0	2,153	4.0	2.0	1,076.5	0	0	7.0	2.0
1976-77	1,921	3.0	640.3	2,775	4.0	2.0	1,387.5	0	0	7.0	2.0
1977-78	2,265	3.0	755.0	3,470	5.0	3.0	1,156.7	0	1.0	9.0	4.0
1978-79	2,795	4.0	698.8	4,289	7.0	4.0	1,072.3	0	3.0	14.0	4.0
1979-80	3,918	4.0	979.5	5,301	9.0	6.0	883.5	0	5.0	18.0	0
1980-81	6,460	6.0	1,076.7	7,196	9.0	6.0	1,199.3	0	5.0	20.0	4.0
1981-82	9,898	7.0	1,414.0	10,683	10.0	6.0	1,780.5	1.0	6.0	24.0	5.0
1982-83	13,058	13.0	1,004.5	15,669	16.0	11.0	1,424.4	6.0	13.0	48.0	8.0
1983-84	14,785	13.0	1,137.3	21,771	14.0	11.0	1,979.2	6.0	13.0	46.0	8.0
1984-85	17,173	14.0	1,226.6	27,886	15.0	11.0	2,535.1	6.0	13.0	48.0	9.0
1985-86*	16,130*	15.0	1,075.3*	36,341*	15.0	11.0	3,303.7*	6.0	13.0	49.0	6.5
<u>Projections</u>											
1986-87	18,431	15.0	1,228.7	46,280	15.0	11.0	4,207.3	6.0	13.0	49.0	6.5
1987-88	18,950	15.0	1,263.3	55,123	19.0	15.0	3,674.9	7.0	15.0	56.0	8.0
1988-89	19,325	15.0	1,288.3	63,380	22.0	18.0	3,521.1	8.0	16.0	61.0	9.0
1989-90	21,493	16.0	1,343.3	72,557	24.0	20.0	3,627.9	9.0	17.0	66.0	9.0
1990-91	23,373	17.0	1,374.9	82,765	27.0	23.0	3,598.5	10.0	17.0	71.0	10.0

*Repayment account totals are for June 30 of each year. All 1985-86 data are as of 1/24/86.

Note: At 242 work days (normal work year minus holidays and two weeks annual leave - no sick leave, in 1985-86, each repayment clerk will be able to devote about 33 minutes per year per account.

TABLE 5
STUDENT FINANCIAL AID ADMINISTRATION
COST OF ADMINISTRATION

Year	100 Pers. Svcs.	200 Travel	300 Contractual	400 Commodities	500 Equipment	Total	Full-Time Staff	Part-Time Staff
1971-72	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.0	-0-
1972-73	\$ 45.9	\$ 3.5	\$ 23.0	\$ 1.8	\$ 2.4	\$ 76.6	3.0	-0-
1973-74	58.1	3.9	23.8	2.3	.3	88.4	3.0	1.0
1974-75	94.6	3.1	35.9	1.4	5.5	140.5	5.0	1.0
1975-76	128.8	4.6	41.1	1.9	2.5	178.9	7.0	2.0
1976-77	165.9	6.7	71.6	4.7	.7	249.6	7.0	2.0
1977-78	261.5	3.1	60.3	5.1	5.9	335.9	9.0	4.0
1978-79	349.4	6.8	135.1	2.0	2.7	496.0	14.0	4.0
1979-80	386.1	6.6	181.0	3.1	1.2	578.0	18.0	-0-
1980-81	527.5	41.7	312.5	11.3	117.9	1,010.9	20.0	4.0
1981-82	835.4	11.8	438.5	17.1	80.8	1,383.6	24.0	5.0
182-83	1,454.6	9.3	845.8	39.5	78.7	2,427.9	48.0	8.0
1983-84	1,511.3	28.3	414.4	48.9	58.4	2,061.3	46.0	8.0
1984-85	1,665.7	7.1	322.4	48.9	26.9	2,071.0	48.0	9.0
1985-86*	1,732.0	7.0	341.1	58.6	-0-	2,138.7	49.0	6.5
1986-87*	1,732.0	5.3	411.4	58.6	-0-	2,207.3	49.0	6.5

*1985-86 figures are adjusted base, and 1986-87 are Governor's budget.

Cook
5/12/86

Failed - H Fin

Original sponsor: Ferguson

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 13 (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 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 appointed by the
25 governor consisting of four members of the Commission on Postsecondary
26 Education, each of whom is selected for the commission under AS 14.-
27 42.015(a)(1) - (2), (4) - (6) or (8), and one member of the commission
28 selected under AS 14.42.015(a)(3). Members of the board serve without
29 compensation but are entitled to per diem and travel expenses

1 authorized by law for boards and commissions.

2 (b) The board shall elect a chairman from among its membership
3 at its annual meeting each year. A majority of the members constitute
4 a quorum for organizing the board, conducting its business and
5 exercising the powers of the corporation.

6 Sec. 14.42.130. MEETINGS OF THE BOARD. (a) The board shall
7 meet at the call of its chairman and at other times as the board may
8 determine in accordance with its regulations.

9 (b) Public notice of a meeting of the board at which the issu-
10 ance of corporation bonds is authorized shall be provided at least 24
11 hours before the meeting.

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

15 Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall
16 manage the assets and business of the corporation and may adopt, amend
17 and repeal bylaws and regulations, in accordance with the Admin-
18 istrative Procedure Act (AS 44.62), governing the manner in which the
19 business of the corporation is conducted and the manner in which its
20 powers are exercised. The board shall delegate supervision of the
21 administration of the corporation to the executive ^{officer} of the
22 corporation.

23 Sec. 14.42.160. EXECUTIVE OFFICER. The executive officer of the
24 Commission on Postsecondary Education appointed under AS 14.42.040(a)
25 shall serve as executive officer of the corporation.

26 Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The executive officer
27 may hire employees of the corporation and, subject to the approval of
28 the board, engage professional and technical advisors under contract
29 with the corporation. The board may appoint other officers and engage

1 professional and technical advisors as independent contractors. The
2 board shall prescribe the duties and compensation of corporation
3 personnel, including the executive officer.

4 Sec. 14.42.190. BUDGET. The operating budget of the corporation
5 is subject to the Executive Budget Act (AS 37.07).

6 Sec. 14.42.200. GENERAL POWERS. In addition to other powers
7 granted in this chapter, the corporation may:

8 (1) sue and be sued in its own name;

9 (2) adopt an official seal;

10 (3) make and execute agreements, contracts and other in-
11 struments necessary or convenient in the exercise of the powers and
12 functions of the corporation, including contracts with any person or
13 governmental entity;

14 (4) receive, administer and comply with the conditions and
15 requirements respecting any appropriation or gift, grant or donation
16 of property or money;

17 (5) borrow money as provided in this chapter to carry out
18 and effectuate its corporate purposes and issue its obligations as
19 evidence of the borrowing;

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

25 (7) invest or reinvest, subject to its contracts with
26 noteholders and bondholders, money held by the corporation in obliga-
27 tions or other securities authorized for investments of the commis-
28 sioner of revenue under AS 37.10.070(a);

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

1 student loan the corporation has purchased;

2 (9) gather information on student loans available to resi-
3 dents of Alaska and disseminate the information to reasonably assure
4 that qualified students are aware of financial resources available to
5 those attending or desiring to attend institutions for which loans may
6 be made under AS 14.43.090 - 14.43.325 or 14.43.600 - 14.43.700;

7 (10) service student loans held by the corporation;

8 (11) purchase or participate in the purchase of student
9 loans;

10 (12) contract in advance for the purchase or sale of student
11 loans;

12 (13) sell or participate in the sale, either public or
13 private and on terms authorized by the board, of student loans to the
14 Student Loan Marketing Association or to other purchasers;

15 (14) collect and pay reasonable fees and charges in connec-
16 tion with the purchase, sale, and servicing of student loans;

17 (15) enter into agreements with the federal government,
18 including guaranty agreements and supplemental guaranty agreements as
19 described in the United States Higher Education Act of 1965, as neces-
20 sary to provide for the receipt by the corporation of administrative
21 allowances and other benefits available under the United States Higher
22 Education Act of 1965;

23 (16) administer federal money allotted to the state with
24 respect to insured student loans and related administrative costs and
25 other matters;

26 (17) consent to the modification of the rate of interest,
27 time of payment of an installment of principal or interest, or other
28 terms of a student loan purchased by the corporation;

29 (18) procure insurance against any loss in connection with

1 the operation of its programs;

2 (19) provide advisory services to borrowers and other parti-
3 cipants in the corporation's programs;

4 (20) do all acts and things necessary, convenient or desir-
5 able to carry out the powers expressly granted or necessarily implied
6 in AS 14.42.100 - 14.42.330.

7 Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund
8 is established in the corporation. The student loan fund is a trust
9 fund to be used to carry out the purposes of AS 14.42.100 - 14.42.330.
10 The student loan fund consists of money or assets appropriated or
11 transferred to the corporation and money or assets deposited in it by
12 the corporation.

13 (b) Money and other assets of the student loan fund may be used
14 to secure bonds of the corporation, invested in the types of invest-
15 ments the commissioner of revenue may make under AS 37.10.070(a), or
16 used to purchase loans approved under AS 14.43.090 - 14.43.325 or
17 14.43.600 - 14.43.700.

with a total value

18 (c) The corporation may not purchase student loans [^] in excess of
19 the total amount of ~~_____~~ ^{money awarded} the previous fiscal year ~~_____~~
20 ~~_____~~ under AS 14.43.090 - 14.43.325 and 14.43.600 - 14.43.700. ~~_____~~

21 ~~_____~~
22 ~~_____~~

23 Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (g)
24 of this section, the corporation may borrow money and may issue bonds,
25 on which the principal and interest are payable from its income and
26 receipts or other assets or a designated part or parts of them.

27 (b) Bonds may be authorized only by resolution of the board.
28 They shall be dated and may not mature more than 20 years after the
29 date of issue. Bonds shall bear interest at the rate or rates, be in

1 the denominations, be in the form, either coupon or registered, carry
2 the registration privileges, be executed in the manner, be payable in
3 the medium of payment, at the place or places, and be subject to the
4 terms of redemption as provided by the resolution or a subsequent
5 resolution.

6 (c) All bonds, regardless of form or character, are negotiable
7 instruments for all the purposes of the Uniform Commercial Code
8 (AS 45.01 - AS 45.09).

9 (d) All bonds may be sold at public or private sale in the
10 manner, for the price or prices, and at the time or times that the
11 board determines.

12 (e) Before issuance of any bonds, the board shall make provi-
13 sion, by agreement or otherwise, at least sufficient in the judgment
14 of the board to pay the principal of and interest on the bonds as they
15 become due and to create and maintain the reserves for the bonds the
16 board considers necessary or desirable and to meet all obligations in
17 connection with the agreement and all costs necessary to service the
18 bonds, unless the agreement provides that the obligations are to be
19 met or costs are to be paid by a party other than the corporation.

20 (f) The superior court has jurisdiction to hear and determine
21 proceedings relating to the corporation, including proceedings brought
22 by or for the benefit of a holder of its bonds or by a trustee for or
23 other representative of a holder.

24 (g) The corporation may not issue bonds during any fiscal year
25 in an amount greater than \$45,000,000 unless the legislature, by law,
26 approves issuance of a greater amount.

27 Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. An
28 issue of bonds by the corporation may be secured by a trust indenture
29 or trust agreement between the corporation and a corporate trustee,

1 (which may be a trust company, bank, or national banking association,
2 with corporate trust powers, located inside or outside the state, or
3 by a secured loan agreement or other instrument or under a resolution
4 giving powers to a corporate trustee by means of which the corporation
5 may:

6 (1) make and enter into any and all the covenants and
7 agreements with the trustee or the holders of the bonds that the board
8 determines to be necessary or desirable, including covenants, pro-
9 visions, limitations and agreements as to the

10 (A) application, investment, deposit, use and disposi-
11 tion of the proceeds of bonds of the corporation or of money or
12 other property of the corporation or in which it has an interest;

13 (B) fixing and collection of loan payments and other
14 consideration for a student loan;

15 (C) assignment by the corporation of its rights in a
16 student loan or in a mortgage or other security interest created
17 with respect to a student loan to a trustee for the benefit of
18 bondholders;

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

21 (E) vesting in a trustee of rights, powers, duties,
22 funds or property in trust for the benefit of bondholders, in-
23 cluding the right to enforce payment, performance and all other
24 rights of the corporation or of the bondholders, under a student
25 loan or a security interest created with respect to a student
26 loan;

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

1 (3) provide for any other matters that in any way affect
2 the security or protection of the bonds.

3 Sec. 14.42.240. RESERVES AND CAPITAL RESERVES. (a) For the
4 purpose of securing one or more issues of bonds of the corporation,
5 the board may establish one or more special funds, called "capital
6 reserve funds," and may pay into those capital reserve funds the
7 proceeds of the sale of bonds and other money available to the
8 corporation from other sources for the purposes of the capital reserve
9 funds. A capital reserve fund may be established only if the board
10 determines that the establishment of the fund would enhance the mar-
11 ketability of the bonds. Money in a capital reserve fund, except as
12 provided in this section, may be used as required only for the (1)
13 payment of the principal of, and interest on, bonds or of the sinking
14 fund payments with respect to those bonds; (2) purchase or redemption
15 of the bonds; or (3) payment of a redemption premium required to be
16 paid when the bonds are redeemed before maturity. However, money in a
17 capital reserve fund may not be withdrawn if the withdrawal would
18 reduce the amount in the capital reserve fund to less than the capital
19 reserve fund requirement, except for the purpose of making payment,
20 when due, of principal, interest redemption premiums on the bonds, and
21 sinking fund payments when other money of the corporation is not
22 available for the payments. Income or interest earned by, or incre-
23 ment to, a capital reserve fund, from the investment of all or part of
24 the fund, may be transferred by the corporation to other funds or
25 accounts of the corporation if the transfer does not reduce the amount
26 of the capital reserve fund below the capital reserve fund require-
27 ment.

28 (b) If the board decides to issue bonds secured by a capital
29 reserve fund, the bonds may not be issued if the amount in the capital

1 reserve fund is less than the capital reserve fund requirement, unless
2 the corporation, at the time of issuance of the bonds, pledges to
3 deposit in the capital reserve fund from the proceeds of the bonds to
4 be issued or from other sources, an amount that, together with the
5 amount then in the fund, is not less than the capital reserve fund
6 requirement.

7 (c) In computing the amount of a capital reserve fund for the
8 purpose of this section, securities in which all or a portion of the
9 fund is invested shall be valued by a reasonable method established by
10 the board by resolution. Valuation shall include the amount of inter-
11 est earned or accrued as of the date of valuation.

12 (d) The chairman of the board shall annually, no later than
13 January 2, certify in writing to the governor and the legislature the
14 amount, if any, required to restore a capital reserve fund to the
15 capital reserve fund requirement. The legislature may appropriate to
16 the corporation the amount certified by the chairman. The corporation
17 shall deposit the amounts appropriated under this subsection during a
18 fiscal year in the proper capital reserve fund. Nothing in this
19 section creates a debt or liability of the state.

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

28 (f) In this section, "capital reserve fund requirement" means
29 the amount required to be on deposit in the capital reserve fund as of

1 the date of computation as determined by resolution of the board.

2 Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the
3 legislature that a pledge made in respect of bonds shall be valid and
4 binding from the time the pledge is made; that the money or property
5 so pledged and thereafter received by the corporation shall immediate-
6 ly be subject to the lien of the pledge without physical delivery or
7 further act; and that the lien of the pledge shall be valid and bind-
8 ing as against all parties having claims of any kind in tort, contract
9 or otherwise against the corporation irrespective of whether the
10 parties have notice. Neither the resolution, trust agreement nor any
11 other instrument by which a pledge is created need be recorded or
12 filed under the provisions of the Uniform Commercial Code (AS 45.01 -
13 AS 45.09) to be valid, binding or effective.

14 Sec. 14.42.260. NONLIABILITY ON BONDS. (a) The members of the
15 board and individuals executing the bonds of the corporation are not
16 liable personally on the bonds or subject to personal liability or
17 accountability by reason of the issuance of the bonds.

18 (b) The bonds issued by the corporation do not constitute an
19 indebtedness or other liability of the state or of a political sub-
20 division of the state, except the corporation, but shall be payable
21 solely from the income and receipts or other funds or property of the
22 corporation. The corporation may not pledge the faith or credit of
23 the state, or of a political subdivision of the state except the
24 corporation, to the payment of a bond and the issuance of a bond by
25 the corporation. Issuance of a bond by the corporation does not
26 directly, indirectly, or contingently obligate the state or a politi-
27 cal subdivision of the state to apply money from, or levy or pledge
28 any form of taxation whatever to the payment of the bond.

29 Sec. 14.42.265. UNDERWRITERS. After ~~December 31, 1986~~ ^{December 31, 1986}, the board

1 may select an underwriter only by using a competitive method.

2 Sec. 14.42.270. PLEDGE OF STATE. The state pledges to and
3 agrees with holders of bonds issued by the corporation that the state
4 will not limit or alter the rights and powers vested in the corpor-
5 ation under AS 14.42.100 - 14.42.330 to fulfill the terms of a con-
6 tract made by the corporation with the holders or in any way impair
7 the rights and remedies of the holders until the bonds, together with
8 the interest on them with interest on unpaid installments of interest,
9 and all costs and expenses in connection with an action or proceeding
10 by or on behalf of the holders, are fully met and discharged. The
11 corporation is authorized to include this pledge and agreement of the
12 state in a contract with the holders.

13 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal
14 property of the corporation and its assets, income and receipts are
15 declared to be the property of a political subdivision of the state
16 and devoted to an essential public and governmental function and
17 purpose, and the property, assets, income, receipts, and other in-
18 terests of the corporation are exempt from all taxes and special
19 assessments or the state or a political subdivision of the state,
20 including, municipalities, school districts, public utility districts
21 and other taxing units. All bonds of the corporation are declared to
22 be issued by a political subdivision of the state and for an essential
23 public and governmental purpose, and the bonds, and the interest on
24 them, the income from them and the transfer of the bonds, and all
25 assets, income and receipts pledged to pay or secure the payment of
26 the bonds, or interest on them, are exempt from taxation by or under
27 the authority of the state, except for inheritance and estate taxes
28 and taxes on transfers by or in contemplation of death. Nothing in
29 this section affects or limits an exemption from license fees,

1 property taxes, or excise, income or other taxes provided under other
2 law, nor does it create a tax exemption with respect to the interest
3 of a person, other than the corporation, in property, assets, income,
4 receipts, or other interests.

5 Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The
6 bonds of the corporation are securities in which all public officers
7 and bodies of the state, all municipalities, all insurance companies,
8 associations, and other persons carrying on an insurance business, all
9 banks, bankers, trust companies, savings banks, savings associations,
10 including savings associations and building and loan associations,
11 investment companies and other persons carrying on a banking business,
12 all administrators, guardians, executors, trustees and other fidu-
13 ciaries, and all other persons are authorized to invest in bonds or
14 other obligations of the state, may properly and legally invest funds
15 including capital in their control or belonging to them. Notwith-
16 standing any other provisions of law, the bonds of the corporation are
17 also securities that may be deposited with and may be received by all
18 public officers and bodies of this state and all municipalities for
19 any purpose for which the deposit of bonds or other obligations of the
20 state is now or may hereafter be authorized.

21 Sec. 14.42.310. OPERATION OF CERTAIN STATUTES EXCEPTED. (a)
22 The corporation shall not be considered or constitute (1) a political
23 subdivision of the state as the term is used in AS 37.10.085; (2) a
24 municipality as the term is defined in AS 01.10.060; or (3) except as
25 provided in AS 14.42.190 and 14.42.320, a state agency as the term is
26 used in AS 37; but for all other purposes the corporation constitutes
27 a political subdivision and an instrumentality of the state.

28 (b) The funds, income or receipts of the corporation may not be
29 considered and do not constitute money of the state, nor may real

1 property in which the corporation has an interest be considered land
2 owned in fee by the state or to which the state may become entitled or
3 in any way land belonging to the state, or state land referred to in
4 art. VIII of the Alaska Constitution.

5 Sec. 14.42.320. ANNUAL AUDIT. The financial records of the
6 corporation shall be audited annually by the legislative auditor or by
7 a certified public accountant approved by the legislative auditor.
8 The legislative auditor may prescribe the form and content of the
9 financial records of the corporation and shall have access to these
10 records at any time.

11 Sec. 14.42.330. DEFINITIONS. In AS 14.42.100 - 14.42.330,

12 (1) "board" means the board of directors of the corpo-
13 ration;

14 (2) "corporation" means the Alaska Student Loan Corpora-
15 tion.

16 * Sec. 2. AS 14.43.090(a) is amended to read:

17 (a) There is created a scholarship revolving loan fund. The
18 fund shall be used to make scholarship loans to students selected
19 under AS 14.43.090 - 14.43.160 and to pay the costs of collecting
20 student loans that are in default if those costs are not recovered
21 from the student. Unless the instrument evidencing the scholarship
22 loan has been sold to the Alaska Student Loan Corporation, [ALL]
23 repayments of principal and interest on a scholarship loan [LOANS]
24 shall be paid into the scholarship revolving loan fund. If money
25 estimated to be available [FROM SCHOLARSHIP LOAN REPAYMENTS] is
26 inadequate to fully fund estimated scholarship loans for any fiscal
27 year, additional funding from the general fund may be requested and
28 appropriated for that year.

29 * Sec. 3. AS 14.43.090 is amended by adding a new subsection to read:

1 (d) The student financial aid committee may sell notes and other
2 instruments evidencing scholarship loans to the Alaska Student Loan
3 Corporation. Proceeds from the sale of notes and other instruments
4 shall be deposited in the scholarship revolving loan fund.

5 * Sec. 4. AS 14.43.120(d) is amended to read:

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

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

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

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

11 (4) to attend an institution if the default rate on loans
12 made to students to attend the institution exceeds the program default
13 rate by more than 150 percent.

14 * Sec. 5. AS 14.43.255(a) is amended to read:

15 (a) There is created a memorial scholarship revolving loan fund.
16 The fund shall be used to provide educational scholarship loans to
17 students selected under AS 14.43.250 - 14.43.325. Unless the instru-
18 ment evidencing the memorial scholarship loan has been sold to the
19 Alaska Student Loan Corporation, [ALL] repayments of principal on a
20 memorial scholarship loan shall be paid into the memorial scholarship
21 revolving loan fund and shall be used to make new scholarship loans.

22 * Sec. 6. AS 14.43.255 is amended by adding a new subsection to read:

23 (c) The student financial aid committee may sell notes and other
24 instruments evidencing memorial scholarship loans to the Alaska Stu-
25 dent Loan Corporation. Proceeds from the sale of a note or other
26 instrument shall be deposited in the appropriate memorial scholarship
27 loan fund.

28 * Sec. 7. AS 14.43.620 is amended to read:

29 Sec. 14.43.620. TEACHER SCHOLARSHIP REVOLVING LOAN FUND. There

1 is created a teacher scholarship revolving loan fund. The fund shall
2 be used to make scholarship loans to students selected under AS 14.-
3 43.600 - 14.43.700. Unless the instrument evidencing the teacher
4 scholarship loan has been sold to the Alaska Student Loan Corporation,
5 [ALL] repayments of principal and interest on a teacher scholarship
6 loan [LOANS] shall be paid into the teacher scholarship revolving loan
7 fund and shall be used to make new teacher scholarship loans. If
8 estimated funds available [FROM TEACHER SCHOLARSHIP LOAN REPAYMENTS]
9 are inadequate to fully fund estimated teacher scholarship loans for
10 any fiscal year, additional funding from the general fund may be
11 requested and appropriated for that year.

12 * Sec. 8. AS 14.43.620 is amended by adding a new subsection to read:

13 (b) The student financial aid committee may sell notes and other
14 instruments evidencing teacher scholarship loans to the Alaska Student
15 Loan Corporation. Proceeds from the sale of the notes or other in-
16 struments shall be deposited in the teacher scholarship revolving loan
17 fund.

18 * Sec. 9. This Act takes effect immediately in accordance with AS 01.-
19 10.070(c).

$$\begin{array}{r}
 37 \text{ GF} \\
 45 \text{ Bonds} \\
 \hline
 82
 \end{array}$$

Kerry - 80 million - 2 capital reserves?

