SB

75

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 75

Revision Date: 12/11/91
Title: Reimbursement of Scholarship Loans
Sponsor: Senator Kerttula
Requestor: (S)HESS

Department Affected: Education
BRU: Postsecondary Education Commission
Component: Student Loan Corporation
COMPONENT SERIAL NO. 0 2 1 8

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: NONE

ANALYSIS: (Attach a separate page if necessary.)

Fiscal impact occurs in year 2000-2001 (see attached).

Prepared By: Allan Barnes, Executive Director
Phone: 465-2165
Division: Alaska Commission on Postsecondary Education
Date: 12/11/91

Approved by Commissioner:
Agency:
Date:

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

Rev 10/7/91

SB75

Analysis of Fiscal Impact

Fiscal Impact

Year	Cost	Year	Cost
1991-92	None	2001-02	6,615.7
1992-93	None	2002-03	8,041.5
1993-94	None	2003-04	9,111.1
1994-95	None	2004-05	9,557.7
1995-96	None	2005-06	9,798.8
1996-97	None	2006-07	9,982.7
1997-98	None	2007-08	10,115.1
1998-99	None	2008-09	10,229.0
1999-00	2,726.4	2009-10	10,337.7
2000-01	5,049.7	2010-11	10,446.9

Assumptions

1. Forgiveness amounts are based on a loan demand which allows for a 1% increase from 1993-94 through 2003-04.

2. Interest is included as part of total indebtedness allowable for forgiveness.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 75

Revision Date: ______

Department Affected: Education

Title: Reimbursement of Scholarship Loans

BRU: Postsecondary Education

Component: Student Loan Corporation

Sponsor: Kerttula

Requestor: (S)HES

COMPONENT SERIAL NO. 0 2 1 8

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						

REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Fiscal impact occurs in year 1999-2000. (See attached.)

Prepared By: Jane Byers Maynard, Executive Director

Phone: 465-2165

Division: Alaska Commission on Postsecondary Education

Date: February 6, 1991

Approved by Commissioner: ______

Agency: ______

Date: ______

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Rev 10/90

SB 75

Analysis of Fiscal Impact

Fiscal Impact

Year	Cost	Year	Cost
1991-92	None	2001-02	6,615.7
1992-93	None	2002-03	8,095.9
1993-94	None	2003-04	9,042.9
1994-95	None	2004-05	9,212.5
1995-96	None	2005-06	9,211.6
1996-97	None	2006-07	9,181.3
1997-98	None	2007-08	9,121.5
1998-99	None	2008-09	9,110.4
1999-00	2,726.4	2009-10	9,152.8
2000-01	5,049.7	2010-11	9,222.4

Assumptions

1. Forgiveness amounts are based on a loan demand which allows for a 1% increase from 1993-94 through 2003-04.

2. Interest is included as part of total indebtedness allowable for forgiveness.

#4311T

Alaska State Legislature

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Arliss Sturgulewski, Chair
Senate HESS Committee

FROM: Senator Jay Kerttula

SUBJ: Senate Bill 75 --
Student Loan Rebate

DATE: January 30, 1991

Jay
thank you

I would appreciate your scheduling Senate Bill 75, relating to a rebate program for the Alaska Student Loans.

Senate Bill 75 is a redraft of Senate Bill 121, which I drafted last session to reinstate the student loan forgiveness program. Senate Bill 75 is worded in terms of a "rebate", rather than "forgiveness" due to an opinion of the attorneys for the Alaska Student Loan Corporation. I have attached a copy of that opinion for your information.

The loan rebate program under Senate Bill 75 would work in the same fashion as the former student loan forgiveness program, 10 percent of the loan would be rebated to a student after he or she lives in Alaska for one year after graduation, 20 percent for two years, 30 percent for three years, etc.

As you are aware, the student loan forgiveness provision was an integral part of the student loan program since its inception. Loan rebate or forgiveness serves a very basic function -- encouraging Alaska's young people to return to the state after graduation. We cannot afford to continue to lose the talents and energy of these young people.

I appreciate your consideration of this request. I have attached some general and specific background information which was issued by the Student Loan Corporation in 1986.

JK:kh

1) Jay wants to exclude part-time. may need to be specifically excluded.

