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39

HB 39 -- "An Act relating to student loans; creating the Alaska Student Loan Corporation; and providing for an effective date."

FILE CONTENTS

- 1) Copy of HB 39
- 2) Memorandum from bill sponsor, Representative Sund
- 3) Fiscal note from Postsecondary Education Commission plus position paper and sectional analysis
- 4) Report on the Alaska Student Loan Program, 1971-1986 by the Postsecondary Education Commission

BRIEFING MATERIALS

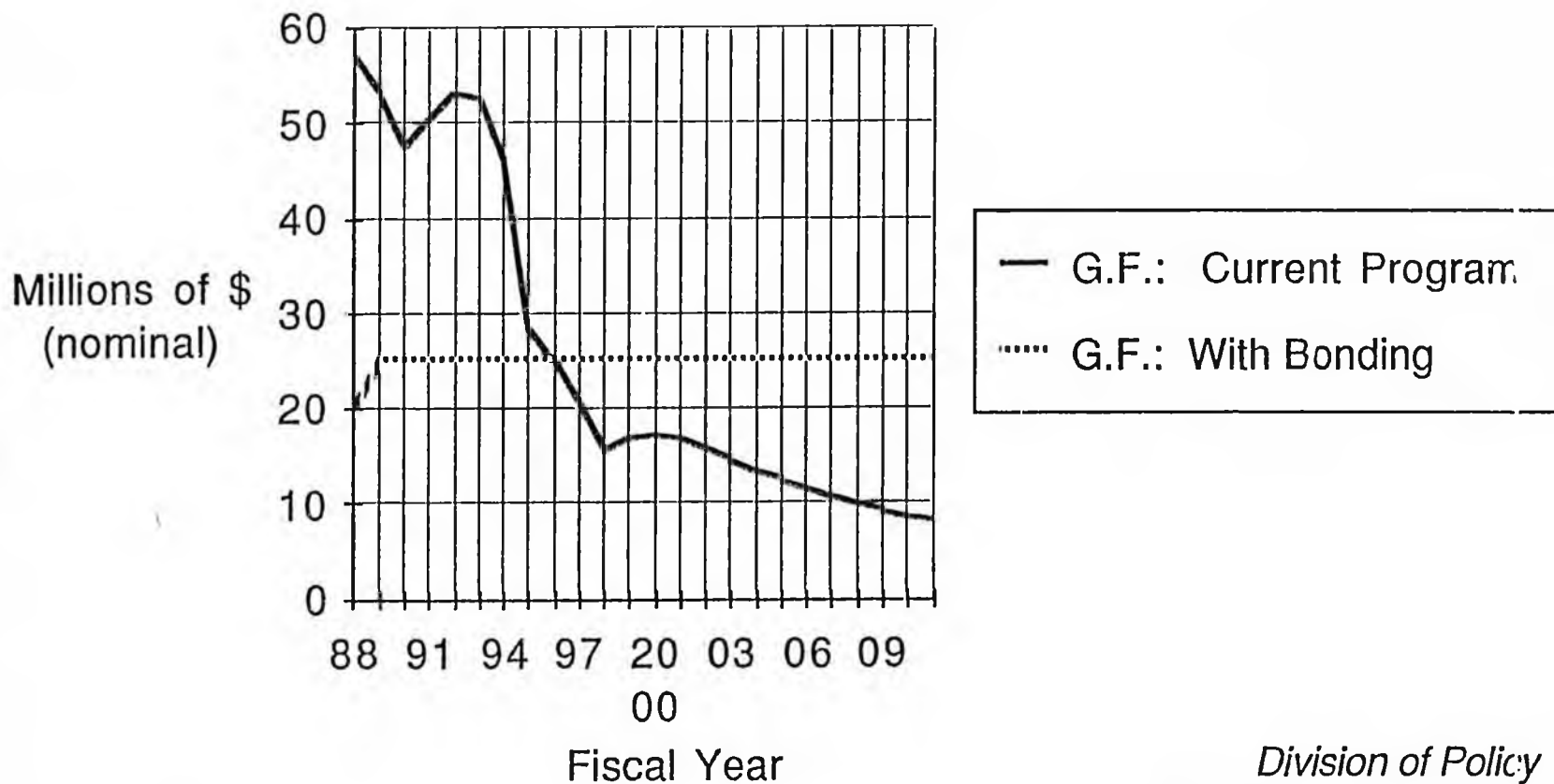
HB 39

**COMPARISON OF GENERAL FUND AND BOND
FINANCING FOR STUDENT LOANS**

**HOUSE HESS COMMITTEE
FEBRUARY 12, 1987**

**Division of Policy
Office of Management and Budget
Office of the Governor**

Comparison of General Fund Requirements for Current Student Loan Program and Nuveen Bonding Proposal



2/10/87

*Division of Policy
Office of the Governor
Source: ACPE*

TABLE 1

**COMPARISON OF GENERAL FUND REQUIREMENTS FOR
CURRENT STUDENT LOAN PROGRAM
AND NUVEEN BONDING PROPOSAL**
(nominal dollars)

Fiscal Year	Loan Awards 2	Loan Volume 3	Loan Collections 4	Loan Forgiveness 5	General Fund Requirement 6	General Fund With Bonding 7	Savings(Cost) With Bonding 8
1988	17,204	\$80,000,000	\$23,298,455	\$3,786,944	\$56,701,545	\$20,000,000	\$36,701,545
1989	16,738	80,345,504	27,587,414	4,441,374	52,758,090	25,000,000	27,758,090
1990	16,381	80,676,052	33,387,487	5,326,377	47,288,565	25,000,000	22,288,565
1991	16,044	81,024,565	40,624,030	6,430,564	50,400,535	25,000,000	25,400,535
1992	16,248	82,865,042	44,721,848	7,584,355	53,143,194	25,000,000	28,143,194
1993	16,491	85,341,434	52,739,315	8,745,092	52,602,119	25,000,000	27,602,119
1994	16,708	87,298,990	56,381,286	9,831,303	45,917,704	25,000,000	20,917,704
1995	16,675	88,375,670	59,929,106	10,789,747	28,446,564	25,000,000	3,446,564
1996	16,653	88,261,738	63,349,462	11,571,828	24,912,276	25,000,000	(87,724)
1997	16,416	87,007,173	66,563,505	12,187,296	20,443,668	25,000,000	(4,556,332)
1998	16,018	84,895,801	69,475,575	12,679,094	15,420,226	25,000,000	(9,579,774)
1999	16,745	88,748,536	71,991,794	13,069,109	16,756,742	25,000,000	(8,243,258)
2000	17,201	91,166,845	74,056,739	13,360,407	17,110,106	25,000,000	(7,889,894)
2001	17,546	92,991,621	76,271,198	13,587,333	16,720,423	25,000,000	(8,279,577)
2002	17,765	94,155,886	78,537,715	13,750,923	15,618,171	25,000,000	(9,381,829)
2003	17,949	95,130,963	80,787,019	13,899,705	14,343,944	25,000,000	(10,656,056)
2004	18,154	96,214,236	82,951,870	14,064,996	13,262,366	25,000,000	(11,737,634)
2005	18,368	97,349,392	85,015,769	14,238,204	12,333,623	25,000,000	(12,666,377)
2006	18,578	98,462,230	86,996,273	14,408,006	11,465,957	25,000,000	(13,534,043)
2007	18,773	99,498,206	88,906,992	14,566,080	10,591,214	25,000,000	(14,408,786)
2008	18,960	100,489,383	90,752,988	14,717,319	9,736,395	25,000,000	(15,263,605)
2009	18,965	101,518,364	92,532,964	14,874,404	8,985,400	25,000,000	(16,014,600)
2010	19,375	102,687,093	94,248,233	15,052,656	8,438,860	25,000,000	(16,561,140)
2011	19,621	103,992,073	95,908,070	15,251,776	8,084,003	25,000,000	(16,915,997)
TOTALS	419,576	2,188,496,797	1,637,015,107	273,214,892	611,481,690	595,000,000	16,481,690

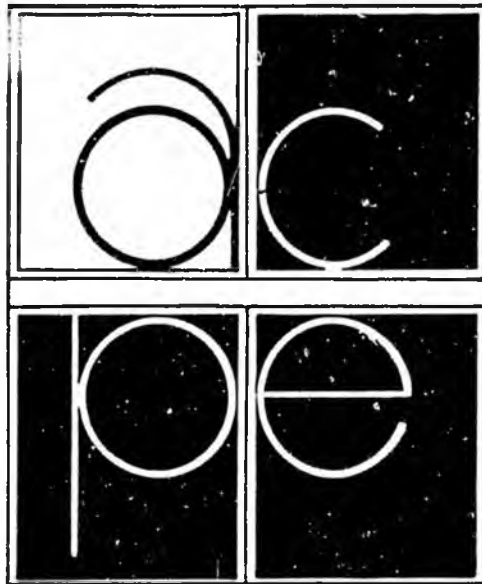
Present Value of Bonding Savings (Cost)
(@9% discount rate) 101,318,127

NOTE: General Fund Requirements shown in FY 91-94 are increased by a total of \$60 million to provide adequate cash flow for fall loan disbursements.

FY 91 Increase= \$10 million
FY 92 Increase= \$15 million
FY 93 Increase= \$20 million
FY 94 Increase= \$15 million

Revised 2/10/87
JK/Division of Policy
Office of the Governor
Source: ACPE

THE ALASKA STUDENT LOAN PROGRAM
15 YEARS OF HELPING ALASKANS
(1971-1986)



Alaska Commission on Postsecondary Education

PREFACE

The Fourteenth Alaska State Legislature passed a bill providing for a number of changes to the Alaska Student Loan Program (SCSCS HB 161). Included in that bill was a charge to the Alaska Commission on Postsecondary Education to submit a report on the loan program to the Fifteenth Alaska State Legislature by January 31, 1987. This report, "The Alaska Student Loan Program: 15 Years of Helping Alaskans," is submitted in response to that charge.

The report is hereby transmitted to the Legislature and the Governor of the State of Alaska on behalf of the Alaska Commission on Postsecondary Education:

Ms. Ruth Burnett, Chair (Fairbanks)
Ms. Patricia Abney (Anchorage)
Ms. Alice Bosshard (Valdez)
Ms. Patricia Clark (Fairbanks)
Mr. William Eubank (Sand Point)
Mr. Gordon Evans (Juneau)
Mr. John Havelock (Anchorage)
Ms. Laura Kelley (Anchorage)
Senator Jalmar Kerttula (Palmer)
Representative Niilo Koponen (Fairbanks)
Ms. Barbara Shaffer (Anchorage)
Ms. Bettye Smith (Anchorage)
Ms. Barbara Thompson (Juneau)

Dr. Kerry D. Romesburg, Executive Director (Juneau)

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INTRODUCTION

The Alaska Student Loan Program is one of the most popular and successful programs offered by the State of Alaska. Its principal goals are to provide Alaskans with access to postsecondary educational resources through low-interest loans to students, and to encourage Alaskans, through program inducements, to utilize that education and training in Alaska. Throughout its 15-year history, the loan program has undergone a number of changes, a strong legal challenge, and almost constant growth. It remains today as the most generous comprehensive state student loan program in the nation, and Alaska can be proud of its investment in the education of its citizens.

The benefits of this loan program to Alaska and to Alaska's people are manifold. Certainly, the State benefits in a number of ways for having a more highly trained and highly educated citizenry; the individual benefits socially, culturally, and economically for having participated in and completed postsecondary education programs; and all Alaska benefits from the 15-year infusion of nearly \$164 million into Alaska's economy through student loan funds expended in the State.

During the past 15 years, the Alaska Student Loan Program has provided over \$362 million to assist more than 55,000 Alaskans in obtaining postsecondary education and training. Now, as Alaska moves into its 16th year of providing these student loans, the program is facing its greatest challenge. How this challenge may be met will be discussed in this paper as well as a historical review of the loan program and its first 15 years of helping Alaskans.

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. Forgiveness was also restricted to only those borrowers who completed their programs of study.

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.

Subsequent Legislatures continued to make relatively minor adjustments to the program, and then in 1981, a 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.

In 1986 the loan program once again underwent substantial change. SCSCSHB161, for the first time in 15 years, made the loan program less generous and somewhat less active. Borrowing maximums were lowered to \$5,500 undergraduate students and \$6,500 for graduate students, and loan interest was raised to 8 percent. Attempts to decrease or eliminate forgiveness provisions and to shorten grace periods were unsuccessful. It should also be noted that an attempt to partially fund student loans from State revenue bonds was also widely discussed in the 1986 Alaska Legislature and very nearly passed in the closing days of the Session.

PROGRAM DESCRIPTION

TERMS

As noted in the Legislative History for the loan program, the terms of the Alaska Student Loan Program have changed greatly during the program's existence, and, in fact, were changed again during the 1986 Legislative Session. The terms listed here are the terms as they exist at this writing. These terms apply to all loans made after June 30, 1986.

1. Undergraduates and vocational students may borrow up to \$5,500 per year of full-time study.
2. Graduate students may borrow up to \$6,500 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 8 percent.
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.
11. If a loan in repayment becomes 120 or more days past due, the loan is in default.
12. If a loan is in default, interest is raised to 10 percent, all forgiveness benefits (described below) are forfeited, and the costs of collection are added to the total balance due.