367 million - value of loan portfolio

$\frac{7}{10}$
 $3\frac{1}{2}\%$ in GF per 1% increase in Bond rate.

50 million in requests now for next fall.

3.7 years?

Changes likely in loan program

By Dave Bulger
VOICE Editor

UAA Voice
11/11/85

The Alaska Student Loan Program is out of money for college students this year, but lawmakers and loan officials are working to bring more funds into the program.

However, the two groups have different angles. HB 161, affecting the interest rates and grace period of the loan, has passed through the Alaska House of Representatives and will be under consideration by the Senate Finance Committee in January. The Alaska Commission on Postsecondary Education (ACPE), the loan's administrative body, also meets in January to discuss two possible regulatory changes for the program.

ACPE commissioner Richard Helms commented on the current condition of the program.

"We're out of money for collegiate borrowers," Helms said. "We're not out of money for Vo-tech (Vocational/Technical) borrowers." Helms said the reason vo-tech money is still available is because the commission set aside a certain amount of money this year, "knowing that we were going to run out of funds," since the vo-tech borrowers don't have the "traditional" collegiate year.

Helms said no money would be available for new borrowers next semester. Warning students not to expect anything, Helms said, "what traditionally happens is that there will be a percentage of students that will not maintain good academic standing, or they will drop out of school or choose not to utilize their next semester's loan. Therefore, those monies would revert back to the program and there would be some money for students to borrow. We now have a waiting list and we'll take students on a first-come, first-served basis."

Helms said the commission estimates the program "will be unable to fund 1,500 students this year."



Dave Bulger/UAA VOICE

ACPE student commissioner Rick Helms testifies at a recent hearing on HB 161. Rep. John Binkley looks on.

The legislature's effort to create more student access to the program is HB 161. The bill would increase the loan's interest rate from five to eight percent and decrease the grace period from one year to six months. The bill also calls for a ramping of the interest rate which would allow five percent interest for the first three years of repayment, and additional interest for the next seven years, averaging eight percent over the ten-year repayment period.

According to HB 161's fiscal note, prepared by the commission, on a \$24,000 loan, a student would pay \$254.56 a month for the first three years of the loan and \$306.89 a month for the last seven years if the ramping is introduced.

The commission is seriously considering two regulatory changes, according to Helms. The first alternative involves reducing the maximum loan available, from the present \$6,000 (for undergraduates) to \$5,500, which would save the program \$2.5 million. Last year, more than \$75 million was spent on student loans.

Another alternative under consideration is to require each borrower to con-

tribute at least \$500 from a non-state-loan source toward eligible loan items. According to a report on this alternative, the \$500 requirement would result in a reduced program cost of around \$6.0 to \$6.5 million, which could be used to fund an additional 1,500 students.

Helms remarked that if HB 161 passes, the loan program will have continued good health, but "at the expense of people who cannot borrow. It will reduce access considerably, and people who really need the loan program to gain access to the educational mainstream will not be able to do it."

Helms said that if the grace period is reduced, the commission will have to re-work its computer data system. Also, he said "traditionally, students will have a break in their education for many reasons. It's not uncommon for students to return to school during the 12-month grace period." With a shorter grace period, a student who goes back to school after six months would force the commission to spend money to hire more staff to handle the additional administrative work, he said.

See pg. 8, **LAWMAKERS**

Lawmakers, commission seek money-saving alternatives

Cont. from pg. 1

Helms felt that reducing the grace period is "going against the trend that's happening in the nation. As a matter of fact, the federal government just recently was looking at their GSL (Guaranteed Student Loan) program, and they're thinking of taking that from six months to nine months."

Helms pointed out that if one or both of the regulatory changes are passed by the commission, and HB 161 passes, "we will see a significant impact on students. If the commission passes one of those, that's going to be a significant impact. If 161 passes on top of that, I don't know if we'll have an effective loan program anymore."

Effectiveness is what the program is all about. The program's origins can be found in a scholarship loan program established by the 1968 state legislature. The program was amended in 1970 and restructured in 1971 to its existing form. Since then, nearly

Wallet returned

Cont. from pg. 1

The money was used to buy a plane ticket for his wife. She will return to Korea at Christmas to see friends and family, whom she hasn't seen in seven years.

80,000 student loans, worth \$290 million, have been awarded to Alaska residents.

The ACPE's 1984-85 Annual Report on Alaska Student Financial Aid Programs says that currently, "educational loans of up to \$6,000 and \$7,000 per year for undergraduate and graduate study, respectively, are provided to eligible state residents. An incentive of up to 50 percent cancellation is offered to those borrowers who reside in Alaska after completion of their programs of study."

That "incentive" is known as forgiveness, and contrary to public belief, not everyone who gets a loan gets forgiveness.

Helms said to invoke forgiveness, the graduate must meet three criteria.

"First of all, to invoke forgiveness you have to get the degree that you took the loan out for," he said, explaining that if the student marked "BA" on his loan application, that is the degree he must obtain.

"Then you have to stay in the state or return to the state for two years after you get the degree. Then you have to apply. It's not an automatic-type thing. If granted forgiveness, then you can take 10 percent off the principle of the loan. Each year after that, you still

have to invoke forgiveness again. You have to be in the state. You can do that up to five times, so that's 50 percent of the loan that can be forgiven, but only if you meet that criteria. And very few students invoke forgiveness."

Helms also said that if the graduate goes out of state for a master's degree, he cannot get forgiveness for his undergraduate loan, since he won't be physically present in the state for the required two years. He said that only one out of every five graduates even applies for forgiveness, "and everyone who applies doesn't necessarily get it."

To be eligible for an Alaska student loan, a student must be an Alaska resident for 24 months immediately prior to filing; be, or plan to be, a full-time student in good standing (cumulative GPA — 2.0, undergraduate; 3.0, graduate) during the period for which the funds are requested; attend an ACPE-approved or nationally accredited school; be, or plan to be, enrolled in a career vocational/technical program or an associate, baccalaureate or graduate degree program; not have had loans under the program for more than eight full school years; and reapply for each year the loan is desired.

ANCHORAGE COMMUNITY COLLEGE STUDENT ASSOCIATION

Resolution No. 86-10
By: Virginia Belknap

OPPOSITION OF HB-161

WHEREAS the proposed changes suggested in HB-161 for the Student Loan Program would have a dramatic effect on the lives of students; and

WHEREAS students have been faced with tuition increases, reduced class time, a cost of living increase, promises of paid parking in the near future; and

WHEREAS the reduction of the grace period from one year to six months would cause financial burdens to the student just entering the work force; and

WHEREAS the U. S. House of Representatives has approved a bill that increases the grace period from six months to nine months for the 5.3 million students who receive guaranteed student loans and other government educational funding and that bill now goes to the U.S. Senate; and

WHEREAS education should be looked on as an investment in the future of our people, not as an expense and burden on society,

BE IT THEREFORE RESOLVED that the Assembly adopt this resolution as an official and formal expression of opposition to HB-161, and

BE IT FURTHER RESOLVED that this resolution be forwarded to the Alaska Legislature, the student member of the Commission on Postsecondary Education, the ASIN representative and other student governments in the state of Alaska.

Bruck Bruckman
Bruck Bruckman, ACCSA President

12/20/85
Date Approved

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
OPERATING				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						
TOTAL OPERATING			25.0	31.6	65.1	67.7
CAPITAL			(46.1)	(2,158.9)	(4,263.8)	(6,510.8)
REVENUE						

FUNDING: (Thousands of Dollars)

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

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. Romesby 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% interest 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	1,436.5
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	6,301.7	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
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			\$ 30.0	\$ 8.1														
FY88	\$1,769.6	\$ 376.9	1,740.1	370.6	\$ 39.7	\$ 8.5												
FY89	3,452.3	735.3	3,353.5	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	7,760.6	1,653.0	5,462.3	1,163.5	3,609.6	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	764.9	\$ 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	1,366.5	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	2,164.9
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	3,543.2
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

BORROWING YEAR

Year	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	Total*
Impact	p	p	p	p	p	p	p	p	p	p
FY85										
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 4
FISCAL IMPACT OF
8% INTEREST

Fiscal 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				
86																				
87																				
88																				
89				\$ 897.5																\$ 217.5
90			924.4		\$ 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									3,195.0
94			931.8		1,025.9		1,014.1		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			7,494.6
98			796.3		835.6		933.0		1,014.8		1,105.1		1,203.9		1,231.0		861.9			7,981.6
99			617.9		811.6		873.0		971.6		1,061.0		1,155.4		1,258.7		1,266.9			8,956.3
00			448.3		645.3		867.3		907.7		1,015.8		1,061.9		1,207.9		1,315.9			7,472.1

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

Alaska State Legislature

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

POUCH V
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JUNEAU, ALASKA 99811
(907) 465-3834
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Senate

Committee on

Health, Education and Social Services

M E M O R A N D U M

TO: Members, Senate Committee on Health Education and Social Services

FROM: Committee Staff

RE: Committee Meeting, January 28, 1986

DATE: January 24, 1986

On Tuesday, January 28, from 1:30-3:30 pm in the Beltz Room, the Senate Committee on Health, Education and Social Services will receive a briefing on the state's student loan program.

The Scholarship Revolving Loan Fund provides low interest loans to eligible state residents for education at a postsecondary level. Since its origin in 1968, 80,000 student loans have been made, for a total of \$290 million. Despite annual appropriations to the fund (\$63 million in FY 86), demand has outstripped the resources of the fund, and there are currently over 1200 students on the waiting list.

Dr. Kerry Romesburg, Executive Director of the Commission on Postsecondary Education, will present an overview of the program and discuss alternatives for meeting the short and long term needs of the fund.

In addition, the Committee will hear:

SCR 29, Relating to designating February 1986 as Community College Month.

On October 22, 1985, President Reagan proclaimed February 1986 National Community College Month. SCR 29 affirms this designation and calls upon the people of the state to observe it with appropriate ceremonies and activities. Special events are planned at the 11 community colleges in Alaska.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
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Senate Committee on Health, Education and Social Services

M E M O R A N D U M

TO: Kerry D. Romesburg, Executive Director
Postsecondary Education Commission

FROM: Senator Bettye Fahrenkamp, Chairman *BF*
Senate Committee on Health, Education and Social Services

DATE: January 22, 1985

RE: Presentation on student loans

This memo is to confirm your 1:30, January 28 presentation to the Senate Committee on Health, Education and Social Services on the state's student loan program. My interest, and I believe the interest of the committee, is in ensuring the long term stability of the program while meeting the short term cash requirements of the fund. Several approaches to meeting this goal have been proposed. I would appreciate your comments and insight on them as well as some general information on the origin of the loan program. Specifically, I would ask that the following points be discussed:

History of the loan program

- Date of enactment/stated purpose
- Original program/current program
- Eligibility (residency, income level, academic standing, course of study)
- Loan conditions (eligible expenses, forgiveness)
- Loan terms (interest, repayment terms, maximum loan, default provision)

Discussion of the components of the Federal program or a model student loan program may be beneficial.

Loan activity

- Annual income to the fund from repayments of principal and interest
- Annual legislative appropriations to fund
- Number of students being served (in state, out of state, average amount of loan)
- Number of eligible students currently unserved
- Default rate, efforts to reduce

Alternatives

Many of the suggestions being made now have been discussed and considered in past years. Your perspective on their viability would be appreciated, as would information on the economic benefits of each alternative.

Reduce maximum loan amount by \$500
Require recipients to donate \$500 toward eligible expenses
Increase interest rate (including graduated and fluctuating)
Reduce grace period
Deny loans for foreign study
Employ a needs test
Eliminate forgiveness
Limit loans to U.S. citizens
Other

I look forward to seeing you on Tuesday.

From the Commission on Postsecondary Education 1984-1985 Annual Report

ALASKA STUDENT LOAN PROGRAM

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a postsecondary level. The program has grown from serving just over 1,000 Alaskans, in 1971-72, to the current 1984-85 level of serving over 17,000 Alaskans.

The Alaska Student Loan Program had its origin in a program of scholarship loans established by the 1968 Alaska State Legislature. This program was amended in 1970 and completely restructured in 1971, when the Legislature established the loan program generally as it exists at present. In the fourteen years of operation since then, nearly 80,000 student loans have been awarded to Alaskan residents, for a total of nearly \$290 million.

Educational loans of up to \$6,000 and \$7,000 per year for undergraduate and graduate study, respectively, are provided to eligible state residents. These loans, to be used only to offset the costs of tuition, room, board, and books, offer the borrower a ten-year repayment period at an annual interest rate of five percent. The loans may be used for full-time attendance at any accredited or approved college, university, or vocational-technical program. An incentive of up to fifty percent cancellation is offered to those borrowers who reside in Alaska after completion of their programs of study.

Program Summary

During the ~~1983-84~~¹⁹⁸⁴⁻⁸⁵ school year over 19,000 loans were awarded, and 17,173 were finalized and used for postsecondary attendance. Of these 17,173 loans, 54.0 percent were for attendance in Alaska, and 46.0 percent were for attendance out-of-state.

Undergraduate loans continue to dominate the loan volume, with only 7.9 percent of the 1984-85 loans going for graduate study. The largest single group of loans were for freshman borrowers, who accounted for 28.8 percent of all the 1984-85 loans.

Alaskans use these loans for study throughout the United States, and in a number of foreign countries. During the 1984-85 loan year, students from Alaska used state loans for attendance in every state in the Union and in eighteen foreign countries. The most frequent choice continues to be Alaska by more than a four-to-one margin over any other state.

Loan Award Amounts

The average loan award continued to rise slightly in 1984-85, following the dramatic rise in 1981-82 when the borrowing maximums were raised. For 1984-85, an undergraduate average loan was \$4,288 while the average graduate loan was \$5,363. Out-of-state student loans continue to be higher, on the average, than in-state loans, due largely to non-resident tuition fees. This is graphically presented in Figure 1. It is anticipated that the trend toward higher average loans will continue in the years ahead as tuition rates continue to increase.

Table 1 contains average loan amounts by student level for the last three years, 1982-83, 1983-84, and 1984-85. In general all loans, regardless of level, have steadily increased, for students attending in-state, and have leveled, or even dropped slightly, for those attending out-of-state. The out-of-state borrower averages a higher loan amount than the in-state borrower for every classification other than vocational.

Loan Repayments

The student loan program is based upon a revolving fund with the students' loan repayments being re-utilized for future student loans. Since 1971-72 (actually 1974-75, since there were no repayments received the first few years), Alaskans have repaid nearly \$32 million on their educational loans. The volume of these revolving funds now contribute a significant portion of the loan account, and as can be seen in Figure 6, these repayments are rapidly increasing each year.

Also presented in Figure 6 is a representation of the forgiveness history of the student loan program. Students who reside in Alaska after completion of their course of study are eligible to have up to 50 percent of their loans forgiven. Beginning with the first such forgiveness in 1974-75, the total amount of loan funds (including interest) which the State of Alaska has forgiven has generally shown large annual increases, with the exception of 1979-80 when forgiveness benefits temporarily leveled. During 1984-85 nearly 4,300 Alaskans received partial forgiveness of their student loans. Increases are projected to continue over the next few years as larger numbers of students complete their educational programs.

Default

Nationally, student loans have a notoriously high default rate, and, unfortunately, Alaska's program also has experienced problems with loan collections. Although the Alaska program had been doing considerably better than the federal loan programs, the default rate began to rise during 1983-84. As can be seen in Table 6, the default rate had been steadily decreasing since the concerted effort began in 1975-76 to pursue these bad debts. However, during 1983-84 default volumes outstripped available manpower and the rate rose dramatically. In 1984-85, the loan program contracted with a private collection firm and the default rate has slowly begun to drop again. A default rate of 10.0 percent is the target for 1985-86.

TABLE 6
ANNUAL DEFAULT RATES OF
ALASKA STATE STUDENT LOANS
1971-72 through 1984-85

LOAN YEAR	DEFAULT RATE* (June 30)
1971-72	N.A.
1972-73	N.A.
1973-74	N.A.
1974-75	80.0%
1975-76	44.6%
1976-77	24.9%
1977-78	22.3%
1978-79	19.3%
1979-80	14.5%
1980-81	11.5%
1981-82	9.2%
1982-83	9.1%
1983-84	13.5%
1984-85	12.4%

*Default is 120+ days past due.

Statistical Data

In the Appendix are Tables 11-17 containing data on the Alaska Student Loan Program from 1971-72 through 1984-85. Information on the number and amounts of loans made annually to undergraduate and graduate students attending in-state and out-of-state is presented in Tables 11-14. Table 15 contains summaries of the average size loan awarded each year, and Tables 16 and 17 contain data on institutions most frequently attended by Alaska Student Loan borrowers.

Alaska State Legislature

CO-CHAIRMAN
FINANCE COMMITTEE
907-465-3740




JAN FAIKS
POLCH 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

from Beck Bruckman
ACC Student Ass. Pres.

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?

Offered: 5/9/85
Referred: Finance

Original sponsor: Binkley

1 IN THE HOUSE BY THE HEALTH, EDUCATION AND
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.

Senate HESS Committee
January 24, 1986

HB 161, Relating to student loans.

ORIGINAL

- 1) Increases interest rate from 5% to 8%.
- 2) Limits eligibility to only those who have graduated high school within one year preceding application.
- 3) Requires a needs test for applicants.
- 4) Repeals the forgiveness clause.

HOUSE LOANS COMMITTEE

- 1) Increases interest rate from 5% to 8%.
- 2) Clarifies eligibility requirements (these provisions were included in HB 185, which was signed into law May 25, 1985)
- 3) Repeals the forgiveness clause.

HOUSE FINANCE COMMITTEE

- 1) Increases interest rate from 5% to 8%.
- 2) Reduces the grace period from one year to six months.
- 3) Provides for a "ramped" repayment schedule; the first three years would be paid at a 5% interest rate, with the extra accrued interest to be paid in later years.

HOUSE FINANCE WITH FLOOR AMENDMENT

The house floor amendment has the same effect as provided for in SB 17, relating to consortium agreements, which was signed into law on May 6, 1985.

SENATE HESS COMMITTEE

Same as HOUSE FINANCE COMMITTEE.

Effect of amendments. — The 1984 "Methodist" in paragraph (2) of subsection amendment substituted "Pacific" for (a).

Chapter 43. Scholarship, Loan, and Grant Programs for Postsecondary Students.

Article

4. Scholarship Loan Program (§§ 14.43.090, 14.43.095, 14.43.100, 14.43.110, 14.43.115, 14.43.120, 14.43.125, 14.43.130, 14.43.160)
7. Teacher Scholarship Loan Program (§§ 14.43.600 — 14.43.700)

Article 4. Scholarship Loan Program.

Section

90. Scholarship revolving loan fund
95. Financial aid committee
100. Applications
110. Undergraduate loans
115. Graduate loans

Section

120. Conditions of loans
125. Eligibility of students
130. [Repealed]
160. Definitions

Sec. 14.43.090. Scholarship revolving loan fund. (a) There is created a scholarship revolving loan fund. The fund shall be used to make scholarship loans to students selected under AS 14.43.090 — 14.43.160 and to pay the costs of collecting student loans that are in default if those costs are not recovered from the student. All repayments of principal and interest on scholarship loans shall be paid into the scholarship revolving loan fund. If money estimated to be available from scholarship loan repayments is inadequate to fully fund estimated scholarship loans for any fiscal year, additional funding from the general fund may be requested and appropriated for that year.

(b) *[Repealed, § 31 ch 59 SLA 1982.]*

(c) *[Repealed, § 31 ch 59 SLA 1982.]* (§ 1 ch 98 SLA 1971; am § 1 ch 156 SLA 1972; am §§ 1, 2 ch 136 SLA 1974; am § 1 ch 136 SLA 1975; am § 31 ch 59 SLA 1982; AS 14.40.751; am § 1 ch 158 SLA 1984)

Effect of amendments. — The 1984 amendment, in subsection (a), added "and to pay the costs of collecting student loans that are in default if those costs are not recovered from the student" at the end of the first sentence and substituted "loan fund" for "fund shall be used to make new scholarship loans" in the second sentence and "money estimated to be" for "funds" and "is" for "are" in the third sentence.

Sec. 14.43.095. Financial aid committee. (a) The student financial aid committee is composed of the members of the Alaska Commission on Postsecondary Education. The commission may delegate its functions under AS 14.43.090 — 14.43.160 to a committee of its members, with augmented membership as the commission considers appropriate. The executive officer of the commission is the executive secretary of the committee. The Alaska Commission on Postsecondary Education shall administer the program established by AS 14.43.090 — 14.43.160.

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

(c) The committee shall make an annual report reviewing the work of the committee to the governor and the legislature.

(d) The committee shall meet at least once a year. The meetings shall be held at the call of the chairman or upon petition by two members. (§ 1 ch 98 SLA 1971; am § 2 ch 156 SLA 1972; am § 5 ch 78 SLA 1974; am § 3 ch 136 SLA 1974; AS 14.40.753; am § 57 ch 6 SLA 1984)

Effect of amendments. — The 1984 amendment substituted "and the legislature" for "the legislature and the private colleges and universities where students receiving tuition grants are enrolled" in subsection (c).

Sec. 14.43.100. Applications. (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose loan application is not recommended or presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971; am § 3 ch 156 SLA 1972; am § 4 ch 136 SLA 1974; AS 14.40.755; am § 58 ch 6 SLA 1984)

Effect of amendments. — The 1984 amendment deleted "or grant" following "loan" in subsection (b).

Sec. 14.43.110. Undergraduate loans. The committee may make a loan, not to exceed \$6,000 in any one school year, to an undergraduate student eligible under AS 14.43.125. The committee may make a loan for a summer term, even if the total loan for the school year exceeds the \$6,000 maximum, if the loan for the summer term is counted against the \$6,000 maximum for the following school year. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974; am § 1 ch 153 SLA 1978; am § 1 ch 89 SLA 1981; AS 14.40.759; am § 1 ch 34 SLA 1985)

Revisor's notes. — The amendments of AS 14.43.095(a) by § 5, ch. 78, SLA 1974 and § 3, ch. 136, SLA 1974, are in conflict, the first act rewriting the subsection to provide that the Alaska Commission on Postsecondary Education will act as the financial aid committee, the second act changing the name and term of members of the existing financial aid selection committee. It is considered, on the basis of the legislative history, apparent legislative intent, and later effective date of the first

act, that the re-enactment by ch. 78, SLA 1974 should prevail.

The last part of subsection (c) of this section is obsolete since the tuition grant program was repealed by Chapter 94, SLA 1980 and Chapter 59, SLA 1982.

In subsection (a), AS 14.43.160 was substituted for a reference to AS 14.40.751 — 14.40.806 to conform with the renumbering of those sections by the revisor of statutes under AS 01.05.031.

Sec. 14.43.100. Applications. (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose loan or grant application is not recommended presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971; am § 3 ch 136 SLA 1972; am § 4 ch 136 SLA 1974; AS 14.40.755)

Revisor's notes. — The reference to "grant application" in subsection (b) of this section is obsolete in light of the repeal of

the tuition grant program by Chapter 59, SLA 1982.

Sec. 14.43.105. Administration of program. The executive secretary shall administer the programs subject to review by the committee and in accordance with the regulations prescribed by the committee. The promulgation of these regulations is subject to the Administrative Procedure Act (AS 44.62), and a summary of the regulations shall be distributed to each applicant. (§ 1 ch 98 SLA 1971; am § 5 ch 136 SLA 1974; AS 14.40.757)

Sec. 14.43.110. Undergraduate loans. The committee may make a loan, not to exceed \$6,000 in any one school year, to an undergraduate student eligible under AS 14.43.125. (§ 1 ch 98 SLA 1971; am § 3 ch 136 SLA 1974; am § 1 ch 153 SLA 1978; am § 1 ch 89 SLA 1981; AS 14.40.759)

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031.

amount of the loan from \$2,500.00 to \$3,000.00.

The 1981 amendment substituted "6,000" for "3,000" following the renumbering of that section.