SENATE BILL NO. 75

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATOR KERTTULA

Introduced: **1/22/91**
Referred: **HESS and Finance**

A BILL

FOR AN ACT ENTITLED

"An Act relating to reimbursement of scholarship loans; and providing for an effective date."

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

* **Section 1.** AS 14.43.120 is amended by adding new subsections to read:

(s) A portion of a loan shall be reimbursed to the borrower by the state if, after completion of the course of study for which the loan was granted, the borrower is a resident of the state and has fully repaid the entire principal and interest due on the loan. The portion of the loan that shall be reimbursed by the state is based on the length of the borrower's residence in the state after completion of the course of study for which the loan was granted and on the following percentages of the principal amount of the loan plus interest up to a total of 50 percent of the total indebtedness:

(1) at least two, but less than three years residence in the state, 10 percent;

(2) at least three, but less than four years residence in the state, an additional 10 percent;

(3) at least four, but less than five years residence in the state, an additional 10 percent;

(4) at least five, but less than six years residence in the state, an additional 10 percent;

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

(t) Reimbursement under (s) of this section is subject to appropriation by the legislature. Money obtained from the sale of bonds by the Student Loan Corporation under AS 14.42.220 may not be appropriated for the reimbursement of loans.

* **Sec. 2.** This Act applies to principal and interest due on a loan entered into on or after July 1, 1987, that is unpaid as of the effective date of this Act.

* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

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STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

STEVE COWPER, GOVERNOR

P.O. BOX FP
JUNEAU, ALASKA 99811-0599
PHONE: (907) 465-2854

Senate Bill No. 75

The members of the Commission on Postsecondary Education endorse the concept of restoring loan forgiveness. The provisions of SB 75 to provide for a rebate of funds subject to legislative appropriation are in keeping with Alaska Student Loan Corporation Bond Counsel criteria.

Jane Byers Maynard

Jane Byers Maynard
Executive Director

05-E34LH

Kathy

STEVE COWPER, GOVERNOR

JAN 1 0 1990

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

P O BOX FP
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PHONE: (907) 465-2854

Joyce Cal
Kathy

M E M O R A N D U M

TO: The Honorable Jay Kerttula
Alaska State Senate

FROM: Jane Byers Maynard, Executive Director JBM
Alaska Commission on Postsecondary Education

SUBJECT: Senate Bill 121

DATE: January 11, 1990

Enclosed at your request is fiscal impact information for Senate Bill 121. This information is an update of the costs provided to you last session in the attached February 21, 1989 memo from Dr. Phipps.

Based on the attached position paper submitted last year by the bond counsel for the Alaska Student Loan Corporation, Mr. Kenneth Vassar, it is still assumed that forgiveness would be in the form of a rebate as discussed by counsel. I have asked Mr. Vassar, however, to review his opinion to determine if any other administrative options are available in light of our obligations to bondholders. He will be happy to do so.

Costs associated with the bill have been revised to reflect a more realistic loan growth rate and default rate scenario over the next several years as detailed in assumptions 3 and 4 below.

Assumptions

1. Forgiveness would take the form of a rebate.

2. The intent of SB 121 is to provide forgiveness retroactively to loans made after the previous forgiveness provisions were repealed in 1987.

3. Loan growth is assumed to:

   a. stabilize 1989-90 through 1992-93;
   b. increase by 1.5% 1993-94 through 1996-97; and
   c. increase by 3% from 1997-98 on.

4. Loan default rates are assumed as follows:

   a. 17.3% 1987-88;
   b. 18.7% 1988-89;
   c. 18.7% 1989-90 through 1990-91;

05-E53LH

d. 15.0% 1991-92 through 1992-93;
e. 14.0% 1993-94 through 1994-95;
f. 13.0% 1995-96 through 1996-97; and
g. 12.5% 1997-98 on.

Fiscal Impact

Year	Cost	Year	Cost
1987-88	None	1999-00	1,803,450
1988-89	None	2000-01	3,313,017
1989-90	None	2001-02	4,518,639
1990-91	None	2002-03	5,664,843
1991-92	None	2003-04	6,567,[illegible]63
1992-93	None	2004-05	7,000,168
1993-94	None	2005-06	7,293,504
1994-95	None	2006-07	7,508,067
1995-96	None	2007-08	7,678,401
1996-97	None	2008-09	7,826,589
1997-98	None	2009-10	8,007,259
1998-99	None	2010-11	8,212,509

It would be my pleasure to meet with you to discuss this information at your convenience.