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 percent, shall accrue as follows:

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

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

REPAYMENT SCHEDULE

Repayment terms have changed as interest rates have changed. Listed below are two schedules, one for 5 percent interest, which is applicable to all loans made prior to July 1, 1986 and one for 8 percent interest, for those loans after June 30, 1986.

1. Loans bearing 5 percent interest:

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

2. Loans bearing 8 percent interest:

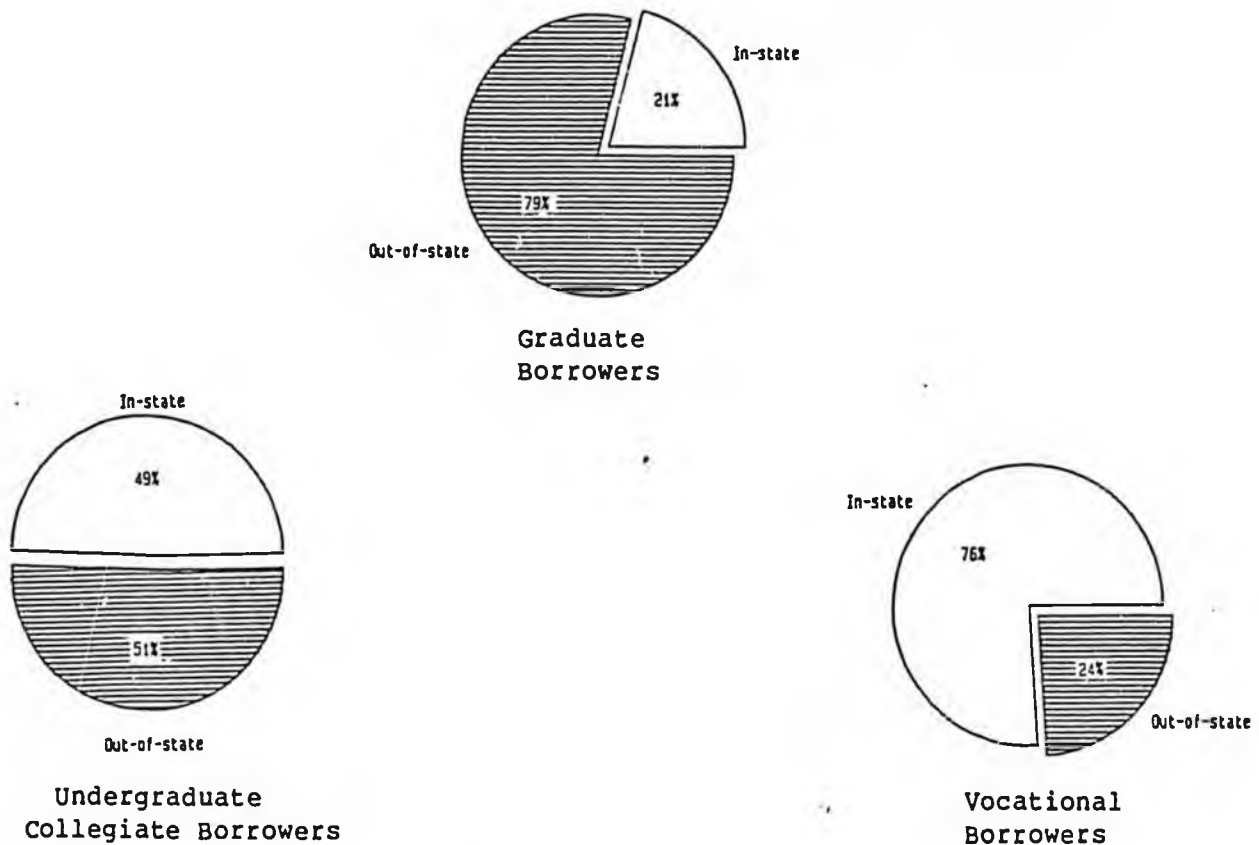
IF YOUR STUDENT LOANS TOTAL:	YOUR MONTHLY PAYMENT FOR 120 MONTHS (10 YRS.) WOULD BE:	TOTAL TO BE REPAYED:		
		8% Interest	Principal	Total
\$1,000.00	\$ 12.14	\$ 456.80	\$1,000.00	\$ 1,456.80
2,000.00	24.27	912.40	2,000.00	2,912.40
3,000.00	36.40	1,368.00	3,000.00	4,368.00
4,000.00	48.54	1,824.80	4,000.00	5,824.80
5,000.00	60.67	2,280.40	5,000.00	7,280.40
6,000.00	72.80	2,736.00	6,000.00	8,736.00
7,000.00	84.93	3,191.60	7,000.00	10,191.60
8,000.00	97.07	3,648.40	8,000.00	11,648.40
9,000.00	109.20	4,104.00	9,000.00	13,104.00
10,000.00	121.33	4,559.60	10,000.00	14,559.60
15,000.00	182.00	6,840.00	15,000.00	21,840.00
20,000.00	242.66	9,119.20	20,000.00	29,119.20
25,000.00	303.32	11,398.40	25,000.00	36,398.40
30,000.00	363.99	13,675.80	30,000.00	43,678.80
35,000.00	424.65	15,958.00	35,000.00	50,958.00
40,000.00	485.32	18,238.40	40,000.00	58,238.40
45,000.00	545.98	20,517.60	45,000.00	65,517.60
50,000.00	606.64	22,796.80	50,000.00	72,796.80

LOAN AWARDS

During the first 15 years of operation, there have been 95,926 student loans awarded. Of these, 45,351 (47.3 percent) have been for attendance in Alaska, and 50,575 (52.7 percent) have been for attendance out-of-state. However, more than half of all loans have been for attendance in-state for the last four years. The lowest in-state rate was in 1975-76, when only 28.0 percent of the loans were for Alaska use, and the highest in-state rate was in 1984-85, when 54.0 percent of the loans were for Alaska use. These figures are skewed somewhat by the fact that consistently nearly 80 percent of the loans for graduate study have been for study out-of-state.

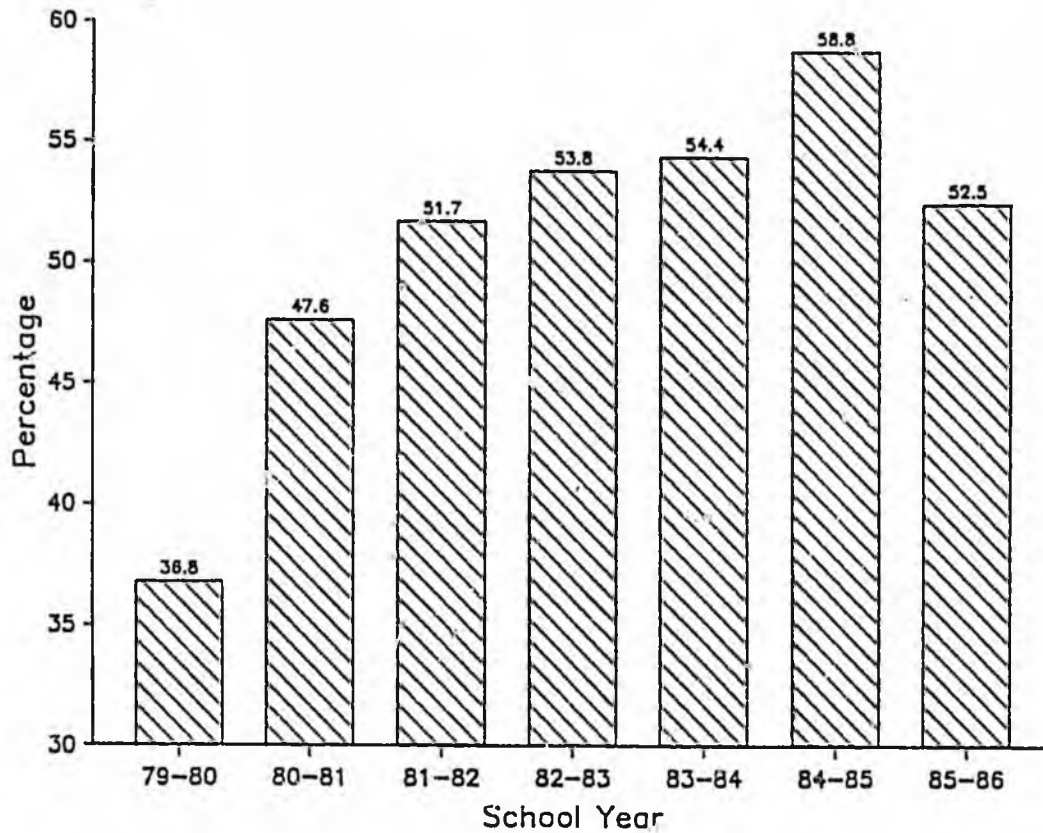
The in-state/out-of-state mix for 1985-86 is presented graphically below for undergraduate collegiate borrowers, graduate borrowers, and vocational borrowers. The effect of combining all these produces a 51.6 percent in-state rate (48.4 percent out-of-state) for 1985-86.

Figure 1
In-State vs. Out-of-State



A more detailed analysis of the attendance practices of borrowers over the past seven years reveals certain patterns. As can be seen in Figure 2, the percentage of freshman collegiate borrowers steadily increased through 1984-85 and then dropped rather precipitously in 1985-86.

Figure 2
Percentage of Freshman Borrowers
Attending in Alaska



Whether or not the decline in in-state attendance represents a trend reversal will not be determined until the information for the next few years is collected.

The attendance patterns for Sophomore, Junior, and Senior borrowers have been relatively stable over this same seven-year period. All showed growth of in-state attendance in 1979-80 and 1980-81, and then all leveled off after 1981-82. The in-state percentage for Sophomore borrowers has leveled around 48 percent, Juniors around 45 percent, and Seniors around 45 percent.

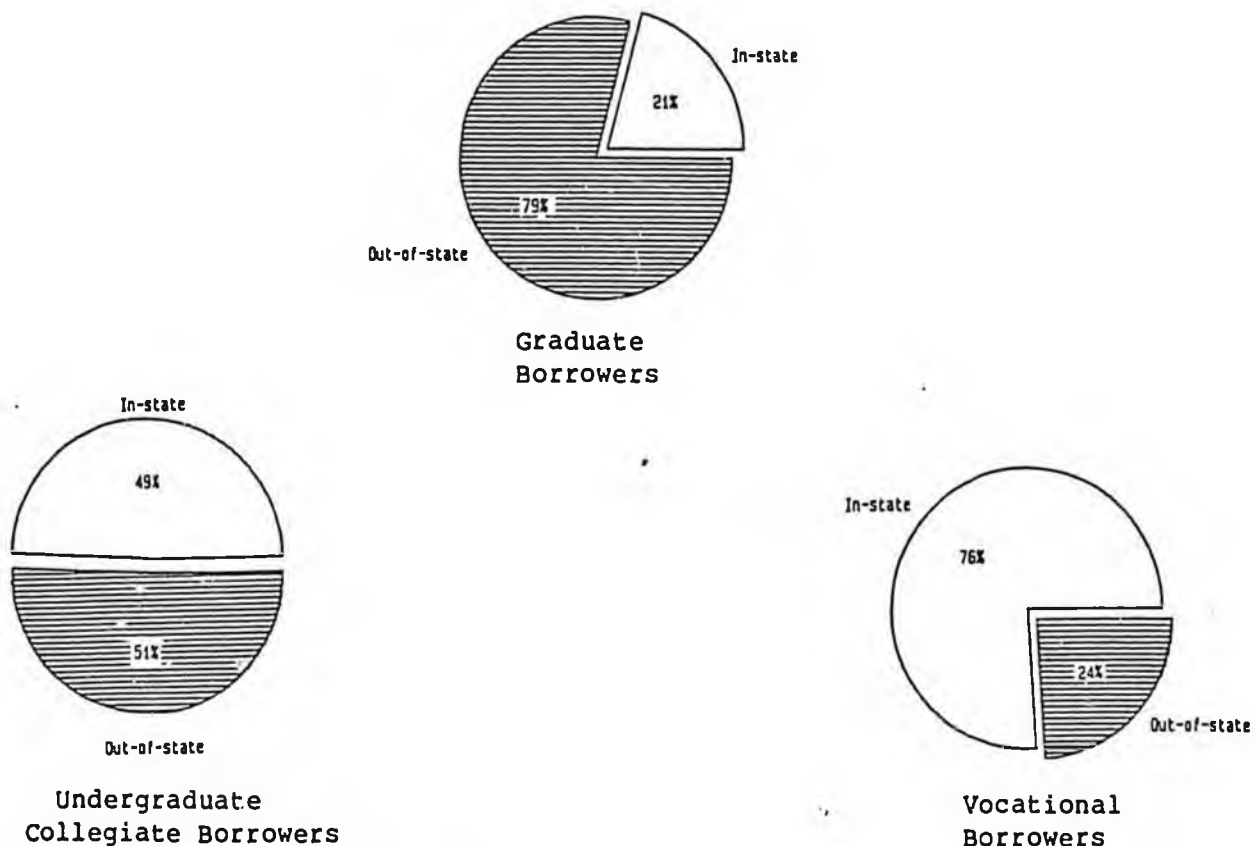
Vocational borrowing has trended strongly toward in-state attendance the last few years. Reflected in Figure 3, one sees that the percentage of in-state vocational borrowers has more than doubled from 1979-80 to 1985-86.