Effect of amendments. — The 1978 amendment increased the maximum

Sec. 14.43.115. Graduate loans. The committee may make a loan not to exceed \$7,000 in any one school year, to a graduate student who is eligible under AS 14.43.125 and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974; am § 2 ch 89 SLA 1981; AS 14.40.761)

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031. Effect of amendments. — The 1978 amendment increased the maximum amount of the loan from \$2,500.00 to \$3,000.00.

Sec. 14.43.120. Conditions of loans. (a) Loans may only be used for books, tuition, room and board.

(b) The loans may only be used to attend a college or university approved by the committee and federally insured, by the United States Department of Education.

(c) To maintain a loan the student must be a full-time student in good standing in a college or university designated under (b) and shall adopt regulations defining "good standing" as provided in subsection (d).

(d) Scholarship loans may not be made (1) for more than five years of undergraduate study, (2) for more than five years of graduate study, (3) for more than a total of eight years of graduate study.

(e) Loans are interest bearing while a student is in school (this section or is receiving a deferment under this section); however, a student is entitled to a refund of interest paid in accordance with (1) of this section.

(f) Interest on a loan given under AS 14.43.120 shall be at a rate of five per cent a year.

(g) Repayment of the principal and interest shall begin no later than one year after the borrower's last day of school. The loan shall provide for repayment of the total amount of the loan in not more than 10 years. The borrower shall make repayment, except as provided in (k) and (l), in accordance with the commission and the borrower agree to a schedule of repayment. The borrower shall repay the loan in accordance with the schedule. A borrower may make payments earlier than the schedule.

(h) Security may not be required for a loan. If security is required, it shall be made for payment of attorney fees and costs which are incurred in collection of the loan.

(i) If a loan is in default, the committee shall require repayment of the remaining balance of the loan, including the borrower a notice by registered mail.

(j) A portion of a loan shall be paid or repaid upon completion of the course of study. If, upon completion of the course of study, the borrower is a resident of the State of Alaska, the portion of the loan that shall be paid shall be determined by the following percentages of the total loan received per year of study:
Percent of the total loan:

Effect of amendments. — The 1985 amendment, effective May 24, 1985, added the second sentence of the section.

Sec. 14.43.115. Graduate loans. The committee may make a loan, not to exceed \$7,000 in any one school year, to a graduate student who is eligible under AS 14.43.125 and is pursuing an advanced degree. The committee may make a loan for a summer term, even if the total loan for the school year exceeds the \$7,000 maximum, if the loan for the summer term is counted against the \$7,000 maximum for the following school year. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974; am § 2 ch 89 SLA 1981; AS 14.40.761; am § 2 ch 34 SLA 1985)

Effect of amendments. — The 1985 amendment, effective May 24, 1985, added the second sentence.

Sec. 14.43.120. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

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

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section. The commission shall adopt regulations defining "good standing" for purposes of this subsection.

(d) Scholarship loans may not be made to a student

- (1) for more than five years of undergraduate study;
- (2) for more than five years of graduate study;
- (3) for more than a total of eight years of undergraduate and graduate study.

(e) Loans are interest bearing while a student is enrolled under (c) of this section. A student receiving a deferment of payments under (k) of this section; however, a student is entitled to have a portion of the interest paid in accordance with (l) of this section.

(f) Interest on a loan given under AS 14.43.090 — 14.43.160 is at the rate of five percent a year unless the loan is in default. Interest on a loan that is in default is 10 percent a year for the period the loan is in default.

(g) Repayment of the principal and interest on the loan begins no later than one year after the borrower's studies are terminated. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the

c. Commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

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

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

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower is a resident of the state for at least two years. The portion of the loan that shall be paid by the state is the following percentages of the total loan received plus interest up to a total of 50 percent of the total loan:

(1) two — three years residence in the state, 10 percent;

(2) three — four years residence in the state, an additional 10 percent;

(3) four — five years residence in the state, an additional 10 percent;

(4) five — six years residence in the state, an additional 10 percent;

(5) over six years residence in the state, an additional 10 percent.

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

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

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

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

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

(5) for a one-time period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or

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

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

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

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

(m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than 12 months each.

(n) [Repealed by § 11 ch 89 SLA 1981.]

(o) The provisions of (j) of this section do not apply to a loan that is in default.

(p) For purposes of this section, a person qualifies as a resident if the person is physically present in the state with the intent to remain permanently in the state or, if not physically present in the state, the person intends to return to the state and is absent due to military service.

(q) For the purposes of this section a loan is in default if a loan payment is 120 or more days past due. (§ 1 ch 98 SLA 1971; am § 4 ch 156 SLA 1972; am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974; am §§ 1 — 4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979; am §§ 3 — 9, 11 ch 89 SLA 1981; am §§ 2 — 4 ch 158 SLA 1984; am § 3 ch 34 SLA 1985)

Effect of amendments. — The 1984 amendment added subsection (q) and, in subsection (f), added the second sentence and added "unless the loan is in default" at the end of the first sentence; and, in subsection (o), substituted "that is in default" for "to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure

payment of the unpaid balance of a loan made under AS 14.43.110 or 14.43.115."

The 1985 amendment, effective May 24, 1985, inserted "an initial period of up to six years" in paragraph (2) of subsection (k).

Editor's notes. — This section is set out above to correct errors in the main pamphlet.

Sec. 14.43.125. Eligibility of students. (a) A person may apply for and obtain a scholarship loan if the person

(1) is

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

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

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

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

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

(B) is dependent on a parent or guardian for care, the parent or guardian has been present in the state for at least two years immediately before the time of application for the loan and the person has been present in the state for at least one year of the immediately preceding five years except that the commission may by a two-thirds vote, acting upon a written appeal by the person, grant an exemption to the requirement that the person has been present in the state for one year of the immediately preceding five years;

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

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

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

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

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

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

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

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

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

(iii) full-time employment by the state;

(iv) being a member of or employed full-time by the state's congressional delegation;

(v) being a person who otherwise qualifies as a resident and is accompanying a spouse who qualifies as a resident under (i) — (iv) of this paragraph.

(b) A person does not qualify as a resident of the state under this section if the person declares or establishes residence in another state during an absence from Alaska. (§ 1 ch 98 SLA 1971; am § 10 ch 89 SLA 1981; am § 9 ch 67 SLA 1983; am § 4 ch 34 SLA 1985)

Effect of amendments. — The 1983 amendment, in paragraph (2) of subsection (b) deleted "and" following "guardian for care" and added the language beginning "and the person has been present" at the end of the paragraph.

The 1985 amendment, effective May 24, 1985, rewrote the section.

Editor's note. — Section 18, ch. 67, SLA 1983 provided: "If the two-year resi-

dency requirement for scholarship loans provided by AS 14.43.125 is declared unconstitutional or otherwise invalid by a court of competent jurisdiction, the Commission on Postsecondary Education shall adopt regulations to impose the most stringent residency requirement allowable under the Constitution of the State of Alaska and the United States Constitution on scholarship loan applicants."

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§ 14.43.135

EDUCATION

§ 14.43.160

student loan program for residents of Alaska to attend colleges and universities in Alaska as compared with colleges and universities outside Alaska:

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

"(3) the amount of the average loan to undergraduate students attending colleges and universities in Alaska is lower

than the average of similar loans in all but one of the 10 western states and the amount of the average loan for graduate students is the lowest in the West:

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

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

Sec. 14.43.135. Discrimination prohibited. The student loan program shall be carried out without regard to the race, creed, sex, color, ancestry, national origin, or membership in fraternal or political organizations of the student applying for the loan. (§ 1 ch 98 SLA 1971; AS 14.40.769)

Sec. 14.43.140. Enforceability of certain contracts with minors. A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by the minor from any person for the purpose of furthering the minor's education in a career education program or an institution of higher learning, is enforceable against the minor with the same effect as if the minor were, at the time of its execution, 19 years of age, if the person making the loan has before making the loan a certification from the institution that the minor is enrolled in the institution or has been accepted for enrollment. (§ 1 ch 98 SLA 1971; AS 14.40.771)

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, ch. 58, SLA 1982.

Sec. 14.43.160. Definitions. In AS 14.43.090 — 14.43.160

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

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

Sec. 14.43.130. Selection criteria. [Repealed. § 19 ch 67 SLA 1983.]

Sec. 14.43.160. Definitions. In AS 14.43.090 — 14.43.160

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

(2) "commission" means the Alaska Commission on Postsecondary Education;

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

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

(5) "school year" means the period from September 1 of one year through August 31 of the following year;

(6) "summer term" means the period from June 1 — August 31. (§ 5 ch 156 SLA 1972; am § 8 ch 78 SLA 1974; am §§ 18 — 20 ch 136 SLA 1974; am § 5 ch 136 SLA 1975; am § 7 ch 246 SLA 1976; am §§ 5 — 7 ch 99 SLA 1977; am § 9 ch 87 SLA 1979; am § 11 ch 89 SLA 1981; am § 59 ch 6 SLA 1984; am § 5 ch 34 SLA 1985; am § 1 ch 52 SLA 1985)

Revisor's notes. — Reorganized in 1985 to alphabetize the defined terms.

Effect of amendments. — The 1984 amendment repealed former paragraph (3), which defined "part-time student."

The first 1985 amendment, effective May 24, 1985, added f

The second 1985 amendment, effective May 31, 1985 deleted "operating under a consortium" following "higher education" near the end of paragraph (4).

Alaska State Legislature

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

POLCH V
STATE CAPITAL
JUNEAU ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate Committee on Health, Education and Social Services

MEMORANDUM

TO: Members, Senate Committee on Health, Education and Social Services

FROM: Committee Staff

RE: Committee Meeting, May 9, 1985

CSHB 161 (FIN) Relating to the interest rate and repayment provisions of scholarship loans; *etd*

CSHB 161 (FIN) would increase the Student Scholarship Loan Program cash flow by:

- 1) increasing the interest rate from 5% to 8%;
- 2) rolling back the grace period (the time between graduation and commencing repayment of the loan) from one year to six months;
- 3) restructuring the repayment schedule by calculating the first 3 payments at 5% interest rate with the additional interest to be paid in later years.

** None of these provisions affect existing loans.

** A Committee Substitute has been prepared which deletes an amendment that was added on the House floor. The amendment has the same effect as provided for in SB 17, relating to consortium agreements, which passed the House today and has been transmitted to the Governor's office.

Offered: 4/29/85
Referred: Rules

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 SCS CS FOR HOUSE BILL NO. 161 (Finance) am 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(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. 1. 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. 2. 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 34. This Act takes effect July 1, 1985.

STATE OF ALASKA

MEMBER
FINANCE COMMITTEE
SPECIAL COMMITTEE ON FISHERIES




POUCH V
JUNEAU ALASKA 99801
(907) 465-4737

PO BOX 1065
BETHEL ALASKA 99559
(907) 543-2922

REPRESENTATIVE JOHN BINKLEY

MEMORANDUM

TO: All Members, House of Representatives

FROM: Representative John Binkley 

DATE: May 4, 1985

RE: CSHB 161 (Finance) - "An Act relating to the interest rate and repayment provisions of scholarship loans; and providing for an effective date."

The Alaska Student Scholarship Loan Program was established in 1971 to provide aid to Alaskan residents in the form of low interest loans. It is the most successful program in the nation. To maintain this program and protect this opportunity for future generations we must make some small changes now.

The Student Loan Program has provided loans to more than 50,000 Alaskans since its inception at a total investment by the state of \$285 million. 16,992 students are currently receiving assistance for their education from the program. This year the state is looking to receive back just \$10 million to help fund new applicants.

CSHB 161 (Finance) would put the Student Scholarship Loan Program on a stronger financial base. The bill would change current regulations in the following ways:

1. Increase the interest rate from 5% to 8%, a more realistic interest rate and still a relatively low figure in today's money markets.
2. Roll back the grace period (the time between graduation and commencing repayment of the loan) from one year to six months. The federal student loan program has previously made this identical change.
3. Restructure the repayment schedule, calculating the first three years' payments at a 5% interest rate with the extra accrued interest to be paid in later years. This plan would give a break to students in their years just out of school before most have fully established themselves in the working market. It would also apply more value to the forgiveness clause.

4. The forgiveness portion of the student loan program would remain intact.

What this plan would mean to the student is that for \$1,000 borrowed, payments for the first three years would be \$10.61 per month and then \$12.80 per month for the remaining seven years. At a straight 8% interest, by comparison, payments would be \$12.13 per month per \$1,000 borrowed for ten years. What this would mean to the state is a cumulative savings over fifteen years of approximately \$186 million.

I urge you to support and vote in favor of CSHB161. In a state with a young, growing population those dollars saved will help ensure the existence of this fine program for future students as well.

The following items are attached in further support of this bill:

- | | |
|------------------|---|
| Attachment No. 1 | CSHB 161 (Finance) |
| Attachment No. 2 | Sectional Analysis |
| Attachment No. 3 | Fiscal Note
Fiscal Impact, charted by years, FY86 - FY98
Cumulative Fiscal Impact |
| Attachment No. 4 | Bill History - Sectional Comparison |
| Attachment No. 5 | Post Secondary Commission position in support |
| Attachment No. 6 | Resolution by Associated Students of the
University of Alaska, Fairbanks |
| Attachment No. 7 | Resolution by Student Association University
of Alaska, Anchorage |

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)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

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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.

CSHB 161

SECTION ANALYSIS

Section 1: Raises loan interest to 8%. The current rate is 5%, which it has been since 1971.

Section 2: (a) The "grace period", that time after a student ceases full-time study, is reduced to six months. Currently, students are given a full year before interest begins accruing and payment begins.

(b) The monthly payment impact of increasing the interest to 8% is delayed until the third year of loan repayment. During the first three years of repayment (and probably the lowest income years for the borrowers), the monthly payments are held at the same rate as if the loan were still at 5%.

Section 3: Effective date.

Comments:

1. The increased interest will create increased program receipts after FY89 (due to the three-year monthly payment impact delay).



2. The reduced grace period will place borrowers into repayment six months sooner and hence will generate additional receipts in the early repayment cycle and balancing lower receipts in the latter part of the repayment cycle.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 4/24/85

REQUEST

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

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

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
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		
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	N.A.	20.0	29.7	61.6	65.0	67.8

CAPITAL		(48.7)	(2,274.5)	(4,207.9)	(6,209.0)	(9,629.4)
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REVENUE						
----------------	--	--	--	--	--	--

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						
TOTAL						

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

See attached.

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

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

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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

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

(a) Fiscal Impact:

Year of Impact	BORROWING YEAR													Total Impact
	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	
FY86	\$ 48.7													\$ 48.7
FY87	2,229.9	44.6												2,274.5
FY88	2,122.8	2,040.5	44.6											4,207.9
FY89	2,181.5	1,942.4	2,040.5	44.6										6,209.0
FY90	3,605.7	1,996.2	1,942.4	2,040.5	44.6									9,629.4
FY91	1,102.8	3,299.3	1,996.2	1,942.4	2,040.5	44.6								10,425.8
FY92	1,326.8	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6							12,378.9
FY93	1,966.2	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6						14,232.4
FY94	2,010.4	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
TOTAL:	\$20.0	\$29.7	\$61.6

(c) Comments:

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

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

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

: 3,500

15% DELAYED

CUMULATIVE FISCAL IMPACTS

CSHB161 (Finance) Delayed 8% and 6 month grace period

ONE YEAR	FIVE YEARS	TEN YEARS	FIFTEEN YEARS
48.7	22,369.5	93,397.6	186,015.3

HOUSE BILL 161

	<u>Original Bill</u>	<u>Loans Committee Substitute</u>	<u>Finance Committee Substitute</u>
Sec. 1	Raises interest rates on loans from 5% to 8%.	Sec. 1 Raises interest rate to 8%.	Sec. 1 Raises interest rate to 8%
Sec. 2	Changes eligibility--adds applicant must have graduated within one year, be within 6 months of graduating, or demonstrated financial need.	* Sec. 2(k) Limits the amount of time a person can defer principal payments while in the military up to 6 years.	Sec. 2(g) Reduces grace period from one year to six months. Interest accrues at 8% but payments are calculated at 5% for first three years with extra accrued interest to be paid in later years.
Sec. 3	If study interrupted for more than two years a new loan could be obtained only if financial need is shown.	* Sec. 3 Repealed and reenacted. Adds provision that a person cannot be delinquent or in default on a loan. Grants exemptions for absences from the state under certain described conditions.	Sec. 3 Effective date: July 1, 1985
Sec. 4	A technical amendment clarifying the conditions for repayment of the rural teachers loans, and allowing the forgiveness portion to continue for these loans.	Sec. 4 Repeals the forgiveness.	
Sec. 5	Keeps the interest rate for teachers scholarship loan at 5% unless it is in default.	Sec. 5 Makes forgiveness repealer take effect September 1, 1990.	
Sec. 6	Repeals the forgiveness portion of the student scholarship loan.	Sec. 6 Increases interest rate as of July 1, 1985.	
Sec. 7	Specifies when and for whom new eligibility requirements apply. Must be newly graduated from high school, have applied within one year of graduation and not interrupted studies for more than 2 years.	* Sec. 7 Makes new eligibility and limits on military service effective	
Sec. 8	Effective date: July 1, 1985	* Elements of HB 185 which were incorporated into CSHB161	
		NOTE: By eliminating Sec. 4 of HB 161 in effect raises interest rates on rural teacher loans to 8% also.	NOTE: HB 185 provisions included in Loans CS were removed and passed out as HB 185 independent of CSHB161 (Finance).

CSHB 161

Summary: The bill accomplishes three things:

1. interest on student loans is raised to 8% (Sec. 1);
2. the "grace period", after ceasing full-time study, is reduced to 6 months (Sec. 2); and
3. the impact of increased interest on increased monthly payments is delayed until after the first three years of repayment.

Need:

1. Interest on Alaska Student Loans has been at 5% since 1971. At this low rate, there is no reason not to borrow as much as possible, that is, the loan rate is less than what is paid on regular bank savings accounts. Additionally, the federal student loan rate is 8%. This change brings Alaska's loan program more closely in line with that available to students in the rest of the nation.
2. Reducing the grace period to 6 months has a large fiscal impact. It places borrowers into repayment earlier, and hence, greatly enhances program receipts (see fiscal note).
3. Rather than uniformly increasing the monthly payments for borrowers as a result of increasing interest, this bill allows a borrower's payments to remain at the same level as if it were a 5% loan for the first three years of repayment. Then, after the person is more settled and, hopefully, better able to pay, the monthly payments are adjusted upward.

Comments:

1. The Commission on Postsecondary Education endorses this bill and has requested, by resolution, that interest be raised to 8%.
2. There is some administrative cost associated with reducing the grace period (see fiscal note). This reflects the fact that about 20,000 accounts will be shifted forward in the repayment cycle over the next few years.



University of Alaska-Fairbanks

Associated Students of the University of Alaska
Wood Center
Fairbanks, Alaska 99701

(907) 474-7351

SENATE BILL 83

Introduced: 4/28/85

BY KNOX

IN THE SENATE

BE IT RESOLVED BY THE ASUA SENATE

WHEREAS a finance sub-committee has produced a proposed substitute bill for HB161, a bill relating to the student loan program; and

WHEREAS this substitute motion raises the interest rate from five to eight percent and reduces the grace period from twelve to six months, but leaves the forgiveness clause intact; and

WHEREAS the Legislative Council of ASUA, as well as student representatives of UAA, ACC, and UAJ have expressed some amount of support for this proposed substitution; and

WHEREAS members of the Alaska legislature have requested that ASUA take a formal stand; therefore

BE IT RESOLVED that ASUA accepts and endorses the proposed committee substitute of HB161 (Fin) in lieu of the original bill.

COPIES of this motion will be sent to Rep. John Binkley, Rep. Al Adams, Rep. Don Clocksin, Rep. Terry Martin, and Rep. Niilo Koponen.

Kenneth S Knox
ASUA Senate President

4-28-85
Date

Dennie Skayin
Senate Clerk

4-28-85
Date

Thomas Van Fleet
ASUA President

4/29/85
Date

PASSED - U.C.

By: Legislative Affa.
Date: 18 March 1985
Referred:

SENATE RESOLUTION # 38

Be it enacted in the Senate of SAUAA:

Whereas; the House Special Committee on State Loans has addressed the majority of the criticisms of HB161 that have been expressed by students, and

Whereas; CSHB161 removes the discrimination against non-traditional students, the financial needs requirement, and postpones the repeal of the forgiveness clause until 1990 that was incorporated in the original bill, and

Whereas; these two changes are changes in which students can live with and absorb,

Be it resolved, that SAUAA formally support CSHB161 as written, in order to promote a self-sufficient loan program.

CC: All members of the State House
All members of the state Senate
Governor Bill Sheffield
ACCSA
UASA
Dave Hayse Leg. Affairs Coordinator
UAJ Student Government.

The Anchorage Times
The Anchorage Daily News
KENI Radio- Wayne Maloney

This act is to take effect immediately, contingent upon results of Information Day survey.

Approved 22 March 1985

Failed _____

Withdrawn _____

Roger Eichmann
President, SAUAA

FINAL RESULTS OF UAA INFORMATION DAY SURVEY

1. To continue to make the Alaska Student Loan Program available, would you support an interest rate increase from 5 percent to 8 percent?

# OF SURVEYS	SUPPORT	OPPOSE	MAYBE/NO COMMENT
355	247	87	21

# OF SURVEYS	SUPPORT	SURVEY PERCENTAGE OPPOSE	MAYBE/NO COMMENT
355	69.58%	24.51%	5.92%

# OF RESPONSES	SUPPORT	RESPONSE PERCENTAGE OPPOSE
334	73.95%	26.05%

2. If the Forgiveness Clause of the Alaska Student Loan Program were discontinued would you stay in Alaska after graduation?

# OF SURVEYS	YES	NO	MAYBE/NO COMMENT
355	177	120	58

# OF SURVEYS	YES	SURVEY PERCENTAGE NO	MAYBE/NO COMMENT
355	49.86%	33.80%	16.34%

# OF RESPONSES	YES	RESPONSE PERCENTAGE NO
297	59.60%	40.40%

3. In face of budget cuts, would you support an increase in tuition?

# OF SURVEYS	SUPPORT	OPPOSE	MAYBE/NO COMMENT
355	163	168	24

# OF SURVEYS	SUPPORT	SURVEY PERCENTAGE OPPOSE	MAYBE/NO COMMENT
355	45.92%	47.32%	6.76%

# OF RESPONSES	SUPPORT	RESPONSE PERCENTAGE OPPOSE
331	49.24%	50.76%

Lawmakers look at student loan program

News-Miner Bureau

JUNEAU—Alaska's student loan program is the most generous state program in the country.

It offers a 5 percent interest rate plus a forgiveness clause that allows up to 50 percent of the debt to be dropped if the student finishes the degree program and returns to Alaska for five years.

Rep. John Binkley, R-Bethel, proposed this year that the forgiveness clause be dropped and the interest rate be increased to 8 percent. He said the forgiveness clause is no longer needed as an incentive for students to return to Alaska.

Legislators have also discussed the amount to appropriate for student loans, which could limit who gets them.

Interior delegation members last week were asked to respond in 100 words or less to the question, "What changes, if any, would you advocate in Alaska's student loan program?"

Don Bennett: "Our student loan program is by far the best in the nation. I think we should protect it and strive to keep it the way it is."

John Ringstad: "It is the Legislature's responsibility to balance the state's needs with existing revenue. As revenues decline, and in respect to the Alaska student loan program, I will work toward a self-sustaining, perpetual loan program so future generations will also enjoy the benefits of higher education."

"To attain this goal, any changes should be phased into the program. The interest rates should be increased, to at least fair market rate, the forgiveness clause will eventually have to be eliminated; there is no possible way that a loan fund can be self-sustaining if it only receives half of the principle back to the corpus of the fund."

"The Alaska student loan program was originally established as a revolving loan fund. I am purporting to continue the student loan program as it is set forth in statute, which will benefit this and future generations of Alaskan citizens."

Jack Coghill: "We hear some outrageous abuse of the student loan program by some students,

and we hear critics say that it's entirely too liberal. However, the program is too effective, too popular and too successful to scrap. There are many hundreds of success stories from Alaskans who otherwise could not afford to earn a college degree if they did not have access to student loans.