Attachments

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TO: Ron Phipps
Alaska Student Loan Corporation
FROM: Kenneth E. Vassar
RE: SB 121
DATE: February 17, 1989

POSITION PAPER

Senate Bill No. 121

Senate Bill No. 121 would add payment forgiveness provisions to the current student loan program.

We note that the language of the bill is cast in terms of the State paying a portion of the borrower's loan. One interpretation of this language would be that the borrower would be liable for full payment of his or her loan but would be entitled to expect reimbursement from the State for a portion of the amount paid. However, similar language used to establish the previous forgiveness program led to an interpretation that the borrower simply did not have to repay the portion that was to be paid by the State. The latter interpretation creates difficulties as discussed below to the extent that the legislation affects loans already made at the time of passage.

Generally, legislation cannot be enacted to impair contract rights of others. One issue that arises with respect to SB 121 is the effect this legislation would have on loans that have already been pledged as security under the indenture for the bonds issued by the Corporation in 1988. If the legislation is interpreted to mean that the borrower does not have to repay the portion to be paid by the State, then SB 121 would impair the bondholders' contract rights by reducing the individual borrower's obligation to make payment on the loan. Such an impairment of the security for the bonds cannot be intentionally accomplished without first obtaining the consent of the bondholders. Although payments could be made by the State on behalf of the borrowers, such payments would be subject to annual appropriation and, therefore, would not avoid the impairment concerns expressed above.

SB 121 could be clarified so that it would clearly create a rebate program rather than a forgiveness program (that is, the borrower would continue to make full payments to the Corporation of the entire amount due on the loan for the entire term of the loan and the State would thereafter appropriate money to repay the borrower for a portion of those payments). Under such a program, the impairment concerns discussed above would not arise. However, it would have to be abundantly clear that (1) the borrower remains liable for making full payment of the amount owed without regard to any such rebate provisions, (2) the rebate would occur only after the borrower has made full payment on all amounts due on the loan for the life of the loan, and (3) neither the borrower nor the State would have any recourse to the Corporation's assets in connection with the rebate program.

Even if SB 121 is applied purely prospectively (that is, only with respect to loans made after passage of the bill), it should be noted that its provisions would affect the Corporation's ability to issue bonds to finance the loan program. This is because of the coverage ratio required to be met pursuant to the indenture before further bonds of the Corporation can be issued. Any reduction in revenues as a result of non-payment by borrowers (or the State on their behalf) would reduce the coverage ratio at some time in the future and would thereby make it more difficult for the Corporation to issue bonds in the future and become self-sustaining.

Again, we would not encounter this problem if the legislation were clarified to create a rebate program rather than a payment forgiveness program. A separate program that would reimburse or rebate qualifying students for payments made on their student loans (with the students continuing to make payment to repay their loans) would have no adverse impact on the Corporation's coverage ratios. This alternative would require that the State appropriate the money necessary to reimburse or rebate the student borrowers from sources other than assets pledged under the indenture.

As a final note, if the retroactivity provisions of Section 2 of the bill remain in the bill, we would suggest that they be clarified. The intent of this Section we would guess to be to provide forgiveness retroactively to loans made after the previous forgiveness provisions were repealed; however, by making this legislation applicable to any loan remaining unpaid as of the effective date, Section 2 appears to include loans that were made under the old forgiveness program. This could lead to double forgiveness, which we would guess is not the intent.

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April 18, 1989

Ron Phipps
Alaska Student Loan Corporation
400 Willoughby Avenue
P.O. Box FP
Juneau, Alaska 99811

Dear Dr. Phipps:

You have requested our opinion with respect to the validity of a legislative attempt to retroactively modify the terms of student loans that were financed under the Alaska Student Loan Program and that were pledged to secure an issue of the Alaska Student Loan Corporation bonds.

The contract clause, found within Article I, Section 10, of the United States Constitution, prohibits states from enacting laws which impair the obligation of contracts. However, this prohibition is not absolute. An impairment may be constitutional if it is reasonable and necessary to serve an important public interest, it is necessary for the achievement of that public interest, and it is a reasonable impairment of the contract appropriate to the public purpose justifying the legislation. United States Trust Co. v. New Jersey, 431 U.S. 1 (1977).