LOAN AWARDS

During the first 15 years of operation, there have been 95,926 student loans awarded. Of these, 45,351 (47.3 percent) have been for attendance in Alaska, and 50,575 (52.7 percent) have been for attendance out-of-state. However, more than half of all loans have been for attendance in-state for the last four years. The lowest in-state rate was in 1975-76, when only 28.0 percent of the loans were for Alaska use, and the highest in-state rate was in 1984-85, when 54.0 percent of the loans were for Alaska use. These figures are skewed somewhat by the fact that consistently nearly 80 percent of the loans for graduate study have been for study out-of-state.

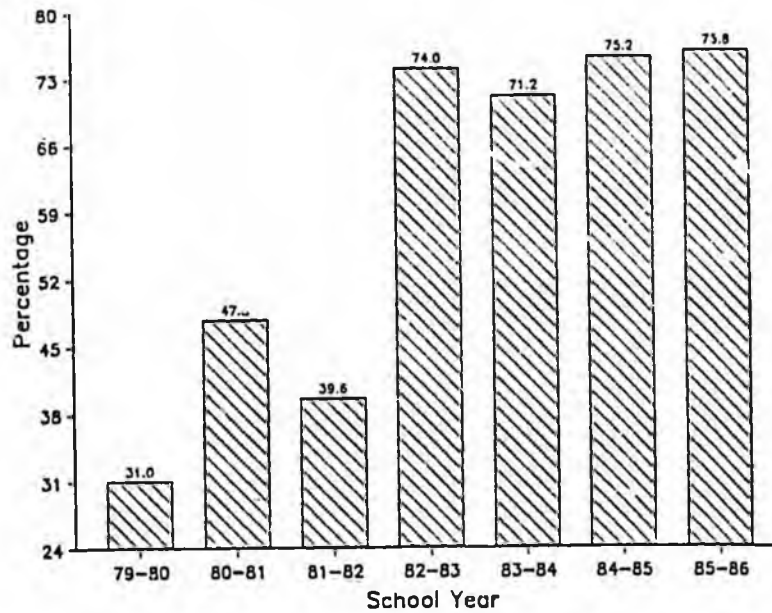
The in-state/out-of-state mix for 1985-86 is presented graphically below for undergraduate collegiate borrowers, graduate borrowers, and vocational borrowers. The effect of combining all these produces a 51.6 percent in-state rate (48.4 percent out-of-state) for 1985-86.

Figure 1
In-State vs. Out-of-State



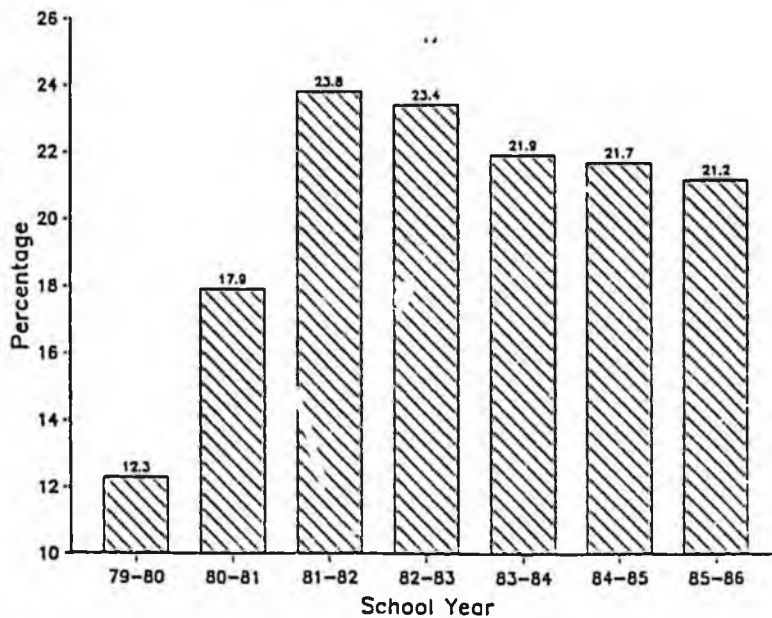
A more detailed analysis of the attendance practices of borrowers over the past seven years reveals certain patterns. As can be seen in Figure 2, the percentage of freshman collegiate borrowers steadily increased through 1984-85 and then dropped rather precipitously in 1985-86.

Figure 3
 Percentage of Vocational Borrowers
 Attending in Alaska



Graduate student attendance patterns appear to be slowly trending toward out-of-state attendance. After rising steadily during the early years of the loan program, the in-state attendance rate appears to have peaked in 1982-83 and 1983-84. Since then it decreased slightly and leveled. The graduate pattern is presented in Figure 4.

Figure 4
 Percentage of Graduate Borrowers
 Attending in Alaska

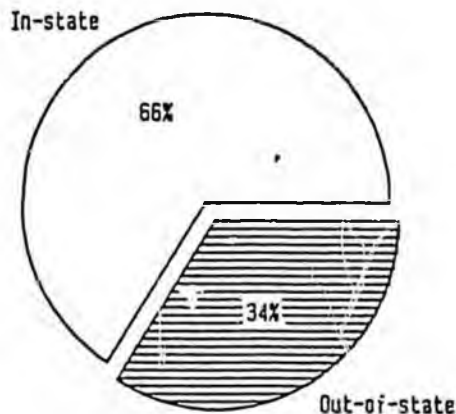


As the maturing repayment pattern reflects growth, so does the "forgiveness" pattern. In the 15 years from 1971-72 through 1985-86, Alaskans have received loan forgiveness benefits totalling \$8.7 million (\$2.4 million in 1985-86). This amount may at first seem rather low, but it should be remembered that in order to qualify for forgiveness, the borrower must first complete the program of study for which the loan is received, and second, live in Alaska. Failure to complete programs of study disqualifies nearly half of all borrowers.

A last aspect of repayment which must be discussed is loan default. Loan default which was notoriously high in the mid 1970's, was reduced to around 9.0 percent in 1981-82 and 1982-83, but has been rising the last few years and was at 14.7 percent at the end of 1985-86. Nearly one person in six was defaulting on an Alaska Student Loan at the end of 1985-86. Default collection is handled by contract by a private firm and represents a problem which historically plagues all student loan programs.

When a more careful look at defaulted accounts is undertaken, we find two patterns emerging. The first is that students who borrow to attend school out-of-state have a much lower default rate than those who borrow to attend in Alaska, and the second is that collegiate borrowers have a much lower default rate than do vocational borrowers. As can be seen in Figure 6, of those borrowers in default at the end of 1985-86, nearly two-thirds had borrowed to attend school in Alaska. This is despite the fact that less than half of all loans awarded through that date were for attendance in-state.

Figure 6
Defaulted Loans
Alaska Attendance vs. Attendance Out-of-State



The default rate for vocational borrowers at the end of 1985-86 was just over twice as high as that for collegiate borrowers (24.0 percent vs. 11.8 percent), and the default rate for all borrowers who attended school in Alaska was nearly twice that of borrowers who attended out-of-state (19.5 percent vs. 10.6 percent).

RESIDENCY REQUIREMENT

To be eligible for an Alaska Student Loan, an individual must be a two-year Alaska resident at the time of loan application. Residency has been defined by State statute to mean physical presence and clarified by program regulations to mean two years of continuous physical presence (with allowance for certain absences and time periods) immediately prior to application.

This two-year durational residency requirement was challenged in 1983 on the grounds that it was excessive and therefore unconstitutional. The case was heard in the United States District Court, District of Alaska (Andress V. Baxter), and resulted in a declaration that the residency requirement was neither unreasonable nor unconstitutional. Hence, this most generous loan program in the nation also carries the most restrictive residency requirement in the nation.

PROBLEMS AND PROJECTIONS

Over the years, a number of problems have arisen, some more than once. Most of these problems have effectively been addressed through statutory changes by the Alaska Legislature or through program regulation amendments, but one problem, which has come relatively recently in program history, remains unsolved. That problem is trying to balance demand vs. funding. As Alaska moves into a period of reduced budgets, program restrictions, and diminishing revenues, this problem may become even more acute.

DEMAND VS. FUNDING

In the first 12 years of its operation, the loan program provided loans to every eligible Alaskan who applied for assistance. When demand exceeded available funds, as it did in 1979-80, 1980-81, and 1981-82, the Alaska Legislature provided additional funds to meet that demand. However, in 1982-83, 1983-84, and again in 1984-85, when demand exceeded funding, applicants were turned away. The phenomenal program growth, coupled with the rising costs of education and the decreasing ability of the State to meet program demands, created a situation where thousands of Alaskans seeking support for their education and training were forced to delay plans, seek other non-state sources, or, unfortunately, not attend school at all.

As we look forward, it seems quite unlikely that the State will be able to dedicate \$60 to \$70 million in General Funds annually to support the student loan program. Either the program must change greatly, an alternate funding source must be developed, or the program will simply have to be capped in some way.

PROJECTIONS

If left uncapped by either budget or program limitations, the projected demand for Alaska Student Loans is expected to reach over 23,000 by 1990-91. To meet such a demand, the program would need over \$115 million for that year alone, and the demand on the State Treasury (the General Fund) would exceed \$76 million. Since it now appears unrealistic to expect the State to support such a high level of funding, the projections presented below (Table I) are based upon placing an \$80 million cap on the program after 1987-88. As can be seen, even with an \$80 million cap, there would be a very heavy reliance upon annual State appropriations and thousands of would-be borrowers will be denied loans. How to fund the program and how to decide who gets loans and who does not are the major problems facing the Alaska Student Loan Program, and together, pose the greatest challenge the program has faced in its 15-year history.

TABLE I

STUDENT FINANCIAL AIDS ADMINISTRATION
STATE STUDENT LOAN ACTIVITY
Projected to 1990-91

Year	Loan Awards	Loan Volume	Cumulative Total	Average Loan	Loan Collections	Federal Funds	Loan Forgiveness	General Fund
1971-72	1,081	\$ 1,603,158	\$ 1,603,158	\$1,483	\$ -0-	\$ -0-	\$ -0-	\$ 1,603,158**
1972-73	1,748	2,870,384	4,473,542	1,642	-0-	-0-	-0-	2,870,384
1973-74	1,665	2,986,176	7,459,718	1,793	-0-	-0-	-0-	2,986,176
1974-75	1,457	2,659,807	10,119,525	1,826	235,476	-0-	703	2,424,331
1975-76	1,719	3,382,997	13,502,522	1,968	465,530	-0-	44,233	2,977,467
1976-77	1,921	3,850,507	17,353,029	2,004	1,141,461	-0-	64,746	2,709,046
1977-78	2,265	4,604,167	21,957,196	2,033	1,191,851	-0-	314,306	3,412,316
1978-79	2,795	6,416,402	28,373,598	2,296	1,391,643	-0-	445,985	5,024,758
1979-80	3,918	9,373,949	37,747,547	2,393	1,603,436	-0-	409,501	7,770,513
1980-81	6,460	15,957,717	53,705,264	2,475	2,225,388	-0-	555,494	13,732,329
1981-82	9,898	40,559,499	94,264,763	4,098	2,779,900	1,000,000	765,769	36,819,599
1982-83	13,058	55,007,395	149,272,158	4,213	4,609,051	1,200,000	(846,028)	49,198,344
1983-84	14,785	62,912,316	212,184,474	4,255	6,410,124	422,481	1,171,239	56,162,552
1984-85	17,173	75,075,883	287,260,041	4,372	9,572,795	250,000	1,664,612	65,253,088
1985-86	15,983	74,981,730	362,241,771	4,691	14,232,935	150,000	2,446,062	60,598,795
1986-87*	17,569	79,500,000	441,741,771	4,525	18,944,536	65,000	3,122,602	60,490,464
1987-88	17,204	80,000,000	521,741,771	4,650	23,298,455	25,000	3,786,944	56,701,545
1988-89	16,666	80,000,000	601,741,771	4,800	27,587,414	N.A.	4,441,374	52,412,586
1989-90	16,244	80,000,000	681,741,771	4,925	35,121,344	N.A.	5,042,794	44,878,656
1990-91	15,842	80,000,000	761,741,771	5,050	38,096,198	N.A.	6,644,855	41,903,802

*1986-87 through 1990-91 are projections

**Includes carry-forward funds from previous year

Revised 7/86

ALTERNATIVES

A number of alternatives directed at reducing loan volume, reducing average loan amounts, generating additional loan revenue, and generating alternative loan revenue have been explored the last few years. As a result of these explorations, the loan terms have changed greatly. Now, the challenge is to preserve as much of the loan program as possible and provide access to as many Alaskans as possible.