"We could tighten up the process, I believe, and probably there should be more accountability on the part of the borrower. I am not sure how that could be incorporated without adding a lot to the administration costs. I believe some spot checks or random audits could be built into the program which in turn would require more responsibility on the student borrower's part."

"I would like to see more of the borrowers attending Alaskan colleges."

Mike Miller: "The current committee substitute for House Bill 161 proposes to raise the interest rate paid on student loans from 5 percent to 8 percent. I believe this proposed change will be beneficial to the loan program in two ways."

"First, increasing the interest rate will discourage students from borrowing more money than they need. This will result in the available loan fund being able to cover the needs of more students."

"Second, increased interest rates means that more money will be returned to the loan fund to be made available as new loans. If the State of Alaska wants to have a strong student loan program, not only this year but 10 and 20 years from now, we must take positive steps now."

Dick Shultz: "The student loan program is a good program in its present form. This is not to say that it can not be improved, however, I feel that in trying to do so the Legislature may do more damage than good."

"The delinquency rate is well within reasonable limits and the proper incentives are in place to encourage Alaskans to use their education in state."

"In short, I have no reservations about the present program and therefore recommend no changes."

Nillo Koponen: "Alaska's student loan program is a generous, successful program that should only be tinkered with when tinkering clearly improves the program. Many of the changes which have been proposed, such as raising the interest rate and dropping the forgiveness clause, have a relatively weak impact in terms of lowering program costs (the usual stated goal)."

"I am concerned that the State of Alaska lacks a full-fledged scholarship program which, I feel, is a necessary component in Alaska's comprehensive approach to enabling post-secondary education for its resident. Many other states have scholarship programs and I have been researching options for Alaska. I hope to introduce scholarship legislation next session."

Steve Frank: "We need a thorough examination of the student loan program to make it more fiscally sound so that it will be sustainable into the future as oil revenues decline."

"Currently, the program creates an incentive to borrow more money than a student may need. This is a situation that cannot be allowed to continue."

"Components of the program such as the interest rate, the date interest begins to accrue and the forgiveness feature each need to be examined to reduce the burden on the state's general fund while maintaining a high quality program."

Mike Davis: "I do not advocate any measures that would limit the ability of state residents to take advantage of the student loan program. With an annual state budget of over \$2 billion, we can well afford to educate those who seek higher education."

"Unfortunately, this view is not shared by all of my colleagues."

"Two proposed changes to the student loan program that have been extensively discussed are raising the interest rate and repealing the forgiveness clause."

"I support the House Finance Committee's version of House Bill 161, which would keep the interest rate at 5 percent for the first five



STUDENT QUESTIONS—Alaska's student loan program is the most generous state program in the country. But changes may be in order, as fiscal needs call for a

sound program that will be sustainable into a future threatened by declining oil revenues. (News-Miner file, photo)

years of paying back a student loan, but would raise the rate to 8 percent for the second five years.

"The lower interest rate will help students in the first years after they are out of school, and the 8 percent rate will provide further incentive

for students to graduate from post-secondary programs."

Bettye Fahrenkamp: "We have the best student loan program in the country. Knowing revenues will continue to fall, we've got to find

ways to maintain program integrity and increase the cash flow. I would advocate the two following changes in the loan program:

"1. Raise the interest rate from 5 percent to 8 percent. Except for Alaska, the lowest student loan in-

terest rate in the country is 8 percent.

"2. By reducing the payback grace period from 12 to six months, we can increase our cash flow by \$14 million in three years."

\$50,000 reward offered for slayings clues

ANCHORAGE (AP)—A crime prevention group has increased its reward to \$50,000 for clues about the slaying of three elderly Anchorage residents.

The reward, up from an original \$10,000, is the largest ever offered by Crimestoppers, said Anchorage Police Sgt. Mike Fullerton.

Police have been stymied in their investigation of the murder of Tom Faccio, 69, his wife, Ann, 70, and her sister, Emilia Elliott, 76. They were shot the evening of April 22 at their home. Police said there was no evidence of a break-in, and nothing apparently had been stolen.

Wayne Lienhart, the Faccio's son-in-law, said the reward money was donated by family friends of Faccio, who owned an Anchorage plumbing and heating business for 30 years.

"We have very few leads to go on, that's true," said Capt. Del Smith, head of investigations. "But there is other evidence gathered from the home that we're still working on. I don't want anyone left with the impression that we've given up on this at all."

Smith said investigators had spent seven days gathering fingerprints and other evidence at the house, the longest Anchorage police have ever spent at one crime scene. Investigators also have followed up on more than 80 tips called in, he said.



Senate takes hard look at student loan aid cuts

JUNEAU (AP)—The Alaska Senate is telling college students they'd better talk now about the least harmful of financial aid cuts, because the cuts are inevitable.

"They should know we'll be out of money by August," Sen. Bettye Fahrenkamp, D-Fairbanks, told student leaders who came to Juneau on Tuesday to testify on a measure (HB161) to decrease student loan amounts and increase their interest rates.

The Senate Health, Education and Social Services Committee, which Fahrenkamp heads, is trying to find the least painful way to make up for financial shortfalls that are strangling the Alaska Student Loan Program. The crux of the dilemma is how much the state has to hurt all students who depend on the loans in order to help everyone who applies for them.

The Alaska Commission on Postsecondary Education believes the loan program will be short \$7 million in the 1986-87 school year, and already the program has turned away 1,410 potential students who sought loans this year.

"Those 1,410 students are very involved in the intent behind the (bill)," Fahrenkamp said.

The program has run out of money each of the last three school years. For the first time this fall, it will be broke before the school year begins, unless the Legislature finds some way to cut loan amounts before August, said Kerry Romesburg, executive director of the Alaska Commission on Postsecondary Education.

The money-saving measure now before the education committee calls for cutting the yearly loan maximum to \$5,500, from the current \$6,000 for undergraduate and \$7,500 for graduate students. It also would increase the interest rate from 5 percent to 8 percent.

Several student groups have proposed a two-tier loan program that would give \$4,000 at 8 percent interest to all students, and another

\$3,000 at 5 percent to those who prove financial need, said Steve Cole, a student at the University of Alaska-Juneau.

All students who testified oppose setting graduate loan caps at the same level as undergraduate loans.

"The reduction of \$1,500 is quite dramatic, especially for students who are in the middle of their graduate programs," said Lesa Stebbens, of the University of Alaska-Anchorage student association. Stebbens and others pointed out that Alaska has few graduate programs in the state, forcing students to go elsewhere at greater expense.

A regulation requiring students to kick in \$500 toward college expenses before getting a state loan was passed by the commission in December and would save an esti-



SEN. BETTYE FAHRENKAMP
"Out of money"

mated \$4 million, Romesburg said, but the regulation could be shot down by the Legislature because of arguments that it hurts Alaska colleges and universities.

Superseded

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Cook
2/23/86

Original sponsor: Binkley

1 IN THE HOUSE

BY THE HEALTH, EDUCATION
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 con-
7 tions and repayment provisions of scholarship loa
8 and providing for an effective date."

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

10 * Section 1. AS 14.43.110 is amended to read:

11 Sec. 14.43.110. UNDERGRADUATE LOANS. The committee may make
12 loan, not to exceed \$5,500 [\$6,000] in any one school year, to
13 undergraduate student eligible under AS 14.43.125. The committee
14 make a loan for a summer term, even if the total loan for the scho
15 year exceeds the \$5,500 [\$6,000] maximum, if the loan for the s
16 term is counted against the \$5,500 [\$6,000] maximum for the followi
17 school year.

18 * Sec. 2. AS 14.43.115 is amended to read:

19 Sec. 14.43.115. GRADUATE LOANS. The committee may make a loa
20 not to exceed \$5,500 [\$7,000] in any one school year, to a gradua
21 student who is eligible under AS 14.43.125 and is pursuing an advanc
22 degree. The committee may make a loan for a summer term, even if t
23 total loan for the school year exceeds the \$5,500 [\$7,000] maximum,
24 the loan for the summer term is counted against the \$5,500 [\$7,000]
25 maximum for the following school year.

26 * Sec. 3. AS 14.43.120(f) is amended to read:

27 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 i
28 at the rate of eight [FIVE] percent a year unless the loan is i
29 default. Interest on a loan that is in default is 10 percent a yea

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1 for the period the loan is in default.

2 * Sec. 4. This Act takes effect July 1, 1986.

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Senate HESS Committee
 March 3, 1986

FISCAL IMPACTS OF SCS CSHB 161 (2d HESS)

1) INCREASED INTEREST RATES

<u>Year</u>	<u>6.5%</u>	<u>8%</u>
FY87	N.A.	N.A.
FY88	\$ -0-	\$ -0-
FY89	108.8	217.5
FY90	325.8	651.6
FY91	658.1	1,316.2
FY92	1,160.0	2,319.9
FY93	1,697.5	3,395.0
FY94	2,233.1	4,466.2

NOTE: Average loan award is \$4500. \$100,000 will serve approximately 22 students.

Effect of Increased Interest on Monthly Payments

An increase in the interest rate from 5% to 6.5% would result in an increase in monthly payments by \$00.68 per \$1000.

An increase in the interest rate from 5% to 8% would result in an increase in monthly payments by \$1.37 per \$1000.

<u>Loan Amount</u>	<u>Monthly Payment at 5%</u>	<u>at 6.5%</u>	<u>at 8%</u>
\$1000.00	\$10.61	\$ 11.29	\$ 11.98
6000.00	63.66	67.74	71.88
10000.00	106.10	112.90	119.80
20000.00	212.13	225.80	239.60

2) REDUCING UNDERGRADUATE LOAN MAXIMUM

<u>Reduction</u>	<u>Annual Savings</u>	<u># of Students Served</u>
\$ 500.00	\$2.5 million	555

3) REDUCING GRADUATE LOAN MAXIMUM

<u>Reduction</u>	<u>Annual Savings</u>	<u># of Students Served</u>
\$1500.00	\$500,000.	111

4) STUDENT CONTRIBUTION TO ELIGIBLE COSTS

<u>Contribution</u>	<u>Annual Savings</u>	<u># of Students Served</u>
\$ 500.00	\$4.0 million	889

TABLE 1
STUDENT FINANCIAL AID ADMINISTRATION
STATE STUDENT LOAN ACTIVITY
Projected to 1990-91

Year	Loan Awards	% Change	Loan Volume	% Change	Average Loan	Loan Collections	General Fund	Loan Forfeitures	Repayment* Accounts	Default* Rate
1971-72	1,081	--	\$ 1,603,158	--	\$1,483	\$ -0-	\$ 1,500,000	\$ -0-	\$ -0-	N.A.
1972-73	1,748	61.8	2,070,384	79.0	1,642	-0-	2,952,900	-0-	-0-	N.A.
1973-74	1,665	(5.0)	2,906,176	4.0	1,793	-0-	2,952,900	-0-	-0-	N.A.
1974-75	1,457	(12.5)	2,659,007	(10.9)	1,826	235,476	3,105,600	703	1,626	80.0
1975-76	1,719	8.0	3,382,997	27.2	1,968	465,530	3,791,500	44,233	2,153	44.6
1976-77	1,921	11.8	3,850,507	13.8	2,004	1,141,461	3,550,900	64,746	2,775	24.9
1977-78	2,265	17.9	4,604,167	19.6	2,033	1,191,851	2,006,100	314,306	3,470	22.3
1978-79	2,795	23.4	6,416,402	39.4	2,296	1,391,643	3,600,000	445,985	4,289	19.3
1979-80	3,918	40.2	9,373,949	46.1	2,393	1,603,436	8,130,000	409,501	5,301	14.5
1980-81	6,460	64.9	15,957,717	70.2	2,475	2,225,308	12,821,127	555,494	7,196	11.2
1981-82	9,898	70.3	40,559,459	154.2	4,098	2,779,900	37,701,000	785,769	10,603	9.2
1982-83	13,050	31.9	55,007,395	35.6	4,213	4,609,051	52,000,000	(846,028)	15,669	9.1
1983-84	14,785	13.2	62,912,316	14.4	4,255	6,410,124	60,000,000	1,171,239	21,771	13.5
1984-85	17,173	16.2	75,075,883	19.3	4,372	9,572,795	60,000,000	1,664,612	27,886	12.4
1985-86*	16,130*	(6.1)	80,675,498*	7.5	5,002*	6,867,737*	63,600,000	1,190,263*	36,341*	14.3*
Projections										
1986-87	18,431	N.A.	81,557,175	N.A.	4,425	15,905,103	63,572,072	2,839,506	46,280	
1987-88	18,950	2.8	86,222,500	5.7	4,550	19,352,145	64,870,355	3,421,624	55,123	
1988-89	19,325	1.5	90,441,000	5.0	4,680	22,762,094	65,678,906	4,011,160	63,300	
1989-90	21,493	11.7	103,381,330	14.3	4,810	26,189,108	75,192,222	4,603,646	72,557	
1990-91	23,373	8.7	115,696,350	11.9	4,950	30,104,760	83,591,590	5,280,612	82,765	

*Repayment account totals and default rate are for June 30 of each year. All 1985-86 data are as of January 24, 1986.

United Campuses of Alaska

Seven of the nine charter member campuses of the United Campuses of Alaska student organization met March 13 and 14 in Anchorage. A list of approved recommendations and endorsements resulted from these deliberations concerning the Alaska Scholarship Loan Program and HB 161. The representatives of the United Campuses respectfully submit this list to the Health, Education and Social Services Committee membership for consideration. Please accept the thanks of the United Campuses of Alaska for the HESS Committee's cooperation and forbearance.

SUGGESTED ACTIONS AND RECOMMENDATIONS CONCERNING HB 161 AND THE SCHOLARSHIP LOAN PROGRAM

1. Reduce the loan maximum from \$6000 to \$5500 for undergraduates and from \$7000 to \$6500 for graduate borrowers.

Comments: While the UCA feels that this action represents a less than perfect method for redistributing funds to meet current loan program demand, it is felt that this action is the most effective way of meeting the short-term loan program shortfall and will have a minimal negative on the average loan recipient.

2. Increase the interest rate on loans to students attending out-of-state postsecondary institutions from 5% to 8%.

Comments: In the spirit of encouraging attendance at Alaskan post-secondary institutions, the United Campuses representatives feel strongly that this differentiated interest rate should be applied to out-of-state loans.

3. Recommend that the HESS Committee request that the Alaska Commission on Post-Secondary Education compile further information which examines the effects of more restrictive authorization requirements for proprietary schools which currently benefit from the receipt Alaska Student Loan program funds.

4. By 1991, restrict the funding of out-of-state loans. Applicants must meet one of the following three criteria in order to qualify for a loan to be used for attending an out-of-state institution:

- The program attended must not be offered by an "in-state" institution
- OR
- The applicant must be a graduate of an Alaskan High School
- OR
- The applicant must have completed a minimum of sixty (60) credit hours of instruction at an Alaskan Institution.

5. Institute a \$10 per applicant annual "application processing fee".

Comments: It is the UCA's intention that the fee receipts could be used to offset the cost of planning for further modifications in the student loan program (re; the "1991" plan, etc.) It was further intended that provision for waiving this fee be made under circumstances where the applicant is incapable of paying the \$10.

6. Request that the Legislature, in cooperation with the Alaska Commission on Post-Secondary Education and student loan recipients develop a plan for the delivery of a "needs-based" loan program. The plan for this program is to be presented to the Legislature by January 15, 1987 for further consideration.

7. Request that the Alaska Commission on Post-Secondary Education require that each applicant for a Scholarship Loan simultaneously file a FAF (Federal Aid Form), a copy of which would be sent to each campus' student financial aid officer to serve as an additional aid for securing other financial aid when possible.

Comments: The United Campuses recognize that currently, it is extremely easy to obtain the Alaska student loan and that often times, loan recipients view the ASL as the "sole source" of financial assistance for attending college. The UCA representatives feel that requiring the filing of this form could possibly open the door to other grants and loans. The representatives also felt that this requirement would possibly discourage potential abuse of the student loan program by reasoning that those applicants that will not go to the trouble of filing the FAF aren't truly in need of the assistance.

REPRESENTATIVES TO THE UNITED CAMPUSES OF ALASKA MEETING
MARCH 13,14,15:

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f - hb 161

April 24, 1986

Senator Frank Ferguson
State of Alaska
P.O. Box V
Juneau, Alaska 99811

Dear Senator Ferguson:

We have run several different scenarios as to the level of bonds that can be financed on a sustained basis versus the terms on the loans and have found the following results:

Leaving the Student Loan Program exactly like it is with a 5% interest rate and forgiveness clause allows us to sell \$40 million worth of bonds per year on a sustained basis assuming there are \$80 million in loans to be funded each year.

If the interest rate is raised from 5% to 8%, \$45 million of bonds can be sold with a \$35 million equity contribution to the general fund.

If the state abolishes forgiveness on the student loans, the ratio is \$48 million of bonds and \$32 million of appropriation.

If the state abolishes both the forgiveness clause and charge 8%, \$55 million in bonds could be financed with a \$25 million general fund contribution.

Yours Truly,

JOHN NUVEEN & CO. INCORPORATED

Sterling Gallagher
Vice President

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ALASKA STUDENT LOAN PROGRAM
SERIES 1986 VARIABLE RATE DEMAND BONDS
ANALYSIS OF AMORTIZATION

YEAR ENDING 6/30	NEW BOND LOANS MADE	EQUITY & RECYCLED LOANS MADE	COLLECTIONS ON PRIOR LOANS *	COLLECTIONS ON NEW BOND LOANS **	COLLECTIONS ON EQUITY LOANS **	OUTSTANDING PRINCIPAL	INTEREST	PRINCIPAL RETIREMENT	ENDING PRINCIPAL BALANCE
1987	40,000,000	42,912,599	14,547,599	0	0	40,000,000	4,000,000	7,635,000	32,365,000
1988	40,000,000	44,030,779	20,152,279	0	0	72,365,000	7,236,500	8,885,000	63,480,000
1989	40,000,000	45,307,660	25,396,203	544,890	584,567	103,480,000	10,348,000	10,870,000	92,610,000
1990	40,000,000	46,680,866	29,461,182	1,888,954	2,041,730	132,610,000	13,261,000	13,450,000	119,160,000
1991	40,000,000	48,097,170	31,071,125	4,504,428	4,902,617	159,160,000	15,916,000	16,465,000	142,695,000
1992	40,000,000	49,527,857	31,077,952	7,882,749	8,661,656	182,695,000	18,269,500	19,825,000	162,970,000
1993	40,000,000	50,934,326	30,504,435	11,442,700	12,724,191	202,870,000	20,287,000	23,450,000	179,420,000
1994	40,000,000	52,253,711	29,184,877	15,075,304	16,985,530	219,420,000	21,942,000	27,050,000	192,370,000
1995	40,000,000	53,401,266	26,901,710	18,707,907	21,373,648	232,370,000	23,237,000	30,345,000	202,025,000
1996	40,000,000	54,309,836	23,297,945	22,340,510	25,888,880	242,025,000	24,202,500	33,015,000	209,010,000
1997	40,000,000	54,986,002	18,406,869	25,973,114	30,527,019	249,010,000	24,901,000	35,020,000	213,990,000
1998	40,000,000	55,486,034	12,546,025	29,605,717	35,278,292	253,990,000	25,399,000	36,545,000	217,445,000
1999	40,000,000	55,856,535	7,024,621	32,693,430	39,542,984	257,445,000	25,744,500	37,660,000	219,785,000
2000	40,000,000	56,131,143	2,642,964	34,981,970	43,014,710	259,785,000	25,978,500	38,530,000	221,255,000
2001	40,000,000	56,361,994	649,219	35,999,099	45,144,176	261,255,000	26,125,500	39,305,000	221,950,000
2002	40,000,000	56,566,545	146,531	36,253,381	46,421,632	261,950,000	26,195,000	40,060,000	221,890,000
2003	40,000,000	56,752,291	0	36,326,033	47,430,258	261,890,000	26,189,000	40,815,000	221,075,000
2004	40,000,000	56,920,303	0	36,326,033	48,266,769	261,075,000	26,107,500	41,565,000	219,510,000
2005	40,000,000	57,048,318	0	36,326,033	48,998,285	259,510,000	25,951,000	42,305,000	217,205,000
2006	40,000,000	57,192,045	0	36,326,033	49,621,511	257,205,000	25,720,500	43,035,000	214,170,000
2007	40,000,000	57,297,588	0	36,326,033	50,138,555	254,170,000	25,417,000	43,750,000	210,420,000
2008	40,000,000	57,381,372	0	36,326,033	50,557,339	250,420,000	25,042,000	44,460,000	205,960,000
2009	40,000,000	57,446,204	0	36,326,033	50,891,171	245,960,000	24,596,000	45,175,000	200,785,000
2010	40,000,000	57,499,011	0	36,326,033	51,156,477	240,785,000	24,078,500	45,905,000	194,880,000

CASH FLOW COVERAGE FACTOR: 1.25
VARIABLE RATE DEMAND BOND INTEREST RATE: 10.00%
DEFAULT RATE ON NEW LOANS: 15.00%

* Collections on Prior Loans are based on 4/17/86 projections.
** Collections on New Loans reflects Forgiveness on 15% of expected repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ALASKA STUDENT LOAN PROGRAM
SERIES 1986 VARIABLE RATE DEMAND BONDS
ANALYSIS OF AMORTIZATION (FUTURE LOANS AT 8%)

YEAR ENDING 6/30	NEW BOND LOANS MADE	EQUITY & RECYCLED LOANS MADE	COLLECTIONS ON PRIOR LOANS †	COLLECTIONS ON NEW BOND LOANS ††	COLLECTIONS ON EQUITY LOANS ††	OUTSTANDING PRINCIPAL	INTEREST	PRINCIPAL RETIREMENT	ENDING PRINCIPAL BALANCE
1987	45,000,000	37,912,599	14,547,599	0	0	45,000,000	4,500,000	7,135,000	37,865,000
1988	45,000,000	39,030,779	20,152,279	0	0	82,865,000	8,286,500	7,835,000	75,030,000
1989	45,000,000	40,342,944	25,376,203	705,422	594,319	120,030,000	12,003,000	9,350,000	110,680,000
1990	45,000,000	41,801,480	29,461,182	2,445,462	2,077,836	155,680,000	15,568,000	11,615,000	144,065,000
1991	45,000,000	43,380,487	31,071,125	5,831,487	4,994,376	189,065,000	18,906,500	14,610,000	174,455,000
1992	45,000,000	45,024,450	31,077,952	10,205,102	8,836,896	219,455,000	21,945,500	18,150,000	201,305,000
1993	45,000,000	46,666,137	30,504,435	14,813,857	13,008,345	246,305,000	24,630,500	22,030,000	224,275,000
1994	45,000,000	48,223,146	29,184,877	19,516,669	17,409,100	269,275,000	26,927,500	25,960,000	243,315,000
1995	45,000,000	49,622,038	26,901,710	24,219,481	21,972,348	288,315,000	28,831,500	29,640,000	258,675,000
1996	45,000,000	50,785,635	23,297,945	28,922,293	26,702,897	303,675,000	30,367,500	32,770,000	270,905,000
1997	45,000,000	51,730,074	18,406,869	33,625,104	31,598,601	315,905,000	31,590,500	35,310,000	280,595,000
1998	45,000,000	52,509,021	12,546,025	38,327,916	36,649,579	325,595,000	32,559,500	37,455,000	288,140,000
1999	45,000,000	53,121,077	7,024,621	42,325,306	41,245,149	333,140,000	33,314,000	39,160,000	293,980,000
2000	45,000,000	53,603,318	2,642,964	45,288,078	45,070,276	338,980,000	33,898,000	40,500,000	299,480,000
2001	45,000,000	53,966,614	649,219	46,604,865	47,560,530	343,480,000	34,348,000	41,500,000	301,980,000
2002	45,000,000	54,257,251	146,531	46,934,062	49,204,658	346,980,000	34,698,000	42,330,000	304,650,000
2003	45,000,000	54,526,608	0	47,028,118	50,583,490	349,650,000	34,965,000	43,120,000	306,530,000
2004	45,000,000	54,763,157	0	47,028,118	51,783,039	351,530,000	35,153,000	43,895,000	307,635,000
2005	45,000,000	54,979,318	0	47,028,118	52,859,700	352,635,000	35,263,500	44,645,000	307,990,000
2006	45,000,000	55,170,480	0	47,028,118	53,801,362	352,990,000	35,299,000	45,360,000	307,630,000
2007	45,000,000	55,330,953	0	47,028,118	54,605,835	352,630,000	35,263,000	46,040,000	306,590,000
2008	45,000,000	55,463,959	0	47,028,118	55,279,841	351,590,000	35,159,000	46,685,000	304,905,000
2009	45,000,000	55,574,578	0	47,028,118	55,836,960	349,905,000	34,990,500	47,300,000	302,605,000
2010	45,000,000	55,667,252	0	47,028,118	56,294,634	347,605,000	34,760,500	47,895,000	299,710,000

CASH FLOW COVERAGE FACTOR: 1.25
VARIABLE RATE DEMAND BOND INTEREST RATE: 10.00%
DEFAULT RATE ON NEW LOANS: 15.00%

† Collections on Prior Loans are based on 4/17/86 projections.
†† Collections on New Loans reflects Forgiveness on 15% of expected repayments.