In this case, it cannot be doubted, either upon principle or authority, that enactment of Senate Bill 121 ("SB 121") would impair the obligation of the Corporation under its 1988 indenture. Enactment of this legislation would effectively extinguish individual borrowers' obligations to make payments on loans which have been pledged as security under the subject indenture. This impairment is not cured by SB 121 requiring the State to make payments on behalf of the borrowers. An exchange of debtors, which is fundamentally a substitution of security, with rare exception, requires a petition to be submitted to a court of equity if not provided for within the indenture or trust instrument. See, Rievman v. Burlington Northern R. Co., 618 F. Supp 592 (D.C.N.Y. 1985) (which summarizes case law on the ability of an indenture trustee to substitute security without bondholder consent).

Hence, the only remaining question is whether SB 121 is "reasonable and necessary" to serve an important public purpose so as to conclude that impairment of contract is constitutional.

The obvious intent of SB 121 is to encourage graduates to return to the State. This is an important purpose; however, it is doubtful that providing partial loan forgiveness is reasonable and necessary to accomplish this goal. Additionally, the effect of enacting SB 121 is mere conjecture; no data has been compiled which concludes that a forgiveness clause will cause the return of graduates. Moreover, based on case law, this purpose would not meet the "reasonable and necessary" tests outlined above.

In the recent case of United States Trust Co. v. New Jersey, supra, the Court held that New York and New Jersey violated the contract clause by enacting legislation to allow the port authority to use port income to subsidize rail passenger transportation in violation of a previous statutory covenant to private bondholders. The rationale provided was that the state had agreed to certain terms that the bondholders might have relied upon and the public interest in improved rail services could be pursued without violating their contract rights. The Court further stated that impairment of bond contracts by a state or state agency would rarely be sustained, especially where the state's self interest is at stake.

The only time in this century that alteration of a municipal bond contract has been sustained by the United States Supreme Court was in in Faitoute Iron & Steel Co. v. City of Ashbury Park, 316 U.S. 502 (1942). That case involved the New Jersey Municipal Finance Act, which provided that a bankrupt local government could be placed in receivership by a state agency. A plan for the composition of creditors' claims was required to be approved by the agency, the municipality, and 85% of the creditors. The plan would be binding on non-consenting creditors after a state court conducted a hearing and found that the municipality could not otherwise pay off its creditors and that the plan was in the best interest of all creditors.

Under the specific composition plan at issue in Faitoute, the holders of revenue bonds received new securities bearing lower interest rates and later maturity dates. The Court rejected contract clause objections because the old bonds represented only theoretical rights; as a practical matter the city could not raise its taxes enough to pay off its creditors under the old contract terms. Further, the Court found that the composition plan was adopted with the purpose and effect of protecting the creditors, as evidenced by their more than 85% approval.

The Faitoute case is to be distinguished from the case at hand. No one has suggested here that the State has acted for the purpose of benefiting the bondholders and there is no serious contention that the value of the bonds will be enhanced by SB 121. Moreover, SB 121 does not require bondholder consent prior to it enactment and implementation.

Based on the foregoing, it is our opinion that enactment of SB 121 would fail constitutional challenge pursuant to the contract clause prohibition of impairment of obligation.