Nearly every aspect of the loan program has been examined over the past few years. Some changes have the potential of generating additional income (such as increasing the interest rate), but could, in fact, result in an unmanageable debt burden. Other changes appear to be cost saving (such as requiring the federal needs analysis and tying into the federal Guaranteed Student Loan Program), but end up saving little and costing additional administrative overhead and creating unacceptable processing delays.

Dozens of alternatives have been researched and considered, some through formal Legislative hearings. A partial listing of these alternatives would include:

1. Reduce borrowing maximums.
2. Require a \$500 self-help contribution from each borrower.
3. Restrict loans to U.S. Citizens or permanent alien residents.
4. Restrict loans to accredited schools, or schools approved for at least two years.
5. Raise the grade point requirements for good standing.
6. Award loans out-of-state only if the program is unavailable in Alaska.
7. Restrict loans to collegiate borrowers.
8. Eliminate graduate student borrowing differential.
9. Restrict loans to vocational borrowers and collegiate borrowers above the freshman level.
10. Eliminate forgiveness benefits.
11. Raise interest rate charged on loans.
12. Restrict loans to study in the United States.
13. Lower forgiveness benefits.
14. Require a needs test and award loans based upon demonstrated need.
15. Eliminate the interest subsidy during the grace year.
16. Reduce the grace period to six or nine months.
17. Increase the full-time definition to 15 credit hours for undergraduate students.
18. Require all applicants to first apply for Federal grant programs before applying for a loan.
19. Require co-signers on all promissory notes.
20. Cap the total indebtedness of a borrower under the program.
21. Restrict forgiveness benefits to only those borrowers attending in-state.
22. Establish a two-tier (non-need/need) loan program.
23. Link borrowing to Federal guarantee for those borrowers who could qualify on a federal needs analysis.

24. Require institutional certification of student budget, including all funding sources.
25. Discount loans for early repayment.
26. Raise interest and eliminate forgiveness benefits for a loan in default.
27. Restrict loans to study in-State.
28. Restrict vocational loans based upon State manpower needs and projections.
29. Eliminate the interest subsidy during full-time schooling and other deferment periods.
30. Restrict loans to tuition and fees, books, and supplies only (eliminate room and board).
31. Raise residency requirements for qualifying.
32. Discount loans for each year of Alaska attendance.

Some of these alternatives have been adopted, but most have been found to be undesirable for one reason or another. At present, Alaska has an excellent loan program. It serves the educational needs of thousands of Alaskans each year, it preserves educational choice, and it provides incentive for use of one's education in Alaska.

RECOMMENDATIONS

The Alaska Commission on Postsecondary Education believes that 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.

Funding

In the event that the State is unable to provide sufficient General Fund support to fully fund the program, the Commission recommends the Legislature fund Alaska Student Loans with a combination of General Funds and alternative funds. The alternative funding is recommended to be an endowment or investment from the Permanent Fund or proceeds from the sale of tax exempt bonds.

Bonding

The Commission further recommends that if the loan program is financed through the issuance of tax exempt revenue bonds, the funding package consider population growth and educational expense inflation and not include the sale of any portion of the existing program portfolio. It is strongly recommended that the essential features of the loan program be preserved and the revolving nature of the loan fund be maintained.

Two-Tier Loan System

If the Legislature determines that fundamental changes in the Alaska Student Loan Program must be made, the Commission recommends establishment of a two-tier loan system. This two-tier program would provide a basic loan to all qualified applicants, utilizing the same criteria as the current program, and offer a supplemental need-based loan for those who could demonstrate need for additional assistance.

The Commission recommends that the maximum for the basic loan be lower than that now available, but not so low as to unnecessarily restrict access to educational resources. Therefore, the Commission recommends the following:

Basic Loan Maximum	\$5,000
Supplemental Loan Maximum	\$2,000

Scholarships

Alaska is one of a small number of states which has no State level scholarship program for its residents. For years it was felt that the generous student loan program somehow replaced the need for any grant or scholarship program. However, it has been apparent for some time that many of Alaska's brightest and most able high school seniors are looking out-of-state for their collegiate experience.

One method of encouraging these students to study in our Alaskan schools is to provide non-need-based scholarships for use in State. The number of such awards and their amount can vary greatly.

The Commission recommends the Legislature seriously consider the establishment of a State-level scholarship program directed at recognizing academic excellence and outstanding talent. The scholarships should be distributed geographically throughout the state and should only be available for attendance in Alaska.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: HB 39
Publish Date: 1-19-87

Revision Date: 1-30-87
Title: Creating the Alaska Student Loan Corporation

Agency Affected: Education
BRU: Postsecondary Education Commission

Sponsor: Sund, Koronen
Requestor: House HESS

Components: General Admin., Student Loan Admin., Data & Word Processing, Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		(1,594.8)	(1,674.5)	(1,758.3)	(1,846.2)	(1,938.5)
TRAVEL		(64.4)	(64.4)	(64.4)	(64.4)	(64.4)
CONTRACTUAL		(318.3)	(327.8)	(337.7)	(347.8)	(358.2)
SUPPLIES		(58.6)	(60.4)	(62.2)	(64.0)	(66.0)
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	N.A.	(2,035.9)	(2,127.1)	(2,222.6)	(2,322.4)	(2,427.1)
CAPITAL	N.A.	(34,900.0)	(27,758.1)	(22,288.6)	(25,400.5)	(28,143.2)
REVENUE						

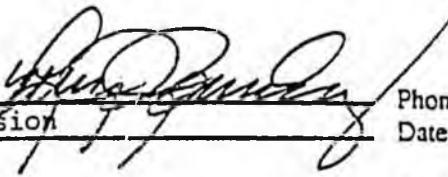
FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	(36,935.9)	(29,885.2)	(24,511.2)	(27,722.9)	(30,570.3)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:.

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Kerry D. Romesburg  Phone: 465-2854
Division: Postsecondary Commission Date: 1-30-87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

SB66 Fiscal Note Analysis

Operating Budget

1. FY88 Operating budget savings are based upon the FY87 Revised budget and are comprised of:

Commission General Admin.	\$ 287.4
Student Loan Admin.	\$1,632.7
Data and Word Processing	\$ 115.8
	<u>\$2,035.9</u>

2. FY89-92 totals are based upon:

Personal Services	5% growth and no increased salaries
Travel	no inflation factor
Contractual	3% inflation factor
Supplies	3% inflation factor

Capital (Loan Funds)

1. FY88 reduced General Fund commitment is based upon FY87 Revised budget.
2. FY88-92 reduced General Fund commitment is based upon attached table, "Alaska Student Loan Program: Student Loan Activity Projected to 2010-11."
3. The bond receipt figures are based upon attached table, "Alaska Commission on Postsecondary Education; Alaska Student Loan Program Summary of New Loan Origination."

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
 ALASKA STUDENT LOAN PROGRAM
 STUDENT LOAN ACTIVITY
 Projected to 2010-11

<u>Year</u>	<u>Loan Awards</u>	<u>Loan Volume</u>	<u>Loan Collections</u>	<u>Loan Forgiveness</u>	<u>General Fund</u>	<u>G.F. with Bonding</u>
87-88	17,204	\$ 80,000,000	\$23,298,455	\$ 3,786,944	\$56,701,545	\$20,000,000
88-89	16,738	80,345,504	27,587,414	4,441,374	52,758,090	25,000,000
89-90	16,381	80,676,052	33,387,487	5,326,377	47,288,565	25,000,000
90-91	16,044	81,024,565	40,624,030	6,430,564	50,400,535*	25,000,000
91-92	16,248	82,865,042	44,721,848	7,584,355	53,143,194*	25,000,000
92-93	16,491	85,341,434	52,739,315	8,745,092	52,602,119*	25,000,000
93-94	16,708	87,298,990	56,381,256	9,831,303	45,917,704*	25,000,000
94-95	16,675	88,375,670	59,929,106	10,789,747	28,446,564	25,000,000
95-96	16,653	88,261,738	63,349,462	11,571,828	24,912,276	25,000,000
96-97	16,416	87,007,173	66,563,505	12,187,296	20,443,668	25,000,000
97-98	16,018	84,895,801	69,475,575	12,679,094	15,420,226	25,000,000
98-99	16,745	88,748,536	71,991,794	13,069,109	16,756,742	25,000,000
99-00	17,201	91,166,845	74,056,739	13,360,407	17,110,106	25,000,000
00-01	17,546	92,991,621	76,271,198	13,587,333	16,720,423	25,000,000
01-02	17,765	94,155,886	78,537,715	13,750,923	15,618,171	25,000,000
02-03	17,949	95,130,963	80,787,019	13,899,705	14,343,944	25,000,000
03-04	18,154	96,214,236	82,951,870	14,064,996	13,262,366	25,000,000
04-05	18,368	97,349,392	85,015,769	14,238,204	12,333,623	25,000,000
05-06	18,578	98,462,230	86,996,273	14,408,006	11,465,957	25,000,000
06-07	18,773	99,498,206	88,906,992	14,566,080	10,591,214	25,000,000
07-08	18,960	100,489,383	90,752,988	14,717,319	9,736,395	25,000,000
08-09	18,965	101,518,364	92,532,964	14,874,404	8,985,400	25,000,000
09-10	19,375	102,687,093	94,248,233	15,052,656	8,438,860	25,000,000
10-11	19,621	103,992,073	95,908,070	15,251,776	8,084,003	25,000,000

*90-91 includes \$10.0 million to accommodate cash flow

*91-92 includes \$15.0 million to accommodate cash flow

*92-93 includes \$20.0 million to accommodate cash flow

*93-94 includes \$15.0 million to accommodate cash flow

*This builds up a float of \$60.0 million to allow for fall loan processing

1/8/87

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ALASKA STUDENT LOAN PROGRAM
SUMMARY OF NEW LOAN ORIGINATION

YEAR ENDING 6/30	STATE APPROPRIATIONS		SYSTEM EQUITY (a)		BOND PROCEEDS		TOTAL FUNDS AVAILABLE		EXPENSES (b)		DEBT SERVICE (c)		NEW LOANS 7
	1	+	2	+	3	=	4	-	5	-	6	=	
1987		0		0		0		0		0		0	0
1988	20,000,000		20,152,279		49,810,000		89,962,279		6,475,300		3,486,700		80,000,279
1989	25,000,000		26,828,204		43,875,000		95,703,204		5,359,750		9,997,950		80,345,504
1990	25,000,000		24,019,202		42,550,000		101,569,202		4,857,500		16,035,650		80,676,052
1991	25,000,000		41,506,415		40,675,000		107,181,415		4,265,750		21,891,100		81,024,565
1992	25,000,000		49,281,242		40,000,000		114,281,242		3,815,500		27,600,700		82,865,042
1993	25,000,000		57,071,484		40,000,000		122,071,484		3,428,500		33,301,550		85,341,434
1994	25,000,000		64,346,490		40,000,000		129,346,490		3,011,000		39,036,500		87,298,990
1995	25,000,000		70,754,370		40,000,000		135,754,370		2,559,500		44,819,200		88,375,670
1996	25,000,000		75,975,088		40,000,000		140,975,088		2,072,500		50,640,850		88,281,738
1997	25,000,000		80,069,773		40,000,000		145,069,773		1,546,000		56,516,600		87,007,173
1998	25,000,000		83,317,101		40,000,000		148,317,101		977,500		62,443,800		84,895,801
1999	25,000,000		85,857,586		40,000,000		150,857,586		1,106,000		61,003,050		88,748,536
2000	25,000,000		87,760,095		40,000,000		152,760,095		1,156,000		60,437,250		91,166,845
2001	25,000,000		89,243,571		40,000,000		154,243,571		1,190,500		60,061,450		92,991,621
2002	25,000,000		90,315,686		40,000,000		155,315,686		1,200,000		59,959,800		94,155,886
2003	25,000,000		91,290,763		40,000,000		156,290,763		1,200,000		59,959,800		95,130,963
2004	25,000,000		92,374,036		40,000,000		157,374,036		1,200,000		59,959,800		96,214,236
2005	25,000,000		93,509,172		40,000,000		158,509,172		1,200,000		59,959,800		97,349,372
2006	25,000,000		94,622,030		40,000,000		159,622,030		1,200,000		59,959,800		98,462,230
2007	25,000,000		95,658,006		40,000,000		160,658,006		1,200,000		59,959,800		99,498,206
2008	25,000,000		96,649,183		40,000,000		161,649,183		1,200,000		59,959,800		100,489,383
2009	25,000,000		97,678,164		40,000,000		162,678,164		1,200,000		59,959,800		101,518,364
2010	25,000,000		98,846,893		40,000,000		163,846,893		1,200,000		59,959,800		102,687,093
2011	25,000,000		100,151,873		40,000,000		165,151,873		1,200,000		59,959,800		103,992,073

NOTES: (a) System Equity consists of recycling of repayments on old loans plus earnings on Debt Service Reserve.

(b) Expenses consist of funding of a Debt Service Reserve (10% of Bond Issue) and Costs of Issuance (3% of Bond Issue), plus \$0 to the state.

