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FISCAL NOTE

No. 1  
 Bill Version: SB77  
 (S) Publish Date: 2/19/91

STATE OF ALASKA  
 1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: RE: Loans for half-time students BRU: Postsecondary Education/Student Loan C  
 Component: Student Loan Fund. Student Loan A  
 Sponsor: Pourchot  
 Requestor: Senate HESS COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	42.0	42.0	42.0	42.0	42.0	42.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Corp. Receipts	42.0	42.0	42.0	42.0	42.0	42.0
<b>TOTAL</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Costs for printing and mailing of loan documents.

Changes in SB77 HES  
 reflect NO FISCAL CHANGE from the original  
 fiscal note. This fiscal note is appropriate.  
1/19/91 HES  
 date Comte Aide (initial)

Prepared By: Jane Bvers Mavnard, Executive Director Phone: 465-2165  
 Division: Alaska Commission on Postsecondary Education Date: January 28, 1991

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

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

SB 77  
Analysis of Fiscal Impact

A. Assumptions

1. Total loan awards cannot exceed the statutorily required limit of three percent annual growth and will not exceed the FY 1992 budget appropriation.
2. A portion of borrowers who would have chosen to request a loan for full-time student status will elect to apply for a loan for half-time student status; i.e., a percentage of full-time loans will be supplanted by half-time loans.
3. Present staff level will be sufficient to service the addition of loans for half-time students.
4. New documents will be printed annually assuming annual borrower levels of up to 5,000.

**FISCAL NOTE**

**STATE OF ALASKA**  
**1991 LEGISLATIVE SESSION**

**BILL NO. SB 77**

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: RE: Loans for half-time students BRU: Postsecondary Education/Student Loan Corp.  
 Component: Student Loan Fund. Student Loan Admin.

Sponsor: Pourchot  
 Requestor: Senate HESS COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	42.0	42.0	42.0	42.0	42.0	42.0
SUPPLIES						
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GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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OTHER Corp. Receipts	42.0	42.0	42.0	42.0	42.0	42.0
<b>TOTAL</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>

POSITIONS:

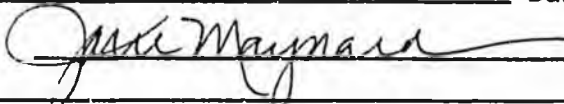
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

**ANALYSIS: (Attach a separate page if necessary.)**

Costs for printing and mailing of loan documents.

Prepared By: Jane Byers Maynard, Executive Director Phone: 465-2165  
 Division: Alaska Commission on Postsecondary Education Date: January 28, 1991

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

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

SB 77  
Analysis of Fiscal Impact

A. Assumptions

1. Total loan awards cannot exceed the statutorily required limit of three percent annual growth and will not exceed the FY 1992 budget appropriation.
2. A portion of borrowers who would have chosen to request a loan for full-time student status will elect to apply for a loan for half-time student status; i.e., a percentage of full-time loans will be supplanted by half-time loans.
3. Present staff level will be sufficient to service the addition of loans for half-time students.
4. New documents will be printed annually assuming annual borrower levels of up to 5,000.

#0579N

# ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE,  
CO-CHAIR



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Senator Pat Pourchot

## MEMORANDUM

TO: Senator Arliss Sturgulewski, Chair  
Senate Committee on Health, Education, and Social Services

FROM: Senator Pat Pourchot *Pat*

RE: Scheduling of SB 77, Loans for Half-Time Students

DATE: January 28, 1991

I would like to request a hearing on SB 77, which would broaden the group of persons eligible for the state student loan program to include certain half-time students.

The bill is intended to address the needs of the "serious" half-time student; students who because of work, family, a disability, or some other demand are unable to devote themselves to full-time study but who have as much interest in, can benefit as much by, and certainly are as entitled to higher education as are those able to attend school full-time. "Seriousness" is ensured by the requirement that the half-time student be enrolled in good standing in at least six semester credit hours in a career education or degree program.

Eligibility requirements for half-time loans would be the same as for full-time loans. Loan terms would be less than half what they are for full-time students. In contrast to the full-time loan, half-time loan funds could be used only at in-state schools and only for tuition, books, and fees. All other provisions of the current loan program would apply to half-time loans -- the rate of interest would be 8%, repayment would begin within one year of completing study, and interest would accrue during the grace year.

Loans would be administered by the Postsecondary Education Commission as part of the existing full-time student loan portfolio. An increase in program funding would not be required -- loan funds would come from repayment of existing loans and state general funds appropriated annually to the program. While it is hard to predict what the demand for half-time loans might be, it is anticipated that any competition between half-time and full-time students for loan funds would be minimal. Funds have exceeded demand the last couple of years; in addition, existing statute allows for 3% program growth annually.