Very truly yours,

Kenneth E. Vassar

KEV:cm

ALASKA STUDENT LOAN

Background and Discussion Materials

January 1986

TABLE OF CONTENTS

INTRODUCTION

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

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

LEGISLATIVE HISTORY

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

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

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

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

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

rescinded '86

PROGRAM DESCRIPTION

PURPOSES

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

TERMS

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

FORGIVENESS

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

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

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

REPAYMENT SCHEDULE

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

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

Year	Loan Awards	% Change	Loan Volume	% Change	Average Loan	Loan Collections	General Fund	Loan Forgiveness	Repayment* Accounts	Default** Rate
1971-72	1,081	--	$ 1,603,158	--	$1,483	$ -0-	$ 1,500,000	$ -0-	$ -0-	N.A.
1972-73	1,748	61.8	2,870,384	79.0	1,642	-0-	2,952,900	-0-	-0-	N.A.
1973-74	1,665	(5.0)	2,986,176	4.0	1,793	-0-	2,952,900	-0-	-0-	N.A
1974-75	1,457	(12.5)	2,659,807	(10.9)	1,826	235,476	3,105,600	703	1,625	80.0
1975-76	1,719	18.0	3,382,997	27.2	1,968	465,530	3,791,500	44,233	2,153	44.6
1976-77	1,921	11.8	3,850,507	13.8	2,004	1,141,461	3,550,900	64,746	2,775	24.9
1977-78	2,265	17.9	4,604,167	19.6	2,033	1,191,851	2,006,100	314,306	3,470	22.3
1978-79	2,795	23.4	6,416,402	39.4	2,296	1,391,643	3,600,000	445,985	4,289	19.3
1979-80	3,918	40.2	9,373,949	46.1	2,393	1,603,436	8,130,000	409,501	5,301	14.5
1980-81	6,460	64.9	15,957,717	70.2	2,475	2,225,388	12,821,127	555,494	7,196	11.2
1981-82	9,898	70.3	40,559,499	154.2	4,098	2,779,900	37,701,000	785,769	10,683	9.2
1982-83	13,058	31.9	55,007,395	35.6	4,213	4,609,051	52,000,000	(846,028)	15,669	9.1
1983-84	14,785	13.2	62,912,316	14.4	4,255	6,410,124	60,000,000	1,171,239	21,771	13.5
1984-85	17,173	16.2	75,075,883	19.3	4,372	9,572,795	60,000,000	1,664,612	27,886	12.4
1965-86*	16,130*	(6.1)	80,675,498*	7.5	5,002*	6,867,737*	63,600,000	1,190,263*	36,341*	14.3*
Projections										
1986-87	18,431	N.A.	81,557,175	N.A.	4,425	15,985,103	63,572,072	2,839,506	46,280	
1987-88	18,950	2.8	86,222,500	5.7	4,550	19,352,145	64,870,355	3,421,624	55,123	
1988-89	19,325	1.5	90,441,000	5.0	4,680	22,762,094	65,678,906	4,011,160	63,380	
1989-90	21,493	11.7	103,381,330	14.3	4,810	26,189,108	75,192,222	4,603,646	72,557	
1990-91	23,373	8.7	115,696,350	11.9	4,950	30,104,760	83,591,590	5,280,612	82,765	

1300 app. 6 mn short

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

1-24-86

1985-86 ALASKA STUDENT LOANS

PROGRAM STATUS (January 24, 1986)