(c) Bond interest rate of: 7.00%
Principal amortization matches loan repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
HB 39 CREATING THE ALASKA STUDENT
LOAN CORPORATION

(General Position Statement)

The Alaska Commission on Postsecondary Education, at its December 12-13, 1986 meeting formally endorsed the use of an alternate funding source, such as tax exempt bonds, if full funding from the General Fund were unavailable for Alaska Student Loans. After exploring a wide variety of options (reported in the Legislative Report, "The Alaska Student Loan Program: (5 Years of Helping Alaskans"), the Commission feels that tax exempt bonding is a viable source of revenue for student loans.

In the long run, it will cost the State more to bond than to fund directly from the General Fund, but in the short run, when compared to direct General Fund support it saves over \$150 million.

The Commission endorses the establishment of the Student Loan Corporation, which will provide this bonding capability.

There is a controversial section which should be carefully examined. Section 5 has serious implications for a number of schools particularly within Alaska.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
SECTIONAL ANALYSIS OF THE ALASKA STUDENT LOAN CORPORATION

*Section 1.

Sec. 14.42.100. ALASKA STUDENT LOAN CORPORATION. This paragraph creates the Alaska Student Loan Corporation. The corporation cannot be terminated while debt obligations are outstanding.

Sec. 14.42.110 PURPOSE OF CORPORATION. This paragraph establishes the purpose of the corporation to provide higher education opportunities for residents of Alaska.

Sec. 14.42.120. CORPORATION GOVERNING BODY. The Corporation shall be governed by an executive committee of five members made up from the thirteen members of the Alaska Commission on Postsecondary Education Board. The board members are made up of one member of the State Board of Education and four members are from the rest of the board excluding the two legislative members. Board members shall receive travel and per diem. A majority of the board constitutes a quorum for the organization.

Sec. 14.42.130. MEETING OF THE BOARD. The board meetings will meet at the call of the chairman and any meeting at which corporate bonds are authorized at least twenty-four hours notice shall be given to the public.

Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep minutes of every meeting and shall send copies to the governor and Legislative Budget and Audit committee.

Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall manage the business of the corporation and adopt by-laws and regulations in accord with the Administrative and Procedures Act. The board shall delegate supervision and administration to the Executive officer.

Sec. 14.42.160. EXECUTIVE OFFICER. The corporation shall employ an executive officer who is the executive officer of the Commission on Postsecondary Education.

Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The executive officer may hire employees in the exempt service. The board may appoint other officers and engage professionals.

Sec. 14.41.190. EXECUTIVE BUDGET ACT. The operating budget of the corporation is subject to the Executive Budget Act.

Sec. 14.41.200. GENERAL POWERS. The corporation has the powers to sue and be sued, adopt an official seal, enter into contracts, receive and administer gifts or grants according to the terms and conditions of gift or grant, borrow money, pay finance charges and

interest, invest money, collect from borrowers, gather information on loans, require an eligible institution to file reports, service student loans, obtain information about students applying for loans, contract for purchase of student loans, sell or participate in the sale of student loans, modify interest terms and conditions of student loans based on contracts with bondholders, collect and pay reasonable fees as well as charges in connection with student loans, enter into agreements on student loans concerning federal student loans, enter into contracts with lenders, administer federal money, consent to the modification of terms of the student loans, enter into agreements with Alaska Commission on Postsecondary Education, procure insurance against losses, provide advisory services to borrowers, enter into credit facility agreements and make pledges, covenants, and agreements with respect to the repayment of borrowings of the credit facility agreements, do all acts necessary to carry out the powers implied in this chapter.

Sec. 14.42.210. STUDENT LOAN FUND. Creates a student loan fund inside the corporation to make student loans and secure bond issues the proceeds of which are used to make student loans. The student loan fund shall be administered by the Alaska Commission on Postsecondary Education.

Sec. 14.42.220. BONDS OF THE CORPORATION. The Corporation may borrow money and issue bonds secured by the income and receipts from student loans and other assets. The bonds are issued by resolutions of the board. Each bond issue shall have a maturity of thirty years or less and be subject to the Uniform Commercial Code. The corporation may not issue bonds, other than refunding bonds, during any two consecutive fiscal years in an aggregate amount greater than \$150,000,000 unless the legislature, by law, approves issuance of a greater amount.

Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. Issues of bonds may be secured by trust indenture or agreement between the corporation and may be a trust company, bank or national banking association inside or outside the state by secured loan agreement or other instrument giving powers to a corporate trustee by which means the corporation may enter into agreements with the holders of the bonds that the board decides desirable as to the disposition of the proceeds of the bonds, collection of loan payments, assignment of its rights in security interest created to a trustee for the benefit of bondholders, conditions which bonds may be issued, vesting in trustee of rights and powers. Pledge and mortgage assets. Provide for security of the bonds.

Sec. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND REQUIREMENTS. This section creates the Capital Reserve Fund. These paragraphs create what is commonly know as the moral obligation of the State to repay these bonds.

Sec. 14.42.250. VALIDITY OF PLEDGE. Bonds issued under this chapter shall be valid and binding against all parties having claim or any kind from the corporation.

Sec. 14.42.260. NONLIABILITY OF BONDS. Members of the corporation are not subject to personal liability for issuance of the bonds. The bonds issued do not constitute liability for the State but are payable solely from the income and receipts of the corporation.

Sec. 14.42.265. UNDERWRITERS. The State Purchasing Act (AS 36.30) does not apply to the selection of an underwriter by the board.

Sec. 14.42.270. PLEDGE OF STATE. The State pledges not to alter or limit the rights of bond holders interest when the bonds are outstanding.

Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal property of the corporation are not subject to state or local tax.

Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. Bonds are legal investments for all fiduciaries and municipalities in the State.

Sec. 14.42.300. OPERATION OF CERTAIN STATUTES EXCEPTED. The corporation may not be considered or constitute a political subdivision for the purpose of lending it's credit. The corporation is not considered a municipal corporation under Title 29. The funds and real estate of the corporation are not considered property of the State.

Sec. 14.42.310. ANNUAL AUDIT. The corporation shall have an annual audit.

Sec. 14.42.500. DEFINITIONS. Defines the corporation and board.

*Section 2. AS 14.42.265. The board may select underwriters only by using a competitive method.

*Section 3. AS 14.43.090(a). Amends the power of the Postsecondary Education Corporation to pay the cost of administering student loans and sell or assign loans to the Alaska Student Loan Corporation.

*Section 4. AS 14.43.090(d). It allows the student financial aid committee to sell loans to the Alaska Student Loan Corporation and enter into agreements with the corporation relating to loans.

*Section 5. AS 14.43.120(d). Scholarship loans may not be made to students who attend an institution where the default rate on loans made to students to attend the institution exceeds the program default rate by more than 150%.

*Section 6. AS 14.43.120(r). Interest rates on scholarship loans may be modified to maintain the corporation's tax-exempt status under the Internal Revenue Code.

*Section 7. AS 14.43.255(a). Amends the Memorial Scholarship Loan Fund to allow the loans to be sold or assigned to the Alaska Student Loan Corporation.

*Section 8. AS 14.43.255(c). Allows the State Aid Committee to sell and administer Memorial Scholarship Loans to the Alaska Student Loan Corporation.

*Section 9. AS 14.43.620 Amended to allow the Teacher Scholarship Revolving Loan Fund to sell or assign loans to the Alaska Student Loan Corporation..

*Section 10. AS 14.43.620(b). The student financial aid committee may sell teacher scholarship loans to the Alaska Student Loan Corporation and may enter into agreements related to such loans.

*Section 11. The act takes effect immediately.

*Section 12. The competitive underwriting section takes effect July 1, 1988.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : HB 39
Publish Date : 1-19-87

Revision Date: 1-30-87
Title: Creating the Alaska Student Loan Corporation

Agency Affected: Education
PRU: Postsecondary Education Commission

Sponsor: Sund, Kononen
Requestor: House HESS

Components: General Admin., Student Loan Admin., Data & Word Processing, Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		(1,594.8)	(1,674.5)	(1,758.3)	(1,846.2)	(1,938.5)
TRAVEL		(64.4)	(64.4)	(64.4)	(64.4)	(64.4)
CONTRACTUAL		(318.3)	(327.8)	(337.7)	(347.8)	(358.2)
SUPPLIES		(58.6)	(60.4)	(62.2)	(64.0)	(66.0)
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	N.A.	(2,035.9)	(2,127.1)	(2,222.6)	(2,322.4)	(2,427.1)

CAPITAL	N.A.	(34,900.0)	(27,758.1)	(22,288.6)	(25,400.5)	(28,143.2)
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REVENUE						
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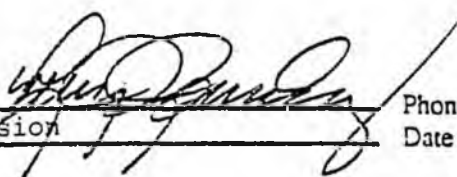
FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	(36,935.9)	(29,885.2)	(24,511.2)	(27,722.9)	(30,570.3)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Kerry D. Romesburg  Phone: 465-2854
Division: Postsecondary Commission Date: 1-30-87

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

SB66 Fiscal Note Analysis

Operating Budget

1. FY88 Operating budget savings are based upon the FY87 Revised budget and are comprised of:

Commission General Admin.	\$ 287.4
Student Loan Admin.	\$1,632.7
Data and Word Processing	\$ 115.8
	<u>\$2,035.9</u>

2. FY89-92 totals are based upon:

Personal Services	5% growth and no increased salaries
Travel	no inflation factor
Contractual	3% inflation factor
Supplies	3% inflation factor

Capital (Loan Funds)

1. FY88 reduced General Fund commitment is based upon FY87 Revised budget.
2. FY88-92 reduced General Fund commitment is based upon attached table, "Alaska Student Loan Program: Student Loan Activity Projected to 2010-11."
3. The bond receipt figures are based upon attached table, "Alaska Commission on Postsecondary Education; Alaska Student Loan Program Summary of New Loan Origination."

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

ALASKA STUDENT LOAN PROGRAM

STUDENT LOAN ACTIVITY

Projected to 2010-11

<u>Year</u>	<u>Loan Awards</u>	<u>Loan Volume</u>	<u>Loan Collections</u>	<u>Loan Forgiveness</u>	<u>General Fund</u>	<u>G.F. with Bonding</u>
87-88	17,204	\$ 80,000,000	\$23,298,455	\$ 3,786,944	\$56,701,545	\$20,000,000
88-89	16,738	80,345,504	27,587,414	4,441,374	52,758,090	25,000,000
89-90	16,381	80,676,052	33,387,487	5,326,377	47,288,565	25,000,000
90-91	16,044	81,024,565	40,624,030	6,430,564	50,400,535*	25,000,000
91-92	16,248	82,865,042	44,721,848	7,584,355	53,143,194*	25,000,000
92-93	16,491	85,341,434	52,739,315	8,745,092	52,602,119*	25,000,000
93-94	16,708	87,298,990	56,381,286	9,831,303	45,917,704*	25,000,000
94-95	16,675	88,375,670	59,929,106	10,789,747	28,446,564	25,000,000
95-96	16,653	88,261,738	63,349,462	11,571,828	24,912,276	25,000,000
96-97	16,416	87,007,173	66,563,505	12,187,296	20,443,668	25,000,000
97-98	16,018	84,895,801	69,475,575	12,679,094	15,420,226	25,000,000
98-99	16,745	88,748,536	71,991,794	13,069,109	16,756,742	25,000,000
99-00	17,201	91,166,845	74,056,739	13,360,407	17,110,106	25,000,000
00-01	17,546	92,991,621	76,271,198	13,587,333	16,720,423	25,000,000
01-02	17,765	94,155,886	78,537,715	13,750,923	15,618,171	25,000,000
02-03	17,949	95,130,963	80,787,019	13,899,705	14,343,944	25,000,000
03-04	18,154	96,214,236	82,951,870	14,064,996	13,262,366	25,000,000
04-05	18,368	97,349,392	85,015,769	14,238,204	12,333,623	25,000,000
05-06	18,578	98,462,230	86,996,273	14,408,006	11,465,957	25,000,000
06-07	18,773	99,498,206	88,906,992	14,566,080	10,591,214	25,000,000
07-08	18,960	100,489,383	90,752,988	14,717,319	9,736,395	25,000,000
08-09	18,965	101,518,364	92,532,964	14,874,404	8,985,400	25,000,000
09-10	19,375	102,687,093	94,248,233	15,052,655	8,438,860	25,000,000
10-11	19,621	103,992,073	95,908,070	15,251,776	8,084,003	25,000,000