J HB 161

IN THE _____ BY _____

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

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

ARTICLE 2. ALASKA STUDENT LOAN CORPORATION

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

Sec. 14.42.110. PURPOSE OF CORPORATION. The purpose of the corporation is to improve higher educational opportunities of residents of Alaska in accordance with the provisions of this chapter.

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

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

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

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

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

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

(c) A meeting by electronic media as provided in this

section has the same legal effect as a meeting in person.

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

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

Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall manage the assets and business of the corporation and may prescribe, amend and repeal bylaws and regulations governing the manner in which the business of the corporation is conducted and the manner in which its powers are exercised in accordance with the administrative procedures act AS 44-160. The board shall delegate supervision of the administration of the corporation to the executive director of the corporation.

Sec. 14.42.160. EXECUTIVE DIRECTOR. The corporation shall employ an executive director, who may not be a member of the board. The executive director shall be the executive director of the Commission on Postsecondary Education appointed under AS 4:42.040a.

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

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

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

- (1) sue and be sued in its own name;
- (2) adopt an official seal;
- (3) adopt bylaws for the regulation of its affairs and the conduct of its business;
- (4) employ fiscal consultants, attorneys, and such other consultants and employees as may be required in the judgment of the corporation, and fix and pay their compensation from money available to the corporation;
- (5) make and execute agreements, contracts and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including contracts with any person, firm, corporation, governmental agency or other entity;
- (6) receive, administer, and comply with the conditions and requirements respecting any appropriation or gift, grant or donation of property or money;
- (7) acquire real property, or any interest in real property, in its own name, by purchase, transfer or foreclosure, when the acquisition is necessary or appropriate to protect any loan in which the corporation has an interest; sell, transfer and convey any such property to a buyer; and, if the sale, transfer or

conveyance cannot be effected with reasonable promptness or at a reasonable price, rent or lease the property to a tenant pending the sale, transfer or conveyance;

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

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

(10) invest or reinvest, subject to its contracts with noteholders and bondholders, any money or funds held by the corporation in any obligations or other securities authorized under AS 37:10:070.

(11) collect from a borrower amounts owed with respect to a student loan the corporation has purchased or made;

(12) gather information on loans available to residents of Alaska attending or planning to attend an eligible institution and disseminate the information to reasonably assure that qualified students are aware of financial resources available to those attending or desiring to attend an eligible institution;

(13) require an eligible institution or eligible lender to file reports with the corporation as the corporation considers necessary for the effective performance of its duties and publish the information from the reports or other sources as the corporation considers necessary;

(14) service student loans held by the corporation;

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

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

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

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

(19) collect and pay reasonable fees and charges in connection with the purchase, sale, and servicing of student loans,

(20) enter into agreements with the federal government (including guaranty agreements and supplemental guaranty agreements as described in the United States Higher Education Act of 1965) as necessary to provide for the receipt by the corporation of administrative allowances and other benefits available under the United States Higher Education Act of 1965;

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

(22) enter into contracts with institutions upon the terms and conditions agreed upon between the corporation and the

institutions, which terms and conditions may reflect the requirements of the United States Higher Education Act of 1965;

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

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

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

(26) provide advisory services to borrowers and other participants in the corporation's programs under this chapter;

(27) do all acts and things necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in this chapter.

(28) Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund is established in the corporation. The student loan fund is a trust fund for the uses and purposes of AS 14.42.010-310. The student loan fund consists of money or assets appropriated or transferred to the corporation and other money or assets deposited in it by the corporation.

(b) Money and other assets of the student loan fund may be used to secure bonds of the corporation in the types of investments under AS 37.100.070 A or shall be used to make or purchase loans approved under AS.14.43.090-160.

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

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

(c) All bonds, regardless of form or character, shall be negotiable instruments for all the purposes of the Uniform Commercial Code.

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

(e) Before the issuance of any bonds, the corporation shall make provision by agreement or otherwise at least sufficient in the judgment of the corporation to pay the principal of and interest on the bonds as they become due and to create and maintain the reserves therefor as the corporation considers necessary or

desirable and to meet all obligations in connection with the agreement and all costs necessary to service the bonds unless the agreement provides that the obligations are to be met or costs are to be paid by a party other than the corporation.

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

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

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

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

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

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

(C) the assignment by the corporation of its rights in a student loan or in a mortgage or other security interest created with respect to a student loan to a trustee for the benefit of bondholders;

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

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

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

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

SEC. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND REQUIREMENTS. (a) For the purpose of securing one or more issues of its bonds, the corporation may establish one or more

special funds, called "capital reserve funds", and shall pay into those capital reserve funds the proceeds of the sale of its bonds and other moneys which may be made available to the corporation from other sources for the purposes of the capital reserve funds. A capital reserve fund may be established only if the corporation determines that the establishment of the fund would enhance the marketability of the bonds. Money in a capital reserve fund, except as provided in this section, may be used as required only for (1) the payment of the principal of, and interest on, bonds or of the sinking fund payments with respect to those bonds; (2) the purchase or redemption of the bonds, or (3) the payment of a redemption premium required to be paid when the bonds are redeemed before maturity. However, money in a capital reserve fund may not be withdrawn if the withdrawal would reduce the amount in the capital reserve fund to less than the capital reserve fund requirement, except for the purpose of making payment, when due, of principal, interest redemption premiums on the bonds, and sinking fund payments when other money of the corporation is not available for the payments. Income or interest earned by, or increment to, a capital reserve fund, from the investment of all or part of the fund, may be transferred by the corporation to other funds or accounts of the corporation if the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

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

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the fund is invested shall be valued by a reasonable method established by the corporation by resolution. Valuation shall include the amount of interest earned or accrued as of the date of valuation.

(d) The chairman of the corporation shall annually, no later than January 2, certify in writing to the governor and the legislature the amount, if any, required to restore a capital reserve fund to the capital reserve fund requirement. The legislature may appropriate to the corporation the amount certified by the chairman of the corporation. The corporation shall deposit the amounts appropriated under this subsection during a fiscal year in the proper capital reserve fund. Nothing in this section created a debt or liability of the state.

(e) In this section, "capital reserve fund requirement" means the amount required to be on deposit in the capital reserve fund as of the date of computation as determined by resolution of the corporation.

(f) The corporation may establish reserve funds, other than capital reserve funds, to secure one or more issues of its bonds. The corporation may deposit in a reserve fund established under this subsection the proceeds of sale of its bonds and other

money which may be made available from any other source. A reserve fund established under this subsection must comply with (a) - 9c) of this section. The corporation may allow a reserve fund established under this subsection to be depleted without complying with (d) of this section.

Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the legislature that a pledge made in respect of bonds shall be valid and binding from the time the pledge is made; that the money or property so pledged and thereafter received by the corporation shall immediately be subject to the lien of the pledge without physical delivery or further act; and that the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the corporation irrespective of whether the parties have notice. Neither the resolution, trust agreement nor any other instrument by which a pledge is created need be recorded or filed under the provisions of the Uniform Commercial Code to be valid, binding or effective against the parties.

Sec. 14.42.260. NONLIABILITY ON BONDS. (a) Neither the members of the corporation nor a person executing the bonds are liable personally on the bonds or are subject to personnel liability or accountability by reason of the issuance of the bonds.

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

Sec. 14.42.270. PLEDGE OF STATE. The state pledges to and agrees with holders of bonds issued under this chapter that the state will not limit or alter the rights and powers vested in the corporation by this chapter to fulfill the terms of a contract made by the corporation with the holders or in any way impair the rights and remedies of the holders until the bonds, together with the interest on them with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met and discharged. The corporation is authorized to include this pledge and agreement of the state in a contract with the holders.

Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal property of this corporation and its assets, income and receipts are declared to be the property of a political subdivision of the state and devoted to an essential public and governmental function and purpose, and the property, assets income, receipts, and other interests of the corporation shall be exempt from all taxes and special assessments of the state or a political subdivision of the state, including, without limitation, all boroughs, cities, municipalities, school districts, public utility districts and other

taxing units. All bonds of the corporation are declared to be issued by a political subdivision of the state and for an essential public and governmental purpose and to be a public instrumentality, and the bonds, and the interest on them, the income from them and the transfer of the bonds, and all assets, income and receipts pledged to pay or secure the payment of the bonds, or interest on them, shall at all times be exempt from taxation by or under the authority of the state, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing in this section affects or limits an exemption from license fees, property taxes, or excise, income or any other taxes provided under any other law, nor does it create a tax exemption with respect to the interest of any business enterprise or other person, other than the corporation, in any property, assets, income, receipts, or other interests.

SEC. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES.

The bonds of the corporation are securities in which all public officers and bodies of the state and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks, savings associations, including savings and loans associations and building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the state, may properly and legally invest funds including any other provisions of law, the bonds of the corporation are also securities which may be deposited with and may be received by all public officers and bodies of this state and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the state is now or may hereafter be authorized.

Sec. 14.42.310. OPERATION OF CERTAIN STATUTES EXCEPTED.

(a) The corporation shall not be considered or constitute (1) a political subdivision of the state as the term is used in AS 37.10.085, (2) a municipal corporation or political subdivision of the state as the terms are used in AS 29, or (3) except as provided in AS 14.42.330, a state agency as the term is used in AS 37, but for all other purposes the corporation constitutes a political subdivision and an instrumentality of the state as provided in this chapter.

(b) The funds, income or receipts of the corporation shall not be considered or constitute money of the state, nor shall real property in which the corporation has an interest be considered land owned in fee by the state or to which the state may become entitled or in any way lands belonging to the state, or state lands referred to in Art. VIII of the Alaska Constitution.

Sec. 14.42.320. ANNUAL AUDIT. The corporation shall have its financial records audited annually by the legislative auditor or by a certified public accountant approved by the legislative auditor. The legislative auditor may prescribe the form and content of the financial records of the corporation and shall have access to

these records at any time.

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

Sec. 2. 14.43.120(d) is amended to read:

- (d) scholarship loans may not be made to a student
- (1) for more than five years of undergraduate study;
 - (2) for more than five years of graduate study;
 - (3) for more than a total of eight years of undergraduate and graduate study;
 - (4) to attend an institution for which the default rate on loans made to students to attend the institution exceeds the program default rate by more than 150%.

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

April 17, 1986

Senator Frank Ferguson
State of Alaska
P.O. Box V
Juneau, Alaska 99811

Dear Senator Ferguson,

We have evaluated the cash flows of the Alaska Commission on Postsecondary Education student loan program and estimate that we could finance at least a \$100 million student loan program over the next two years. This would reduce the general fund expenditures by \$60 million for the next two years. This will give the legislature two years to further strengthen the student loan program. We would be happy to show the legislature the impact of various measures to strengthen the program.

We would use an authority approach working around an executive committee of the Alaska Commission on Postsecondary Education to operate the program. We recommend the accountability for loan disbursement and collection be closely allied with the bonding function.

The following is an outline of the bill:

1. The Alaska Student Loan Corporation shall have the following powers.
 - (1) To sue and be sued;
 - (2) adopt and alter an official seal;
 - (3) make and enforce bylaws and regulations under the Alaska Administrative Procedures Act to conduct its business for the use of its services and facilities;
 - (4) maintain an office in the state;
 - (5) acquire, hold, use and dispose of its income, revenues, funds and money;
 - (6) acquire, rent, lease, hold use and dispose of other personal property for its purposes;
 - (7) borrow money and issue its negotiable bonds or notes and provide for and secure their payment, provide for the rights of their holders and purchase, hold and dispose of any of its bonds or notes;

- (8) accept gifts or grants from the United States, or from any governmental unit or person, firm or corporation, carry out the terms or provisions or make agreements with respect to the gifts or grants, and do all things necessary, useful, desirable, or convenient in connection with procuring, accepting or disposing of the gifts or grants;
- (10) do anything authorized by this chapter, through its officers, agents or employees or by contracts with a person;
- (11) invest funds or money of the corporation not required at the time of investment for loan to students in the same manner as permitted for investment of funds belonging to the state;
- (12) prescribe the form of application or procedure required of students for a loan, fix the terms and conditions of the loan or purchase;
- (13) allow the legislature to set the general terms and conditions of the student loans;
- (14) procure insurance against any losses in connection with its property, operations or assets in amounts and from insurers as it considers desirable;
- (15) shall have an annual report and audit which shall be submitted to the legislature;
- (16) the corporation shall prepare and submit an annual budget to the governor and legislature.

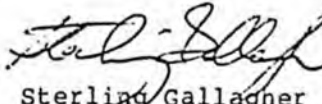
2. Governance: We recommend that an executive committee be selected by the governor from the members of the Alaska Commission on Postsecondary Education to form the corporation's board. The corporation's board will consist of five members, one of which must be the State Board of Education representative. The directors of the corporation shall select from their members a chairman. The corporation must transact its business in a public forum. The directors of the corporation shall be reimbursed for actual expenses or per diem for discharging its duties. The corporation shall employ the executive director and other staff as necessary. The employees shall be under the exempt service. In addition to staff, the corporation may employ bond counsel, consultants and other financial advisors.

3. Bond security: The corporation may enter into contracts with various institutions to secure its transactions. It may set up reserve funds including a capital reserve fund that may include a state's moral obligation. The bond holder's rights cannot be overridden by the legislature once the contract is entered.

Other changes we recommend in the student loan program are:

1. to allow the payment of the administrative costs of the student loan program out of the program receipts;
2. strengthen the default provisions of student loans as it affects various institutions;
3. ask the Alaska Congressional delegation to obtain tax exemption for the Alaska student loan program.

Yours truly,


Sterling Gallagher
Vice President

SG:me

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ALASKA STUDENT LOAN PROGRAM
SERIES 1986 VARIABLE RATE DEMAND BONDS
ANALYSIS OF AMORTIZATION

YEAR ENDING 6/30	COLLECTIONS ON PRIOR LOANS †	COLLECTIONS ON NEW LOANS **	OUTSTANDING PRINCIPAL	INTEREST	PRINCIPAL RETIREMENT	ENDING BALANCE
						100,000,000
1987	14,547,599	0	100,000,000	7,000,000	4,635,000	95,365,000
1988	20,152,279	2,339,176	95,365,000	6,675,550	11,315,000	84,050,000
1989	25,396,203	7,017,529	84,050,000	5,883,500	20,045,000	64,005,000
1990	29,461,182	9,356,706	64,005,000	4,480,350	26,570,000	37,435,000
1991	31,071,125	9,356,706	37,435,000	2,620,450	29,720,000	7,715,000
1992	31,077,952	9,356,706	7,715,000	540,050	31,805,000	(24,090,000)
1993	30,504,435	9,356,706	(24,090,000)	(1,686,300)	33,575,000	(57,665,000)
1994	29,184,877	9,356,706	(57,665,000)	(4,036,550)	34,865,000	(92,530,000)
1995	26,901,710	9,356,706	(92,530,000)	(6,477,100)	35,480,000	(128,010,000)
1996	23,297,945	9,356,706	(128,010,000)	(8,960,700)	35,080,000	(163,090,000)
1997	18,406,869	9,356,706	(163,090,000)	(11,416,300)	33,625,000	(196,715,000)
1998	12,546,025	7,017,529	(196,715,000)	(13,770,050)	29,420,000	(226,135,000)
1999	7,024,621	2,339,176	(226,135,000)	(15,829,450)	23,320,000	(249,455,000)

CASH FLOW COVERAGE FACTOR: 1.25
VARIABLE RATE DEMAND BOND INTEREST RATE: 7.00%
DEFAULT RATE ON NEW LOANS: 15.00%

- † Collections on Prior Loans are based on 4/17/86 projections.
** Collections on New Loans reflects Forgiveness on 15% of expected repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
 ALASKA STUDENT LOAN PROGRAM
 ANALYSIS OF LOAN REPAYMENT:

YEAR ENDING 6/30	VOLUME OF STUDENT LOANS MADE	LOANS BEGINNING REPAYMENT	CUMULATIVE LOANS IN REPAYMENT	UNADJUSTED REPAYMENT CASH FLOW	REPAYMENT ADJUSTED FOR DEFAULTS	LESS: LOANS FORGIVEN	NET LOAN COLLECTIONS
1972	1,603,158	0	0	0	0	0	0
1973	2,870,384	0	0	0	0	0	0
1974	2,986,176	240,474	240,474	31,142	26,471	4,632	21,539
1975	2,659,807	783,252	1,023,726	132,577	112,691	19,721	92,970
1976	3,382,997	1,640,516	2,664,242	345,032	293,277	51,323	241,953
1977	3,850,507	2,397,227	5,061,470	655,483	557,161	97,503	459,659
1978	4,604,167	2,820,707	7,882,177	1,020,778	867,661	151,841	715,221
1979	6,416,402	3,055,447	10,937,624	1,416,472	1,204,001	210,700	993,331
1980	9,373,949	3,487,061	14,424,685	1,868,063	1,587,853	277,874	1,209,979
1981	15,957,717	4,226,198	18,650,883	2,415,375	2,053,068	359,287	1,693,782
1982	40,559,499	5,460,112	24,110,995	3,122,484	2,654,112	464,470	2,189,642
1983	55,007,395	7,928,727	32,039,722	4,149,291	3,526,697	617,207	2,909,690
1984	62,912,316	14,530,168	46,529,416	5,999,871	5,099,891	892,481	4,207,410
1985	75,075,083	25,140,833	70,686,997	9,154,289	7,781,146	1,361,701	6,419,445
1986	80,675,498	39,682,445	108,729,925	14,060,893	11,968,759	2,094,533	9,874,226
1987	0	53,057,540	160,189,238	20,745,239	17,633,453	3,085,854	14,547,599
1988	0	64,536,012	221,904,542	28,737,653	24,427,005	4,274,726	20,152,279
1989	0	60,798,315	279,647,410	36,215,619	30,783,276	5,387,073	25,396,203
1990	0	48,248,123	324,408,472	42,012,381	35,710,524	6,249,342	29,461,182
1991	0	21,953,895	342,136,169	44,308,199	37,661,969	6,590,845	31,071,125
1992	0	5,535,293	342,211,350	44,317,935	37,670,245	6,592,293	31,077,952
1993	0	1,613,510	335,896,133	43,500,086	36,975,073	6,470,638	30,504,435
1994	0	0	321,365,965	41,618,363	35,375,608	6,190,731	29,184,877
1995	0	0	296,225,132	38,362,510	32,608,133	5,706,423	26,901,710
1996	0	0	256,542,687	33,223,452	28,239,934	4,941,988	23,297,945
1997	0	0	202,685,148	26,248,654	22,311,356	3,904,487	18,406,669
1998	0	0	138,149,126	17,890,945	15,207,303	2,661,278	12,546,025
1999	0	0	77,350,821	10,017,285	8,514,692	1,490,071	7,024,621
2000	0	0	29,102,698	3,768,932	3,203,593	560,629	2,642,964
2001	0	0	7,148,803	925,803	786,932	137,713	649,219
2002	0	0	1,613,510	208,957	177,613	31,082	146,531
2003	0	0	0	0	0	0	0
	367,935,855	367,935,855	3,679,358,550	476,493,765	405,019,700	70,878,448	334,141,253

TIMING OF FIRST LOAN REPAYMENT:

1 YEAR AFTER LOAN IS MADE	0 %
2 YEARS AFTER LOAN IS MADE	15 %
3 YEARS AFTER LOAN IS MADE	22 %
4 YEARS AFTER LOAN IS MADE	35 %
5 YEARS AFTER LOAN IS MADE	21 %
6 YEARS AFTER LOAN IS MADE	5 %
7 YEARS AFTER LOAN IS MADE	2 %

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) (HESS)
- replace with/or adopt SCS for CSHB 161 (Fin) am
- 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 Stupakowski
Edna De Vries

MEMBERS HAVING
OTHER RECOMMENDATIONS

Joe P. Josephson - No Recommendation

B. F. Johnson
 Chairman

Chairman recommendation _____

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

5/7/85

Date _____

Mr. President

The Committee on HESS considered CSUB 161 (Fin) 85

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

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 CSUB 161 (Fin) 85
- 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

Robert St. George

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Ed. P. ...
Chairman recommendation

United Campuses of Alaska

Seven of the nine charter member campuses of the United Campuses of Alaska student organization met March 13 and 14 in Anchorage. A list of approved recommendations and endorsements resulted from these deliberations concerning the Alaska Scholarship Loan Program and HB 161. The representatives of the United Campuses respectfully submit this list to the Health, Education and Social Services Committee membership for consideration. Please accept the thanks of the United Campuses of Alaska for the HESS Committee's cooperation and forbearance.

SUGGESTED ACTIONS AND RECOMMENDATIONS CONCERNING HB 161 AND THE SCHOLARSHIP LOAN PROGRAM

1. Reduce the loan maximum from \$6000 to \$5500 for undergraduates and from \$7000 to \$6500 for graduate borrowers.

Comments: While the UCA feels that this action represents a less than perfect method for redistributing funds to meet current loan program demand, it is felt that this action is the most effective way of meeting the short-term loan program shortfall and will have a minimal negative on the average loan recipient.

2. Increase the interest rate on loans to students attending out-of-state postsecondary institutions from 5% to 8%.

Comments: In the spirit of encouraging attendance at Alaskan post-secondary institutions, the United Campuses representatives feel strongly that this differentiated interest rate should be applied to out-of-state loans.

3. Recommend that the HESS Committee request that the Alaska Commission on Post-Secondary Education compile further information which examines the effects of more restrictive authorization requirements for proprietary schools which currently benefit from the receipt Alaska Student Loan program funds.

4. By 1991, restrict the funding of out-of-state loans. Applicants must meet one of the following three criteria in order to qualify for a loan to be used for attending an out-of-state institution:

- The program attended must not be offered by an "in-state" institution
OR

- The applicant must be a graduate of an Alaskan High School
OR

- The applicant must have completed a minimum of sixty (60) credit hours of instruction at an Alaskan Institution.

5. Institute a \$10 per applicant annual "application processing fee".

Comments: It is the UCA's intention that the fee receipts could be used to offset the cost of planning for further modifications in the student loan program (re; the "1991" plan, etc.) It was further intended that provision for waiving this fee be made under circumstances where the applicant is incapable of paying the \$10.

6. Request that the Legislature, in cooperation with the Alaska Commission on Post-Secondary Education and student loan recipients develop a plan for the delivery of a "needs-based" loan program. The plan for this program is to be presented to the Legislature by January 15, 1987 for further consideration.

7. Request that the Alaska Commission on Post-Secondary Education require that each applicant for a Scholarship Loan simultaneously file a FAF (Federal Aid Form), a copy of which would be sent to each campus' student financial aid officer to serve as an additional aid for securing other financial aid when possible.

Comments: The United Campuses recognize that currently, it is extremely easy to obtain the Alaska student loan and that often times, loan recipients view the ASL as the "sole source" of financial assistance for attending college. The UCA representatives feel that requiring the filing of this form could possibly open the door to other grants and loans. The representatives also felt that this requirement would possibly discourage potential abuse of the student loan program by reasoning that those applicants that will not go to the trouble of filing the FAF aren't truly in need of the assistance.