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

AVAILABLE FUNDS

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

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

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

PERCENT IN-STATE PREVIOUS YEARS

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

ATTENDANCE PATTERNS

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

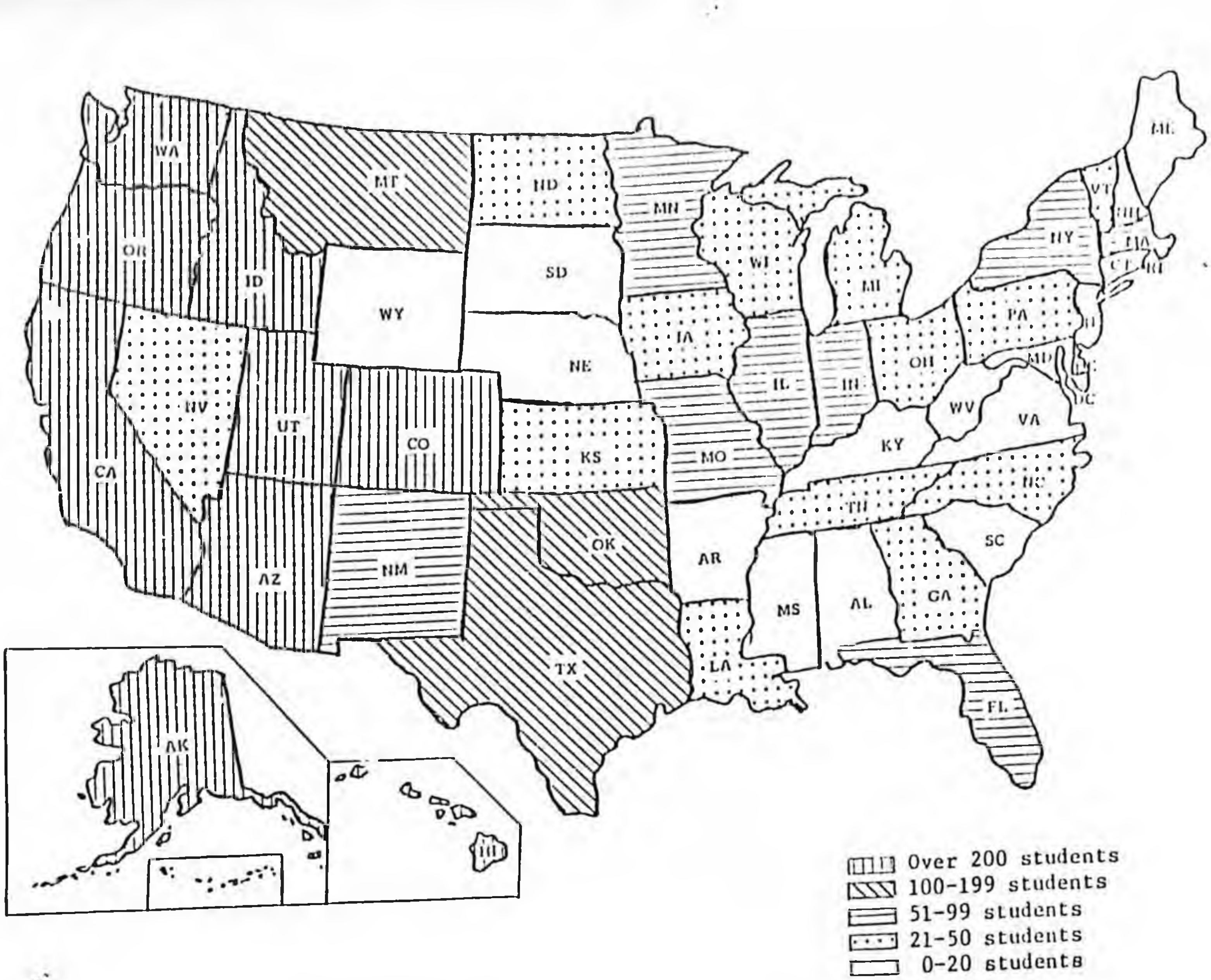

FIGURE 1
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING
STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1984-85