*90-91 includes \$10.0 million to accommodate cash flow

*91-92 includes \$15.0 million to accommodate cash flow

*92-93 includes \$20.0 million to accommodate cash flow

*93-94 includes \$15.0 million to accommodate cash flow

*This builds up a float of \$60.0 million to allow for fall loan processing

1/8/87

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
 ALASKA STUDENT LOAN PROGRAM
 SUMMARY OF NEW LOAN ORIGINATION

YEAR ENDING 6/30	STATE APPROPRIATIONS		SYSTEM EQUITY (a)		BOND PROCEEDS		TOTAL FUNDS AVAILABLE		EXPENSES (b)		DEBT SERVICE (c)		NEW LOANS	
	1	+	2	+	3	=	4	-	5	-	6	=	7	
1987		0		0		0		0		0		0		0
1988	20,000,000		20,152,279		49,810,000		89,962,279		6,475,300		3,486,700		80,000,279	
1989	25,000,000		26,828,204		43,875,000		95,703,204		5,359,750		9,997,950		80,345,504	
1990	25,000,000		34,019,202		42,550,000		101,569,202		4,857,500		16,035,650		80,676,052	
1991	25,000,000		41,506,415		40,675,000		107,181,415		4,265,750		21,891,100		81,024,565	
1992	25,000,000		49,281,242		40,000,000		114,281,242		3,815,500		27,600,700		82,865,042	
1993	25,000,000		57,071,484		40,000,000		122,071,484		3,428,500		33,301,550		85,341,434	
1994	25,000,000		64,346,490		40,000,000		129,346,490		3,011,000		39,036,500		87,298,990	
1995	25,000,000		70,754,370		40,000,000		135,754,370		2,559,500		44,819,200		88,375,670	
1996	25,000,000		75,975,688		40,000,000		140,975,688		2,072,500		50,646,850		88,231,738	
1997	25,000,000		80,069,773		40,000,000		145,069,773		1,546,000		56,516,600		87,007,173	
1998	25,000,000		83,317,101		40,000,000		148,317,101		977,500		62,443,800		84,895,801	
1999	25,000,000		85,657,586		40,000,000		150,657,586		1,106,000		61,003,050		86,748,536	
2000	25,000,000		87,760,095		40,000,000		152,760,095		1,156,000		60,427,250		91,166,845	
2001	25,000,000		89,243,571		40,000,000		154,243,571		1,190,500		60,061,450		92,991,621	
2002	25,000,000		90,215,686		40,000,000		155,215,686		1,200,000		59,959,200		94,155,686	
2003	25,000,000		91,290,763		40,000,000		156,290,763		1,200,000		59,959,800		95,130,963	
2004	25,000,000		92,374,036		40,000,000		157,374,036		1,200,000		59,959,800		96,214,236	
2005	25,000,000		93,509,192		40,000,000		158,509,192		1,200,000		59,959,200		97,349,392	
2006	25,000,000		94,622,030		40,000,000		159,622,030		1,200,000		59,959,800		98,462,230	
2007	25,000,000		95,658,006		40,000,000		160,658,006		1,200,000		59,959,800		99,498,206	
2008	25,000,000		96,649,183		40,000,000		161,649,183		1,200,000		59,959,800		100,489,383	
2009	25,000,000		97,678,164		40,000,000		162,678,164		1,200,000		59,959,800		101,518,364	
2010	25,000,000		98,546,893		40,000,000		163,846,893		1,200,000		59,959,800		102,687,093	
2011	25,000,000		100,151,873		40,000,000		165,151,873		1,200,000		59,959,800		103,992,073	

NOTES: (a) System Equity consists of recycling of repayments on old loans
 plus earnings on Debt Service Reserve.

(b) Expenses consist of funding of a Debt Service Reserve (10% of Bond Issue)
 and Costs of Issuance (3% of Bond Issue), plus \$0 to the state.

(c) Bond interest rate of: 7.00%
 Principal amortization matches loan repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
HB 39 CREATING THE ALASKA STUDENT
LOAN CORPORATION

(General Position Statement)

The Alaska Commission on Postsecondary Education, at its December 12-13, 1986 meeting formally endorsed the use of an alternate funding source, such as tax exempt bonds, if full funding from the General Fund were unavailable for Alaska Student Loans. After exploring a wide variety of options (reported in the Legislative Report, "The Alaska Student Loan Program: (5 Years of Helping Alaskans"), the Commission feels that tax exempt bonding is a viable source of revenue for student loans.

In the long run, it will cost the State more to bond than to fund directly from the General Fund, but in the short run, when compared to direct General Fund support it saves over \$150 million.

The Commission endorses the establishment of the Student Loan Corporation, which will provide this bonding capability.

There is a controversial section which should be carefully examined. Section 5 has serious implications for a number of schools particularly within Alaska.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
SECTIONAL ANALYSIS OF THE ALASKA STUDENT LOAN CORPORATION

*Section 1.

Sec. 14.42.100. ALASKA STUDENT LOAN CORPORATION. This paragraph creates the Alaska Student Loan Corporation. The corporation cannot be terminated while debt obligations are outstanding.

Sec. 14.42.110 PURPOSE OF CORPORATION. This paragraph establishes the purpose of the corporation to provide higher education opportunities for residents of Alaska.

Sec. 14.42.120. CORPORATION GOVERNING BODY. The Corporation shall be governed by an executive committee of five members made up from the thirteen members of the Alaska Commission on Postsecondary Education Board. The board members are made up of one member of the State Board of Education and four members are from the rest of the board excluding the two legislative members. Board members shall receive travel and per diem. A majority of the board constitutes a quorum for the organization.

Sec. 14.42.130. MEETING OF THE BOARD. The board meetings will meet at the call of the chairman and any meeting at which corporate bonds are authorized at least twenty-four hours notice shall be given to the public.

Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep minutes of every meeting and shall send copies to the governor and Legislative Budget and Audit committee.

Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall manage the business of the corporation and adopt by-laws and regulations in accord with the Administrative and Procedures Act. The board shall delegate supervision and administration to the Executive officer.

Sec. 14.42.160. EXECUTIVE OFFICER. The corporation shall employ an executive officer who is the executive officer of the Commission on Postsecondary Education.

Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The executive officer may hire employees in the exempt service. The board may appoint other officers and engage professionals.

Sec. 14.41.190. EXECUTIVE BUDGET ACT. The operating budget of the corporation is subject to the Executive Budget Act.

Sec. 14.41.200. GENERAL POWERS. The corporation has the powers to sue and be sued, adopt an official seal, enter into contracts, receive and administer gifts or grants according to the terms and conditions of gift or grant, borrow money, pay finance charges and

interest, invest money, collect from borrowers, gather information on loans, require an eligible institution to file reports, service student loans, obtain information about students applying for loans, contract for purchase of student loans, sell or participate in the sale of student loans, modify interest terms and conditions of student loans based on contracts with bondholders, collect and pay reasonable fees as well as charges in connection with student loans, enter into agreements on student loans concerning federal student loans, enter into contracts with lenders, administer federal money, consent to the modification of terms of the student loans, enter into agreements with Alaska Commission on Postsecondary Education, procure insurance against losses, provide advisory services to borrowers, enter into credit facility agreements and make pledges, covenants, and agreements with respect to the repayment of borrowings of the credit facility agreements, do all acts necessary to carry out the powers implied in this chapter.

Sec. 14.42.210. STUDENT LOAN FUND. Creates a student loan fund inside the corporation to make student loans and secure bond issues the proceeds of which are used to make student loans. The student loan fund shall be administered by the Alaska Commission on Postsecondary Education.

Sec. 14.42.220. BONDS OF THE CORPORATION. The Corporation may borrow money and issue bonds secured by the income and receipts from student loans and other assets. The bonds are issued by resolutions of the board. Each bond issue shall have a maturity of thirty years or less and be subject to the Uniform Commercial Code. The corporation may not issue bonds, other than refunding bonds, during any two consecutive fiscal years in an aggregate amount greater than \$150,000,000 unless the legislature, by law, approves issuance of a greater amount.

Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. Issues of bonds may be secured by trust indenture or agreement between the corporation and may be a trust company, bank or national banking association inside or outside the state by secured loan agreement or other instrument giving powers to a corporate trustee by which means the corporation may enter into agreements with the holders of the bonds that the board decides desirable as to the disposition of the proceeds of the bonds, collection of loan payments, assignment of its rights in security interest created to a trustee for the benefit of bondholders, conditions which bonds may be issued, vesting in trustee of rights and powers. Pledge and mortgage assets. Provide for security of the bonds.

Sec. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND REQUIREMENTS. This section creates the Capital Reserve Fund. These paragraphs create what is commonly known as the moral obligation of the State to repay these bonds.

Sec. 14.42.250. VALIDITY OF PLEDGE. Bonds issued under this chapter shall be valid and binding against all parties having claim or any kind from the corporation.

Sec. 14.42.260. NONLIABILITY OF BONDS. Members of the corporation are not subject to personal liability for issuance of the bonds. The bonds issued do not constitute liability for the State but are payable solely from the income and receipts of the corporation.

Sec. 14.42.265. UNDERWRITERS. The State Purchasing Act (AS 36.30) does not apply to the selection of an underwriter by the board.

Sec. 14.42.270. PLEDGE OF STATE. The State pledges not to alter or limit the rights of bond holders interest when the bonds are outstanding.

Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal property of the corporation are not subject to state or local tax.

Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. Bonds are legal investments for all fiduciaries and municipalities in the State.

Sec. 14.42.300. OPERATION OF CERTAIN STATUTES EXCEPTED. The corporation may not be considered or constitute a political subdivision for the purpose of lending it's credit. The corporation is not considered a municipal corporation under Title 29. The funds and real estate of the corporation are not considered property of the State.

Sec. 14.42.310. ANNUAL AUDIT. The coporation shall have an annual audit.

Sec. 14.42.500. DEFINITIONS. Defines the corporation and board.

*Section 2. AS 14.42.265. The board may select underwriters only by using a competitive method.

*Section 3. AS 14.43.090(a). Amends the power of the Postsecondary Education Corporation to pay the cost of administering student loans and sell or assign loans to the Alaska Student Loan Corporation.

*Section 4. AS 14.43.090(d). It allows the student financial aid committee to sell loans to the Alaska Student Loan Corporation and enter into agreements with the corporation relating to loans.

*Section 5. AS 14.43.120(d). Scholarship loans may not be made to students who attend an institution where the default rate on loans made to students to attend the institution exceeds the program default rate by more than 150%.

*Section 6. AS 14.43.120(r). Interest rates on scholarship loans may be modified to maintain the corporation's tax-exempt status under the Internal Revenue Code.

*Section 7. AS 14.43.255(a). Amends the Memorial Scholarship Loan Fund to allow the loans to be sold or assigned to the Alaska Student Loan Corporation.

*Section 8. AS 14.43.255(c). Allows the State Aid Committee to sell and administer Memorial Scholarship Loans to the Alaska Student Loan Corporation.

*Section 9. AS 14.43.620 Amended to allow the Teacher Scholarship Revolving Loan Fund to sell or assign loans to the Alaska Student Loan Corporation..

*Section 10. AS 14.43.620(b). The student financial aid committee may sell teacher scholarship loans to the Alaska Student Loan Corporation and may enter into agreements related to such loans.

*Section 11. The act takes effect immediately.

*Section 12. The competitive underwriting section takes effect July 1, 1988.

JOHN SUND, REPRESENTATIVE

2505 2nd Avenue
Ketchikan, Alaska 99901
(907) 225-5552

While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 455-4919

February 3, 1987

MEMORANDUM

TO: House HESS Committee Members

FROM: Representative John Sund *JS*

RE: HB39 "An Act relating to student loans; creating the Alaska Student Loan Corporation; and providing for an effective date."

.....

As an option for reducing the cost of the student loan program HB39 establishes an Alaska Student Loan Corporation to administer and finance the student loan program. As a public corporation and government instrumentality within the Department of Education, the new corporation would be granted authority to borrow money and issue bonds for the financing of student loans.

According to Dr. Kerry Romesburg, Director of the Commission on Postsecondary Education, this bonding legislation would save more than \$140 million in the General Fund over the next five years, and it wouldn't result in increased cost until around the year 2016. The Commission supports the proposal as it would ensure that the student loan program is maintained at its annual level of \$80 - \$100 million per year.

Funding of the loans through bonds is central to the continuation of the popular student loan program. It is unlikely that future state revenues will permit large appropriations to fund loans.

MEMORANDUM

State of Alaska
Office of the Governor
Division of Policy

TO: Mary Halloran
Director

DATE: January 11, 1987

FROM: Jack Kreinheder
Senior Analyst

PHONE: 465-3568

SUBJECT: Update on Student Loan Options

This memorandum briefly summarizes the work Jack Fagnoli and I have done during the last week on options for reducing the cost of the student loan program.

Federal GSL Program

The Federal Guaranteed Student Loan (GSL) program does not appear to offer substantial savings to the State by incorporating it into the Alaska student loan program. According to data collected by the Commission on Postsecondary Education (ACPE), less than 12 percent of the students now receiving Alaska student loans would probably meet the recently revised GSL requirements. These requirements have been tightened in the last year, and about one-third of those students receiving GSL's nationally are expected not to qualify under the new requirements. In addition, the GSL program does not include regional differentials in the qualifying income criteria, so that a much lower percentage of Alaska students would qualify than would on a national basis, because of the higher

income levels in Alaska. In 1985, Alaska had the highest per capita income in the nation, with income levels 31 percent above the national average.

The primary GSL program pays for the accrued interest on loans while a student is in school. There is a second GSL program which is not needs-based, but under which loans accrue interest during the school years. The student then begins repaying this accrued interest, together with the principal and additional interest, upon graduation. This program has had low participation to date because of its less favorable terms.