REPRESENTATIVES TO THE UNITED CAMPUSES OF ALASKA MEETING
MARCH 13,14,15:

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Steve Cole - Co-Coordinator for the United Campuses of Alaska
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Francis Longshore - Chair; United Campuses Council
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Anchorage, Alaska 99508

Susan Ness
Prince William Sound Community College
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Valdez, Alaska 99686
Phone: 835-2627

*adopted
Conf Comm*

file

SENATE JOURNAL SUPPLEMENT

April 28, 1986

NOV/DAY

No. 72

FISCAL NOTE

SCS CSHB 161 (FIN)

Revision Date: 3/27/86

REQUEST

Bill/Resolution No.: CS - SHB 101 (72)
Title: Re: Scholarship Loans
Sponsor: Winkler
Requestor: Senate HRCS
Date of Request: 3/27/86

FISCAL DETAIL

Agency Affected: Education
BRU: Postsecondary Education
Component: 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	N.A.	25.0	-0-	-0-	-0-	-0-

CAPITAL	N.A.	-0-	<217.5>	<551.6>	<1,316.2>	<2,319.9>
---------	------	-----	---------	---------	-----------	-----------

REVENUE	N.A.	-0-	217.5	551.6	1,316.2	2,319.9
---------	------	-----	-------	-------	---------	---------

FUNDING : (Thousands of Dollars)

GENERAL FUND	N.A.	25.0	<217.5>	<551.6>	<1,316.2>	<2,319.9>
FEDERAL FUNDS						
OTHER						
TOTAL		25.0	<217.5>	<551.6>	<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. Romeshburg
Division: Commission on Postsecondary Education

Phone: 465-2954
Date: 4/27/86



None

1 remains constant at \$60.0

2s entering repayment, with a
 11 be:

Years After Borrowing

One year
 Two years
 Three years
 Four years
 Five years
 Six or more years

3e reduced if interest is

4e received by 18 percent of

5ed.

1984-85 will continue, and if
 111 be in increased numbers
 level. For 1984-85, the

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.

Year	"Savings"	Number of Students
FY87	\$2,405,000	546
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.

Collegiate		Total	
Rate	Out of State	In State	Out of State
3.2	1.1	3.1	1.2
3.6	9.5	12.0	9.1
6.7	15.0	33.7	14.5
4.7	9.5	13.3	10.0
3.9	8.0	4.5	9.2
1.8	6.1	2.2	6.1
4.7	42.1	29.4	42.1
2.4	8.7	1.2	8.0
100.0	100.0	100.0	100.0

\$25.0 is for modifying the
 system to accommodate variable

ount for borrowers will increase
 raised interest rate. The

Present 5%	8%
\$ 10.61	\$ 11.98
\$254.56	\$287.28

SCS CSHB 161 (FIN)

SCS/ICS 161: Student Loans
(J-27-86 Analysis)

- 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:

<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. Forgiveness benefits will be received by 18 percent of the borrowers.
5. Default rate is not included.
6. The borrowers pattern of 1984-85 will continue, and if there is any change, it will be in increased numbers borrowing at the maximum level. For 1984-85, the pattern was:

<u>Borrowing Level</u>	<u>Vocational</u>		<u>Collegiate</u>		<u>Total</u>	
	<u>In State</u>	<u>Out of State</u>	<u>In State</u>	<u>Out of State</u>	<u>In State</u>	<u>Out of State</u>
\$1 - \$1,000	2.5	1.9	3.2	1.1	3.1	1.2
\$1,001-\$2,000	7.5	4.4	13.6	9.3	12.6	9.1
\$2,001-\$3,000	17.1	9.0	36.7	15.0	33.7	14.5
\$3,001-\$4,000	4.5	14.9	14.7	9.5	13.3	10.0
\$4,001-\$5,000	7.8	22.0	3.9	8.0	4.5	9.2
\$5,001-\$5,500	4.3	5.9	1.8	6.1	2.2	6.1
\$5,501-\$6,000	56.3	41.9	24.7	42.1	27.4	42.1
\$6,001-\$6,500			1.4	8.7	1.2	8.0
\$6,501-\$7,000						
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<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 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

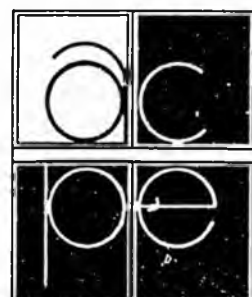
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NOV 1 1984

STATE OF ALASKA

**STUDENT
FINANCIAL AID
PROGRAMS**

**ANNUAL REPORT
1984-1985**

Alaska Commission on Postsecondary Education
Pouch FP, 400 Willoughby Avenue
Juneau, Alaska 99811



STATE OF ALASKA

S T U D E N T
F I N A N C I A L A I D
P R O G R A M S
ANNUAL REPORT
1984-85

Document Number 86-1

Alaska Commission on Postsecondary Education
Pouch FP, 400 Willoughby Avenue
Juneau, Alaska 99811

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Ms. Patricia Abney (Anchorage)
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Ms. Ruth Burnett (Fairbanks)
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Ms. Ernestine Griffin (Sitka)
Mr. John Havelock (Anchorage)
Mr. Ricnard Helms (Anchorage)
Senator Jalmar Kerttula (Palmer)
Representative Nillo Koponen (Fairbanks)
Ms. Bettye Smith (Anchorage)
Ms. Barbara Thompson (Juneau)

COMMISSION OFFICE

Dr. Kerry D. Romesburg
Executive Director
Alaska Commission on Postsecondary Education
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ALASKA STUDENT LOAN PROGRAM

Ms. Heather Drapeaux Loan Awards Officer	Ms. Billie Jean Hall Loan Office - Anchorage	Ms. Linda Landvik Repayment Officer
Ms. Carol Barril Collections Officer	Mr. Kevin Hanon Accounting Supervisor	Ms. Peggy Corazza Records Officer

WICHE STUDENT EXCHANGE AND STATE EDUCATIONAL INCENTIVE GRANT PROGRAMS

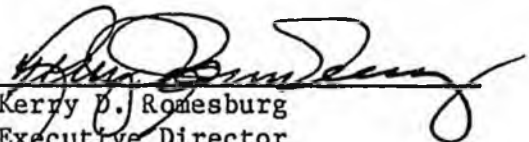
Ms. Jane Byers Maynard Director, Special Programs	Ms. Robin Stephens Program Assistant
--	---

PREFACE

The Annual Report on Alaska Student Financial Aid Programs for 1984-85 is hereby transmitted to the Governor and the Legislature of the State of Alaska. The Student Loan Program is administered by the Alaska Commission on Postsecondary Education with advice and guidance of the Student Financial Aid Advisory Committee. Membership of this advisory committee for 1984-85 included:

Ms. Patricia Abney, Chair (Anchorage)
Mr. Jack Blair (Anchorage)
Ms. Eleanor Brown (Anchorage)
Ms. Ida Greiner (Fairbanks)
Mr. Rick Helms (Anchorage)
Representative Niilo Koponen (Fairbanks)

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


Kerry D. Romesburg
Executive Director

September 1985

(Date)

TABLE OF CONTENTS

	<u>Page</u>
LIST OF TABLES	v
LIST OF FIGURES	vi
INTRODUCTION	1
ALASKA STUDENT LOAN PROGRAM	
PROGRAM SUMMARY	2
LOAN AWARD AMOUNTS	3
UNDERGRADUATE LOANS	6
GRADUATE LOANS	12
FOREIGN STUDY	16
LOAN REPAYMENTS	17
DEFAULT	19
STATISTICAL DATA	19
WICHE STUDENT EXCHANGE PROGRAM	
EXCHANGE FIELDS	20
SUPPORT FEES	21
PARTICIPATION RATES	21
STATE EDUCATIONAL INCENTIVE GRANT (SEIG) PROGRAM	
PARTICIPATION RATES	24
APPENDIX: ALASKA STUDENT LOAN PROGRAM - ADDITIONAL DATA	26

LIST OF TABLES

<u>Table</u>		<u>Page</u>
1	MEAN LOAN AMOUNT PER RECIPIENT BY IN-STATE/OUT-OF-STATE STUDENT LEVEL, 1981-82 through 1984-85	5
2	TEN TOP STATES OF ATTENDANCE FOR ALASKANS WITH UNDER-GRADUATE LOANS, 1979-80 through 1984-85	7
3	IN-STATE/OUT-OF-STATE ATTENDANCE BY STUDENT LEVEL, 1982-83 through 1984-85	10
4	TEN TOP STATES OF ATTENDANCE FOR ALASKANS WITH GRADUATE LOANS, 1979-80 through 1984-85	14
5	DISTRIBUTION OF BORROWERS BY FOREIGN COUNTRY OF ATTENDANCE, 1984-85	16
6	ANNUAL DEFAULT RATES OF ALASKA STATE STUDENT LOANS, 1971-72 through 1984-85	19
7	WICHE STUDENT EXCHANGE PROGRAM SUPPORT COSTS, 1976-77 through 1984-85	21
8	WICHE EXCHANGE STUDENTS BY FIELD, 1977-78 through 1984-85	22
9	WICHE SUPPORT COSTS BY FIELD OF STUDY, 1984-85	23
10	DISTRIBUTION OF STUDENTS RECEIVING STATE EDUCATIONAL INCENTIVE GRANTS, 1978-79 through 1984-85	25
11	FOURTEEN-YEAR SUMMARY, 1971-72 through 1984-85	27
12	YEARLY SUMMARY OF UNDERGRADUATE STUDENT LOANS	28
13	YEARLY SUMMARY OF GRADUATE STUDENT LOANS	29
14	YEARLY SUMMARY OF ALL STUDENT LOANS	30
15	MEAN LOAN AMOUNT PER RECIPIENT, BY IN-STATE/OUT-OF-STATE INSTITUTIONAL ATTENDANCE	31
16	DISTRIBUTION OF ALASKA STATE LOANS FOR STUDENTS ATTENDING IN ALASKA, 1984-85 Loans	32
17	INSTITUTIONS AT WHICH AT LEAST FIFTY ALASKA STUDENT LOAN BORROWERS ATTENDED, 1984-85 Loans	34

LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
1	MEAN LOAN AMOUNT FOR ALL LOANS IN-STATE, OUT-OF-STATE, AND COMBINED	4
2	PERCENT OF UNDERGRADUATE LOANS USED IN ALASKA	8
3	GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1984-85	11
4	PERCENT OF GRADUATE LOANS USED IN ALASKA	13
5	GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR GRADUATE EDUCATION IN 1984-85	15
6	STUDENT LOAN COLLECTIONS AND FORGIVENESS BENEFITS	18

INTRODUCTION

The State of Alaska provides student financial assistance for postsecondary study through three programs: the Alaska Student Loan Program, the WICHE Student Exchange Program, and the State Educational Incentive Grant (SEIG) Program. The three programs provide Alaskans with access to postsecondary education which otherwise might not be available. Through the loan and grant programs direct financial assistance is awarded to students in an effort to remove or lessen financial barriers to postsecondary education. Through the student exchange program, Alaskans have access to graduate, professional, and highly specialized fields which are unavailable in-state.

This report briefly summarizes each of these programs and the participation levels for 1984-85. The Student Loan Program will be discussed first, then the WICHE Student Exchange Program, and finally, the Incentive Grant Program.

From the Commission on Postsecondary Education 1984-1985 Annual Report

ALASKA STUDENT LOAN PROGRAM

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a postsecondary level. The program has grown from serving just over 1,000 Alaskans, in 1971-72, to the current 1984-85 level of serving over 17,000 Alaskans.

The Alaska Student Loan Program had its origin in a program of scholarship loans established by the 1968 Alaska State Legislature. This program was amended in 1970 and completely restructured in 1971, when the Legislature established the loan program generally as it exists at present. In the fourteen years of operation since then, nearly 80,000 student loans have been awarded to Alaskan residents, for a total of nearly \$290 million.

Educational loans of up to \$6,000 and \$7,000 per year for undergraduate and graduate study, respectively, are provided to eligible state residents. These loans, to be used only to offset the costs of tuition, room, board, and books, offer the borrower a ten-year repayment period at an annual interest rate of five percent. The loans may be used for full-time attendance at any accredited or approved college, university, or vocational-technical program. An incentive of up to fifty percent cancellation is offered to those borrowers who reside in Alaska after completion of their programs of study.

Program Summary

During the ¹⁹⁸⁴⁻⁸⁵~~1983-84~~ school year over 19,000 loans were awarded, and 17,173 were finalized and used for postsecondary attendance. Of these 17,173 loans, 54.0 percent were for attendance in Alaska, and 46.0 percent were for attendance out-of-state.

Undergraduate loans continue to dominate the loan volume, with only 7.9 percent of the 1984-85 loans going for graduate study. The largest single group of loans were for freshman borrowers, who accounted for 28.8 percent of all the 1984-85 loans.

Alaskans use these loans for study throughout the United States, and in a number of foreign countries. During the 1984-85 loan year, students from Alaska used state loans for attendance in every state in the Union and in eighteen foreign countries. The most frequent choice continues to be Alaska by more than a four-to-one margin over any other state.

Loan Award Amounts

The average loan award continued to rise slightly in 1984-85, following the dramatic rise in 1981-82 when the borrowing maximums were raised. For 1984-85, an undergraduate average loan was \$4,288 while the average graduate loan was \$5,363. Out-of-state student loans continue to be higher, on the average, than in-state loans, due largely to non-resident tuition fees. This is graphically presented in Figure 1. It is anticipated that the trend toward higher average loans will continue in the years ahead as tuition rates continue to increase.

Table 1 contains average loan amounts by student level for the last three years, 1982-83, 1983-84, and 1984-85. In general all loans, regardless of level, have steadily increased, for students attending in-state, and have leveled, or even dropped slightly, for those attending out-of-state. The out-of-state borrower averages a higher loan amount than the in-state borrower for every classification other than vocational.

AVERAGE LOAN
AWARD

FIGURE 1
MEAN LOAN AMOUNT FOR ALL LOANS
IN-STATE, OUT-OF-STATE, AND COMBINED

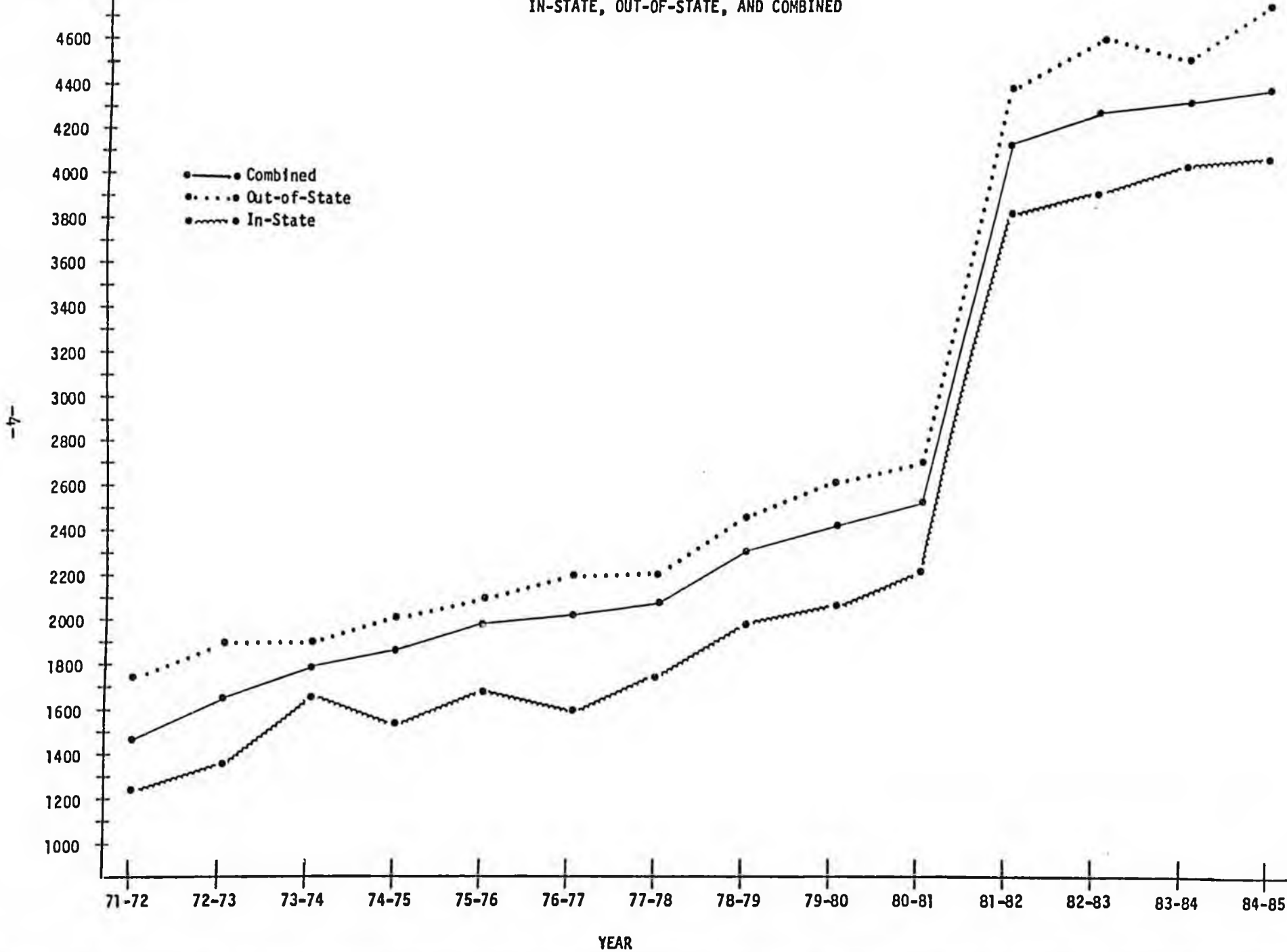


TABLE 1
 MEAN LOAN AMOUNT PER RECIPIENT BY
 IN-STATE/OUT-OF-STATE AND STUDENT LEVEL
 1982-83 thru 1984-85

Student Level	In Alaska			Out-of-State			Combined		
	82-83	83-84	84-85	82-83	83-84	84-85	82-83	83-84	84-85
Freshman	\$3,236	\$3,275	\$3,336	\$4,322	\$4,166	\$4,433	\$3,739	\$3,681	\$3,788
Sophomore	3,693	3,687	3,714	4,371	4,377	4,557	4,046	4,045	4,142
Junior	3,705	3,889	3,942	4,503	4,541	4,721	4,143	4,249	4,488
Senior	3,745	3,920	3,960	4,480	4,450	4,711	4,140	4,180	4,351
Vocational	5,076	5,224	5,169	4,769	4,544	4,721	4,996	5,028	5,076
Undergraduate	3,847	3,992	4,050	4,432	4,377	4,597	4,122	4,171	4,288
Graduate	4,454	4,527	4,434	5,336	5,257	5,620	5,129	5,097	5,363
TOTAL	\$3,872	\$4,013	\$4,062	\$4,558	\$4,502	\$4,735	\$4,213	\$4,255	\$4,372

Undergraduate Loans

The number of undergraduate students receiving loans under the state program has increased greatly over the past fourteen years. In 1971-72, 990 undergraduates received assistance, while in 1984-85, the number has grown to 15,814. Of these 15,814 loan recipients, 56.7 percent used their loans for attendance in Alaska, and 43.3 percent used their loans out-of-state. The states most frequently chosen by undergraduates in 1984-85 are presented in Table 2.

The consistency of student choice over the past few years is quite high. Alaska remains the most frequent choice for undergraduate attendance this year, as it has been in the past, followed by Washington, Oregon and California.

The average loan amount increased in almost every case, with the most pronounced increase in loans for attendance in Hawaii, Texas, and Idaho. Of the top ten states of attendance, only Utah (\$3,762) has a lower average loan rate than Alaska.

The percent of undergraduates using their loans for attendance in Alaska continued to increase again this year. In fact, as can be seen in Figure 2, the 1984-85 rate of 56.7 percent is the highest in-state rate since the first year of the program, 1971-72.

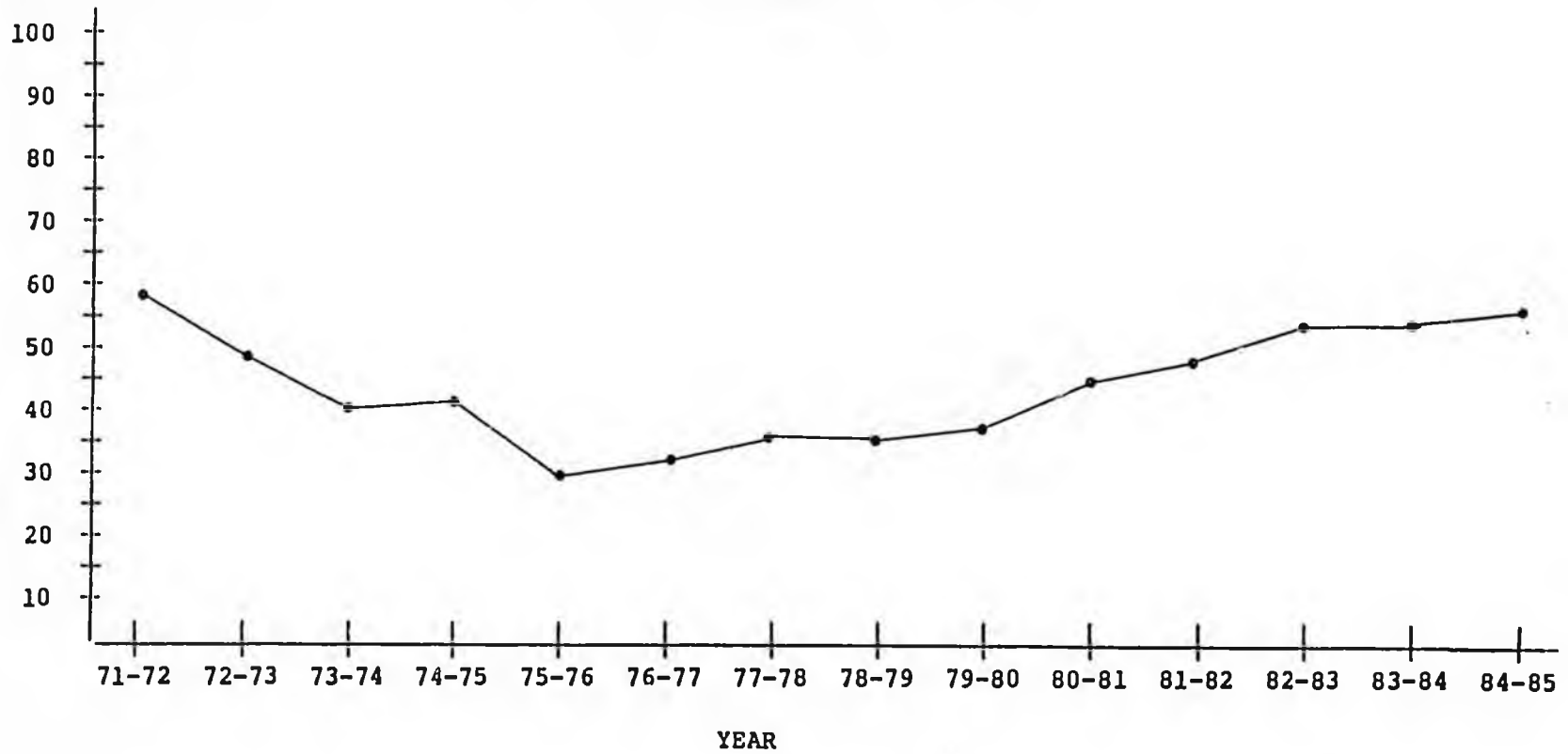
The increasing drawing power of Alaskan institutions is hypothesized to be the result of a number of factors including the maturation of Alaska's schools and the accompanying wider array of offerings, as well as the increased cost of attendance at schools outside of Alaska.