Back-up materials, including a supportive statement from the Postsecondary Education Commission, are attached. Thank you for your consideration of this request.

# ALASKA STATE LEGISLATURE



SENATE FINANCE COMMITTEE,  
CO-CHAIR

Senator Pat Pourchot

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## **SPONSOR'S STATEMENT** **SB 77, RELATING TO LOANS FOR HALF-TIME STUDENTS**

SB 77 would expand the use of existing state student loan funds to include certain half-time students.

The bill is intended to address the needs of the "serious" half-time student; students who because of work, family, a disability, or some other demand are unable to devote themselves to full-time study but who have as much interest in, can benefit as much by, and certainly are as entitled to higher education as are those able to attend school full-time. "Seriousness" is ensured by the requirement that the half-time student be enrolled in good standing in at least six semester credit hours in a career education or degree program.

Eligibility requirements for half-time loans would be the same as for full-time loans. Loan terms would be less than half what they are for full-time students. In contrast to the full-time loan, half-time loan funds could be used only at in-state schools and only for tuition, books, and fees. All other provisions of the current loan program would apply to half-time loans.

Loans would be administered by the Postsecondary Education Commission as part of the existing full-time student loan portfolio. An increase in program funding would not be required -- loan funds would come from repayment of existing loans and state general funds appropriated annually to the program. While it is hard to predict what the demand for half-time loans might be, it is anticipated that any competition between half-time and full-time students for loan funds would be minimal as funds have exceeded demand the last couple of years. In the future, should demand increase, existing statute allows for 3% program growth annually.

**FREQUENTLY ASKED QUESTIONS ABOUT CSSB 77(HES):**

**1. What is the financial impact of expanding the student loan program to include half-time students?**

Due to a number of occurrences in the late 1980's -- probably including the downturn in the state's economy and changes made to the student loan program to accommodate bonding (repeal of forgiveness, increased interest rate, and accrual of interest during the grace period) -- demand for student loans has dropped.

During this same period, revenues available to the program have increased. A reduced default rate and the fact that loans made in the high volume years are coming due have resulted in increased loan repayments. Repayments have been supplemented with bond proceeds since 1988, and an annual general fund appropriation of \$10 million.

Evensen Dodge, Inc., the financial advisor to the Student Loan Corporation, predicts that if this funding pattern continues and loan demand remains static, the loan fund will be revolving by the year 2000-2002. It is conceivable that demand for half-time and full-time loans combined will not result in total program growth -- full-time demand may continue to decline; current full-time borrowers may convert to half-time borrowing.

Under no circumstance will borrowing grow unchecked. Current statute limits loan awards to a total value that exceeds by no more than 3% the loans awarded the previous year, regardless of demand. Even with the inclusion of half-time borrowers, it is unlikely that demand will grow in the near term at this rate.

According to Evensen Dodge, Inc., with an annual \$10 million general fund appropriation and 8% default rate:

	<u>1% Decline</u>	<u>No Growth</u>	<u>1.5% Growth</u>	<u>3% Growth</u>
Last year for bonds	1998	1999	2003	2006
Last year for GF	2000	2002	2004	2006

**2. What if loan demand (half-time and full-time combined) exceeds the amount of loan funds available?**

The amount of loan money available is controlled by the statutory limit on growth and by legislative appropriations to the fund. It is not anticipated that additional money would be appropriated, but rather that available funds would be allocated between half-time and full-time students, which is the current practice for vocational loans. A Senate Finance Committee letter of intent addresses this allocation.

**3. What has loan demand been the last several years?**

Highest year	FY 85	75.1 million	(17,173 borrowers)
	FY 86	75.0 m	(15,983)
	FY 87	71.6 m	(16,566)
	FY 88	68.6 m	(16,453)
	FY 89	61.1 m	(14,625)
	FY 90	55.4	(13,065)
	FY 91	54.0 m	(11,000)
Estimate	FY 92	56.0 m	

**4. What is the program's default rate?**

7.5%

**5. What is the definition of a half-time borrower?**

A student must be enrolled in good standing in a career education, associate, baccalaureate, or graduate degree program and must be taking at least 6 semester credit hours or be in regular attendance in career education classes at least 15 hours a week.

**6. How many half-time borrowers are we talking about?**

While it is hard to predict how many students would actually seek a half-time loan, we do know that there are many students currently attending school half-time. Fall 1989 University of Alaska students taking 6-12 credit hours:

Undergraduate	2,847	(average age 31)
Graduate	190	(average age 31)

**7. What would the loan terms be?**

Loan terms would be less than half what they are for full-time students.