The Bonding Option

The bonding proposal developed by John Nuveen & Co. has been revised since I summarized it in my memo of 11/86. The major changes are that:

1. The revised proposal would allow for gradual growth in the loan program, rather than being fixed at \$80 million in loans per year. However, the rate of growth would be much lower than the recent rate of increase in student loan demand.
2. Under the revised proposal, the student loan program would not become self-supporting, but would continue to rely on annual G.F. appropriations of \$25 million per year to cover the cost of forgiveness, default, and the interest grace period.
3. A moral obligation pledge of the State would be necessary to back the revenue bonds sold to finance student loans.

Table 1 compares the general fund requirements under the bonding proposal and the current loan program, with the

matched to Nuveen's proposal to allow an accurate comparison. The comparison shows that if the program were to be maintained at the \$80 - \$100 million level, bonding would save about \$192 million from FY 88 - FY 95.

Thereafter, bonding would become more expensive than the current program, because under the current program, the growth in loan repayments would allow G.F. appropriations to be reduced to less than \$25 million. By the year 2011, bonding would cost about \$17 million more than the current program. In present value terms, over the period from FY 88 to 2011, bonding would save about \$100 million (at a discount rate of 9 percent).

Although Nuveen's bonding approach would be more expensive in nominal dollars than the current program in the long run, it would offer major G.F. savings over the next seven years if the student loan program is to be maintained near its current level.

As with their earlier proposal, Nuveen's revised program could be terminated at any point without a contingent liability for the State; that is, no State funds would be required to pay off previously issued bonds (barring a major increase in default rates).

An alternative bonding proposal has been submitted to the ACPE by the investment firm of Rauscher Pierce Refsnes, Inc. This proposal was summarized in my 11/86 memo and appeared to require an unacceptable level of financial commitment from the State. One of the attractive features of the Rauscher proposal is the proposal to if

variable rate financing. This type of financing could allow major savings if the bonding approach is to be pursued. Variable rate financing could probably be arranged by Nuveen and other firms, as well.

Other Options

Under the current loan program, the issuance of \$80 million in student loans includes about \$22 million in subsidies which will not be recovered by the State. These subsidies are the forgiveness provision and the interest grace period while students are in school. Reducing or eliminating these subsidies would save general funds under both the current program and the bonding approach.

Forgiveness. Although the amount of forgiveness under Statute is up to 50 percent, the cost of the forgiveness provision for current loans is currently about 17 percent. Most students do not qualify for, or do not take advantage of, the full amount of forgiveness authorized. At 17 percent, forgiveness amounts to \$13.6 million of an \$80 million loan level. However, eliminating forgiveness would not save this amount immediately, because student loans do not enter repayment for one to five years. Column 5 in Table 1 shows that dropping forgiveness would save about \$3.3 million in FY 88, gradually increasing to \$15.2 million by FY 2011.

Interest Grace Period. Currently, interest does not begin to accrue on student loans until one year after graduation, when repayment commences. The cost of this interest deferral is about

10 percent of the loan amount, or \$8 million for \$80 million in student loans.

Two options exist for reducing this cost: The interest could accrue during the school years, to be repaid after graduation (similar to the GSL unsubsidized program), or students could be required to make interest-only payments while in school. Both options would tend to increase student indebtedness. Under the second option, students would tend to borrow more in order to cover the cost of the interest payments.

TABLE 1

**COMPARISON OF GENERAL FUND REQUIREMENTS FOR
CURRENT STUDENT LOAN PROGRAM
AND NUVEEN BONDING PROPOSAL**
(nominal dollars)

Fiscal Year	Loan Awards 2	Loan Volume 3	Loan Collections 4	Loan Forgiveness 5	General Fund Requirement 6	General Fund With Bonding 7	Savings(Cost) With Bonding 8
1988	17,204	\$80,000,000	\$23,298,455	\$3,786,944	\$56,701,545	\$20,000,000	\$36,701,545
1989	16,738	80,345,504	27,587,414	4,441,374	52,758,090	25,000,000	27,758,090
1990	16,381	80,676,052	33,387,487	5,326,377	47,288,565	25,000,000	22,288,565
1991	16,044	81,024,565	40,624,030	6,430,564	50,400,535	25,000,000	25,400,535
1992	16,248	82,865,042	44,721,848	7,584,355	53,143,194	25,000,000	28,143,194
1993	16,491	85,341,434	52,739,315	8,745,092	52,602,119	25,000,000	27,602,119
1994	16,708	87,298,990	56,381,286	9,831,303	45,917,704	25,000,000	20,917,704
1995	16,675	88,375,670	59,929,106	10,789,747	28,446,564	25,000,000	3,446,564
1996	16,653	88,261,738	63,349,462	11,571,826	24,912,276	25,000,000	(87,724)
1997	16,416	87,007,173	66,563,505	12,187,296	20,443,668	25,000,000	(4,556,332)
1998	16,018	84,895,801	69,475,575	12,679,094	15,420,226	25,000,000	(9,579,774)
1999	16,745	88,748,536	71,991,794	13,069,109	16,756,742	25,000,000	(8,243,258)
2000	17,201	91,166,845	74,056,739	13,360,407	17,110,106	25,000,000	(7,889,894)
2001	17,546	92,991,621	76,271,198	13,587,333	16,720,423	25,000,000	(8,279,577)
2002	17,765	94,155,886	78,537,715	13,750,923	15,618,171	25,000,000	(9,381,829)
2003	17,949	95,130,963	80,787,019	13,899,705	14,343,944	25,000,000	(10,656,056)
2004	18,154	96,214,236	82,951,870	14,064,996	13,262,366	25,000,000	(11,737,634)
2005	18,368	97,349,392	85,015,769	14,238,204	12,333,623	25,000,000	(12,666,377)
2006	18,578	98,462,230	86,996,273	14,408,006	11,465,957	25,000,000	(13,534,043)
2007	18,773	99,498,206	88,906,992	14,566,080	10,591,214	25,000,000	(14,408,786)
2008	18,960	100,489,383	90,752,988	14,717,319	9,736,395	25,000,000	(15,263,605)
2009	18,965	101,518,364	92,532,964	14,874,404	8,985,400	25,000,000	(16,014,600)
2010	19,375	102,687,093	94,248,233	15,052,656	8,438,860	25,000,000	(16,561,140)
2011	19,621	103,992,073	95,908,070	15,251,776	8,084,003	25,000,000	(16,915,997)
TOTALS	419,576	2,188,496,797	1,637,015,107	278,214,892	611,481,690	595,000,000	16,481,690

Present Value of Bonding Savings (Cost)
(@9% discount rate) 101,318,127

NOTE: General Fund Requirements shown in FY 88-91 are increased by a total of \$60 million to provide adequate cash flow for fall loan disbursements.

FY 91 Increase= \$10 million
FY 92 Increase= \$15 million
FY 91 Increase= \$20 million
FY 91 Increase= \$15 million

1/10/87
JK/Division of Policy
Office of the Governor
Source: ACPE

STATE OF ALASKA

STEVE COWPER, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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

January 16, 1987

The Honorable Niilo E. Koponen
Alaska House of Representatives
P.O. Box V
Juneau, Alaska 99811

Dear Representative Koponen:

Enclosed is a copy of "The Alaska Student Loan Program: 15 Years of Helping Alaskans." This report is submitted in response to the charge by the Fourteenth Alaska State Legislature included in SCSCSHB161.

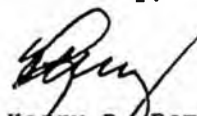
The report contains a very brief history of the Alaska Student Loan Program and summary information on loan awards, attendance patterns, loan repayment, and loan default. In specific response to SCSCSHB161, the report also contains a listing of the wide variety of program changes which have been explored over the past few years and the recommendations which have resulted.

At this time, the Alaska Commission on Postsecondary Education believes the best method of reducing General Fund demand while preserving the fundamental philosophy and purpose of the Alaska Student Loan Program is to partially fund student loans with tax exempt revenue bonds. Such an approach could reduce General Fund requirements by over \$150.0 million over the next five years and not require programmatic changes which could result in restricted access to Alaskans.

The detailed 1985-86 Student Financial Aid Report for Alaska, which contains quite specific information on the 1985-86 student loan program, WICHE Student Exchange, State Educational Incentive Grant Program, and Teacher Scholarship Loan Program, was distributed October 31, 1986. If you did not receive a copy or would appreciate a copy at this time, please let me know.

I look forward to working with you this session and will be happy to assist in any way I can.

Sincerely,



Kerry D. Romesburg
Executive Director

Enclosure



Alaska State Legislature

House of Representatives

COMMITTEE ON HEALTH, EDUCATION
AND SOCIAL SERVICES

GUEST SIGN IN SHEET

Date: 2-12-87

Subject of Meeting HB 6, HB 39, HB 1, HB 33

Name	Address / Representing	Phone	Do you want to Testify?
DAN M. SMITH	Po 196601 Anchorage, AK 99519-6601 EXXON Co. USA	564-3778	Yes - HB 6 ^{MAI} _P
E. Bussey	Rep. BOYER	3466167	No
Robert Van Slyke	1765 Evergreen Juneau, AK Noslope Borough School District	586 4097	
Susan Charles	Box 36 Bethel AK	543-3141	NO
Steve Hole	Box F DOE	2800	YES ^{LA} _{1/33}
Russell Nelson	Box 161 Dillingham, Alaska 99576	842-2370	NO
DIANE ROBINSON	280 INANCY WAY WAS REP MENARD	2679	NO



Alaska State Legislature
House of Representatives
 COMMITTEE ON HEALTH, EDUCATION
 AND SOCIAL SERVICES

GUEST SIGN IN SHEET

Date: _____ Subject of Meeting _____

Name	Address / Representing	Phone	Do you want to Testify?
Flora Pauken	St. Marys, Alaska 99658 St. Marys School District	907-438-2847 H	Yes. HB-1
Paul T. Wagon	St. Marys Native Corporation + Community Consultant St. Marys, Alaska 99658	907-438-2215	No. HB-1 <i>answer question only.</i>
Hedie O. D...	St. Marys, Alaska 99658	907-438-2215	No. HB-1
Denny (m)j.	P.O. Box 100 - (211) St. Marys, Alaska		Yes. HB-1



Alaska State Legislature

House of Representatives

COMMITTEE ON HEALTH, EDUCATION
AND SOCIAL SERVICES

WITNESS SIGN IN

Date: 2-10-87

Subject of Meeting ~~HB 6~~ and HB 39

Name	Address	Phone	Do you want to Testify?
Pat Williams	Box 6652 Ketchikan		No
RON PHIPPS	4010 WILLOUGHBY	465-2854	No
JANE MAYNARD	Box FP	5-2854	No
E. Burrey	517 Capitol	3466/67	No
Mildred Moberly	94114 Berners Ave	789-0024	No
✓ KERRY ROMESBURG	POSTSECONDARY ED-CARUW	465-2854	Yes
✓ Rep. JOHN SWIND			Yes
JACK KREINHEDER	OMIB	3568	NO.

Original sponsors: Sund and Koponen

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 39 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST 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 for resi-
22 dents of the state in accordance with 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 Alaska Commission on Post-
26 secondary Education, each of whom is selected for the commission under
27 AS 14.42.015(a)(1) - (2), (4) - (6), (8) or (9) and one member of the
28 commission selected under AS 14.42.015(a)(3). Members of the board
29 serve without compensation but are entitled to per diem and travel

1 expenses 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 exer-
5 cising 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 bylaws
17 and regulations, in accordance with the Administrative Procedure Act
18 (AS 44.62), governing the manner in which the business of the corpo-
19 ration is conducted and the manner in which its powers are exercised.
20 The board shall delegate supervision of the administration of the
21 corporation to the executive officer of the corporation.

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

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

1 board shall prescribe the duties and compensation of corporation
2 personnel, including the executive officer.

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

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

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

8 (2) adopt an official seal;

9 (3) adopt regulations under AS 44.62 (Administrative Proce-
10 dure Act) to carry out the purposes of this chapter;

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

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

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

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

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

1 (9) collect from a borrower amounts owed with respect to a
2 student loan the corporation has purchased;

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

8 (11) service student loans held by the corporation;

9 (12) purchase or participate in the purchase of student
10 loans;

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

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

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

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

24 (17) administer federal money allotted to the state involv-
25 ing insured student loans and related administrative costs and other
26 matters;

27 (18) enter into agreements with the Alaska Commission on
28 Postsecondary Education relating to student loans, the administration
29 of the student loan fund created under AS 14.42.210, and the payment

1 of and security for bonds of the corporation;

2 (19) to the extent permitted under contracts with bond
3 holders, consent to the modification of the rate of interest, time of
4 payment of an installment of principal or interest, or other terms of
5 a student loan purchased by the corporation;

6 (20) procure insurance against any loss in connection with
7 the operation of its programs;

8 (21) provide advisory services to borrowers and other parti-
9 cipants in the corporation's programs;

10 (22) enter into credit facility agreements and make pledges,
11 covenants, and agreements with respect to the repayment of borrowings
12 under the credit facility agreements;

13 (23) do all acts necessary, convenient, or desirable to
14 carry out the powers expressly granted or necessarily implied in
15 AS 14.42.100 - 14.42.500.