TABLE 2
 TEN TOP STATES OF ATTENDANCE
 FOR ALASKANS WITH
 UNDERGRADUATE LOANS
 1980-81 through 1984-85

STATE	NUMBER					AVERAGE LOAN				
	80-81	81-82	82-83	83-84	84-85	80-81	81-82	82-83	83-84	84-85
Alaska	2,606	4,225	6,305	7,175	8,971	\$2,137	\$3,751	\$3,847	\$3,992	\$4,050
Washington	700	1,045	1,314	1,549	1,662	2,495	4,091	4,610	4,511	4,665
Oregon	500	746	908	949	1,030	2,506	4,242	4,756	4,590	4,600
California	280	373	556	664	780	2,519	4,268	4,858	4,919	4,953
Arizona	142	206	352	404	538	2,413	4,344	4,444	4,717	4,716
Colorado	161	280	372	408	373	2,502	4,584	5,050	5,233	5,042
Idaho	125	199	265	253	237	2,407	3,826	3,866	4,002	4,300
Hawaii	79	160	258	248	230	2,076	3,463	3,514	3,426	4,226
Utah	85	153	202	209	224	2,029	3,564	3,664	3,763	3,762
Texas	93	114	153	187	198	2,331	4,003	4,189	4,227	4,554
Remaining										
U.S.	1,000	1,434	1,168	1,369	1,517	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign	N.A.	N.A.	26	34	54	N.A.	N.A.	4,101	4,234	4,113
TOTAL	5,751	8,935	11,879	13,449	15,814	\$2,319	\$3,977	\$4,139	\$4,171	\$4,287

FIGURE 2
PERCENTAGE OF UNDERGRADUATE LOANS
USED IN ALASKA

PERCENTAGES



The wide geographic distribution of Alaskans pursuing undergraduate education is shown most vividly in Figure 3, with Alaskan undergraduates attending institutions in every state of the Union. The predominance of the West and Northwest is quite evident, with only Alaska, Washington, Oregon, California, Arizona, Colorado, Idaho, Hawaii and Utah, receiving over 200 Alaskan undergraduates on state loans. Of the thirteen western states comprising the WICHE compact (Western Interstate Commission for Higher Education), only Wyoming received fewer than 20 Alaska undergraduates on state loans. In fact, the WICHE states account for 90.7 percent of the undergraduate loan recipients.

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

As can be seen in Table 3, Alaska attendance accounts for a very high percentage of vocational borrowers (75.2% in 1984-85). Also, more than half (58.8%) of the freshman borrowers elected to attend in Alaska in 1984-85. There seems to be an increased tendency toward attendance out-of-state as student level increases, however this could be due to a number of factors including the changing attendance patterns the last few years and the propensity to remain in school rather than stop-out or drop-out. Hence, caution should be used in drawing inferences from these data.

TABLE 3
 IN-STATE/OUT-OF-STATE ATTENDANCE
 BY STUDENT LEVEL
 1982-83 through 1984-85

STUDENT LEVEL	ALASKA						OUT-OF-STATE					
	1982-83		1983-84		1984-85		1982-83		1983-84		1984-85	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Freshman	2,041	53.8	2,229	54.4	2,910	58.8	1,756	46.2	1,868	45.6	2,036	41.2
Sophomore	1,255	47.9	1,331	48.1	1,487	49.3	1,364	52.1	1,439	51.9	1,532	50.7
Junior	871	45.0	956	44.8	1,021	44.0	1,063	55.0	1,176	55.2	1,297	56.0
Senior	793	46.3	850	44.5	1,066	47.9	918	53.7	1,060	55.5	1,158	52.1
Vocational	1,334	74.0	1,809	71.2	2,487	75.2	468	26.0	731	28.8	820	24.8
TOTAL	6,294	53.1	7,175	53.3	8,971	56.7	5,569	46.9	6,274	46.7	6,843	43.3

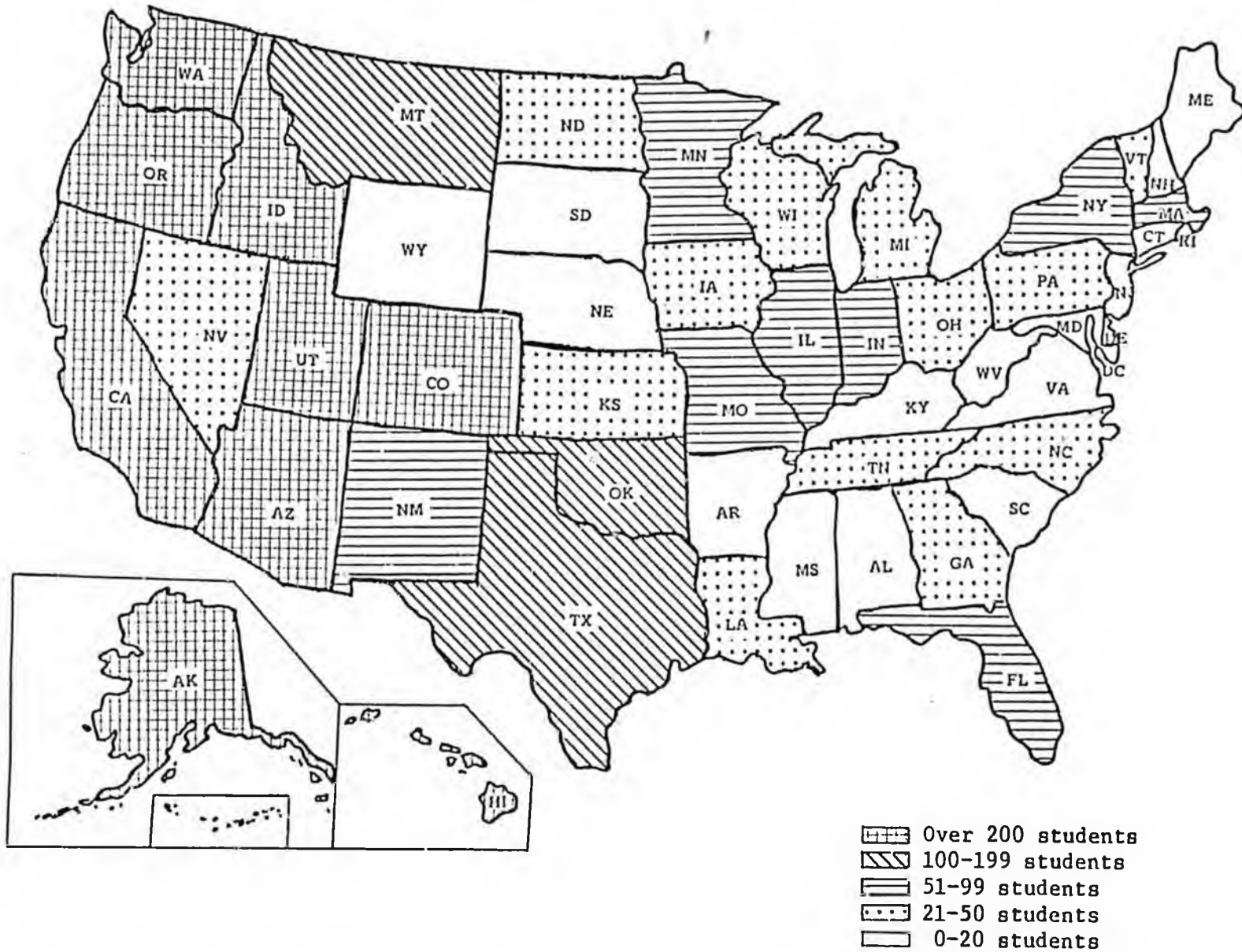


FIGURE 3
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING
STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1984-85

Graduate Loans

The number of Alaskans receiving loans for graduate study has increased nearly twelve fold since the program began in 1971-72, but seems to have stabilized this year. In 1984-85, 1,359 students received assistance for the pursuit of graduate study. Of these 1,359, 78.3 percent used their loans for attendance outside of Alaska, while 21.7 percent used them for attending school in-state. The percentage of graduate loan recipients attending school in Alaska has been relatively stable the last few years, after decreasing steadily from 1971-72 through 1977-78, and then increasing steadily from 1978-79 through 1982-82. This trend is presented in Figure 4, and is probably largely due to the increased availability of programs in Alaska.

The states most frequently chosen by graduate students from Alaska in 1984-85 are presented in Table 4. Again, as with undergraduates, the students' preference is quite stable.

The average loan award for 1984-85 increased for some states and decreased for others, with the largest increases for students attending graduate institutions in Oregon and California.

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

Only Alaska, Washington, California, and Oregon received more than 100 Alaskan graduate students on state loans. The thirteen states comprising the WICHE compact account for 71.8 percent of all the graduate Alaskan loan recipients for 1984-85.

FIGURE 4
PERCENT OF GRADUATE LOANS
USED IN ALASKA

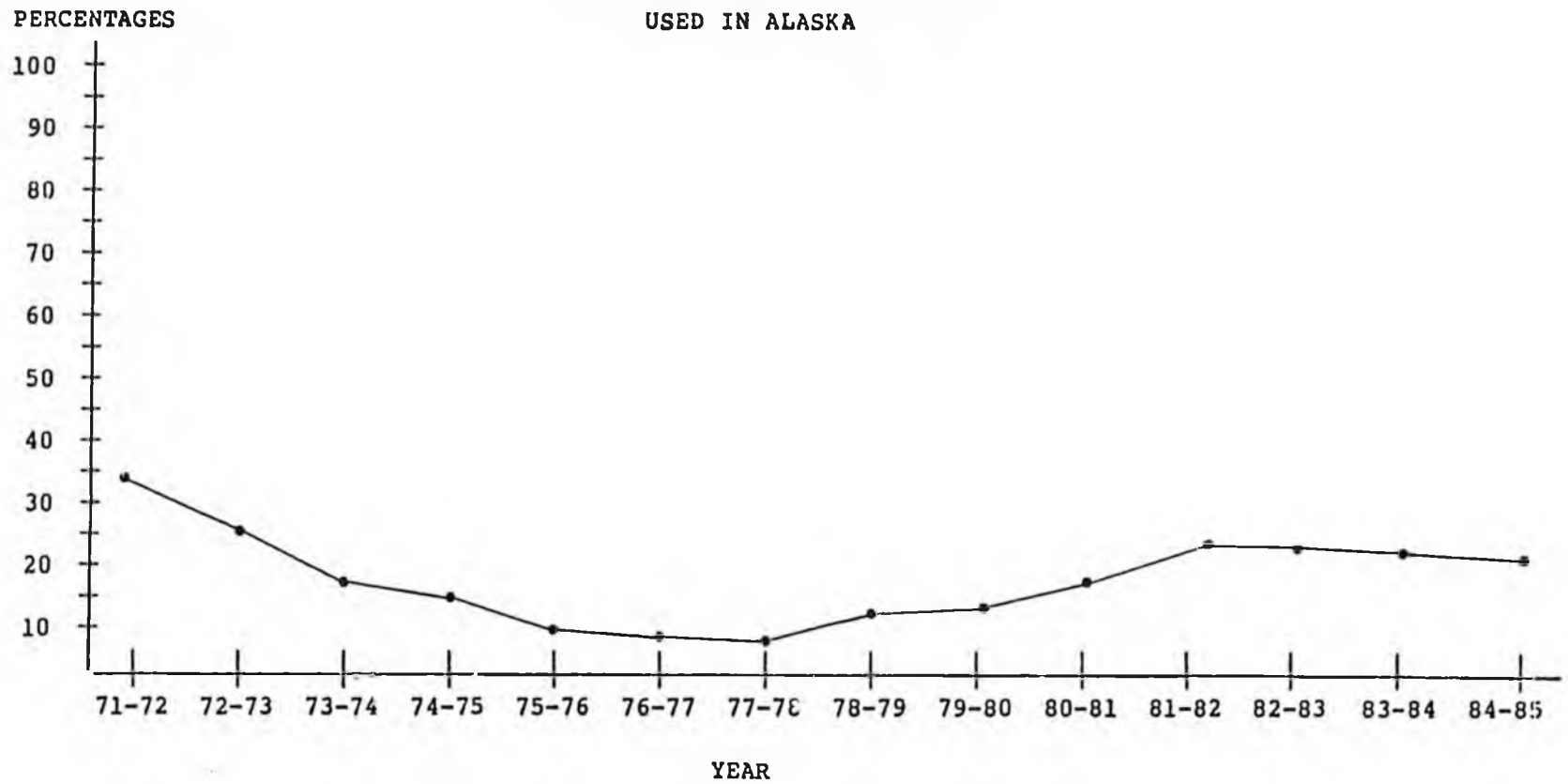


TABLE 4
TEN TOP STATES OF ATTENDANCE
FOR ALASKANS WITH
GRADUATE LOANS
1980-81 through 1984-85

STATE	NUMBER					AVERAGE LOAN				
	80-81	81-82	82-83	83-84	84-85	80-81	81-82	82-83	83-84	84-85
Alaska	127	229	276	292	295	\$3,086	\$4,630	\$4,454	\$4,527	\$4,434
California	90	113	183	237	217	3,937	5,693	5,599	5,783	6,293
Washington	129	148	161	164	178	3,848	5,740	5,447	5,535	5,843
Oregon	75	91	127	143	136	4,011	5,103	5,351	4,682	5,463
Colorado	19	27	35	42	44	4,149	5,303	5,369	5,210	5,488
Massachusetts	18	25	32	33	42	4,953	5,927	6,217	6,404	6,346
New York	17	15	19	28	35	4,159	4,989	5,153	5,471	5,471
Texas	10	20	23	28	34	3,204	4,445	4,830	4,971	4,609
Arizona	17	18	29	32	33	3,041	4,408	4,822	4,950	5,298
Ohio	3	7	10	16	23	5,000	5,450	5,810	5,697	5,852
Remaining U.S.	204	270	270	298	300	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign	N.A.	N.A.	14	23	22	N.A.	N.A.	5,084	4,410	4,830
TOTAL	709	963	1,179	1,336	1,359	\$3,746	\$5,218	\$5,151	\$5,097	\$5,363

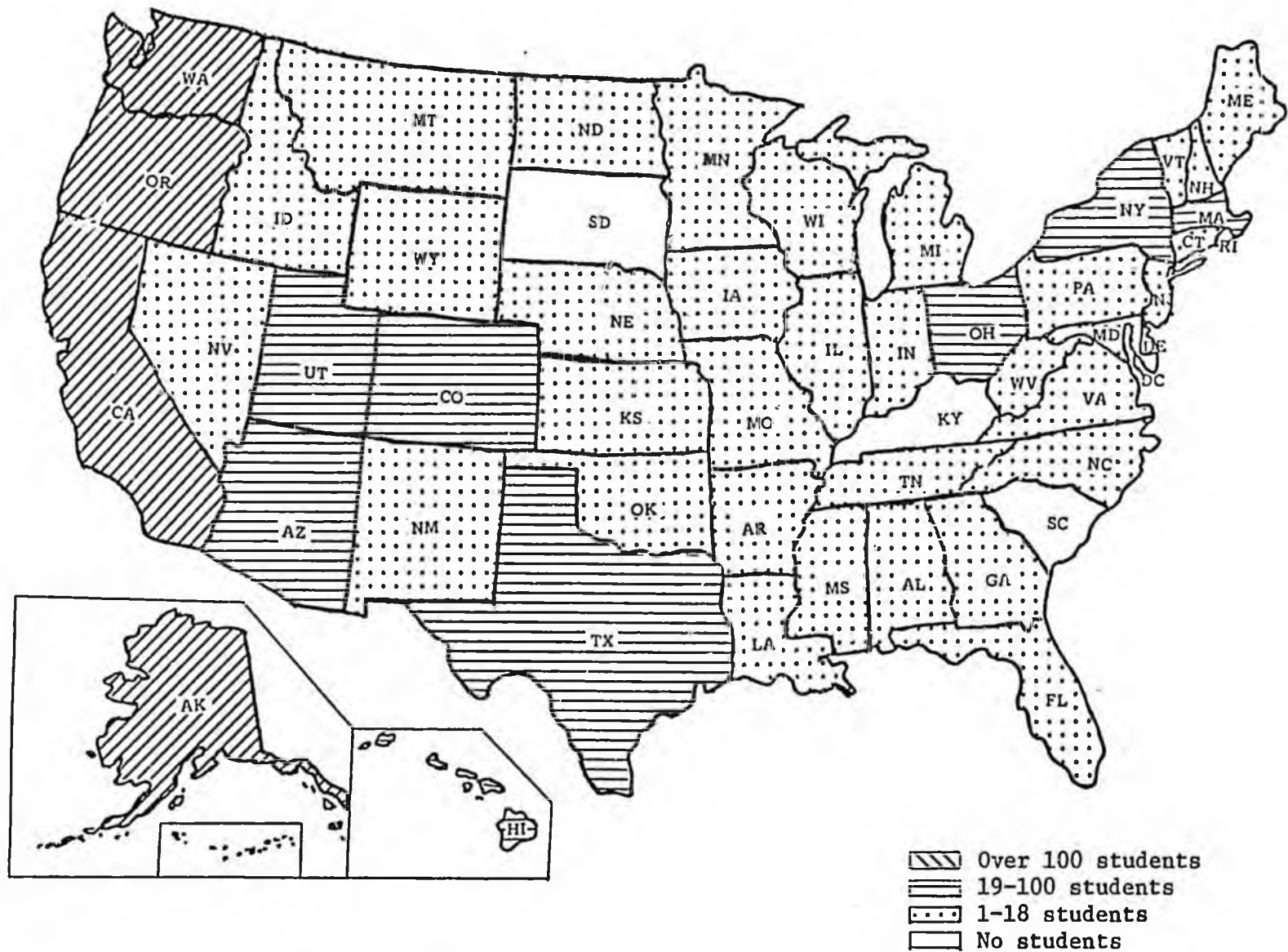


FIGURE 5
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING
STATE LOANS FOR GRADUATE EDUCATION IN 1984-85

Foreign Study

Alaskans used state loans for study in fifty-two different institutions in eighteen foreign countries in 1984-85. The distribution of these students by country of attendance is presented in Table 5. Not too surprisingly, Canada is the most popular foreign country for attendance of Alaskan students.

TABLE 5
DISTRIBUTION OF BORROWERS
BY FOREIGN COUNTRY OF ATTENDANCE
1984-85

FOREIGN COUNTRY	UNDERGRADUATE		GRADUATE	
	Number	Average Loan	Number	Average Loan
Austria	2	\$4,500	--	\$ -0-
Australia	--	-0-	3	5,750
Canada	13	4,400	12	5,100
Costa Rica	1	2,850	--	-0-
Dominican Republic	1	6,000	--	-0-
England	9	4,200	2	6,800
France	7	2,950	1	4,350
Greece	3	4,650	--	-0-
Ireland	2	3,150	1	7,000
Israel	1	5,000	--	-0-
Italy	2	4,000	--	-0-
Japan	1	6,000	--	-0-
Mexico	3	2,150	1	3,850
Scotland	--	-0-	1	5,250
Spain	3	4,550	--	-0-
Switzerland	3	4,650	1	-0-
Taiwan	1	6,000	--	-0-
West Germany	2	2,300	--	-0-
TOTAL	54	\$4,026	22	\$5,273

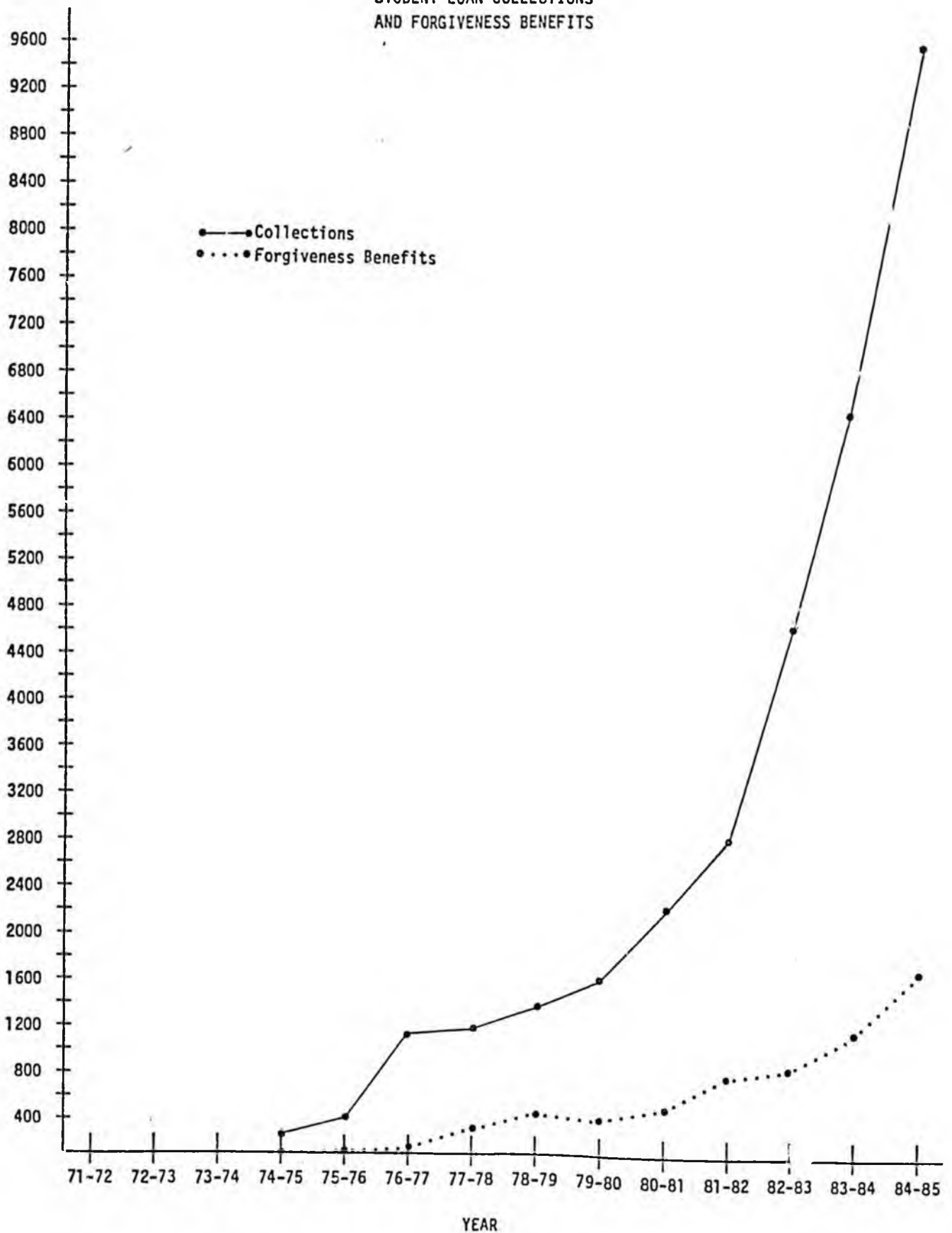
Loan Repayments

The student loan program is based upon a revolving fund with the students' loan repayments being re-utilized for future student loans. Since 1971-72 (actually 1974-75, since there were no repayments received the first few years), Alaskans have repaid nearly \$32 million on their educational loans. The volume of these revolving funds now contribute a significant portion of the loan account, and as can be seen in Figure 6, these repayments are rapidly increasing each year.

Also presented in Figure 6 is a representation of the forgiveness history of the student loan program. Students who reside in Alaska after completion of their course of study are eligible to have up to 50 percent of their loans forgiven. Beginning with the first such forgiveness in 1974-75, the total amount of loan funds (including interest) which the State of Alaska has forgiven has generally shown large annual increases, with the exception of 1979-80 when forgiveness benefits temporarily leveled. During 1984-85 nearly 4,300 Alaskans received partial forgiveness of their student loans. Increases are projected to continue over the next few years as larger numbers of students complete their educational programs.

VOLUME IN
THOUSANDS

FIGURE 6
STUDENT LOAN COLLECTIONS
AND FORGIVENESS BENEFITS



Default

Nationally, student loans have a notoriously high default rate, and, unfortunately, Alaska's program also has experienced problems with loan collections. Although the Alaska program had been doing considerably better than the federal loan programs, the default rate began to rise during 1983-84. As can be seen in Table 6, the default rate had been steadily decreasing since the concerted effort began in 1975-76 to pursue these bad debts. However, during 1983-84 default volumes over-tripped available manpower and the rate rose dramatically. In 1984-85, the loan program contracted with a private collection firm and the default rate has slowly begun to drop again. A default rate of 10.0 percent is the target for 1985-86.