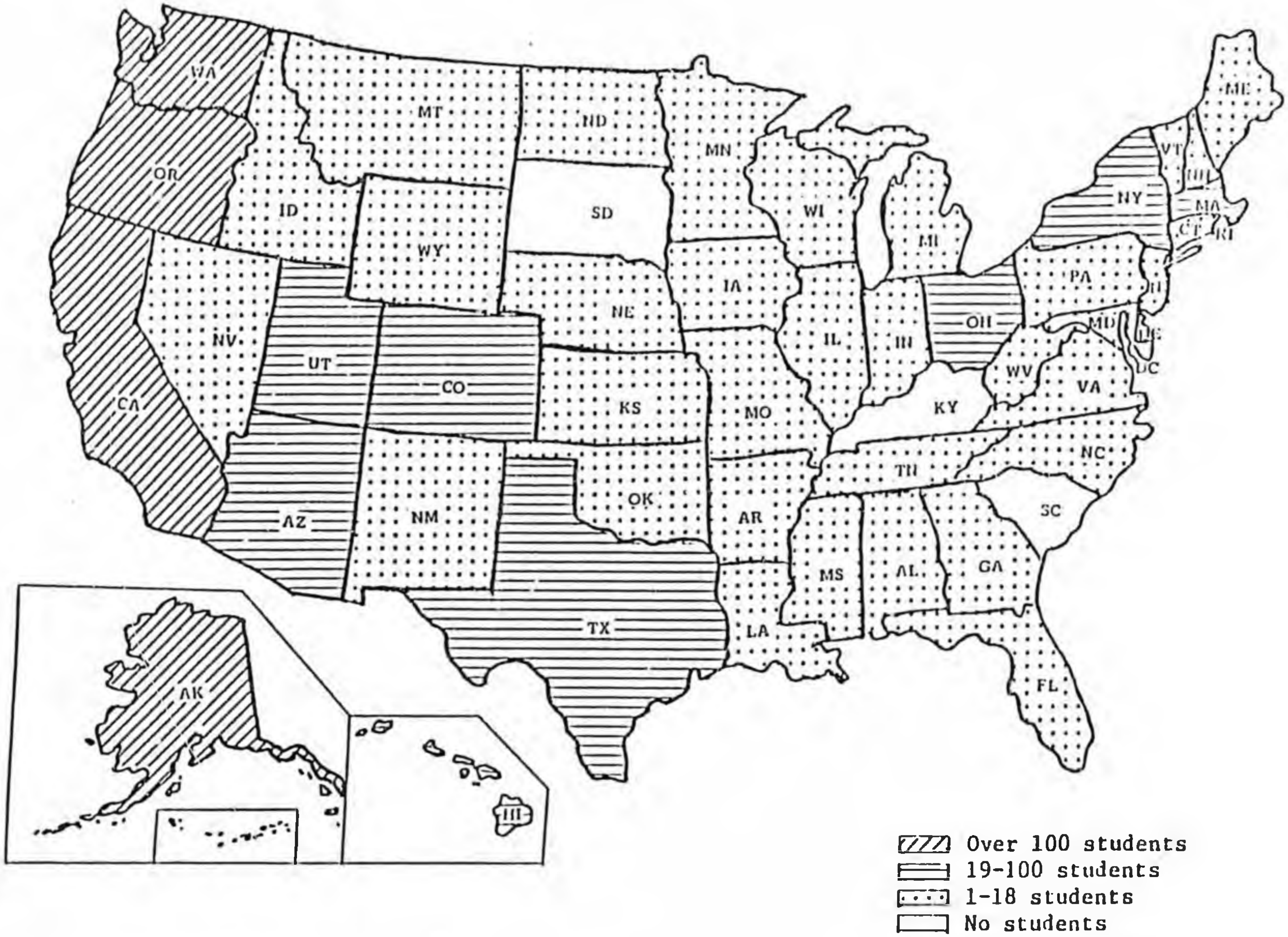

FIGURE 2
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING
STATE LOANS FOR GRADUATE EDUCATION IN 1984-85

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

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

TABLE 2
(Continued)

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

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

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

*Alaskan Schools

TABLE 3
(Continued)

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

*Alaskan School

ALTERNATIVES FOR AMENDING THE ALASKA STUDENT LOAN PROGRAM

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

Alternatives adopted.

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

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

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

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

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

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

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

Alternatives for further consideration.

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

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

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

Amount of Reduction	Reduced Cost
$ 250	$1.2 million
$ 500	$2.5 million
$1,000	$6.2 million

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

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

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

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

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

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

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

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

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

Alternatives opposed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDICES

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

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

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

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

1/24/86

TABLE 5
STUDENT FINANCIAL AID ADMINISTRATION
COST OF ADMINISTRATION

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

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

TABLE 6
ALASKA STUDENT LOAN BORROWING PATTERN
CUMULATIVE--BY MONTH

MONTH	1982-83 NUMBER	1982-83 AMOUNT	1983-84 NUMBER	1983-84 AMOUNT	1984-85 NUMBER	1984-85 AMOUNT	1985-86 NUMBER	1985-86 AMOUNT
July	4,680	$22,726,850	9,786	$48,324,850	12,132	$62,227,500	11,890	$62,666,089
August	11,160	53,216,600	11,908	58,301,100	13,646	69,467,614	15,562	81,100,011
September	11,895	56,597,800	12,679	61,742,800	14,315	72,998,672	16,175	83,961,724
October	12,225	57,877,591	13,026	62,557,928	14,929	75,583,557	16,239	83,682,839
November	12,670	59,015,013	13,333	63,104,118	15,272	75,460,007	15,935	81,364,183
December	13,233	60,478,565	13,320	62,019,340	15,851	76,411,779	16,189	81,992,969
January	13,249	59,577,042	13,778	63,008,166	16,816	78,688,853	16,130	80,675,498*
February	12,827	56,635,639	14,118	63,271,889	17,066	78,717,063		
March	12,863	55,673,321	14,240	62,926,298	16,865	76,536,740		
April	12,910	55,249,483	14,435	63,401,369	16,992	75,624,824		
May	12,990	55,213,197	14,637	63,517,081	17,279	76,764,350		
June	13,053	55,007,395	14,785	62,912,316	17,173	75,075,883		

*As of January 24, 1986

1/24/86