16 Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund
17 is established in the corporation. The student loan fund is a trust
18 fund to be used to carry out the purposes of AS 14.42.100 - 14.42.500,
19 AS 14.43.090 - 14.43.325, and 14.43.600 - 14.43.700. The fund con-
20 sists of money or assets appropriated or transferred to the corpo-
21 ration for the fund and money or assets deposited in it by the corpo-
22 ration. The corporation may establish separate accounts in the fund.

23 (b) Money and other assets of the student loan fund may be used
24 to secure bonds of the corporation, invested in student loans and in-
25 vestments described in AS 37.10.070(a) and used to purchase loans
26 approved under AS 14.43.090 - 14.43.325 or 14.43.600 - 14.43.700.

27 (c) The student loan fund shall be administered by the Alaska
28 Commission on Postsecondary Education. The corporation and the com-
29 mission may enter into agreements relating to the administration of

1 the fund. The corporation may assign its rights under the agreements
2 for the benefit and security of holders of its bonds.

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

7 (b) Bonds may be authorized only by resolution of the board.
8 Bonds shall be dated, bear interest at the rate or rates, be in the
9 denominations, be in the form, either coupon or registered, carry the
10 registration privileges, be executed in the manner, be payable in the
11 medium of payment, at the place or places, be subject to the terms of
12 redemption, and mature as provided by the resolution or a subsequent
13 resolution. However, a bond may not mature more than 30 years after
14 the date it is issued.

15 (c) Bonds of the corporation, regardless of form or character,
16 are negotiable instruments for all the purposes of the Uniform Commer-
17 cial Code (AS 45.01 - AS 45.09).

18 (d) Bonds of the corporation may be sold at public or private
19 sale in the manner, for the price or prices, and at the time or times
20 that the board determines.

21 (e) The superior court has jurisdiction to hear and determine
22 proceedings relating to the corporation, including proceedings brought
23 by or for the benefit of a bondholder or by a trustee for or other
24 representative of a bondholder.

25 (f) The corporation may not issue bonds, other than refunding
26 bonds, during any two consecutive fiscal years in an aggregate amount
27 greater than \$150,000,000 unless the legislature, by law, approves
28 issuance of a greater amount.

29 Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. An

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

8 (1) enter into agreements with the trustee or the bond-
9 holders that the board determines to be necessary or desirable, in-
10 cluding covenants, provisions, limitations, and other agreements as to
11 the

12 (A) application, investment, deposit, use, and dispo-
13 sition of the proceeds of bonds of the corporation or of money or
14 other property of the corporation or in which it has an interest;

15 (B) fixing and collecting loan payments and other
16 consideration for a student loan;

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

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

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

29 (2) pledge, mortgage or assign money, agreements, property,

1 or other assets of the corporation either presently in hand or to be
2 received in the future, or both; and

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

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

29 (b) If the board decides to issue bonds secured by a capital

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

8 (c) In computing the amount of a capital reserve fund for the
9 purpose of this section, securities in which all or a portion of the
10 fund is invested and credit facilities deposited in or credited to a
11 capital reserve fund under (f) of this section shall be valued by a
12 reasonable method established by the board by resolution. Valuation
13 shall include the amount of interest earned or accrued as of the date
14 of valuation.

15 (d) By January 2 of each year, the chairman of the board shall
16 certify in writing to the governor and the legislature the amount, if
17 any, required to restore a capital reserve fund to the capital reserve
18 fund requirement. The legislature may appropriate to the corporation
19 the amount certified by the chairman. The corporation shall deposit
20 the amounts appropriated under this subsection during a fiscal year in
21 the proper capital reserve fund. This subsection does not create a
22 debt or liability of the state.

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

1 (f) The corporation may hold in a capital reserve fund, in lieu
2 of money and in satisfaction of all or part of a capital reserve fund
3 requirement, irrevocable letters of credit issued by a commercial
4 bank, surety bonds, insurance policies, and similar credit facilities.

5 (g) In this section, "capital reserve fund requirement" means
6 the amount required to be on deposit in the capital reserve fund as of
7 the date of computation as determined by resolution of the board.

8 Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the
9 legislature that a pledge made in respect to bonds of the corporation
10 shall be valid and binding from the time the pledge is made; that the
11 money or property so pledged and thereafter received by the corpora-
12 tion shall immediately be subject to the lien of the pledge without
13 physical delivery or further act; and that the lien of the pledge
14 shall be valid and binding as against all parties having claims of any
15 kind in tort, contract, or otherwise against the corporation irrespec-
16 tive of whether the parties have notice. Neither the resolution,
17 trust agreement, nor other instrument by which a pledge is created
18 need be recorded or filed under the provisions of the Uniform Commer-
19 cial Code (AS 45.01 - AS 45.09) to be valid, binding, or effective.

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

24 (b) The bonds issued by the corporation do not constitute an
25 indebtedness or other liability of the state or of a political sub-
26 division of the state, except the corporation, but shall be payable
27 solely from the income and receipts or other funds or property of the
28 corporation. The corporation may not pledge the faith or credit of
29 the state, or of a political subdivision of the state, except the

1 corporation, to the payment of a bond. Issuance of a bond by the
2 corporation does not directly, indirectly, or contingently obligate
3 the state or a political subdivision of the state to apply money from,
4 or levy or pledge any form of taxation whatever to the payment of the
5 bond.

6 Sec. 14.42.265. UNDERWRITERS. The board may select an under-
7 writer for its bonds in accordance with procedures the board considers
8 appropriate.

9 Sec. 14.42.270. PLEDGE AND AGREEMENT OF STATE. The state
10 pledges to and agrees with holders of bonds issued by the corporation
11 that the state will not limit or alter the rights and powers vested in
12 the corporation under AS 14.42.100 - 14.42.330 to fulfill the terms of
13 a contract made by the corporation with the bondholders or in any way
14 impair the rights and remedies of the bondholders until the bonds,
15 together with the interest on them with interest on unpaid install-
16 ments of interest, and all costs and expenses in connection with an
17 action or proceeding by or on behalf of the bondholders, are fully met
18 and discharged. The corporation may include this pledge and agreement
19 of the state in a contract with bondholders.

20 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal
21 property of the corporation and its assets, income, and receipts are
22 declared to be the property of a political subdivision of the state
23 and devoted to an essential public and governmental function and
24 purpose, and the property, assets, income, receipts, and other in-
25 terests of the corporation are exempt from all taxes and special
26 assessments of the state or a political subdivision of the state,
27 including municipalities, school districts, public utility districts,
28 and other governmental units. Bonds of the corporation are declared
29 to be issued by a political subdivision of the state and for an

1 essential public and governmental purpose, and the bonds, interest on
2 them, income from them, and transfer of them, and all assets, income,
3 and receipts pledged to pay or secure the payment of the bonds, or
4 interest on them, are exempt from taxation by or under the authority
5 of the state, except for inheritance and estate taxes and taxes on
6 transfers by or in contemplation of death.

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

22 Sec. 14.42.300. OPERATION OF CERTAIN STATUTES EXCEPTED. (a)
23 The corporation is not a municipality as the term is defined in
24 AS 01.10.060. Except as provided in AS 14.42.190, the corporation is
25 not subject to AS 37. For all other purposes the corporation is a
26 political subdivision and an instrumentality of the state.

27 (b) The funds, income, and receipts of the corporation are not
28 money of the state, nor may real property in which the corporation has
29 an interest be considered land owned in fee by the state or to which

1 the state may become entitled or in any way land belonging to the
2 state, or state land referred to in art. VIII of the Alaska Constitu-
3 tion.

4 Sec. 14.42.310. ANNUAL AUDIT. The financial records of the
5 corporation shall be audited annually by the legislative auditor or by
6 a certified public accountant approved by the legislative auditor.
7 The legislative auditor may prescribe the form and content of the
8 financial records of the corporation and shall have access to these
9 records at any time.

10 Sec. 14.42.500. DEFINITIONS. In AS 14.42.100 - 14.42.500,

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

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

15 * Sec. 2. AS 14.42.265 is amended to read:

16 Sec. 14.42.265. UNDERWRITERS. The board may select an under-
17 writer for its bonds in accordance with procedures the board considers
18 appropriate. However, the procedures must include a competitive
19 method for selecting the underwriter that is established by regulation
20 of the board.

21 * Sec. 3. AS 14.43.090(a) is amended to read:

22 (a) There is created a scholarship revolving loan fund. The
23 fund shall be used to make scholarship loans to students selected
24 under AS 14.43.090 - 14.43.160, [AND] to pay the costs of collecting
25 student loans that are in default if those costs are not recovered
26 from the student, and to pay the costs of administering the fund.
27 Unless the instrument evidencing the scholarship loan has been sold or
28 assigned to the Alaska Student Loan Corporation, [. ALL] repayments
29 of principal and interest on a scholarship loan [LOANS] shall be paid

1 into the scholarship revolving loan fund. If money estimated to be
2 available [FROM SCHOLARSHIP LOAN REPAYMENTS] is inadequate to fully
3 fund estimated scholarship loans for any fiscal year, additional
4 funding from the general fund may be requested and appropriated for
5 that year.

6 * Sec. 4. AS 14.43.090 is amended by adding a new subsection to read:

7 (d) The student financial aid committee created under AS 14.43.-
8 095 may sell or assign notes and other instruments evidencing scholar-
9 ship loans to the Alaska Student Loan Corporation and enter into
10 agreements with the corporation relating to loans, the administration
11 of the student loan fund created under AS 14.42.210, and the payment
12 of and security for bonds of the corporation. Proceeds from the sale
13 or assignment of notes and other instruments shall be deposited in the
14 scholarship revolving loan fund.

15 * Sec. 5. AS 14.43.120 is amended by adding a new subsection to read:

16 (r) The rate of interest, time of payment of an installment of
17 principal or interest, or other terms of a scholarship loan may be
18 modified if required to establish or maintain tax-exempt status under
19 26 U.S.C. 103 (Internal Revenue Code of 1986), as amended, for the
20 interest on bonds issued by the Alaska Student Loan Corporation.

21 * Sec. 6. AS 14.43.255(a) is amended to read:

22 (a) There is created a memorial scholarship revolving loan fund.
23 The fund shall be used to provide educational scholarship loans to
24 students selected under AS 14.43.250 - 14.43.325. Unless the instru-
25 ment evidencing the memorial scholarship loan has been sold or as-
26 signed to the Alaska Student Loan Corporation, repayments [REPAYMENTS]
27 of a loan [LOANS MADE UNDER AS 14.43.250(b)(1) - (4)] shall be de-
28 posited into the memorial scholarship revolving loan fund and [REPAY-
29 MENTS OF LOANS MADE UNDER AS 14.43.250(b)(5) SHALL BE DEPOSITED INTO

1 THE SCHOLARSHIP REVOLVING LOAN FUND CREATED UNDER AS 14.43.090.
2 REPAYMENTS] shall be used to make new loans.

3 * Sec. 7. AS 14.43.255 is amended by adding a new subsection to read:

4 (c) The student financial aid committee created under AS 14.43.-
5 095 may sell or assign notes and other instruments evidencing memorial
6 scholarship loans to the Alaska Student Loan Corporation and enter
7 into agreements with the corporation relating to loans, the adminis-
8 tration of the student loan fund created under AS 14.42.210, and the
9 payment of and security for bonds of the corporation. Proceeds from
10 the sale or assignment of a note or other instrument shall be de-
11 posited in the appropriate memorial scholarship loan fund account.

12 * Sec. 8. AS 14.43.620 is amended to read:

13 Sec. 14.43.620. TEACHER SCHOLARSHIP REVOLVING LOAN FUND. There
14 is created a teacher scholarship revolving loan fund. The fund shall
15 be used to make scholarship loans to students selected under AS 14.-
16 43.600 - 14.43.700. Unless the instrument evidencing the teacher
17 scholarship loan has been sold or assigned to the Alaska Student Loan
18 Corporation, [ALL] repayments of principal and interest on a teacher
19 scholarship loan [LOANS] shall be paid into the teacher scholarship
20 revolving loan fund and shall be used to make new teacher scholarship
21 loans. If estimated funds available [FROM TEACHER SCHOLARSHIP LOAN
22 REPAYMENTS] are inadequate to fully fund estimated teacher scholarship
23 loans for any fiscal year, additional funding from the general fund
24 may be requested and appropriated for that year.

25 * Sec. 9. AS 14.43.620 is amended by adding a new subsection to read:

26 (b) The student financial aid committee created under AS 14.43.-
27 095 may sell or assign notes and other instruments evidencing teacher
28 scholarship loans to the Alaska Student Loan Corporation and enter
29 into agreements with the corporation relating to loans, the adminis-

1 tration of the student loan fund created under AS 14.42.210 and the
2 payment of and security for bonds of the corporation. Proceeds from
3 the sale or assignment of the notes or other instruments shall be
4 deposited in the teacher scholarship revolving loan fund.

5 * Sec. 10. Except for sec. 2, this Act takes effect immediately under
6 AS 01.10.070(c).

7 * Sec. 11. Section 2 of this Act takes effect July 1, 1988.
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