TABLE 6
ANNUAL DEFAULT RATES OF
ALASKA STATE STUDENT LOANS
1971-72 through 1984-85

LOAN YEAR	DEFAULT RATE* (June 30)
1971-72	N.A.
1972-73	N.A.
1973-74	N.A.
1974-75	80.0%
1975-76	44.6%
1976-77	24.9%
1977-78	22.3%
1978-79	19.3%
1979-80	14.5%
1980-81	11.5%
1981-82	9.2%
1982-83	9.1%
1983-84	13.5%
1984-85	12.4%

*Default is 120+ days past due.

Statistical Data

In the Appendix are Tables 11-17 containing data on the Alaska Student Loan Program from 1971-72 through 1984-85. Information on the number and amounts of loans made annually to undergraduate and graduate students attending in-state and out-of-state is presented in Tables 11-14. Table 15 contains summaries of the average size loan awarded each year, and Tables 16 and 17 contain data on institutions most frequently attended by Alaska Student Loan borrowers.

WICHE STUDENT EXCHANGE PROGRAM

Through its participation in the thirteen-state Western Interstate Commission for Higher Education (WICHE), Alaska provides residents with access to sixteen fields of professional education not available in-state. The WICHE Student Exchange Program provides access to these sixteen fields at participating institutions throughout the compact states, and makes these programs available at a reduced tuition rate to the out-of-state WICHE students. These reduced rates usually amount to the normal in-state tuition rate at public colleges and universities and one-third the regular tuition rate at private colleges and universities. Alaskans certified for participation in this exchange program may also expect preferential admissions consideration by the schools to which they apply. For this, Alaska pays the college or university in which the Alaskan exchange student enrolls a set fee for a particular field of study. This fee, the support fee, covers the non-resident portion of the tuition and a portion of the institution's operating costs. The student does not receive any direct payment under this program.

Exchange Fields

The WICHE exchange fields in which Alaska would support students for the 1984-85 year included:

Architecture	Occupational Therapy
Dentistry	Optometry
Forestry	Osteopathy
Graduate Library Studies	Pharmacy
Graduate Nursing	Physical Therapy
Law	Podiatry
Maritime Technology	Public Health
Medicine	Veterinary Medicine

A student eligible for state certification in any of these fields must apply for and gain admission to the program of study. The admission decision rests solely with the receiving institution.

Support Fees

The amount of the support fee to be paid for each field of study is set annually by the WICHE Commission, with membership from all thirteen member states. These fees have increased more or less steadily over the last six years. As can be seen in Table 7, the total support fees exceeded \$1.7 million in 1984-85.

TABLE 7
WICHE STUDENT EXCHANGE PROGRAM SUPPORT COSTS
1976-77 through 1984-85

Academic Year	Total Students	Total Fees
1976-77	114	\$ 368,473
1977-78	134	634,114
1978-79	171	639,244
1979-80	209	853,959
1980-81	232	956,509
1981-82	269	1,223,091
1982-83	300	1,498,232
1983-84	284	1,591,440
1984-85	287	1,785,378
TOTAL	2,000	\$9,550,440

Participation Rates

Law continues to be the most popular field for Alaskan students. In 1983-84 Law students accounted for 58.1 percent of the students supported under the exchange program. In 1984-85, Law represented 56.5 percent of the exchange students. The growth fields for 1984-85 were Maritime Technology, Medicine, Optometry, Osteopathy, Pharmacy, and Veterinary Medicine. These data are listed in Table 8.

TABLE 8
WICHE EXCHANGE STUDENTS BY FIELD
1976-77 through 1984-85

Field of Study	77-78	78-79	79-80	80-81	81-82	82-83	83-84	84-85
Architecture	6	9	7	9	15	17	18	13
Dental Hygiene*	1	1	1	0	1	0	0	0
Dentistry	11	13	13	15	18	15	15	15
Forestry	4	10	9	7	6	6	6	4
Graduate Library	2	5	2	11	8	7	9	8
Graduate Nursing	1	1	2	6	3	4	7	7
Law	64	75	100	142	155	180	165	162
Maritime Technology	N.A.	N.A.	N.A.	N.A.	7	7	4	5
Medicine	12	11	8	6	11	11	11	17
Occupational Therapy	3	1	1	3	3	4	6	6
Optometry	4	7	7	5	5	4	3	5
Osteopathy	N.A.	N.A.	N.A.	N.A.	3	6	10	13
Pharmacy	3	4	3	5	3	5	3	6
Physical Therapy	4	3	2	2	6	9	4	0
Podiatry	0	2	2	3	4	2	1	0
Public Health	1	2	1	10	14	11	7	6
Veterinary Medicine	7	8	8	8	7	12	15	20
TOTAL	123	152	166	232	269	300	284	287

*Discontinued as an exchange field in 1981-82.

The cost of the student exchange for 1984-85 is detailed in Table 9. It can be seen that because of the relatively low support fee for Law, Law exchange students accounted for only 36.1 percent of the total exchange cost (as opposed to accounting for 56.5 percent of the students).

TABLE 9
WICHE SUPPORT COSTS BY FIELD OF STUDY
1984-85

Field of Study	Support Fee	Total Students	Total Costs
Architecture	\$ 3,200	13	\$ 37,333
Dentistry	10,500	15	170,932
Forestry	3,200	4	9,600
Graduate Library	4,000	8	24,000
Graduate Nursing	5,800	7	31,031
Law	4,000	162	645,000
Maritime Technology	7,700	5	38,500
Medicine	21,000	17	336,000
Occupational Therapy	3,700	6	17,767
Optometry	5,700	5	28,500
Osteopathy	9,500	13	123,500
Pharmacy	4,700	6	28,200
Physical Therapy	4,200	0	0
Podiatry	6,500	0	0
Public Health	4,900	6	23,015
Veterinary Medicine	13,000	20	272,000
TOTAL	N.A.	287	\$1,785,378

STATE EDUCATIONAL INCENTIVE GRANT (SEIG) PROGRAM

The State Educational Incentive Grant (SEIG) Program provides need-based grants to eligible Alaskans enrolled in undergraduate programs. Grant awards range from a minimum of \$100 to a maximum of \$1,500 each, depending upon demonstrated need. One-half of each grant is federally funded and one-half is provided by the State. Grants are awarded to eligible applicants in order of greatest financial need as measured by a standard need analysis.

Participation Rates

1984-85 was the seventh year of operation of the SEIG Program in Alaska. Over 1,500 Alaskans applied for grant funds in 1984-85, but because of fund limitations, only 168 grants were awarded. As can be seen in Table 10, however, this is a increase from 1983-84 when 126 grants were awarded. The increase is the result of a small boost in funds at the federal level. The grant funds available in 1984-85 were 27.0 percent more than the previous year.

Also listed in Table 10 are the awards for in-state and out-of-state attendance and an institutional listing of the in-state awards. As in the past, University of Alaska, Anchorage students received the most SEIG awards.

TABLE 10
DISTRIBUTION OF STUDENTS RECEIVING STATE
EDUCATIONAL INCENTIVE GRANTS
1978-79 through 1984-85

Institution	Number of Grants							Award Totals						
	78-79	79-80	80-81	81-82	82-83	83-84	84-85	78-79	79-80	80-81	81-82	82-83	83-84	84-85
U of Alaska, Anchorage	87	85	84	43	29	17	28	\$ 61,225	\$119,219	\$118,511	\$ 55,750	\$ 41,500	\$ 25,500	\$ 39,750
U of Alaska, Fairbanks	42	12	24	25	20	17	17	30,464	12,357	28,500	36,000	27,000	25,500	24,750
U of Alaska, Juneau	11	6	1	2	6	2	2	6,082	6,798	1,500	3,000	7,500	3,000	3,000
Anchorage CC	*	*	35	18	23	17	17	*	*	52,500	22,744	34,000	25,500	21,750
Kenai Peninsula CC	*	5	4	5	10	1	6	*	7,500	6,000	6,000	14,250	1,500	8,250
Mat-Su CC	*	*	3	1	3	2	1	*	*	4,500	1,500	4,500	3,000	1,500
Tanana Valley CC	**	**	0	1	0	0	0	**	**	0	2,250	0	0	0
Sheldon Jackson College	46	8	5	6	11	4	18	26,753	12,000	7,500	9,750	14,250	6,000	25,500
Alaska Pacific University	4	0	2	0	1	0	5	2,265	0	3,000	0	750	0	7,500
Alaska Business College	0	0	0	0	1	1	2	0	0	0	0	1,500	1,500	3,000
Kuskokwim Community College	0	0	0	0	1	0	0	0	0	0	0	1,500	0	0
Islands Community College	0	0	0	0	0	3	0	0	0	0	0	0	4,500	0
Ketchikan Community College	0	0	0	0	0	2	2	0	0	0	0	0	3,000	3,000
Prince William Sound	0	0	0	0	0	1	2	0	0	0	0	0	1,500	3,000
Gordon's Aviation	0	0	0	0	0	1	0	0	0	0	0	0	1,500	0
Total In-State	190	116	158	101	105	68	100	\$126,789	\$157,874	\$222,011	\$136,994	\$146,750	\$102,000	\$141,000
Total Out-of-State	3	61	80	73	51	58	68	\$ 2,323	\$ 82,731	\$116,909	\$102,030	\$ 70,500	\$ 87,000	\$ 99,500
TOTAL	193	177	238	174	156	126	168	\$129,112	\$240,605	\$338,920	\$239,024	\$217,250	\$189,000	\$240,500

*Reported in UAA totals.

**Reported in UAF totals.

APPENDIX

ALASKA STUDENT LOAN PROGRAM
ADDITIONAL DATA

ALASKA STUDENT LOAN PROGRAM
(1971-72 through 1984-85)

TABLE 11
FOURTEEN-YEAR SUMMARY
(1971-72 through 1984-85)

STUDENT LEVEL	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Number of Loans	Percent of Total	Loan Amount	Percent of Total	Number of Loans	Percent of Total	Loan Amount	Percent of Total	Number of Loans	Loan Amount
Under-graduate	35,562	49.3	\$120,916,632	48.0	36,625	50.7	\$131,185,525	52.0	72,187	\$252,102,157
Graduate	1,540	19.9	\$ 6,166,210	17.5	6,216	80.1	\$ 29,025,553	82.6	7,756	\$ 35,191,763
TOTAL	37,102	46.4	\$127,032,842	44.2	42,841	53.6	\$160,211,078	55.8	79,943	\$287,293,920

TABLE 12
YEARLY SUMMARY
OF
UNDERGRADUATE STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	570	57.6	\$ 680,351	50.1	420	42.4	\$ 666,536	49.5	990	\$ 1,346,887
1972-73	761	48.7	965,274	42.1	801	51.3	1,326,975	57.9	1,562	2,292,249
1973-74	585	40.1	913,284	38.8	874	59.9	1,438,990	61.2	1,459	2,352,274
1974-75	528	41.5	764,872	36.4	745	58.5	1,336,279	63.6	1,273	2,101,151
1975-76	456	30.5	747,112	27.9	1,041	69.5	1,927,334	72.1	1,497	2,674,446
1976-77	561	33.1	858,139	28.6	1,132	66.9	2,143,458	71.4	1,693	3,001,597
1977-78	613	35.9	1,211,203	32.7	1,272	64.1	2,496,063	67.3	1,985	3,707,266
1978-79	861	35.1	1,664,246	31.7	1,591	64.9	3,581,002	68.3	2,452	5,245,248
1979-80	1,245	36.1	2,469,354	32.2	2,203	63.9	5,191,236	67.8	3,448	7,660,590
1980-81	2,606	45.3	5,568,580	41.8	3,145	54.7	7,766,597	58.2	5,751	13,335,177
1981-82	4,225	47.3	15,846,331	44.6	4,710	52.7	19,688,486	55.4	8,935	35,534,817
1982-83	6,305	53.1	24,254,812	49.5	5,574	46.9	24,705,330	50.5	11,879	48,960,142
1983-84	7,175	53.3	28,642,717	51.1	6,274	46.7	27,459,737	48.9	13,449	56,102,454
1984-85	8,971	56.7	36,330,357	53.6	6,843	43.3	31,457,502	46.4	15,814	67,787,859
TOTAL	35,562	49.3	\$120,916,632	48.0	36,625	50.7	\$131,185,525	52.0	72,187	\$252,102,157

TABLE 13
YEARLY SUMMARY
OF
GRADUATE STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	31	34.1	\$ 74,613	29.1	60	65.9	\$ 181,658	70.9	91	\$ 256,271
1972-73	48	25.8	113,990	19.7	138	74.2	464,145	80.3	186	578,135
1973-74	37	18.0	107,988	17.0	169	82.0	525,914	83.0	206	633,902
1974-75	31	16.8	86,266	15.4	153	83.2	472,390	84.6	184	558,656
1975-76	25	11.3	61,424	8.7	197	88.7	647,127	91.3	222	708,551
1976-77	23	10.1	69,833	8.2	205	89.9	779,077	91.8	228	848,910
1977-78	27	9.6	63,919	7.1	253	90.4	832,921	92.9	280	896,901
1978-79	41	12.0	108,130	9.2	302	88.0	1,063,024	90.8	343	1,171,154
1979-80	58	12.3	168,519	9.8	412	87.7	1,544,840	90.2	470	1,713,359
1980-81	127	17.9	391,885	14.8	582	82.1	2,264,218	85.2	709	2,656,103
1981-82	229	23.8	1,060,365	21.1	734	76.2	3,964,317	78.9	963	5,024,682
1982-83	276	23.4	1,229,172	20.3	903	76.6	4,818,081	79.7	1,179	6,047,253
1983-84	292	21.9	1,321,950	19.4	1,044	78.1	5,487,912	80.6	1,336	6,809,862
1984-85	295	21.7	1,308,156	17.9	1,064	78.3	5,979,868	82.1	1,359	7,288,024
TOTAL	1,540	19.9	\$6,166,210	17.5	6,216	80.1	\$29,025,553	82.5	7,756	\$35,191,763

TABLE 14
YEARLY SUMMARY
OF
ALL STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	601	55.6	\$ 754,964	47.1	480	44.4	\$ 848,194	52.9	1,081	\$ 1,603,158
1972-73	509	46.3	1,079,264	37.6	939	53.7	1,791,120	62.4	1,718	2,870,384
1973-74	622	37.4	1,021,272	34.2	1,043	62.6	1,964,904	65.8	1,665	2,986,176
1974-75	559	38.4	851,138	32.0	898	61.6	1,808,669	68.0	1,457	2,659,807
1975-76	481	28.0	808,536	23.9	1,238	72.0	2,574,461	76.1	1,719	3,382,997
1976-77	584	30.4	927,972	24.1	1,337	69.6	2,922,535	75.9	1,921	3,850,507
1977-78	740	32.7	1,275,122	27.7	1,525	67.3	3,329,045	72.3	2,265	4,604,167
1978-79	902	32.3	1,772,376	27.6	1,893	67.7	4,644,026	72.4	2,795	6,416,402
1979-80	1,303	33.3	2,637,873	28.1	2,615	66.7	6,736,076	71.9	3,918	9,373,949
1980-81	2,733	42.3	5,960,465	37.3	3,727	57.7	10,030,815	62.7	6,460	15,991,280
1981-82	4,454	45.0	16,906,695	41.7	5,444	55.0	23,652,804	58.3	9,898	40,559,499
1982-83	6,581	50.4	25,483,984	46.3	6,477	49.6	29,523,411	53.7	13,018	55,007,395
1983-84	7,467	50.5	29,964,667	47.6	7,318	49.5	32,947,649	52.4	14,785	62,912,316
1984-85	9,266	54.0	37,638,513	50.1	7,907	46.0	37,437,370	49.9	17,173	75,075,883
TOTAL	37,102	46.4	\$127,082,841	44.2	42,841	53.6	\$160,211,079	55.8	79,943	\$287,293,920

TABLE 15
 MEAN LOAN AMOUNT PER RECIPIENT
 BY
 IN-STATE/OUT-OF-STATE INSTITUTIONAL ATTENDANCE

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE			STUDENTS ATTENDING OUT-OF-STATE			TOTAL		
	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient
1971-72	601	\$ 754,964	\$1,256	480	\$ 848,194	\$1,767	1,081	\$ 1,603,158	\$1,483
1972-73	809	1,079,264	1,334	939	1,791,120	1,907	1,748	2,870,384	1,642
1973-74	622	1,021,272	1,642	1,043	1,964,904	1,884	1,665	2,986,176	1,793
1974-75	559	851,138	1,523	898	1,808,569	2,014	1,457	2,659,807	1,826
1975-76	481	808,536	1,681	1,238	2,574,461	2,080	1,719	3,382,997	1,968
1976-77	584	927,972	1,589	1,337	2,922,535	2,186	1,921	3,850,507	2,004
1977-78	740	1,275,122	1,723	1,525	3,329,045	2,183	2,265	4,604,167	2,033
1978-79	902	1,772,376	1,965	1,893	4,644,026	2,453	2,795	6,416,402	2,296
1979-80	1,303	2,637,873	2,024	2,615	6,736,076	2,576	3,918	9,373,949	2,393
1980-81	2,733	5,960,465	2,181	3,727	10,030,815	2,691	6,460	15,991,280	2,475
1981-82	4,454	16,906,695	3,796	5,444	23,652,804	4,345	9,898	40,559,499	4,098
1982-83	6,581	25,483,984	3,872	6,477	29,523,411	4,558	13,058	55,007,395	4,213
1983-84	7,467	29,964,667	4,013	7,318	32,947,649	4,502	14,785	62,912,316	4,255
1984-85	9,266	37,638,513	4,062	7,907	37,437,370	4,735	17,173	75,075,883	4,372
TOTAL	37,102	\$127,082,841	\$3,425	42,841	\$160,211,079	\$3,740	79,943	\$287,293,920	\$3,594

TABLE 16
 DISTRIBUTION OF ALASKA STATE LOANS
 FOR STUDENTS ATTENDING IN ALASKA
 (1984-85 Loans)

Institution	1984-85	
	No.	Amount
University of Alaska, Fairbanks	2,064	\$ 7,296,300
Anchorage Community College	1,531	5,470,650
University of Alaska, Anchorage	1,403	5,372,500
Kenai Peninsula Community College	390	1,515,000
University of Alaska, Juneau	283	1,032,900
Alaska Pacific University	263	1,086,400
Bookkeeping Concepts	235	1,203,650
Alaska Masonry School	232	1,280,050
Testing Institute of Alaska	199	1,028,050
Alaska Vocational-Technical Center	195	528,050
Tanana Valley Community College	180	681,500
Matanuska-Susitna Community College	176	666,700
Alaska Computer Institute of Technology	154	900,900
Sheldon Jackson College	153	618,600
New Anchorage Beauty School	142	743,050
Alaska Business College	134	768,500
Clerical Skills Training	107	626,500
Alaska Vocational School	71	364,350
North Pacific Business Institute	68	387,400
Scruples II, Action School of Broadcasting	67	322,800
Trend Setters School of Beauty	66	395,350
Aviation Network	63	336,500
Ketchikan Community College	60	211,050
Prince William Sound Community College	59	211,500
Hutchison Career Center	59	210,750
Satellite Technicians Applied Research and Development	54	328,000
Wilburs Flight Operation	52	263,850
Aero Tech Flight School	46	235,450
Gordon Aviation, Inc.	46	206,850
People Count, Inc.	39	205,600
Victorian Academy of Cosmetology & Barbering	38	201,600
Academy of Hair Design	38	168,050
Islands Community College	38	133,450
Headquarters Barber & Beauty Academy	34	179,950
Elmendorf Aero Club	33	180,300
Fort Richardson Flying Club	33	180,150
Vernair	30	173,200
Anchorage Alaska School of Barbering	28	138,550
Kodiak Community College	28	91,250
Aviation North	27	126,100
New Concepts Beauty School	27	111,700
Kotzebue Technical Center	26	118,600

TABLE 16
(Continued)

Institution	1984-85	
	No.	Amount
Kuskokwim Community College	25	\$ 59,450
World Security Police Academy	22	79,200
Larry's Flying Service	21	120,950
A.I.R. Center	21	113,800
Peninsula Hair Styling Academy	19	89,900
Alaska Air Academy	16	82,850
Delta Greeley Rural Educational Center	16	61,550
The Travel Academy	15	67,850
Peninsula Institute of Welding Technology	14	84,900
High Tech Helicopters	14	16,300
Alaska Flying Network	13	76,800
St. Herman's Theological Seminary	13	53,250
American Pacific Aviation	12	73,850
Fairbanks Beauty School	10	42,700
University of LaVerne	9	39,400
Club 1 Flight Group	6	32,500
Action Helicopter	6	30,700
Alaska Bible College	6	22,750
Chapman College	6	15,000
Mat-Su Bush Flying	4	15,750
Air Cushion Technologies	4	14,750
Northwest Community College	4	10,900
Arctic Bible Institute	4	10,150
Alaska Technical Institute	4	9,300
Alaska Aviation School	3	15,850
Fort Wainwright Flying Club	2	10,200
Far North Bible College	2	5,550
University of Alaska, Rural Education	1	6,000
Alaska School of Medical & Dental Assisting	1	3,000
Marenco, Inc.	1	6,000
Flight Training Devices	1	5,700
TOTAL	9,266	\$37,638,500

TABLE 17
 INSTITUTIONS AT WHICH AT LEAST FIFTY ALASKA
 STUDENT LOAN BORROWERS ATTENDED
 (1984-85 Loans)

Institution	1984-85	
	No.	Amount
*University of Alaska, Fairbanks	2,064	\$7,296,300
*Anchorage Community College	1,531	5,470,650
*University of Alaska, Anchorage	1,403	5,372,500
*Kenai Peninsula Community College	390	1,515,000
*University of Alaska, Juneau	283	1,032,900
*Alaska Pacific University	263	1,086,400
University of Washington (WA)	254	1,239,400
Oregon State University (OR)	244	1,054,450
*Bookkeeping Concepts	235	1,203,650
*Alaska Masonry School	232	1,280,050
University of Oregon (OR)	213	953,800
*Testing Institute of Alaska	199	1,028,050
*Alaska Vocational-Technical Center	195	528,050
*Tanana Valley Community College	180	681,500
*Matanuska-Susitna Community College	176	666,700
Western Washington University (WA)	166	739,800
Arizona State University (AZ)	165	810,250
Brigham Young University (UT)	163	549,000
*Alaska Computer Institute of Technology	154	900,900
*Sheldon Jackson College	153	618,600
International Air Academy (WA)	150	606,650
*New Anchorage Beauty School	142	743,050
*Alaska Business College	134	768,500
Washington State University (WA)	133	682,400
Northern Arizona University (AZ)	109	478,550
*Clerical Skills Training	107	626,500
Central Washington University (WA)	107	466,800
University of Puget Sound (WA)	104	563,750
Gonzaga University (WA)	96	534,600
University of Arizona (AZ)	94	431,800
Willamette University (OR)	90	503,950
West Coast Training Services (OR)	90	324,800
Montana State University (MT)	85	358,600
University of Hawaii, Manoa (HI)	78	393,250
University of Colorado, Boulder (CO)	76	384,700
Seattle University (WA)	76	338,300
*Alaska Vocational School	71	364,350
Pacific Lutheran University (WA)	70	367,650
Seattle Pacific University (WA)	70	338,400
*North Pacific Business Institute	68	387,400
University of Idaho (ID)	67	326,650
*Trend Setters School of Beauty	66	395,350

*Alaskan Schools

TABLE 17
(Continued)

Institution	1984-85	
	No.	Amount
University of Montana (MT)	66	\$ 241,850
*Aviation Network	63	336,500
Lewis and Clark College (OR)	63	304,950
*Ketchikan Community College	60	211,050
Eastern Washington University (WA)	59	279,250
*Prince William Sound Community College	59	211,500
*Hutchison Career Center	59	210,750
Colorado State University (CO)	56	298,600
Stanford University (CA)	55	283,100
Linfield College (OR)	55	265,100
*Satellite Technicians Applied Research and Development	54	328,000
DeVry Institute of Technology (AZ)	53	246,050
Southern Oregon State College (OR)	53	238,600
*Wilbur's Flight Operation	52	263,850
Highline Community College (WA)	50	186,450

*Alaskan School