	<u>HALF-TIME</u>	<u>FULL-TIME</u>
UNDERGRAD MAXIMUM	\$2,000/YR.	\$5,500/YR.
GRADUATE MAXIMUM	\$2,500/YR.	\$6,500/YR.
REPAYMENT	5 YEARS	10 YEARS
INTEREST	8%	8%

In addition, there are two major differences in the use of loan funds.

<u>HALF-TIME</u>	<u>FULL-TIME</u>
BOOKS, TUITION, FEES	BOOKS, TUITION, FEES, ROOM, BOARD
IN-STATE SCHOOLS ONLY	IN-STATE & OUT-OF-STATE SCHOOLS

**8. What is the average cost of half-time attendance?**

Use of half-time loan funds is limited by SB 77 to books, tuition, and fees. Loan awards are based on each student's actual costs.

	<u>6 Credits</u>	<u>9 Credits</u>	<u>6 Graduate</u>
UAA	\$855	\$1,283	\$1,374
UAF	\$702	\$1,285	\$1,230
APU	\$2,974	\$4,461	\$3,346

**9. How many years would a borrower be able to receive a half-time student loan?**

Current statute limits the number of years that a borrower may receive a loan to 5 years of undergraduate study, 5 years of graduate study, or not more than 8 years of undergraduate and graduate study combined. Half-time borrowing or a combination of half-time and full-time borrowing would be limited to these same maximums.

**10. Does limiting use of half-time loans to in-state schools present a Constitutional problem?**

No, according to an opinion released by the Legislative Legal Division.

**11. What is the effect of the amendment made in Senate HESS (add Sec. 14)?**

Under current statute, interest accrual on loans is delayed (the statute reads "the state shall pay the interest"; this has always been implemented as a simple delay in payments) until the student leaves school. Sec. 14 would apply this same provision to half-time students. This was the original intent of the sponsor; Sec. 14 corrects an oversight in the original bill.

**12. What is the role of the Student Loan Corporation?**

The corporation was created in 1987 to finance student loans through the issuance of bonds, notes, or other obligations. Its 5-member board of directors is appointed by the Governor. 1990 was the third year the corporation issued bonds.

**13. What is the make-up of the Postsecondary Education Commission?**

Established in 1974, the commission has 14 members representing public and private postsecondary education in Alaska.

SB 77. AN ACT RELATING TO STUDENT LOANS

Broadens the group of persons eligible for the student loan program to include the serious half-time student.

MUST BE ENROLLED IN GOOD STANDING IN A CAREER EDUCATION, ASSOCIATE, BACCALAUREATE, OR GRADUATE DEGREE PROGRAM

MUST TAKE AT LEAST 6 SEMESTER CREDIT HOURS OR BE IN REGULAR ATTENDANCE IN CAREER EDUCATION CLASSES AT LEAST 15 HOURS A WEEK

Loan terms would be less than half what they are for full-time students.

	<u>HALF-TIME</u>	<u>FULL-TIME</u>
UNDERGRAD MAXIMUM	\$2,000/YR.	\$5,500/YR.
GRADUATE MAXIMUM	\$2,500/YR.	\$6,500/YR.
REPAYMENT	5 YEARS	10 YEARS
INTEREST	8%	8%

Two major differences.

<u>HALF-TIME</u>	<u>FULL-TIME</u>
BOOKS, TUITION, FEES IN-STATE SCHOOLS ONLY	BOOKS, TUITION, FEES, ROOM, BOARD IN-STATE AND OUT-OF-STATE SCHOOLS

Half-time loans would be awarded within the statutory cap (AS 14.42.032 allows 3% growth above the prior year's award). Applications would be processed by existing staff. Fiscal note of \$42,000 (corporate receipts) to print half-time loan application forms.

Minimal competition between half-time and full-time students. Loan funds have exceeded demand the last several years as demand has declined. No clear estimate of the number of half-time applicants. The Postsecondary Education Commission will likely set aside a portion of funds specifically for half-time loans (currently set aside 20% for vocational students).

Bond counsel has determined that the bill will have no impact on the indenture or other financing documents used in connection with the issuance of the corporation's bonds.

Legislative Legal Division finds no Constitutional problem with limiting half-time loans to attendance at schools in the state.

Postsecondary Education Commission has endorsed the concept of half-time loans.

SECTIONAL SUMMARY  
SB 77, RELATING TO HALF-TIME STUDENT LOANS

Sec. 1-6 Delete references to the Student Financial Aid Committee, which has not been operative for several years. Duties have all been assumed by the Postsecondary Education Commission.

Sec. 7 Establishes the undergraduate loan limit for half-time students at \$2,000 (full-time limit is \$5,500). Requires that regulations be adopted establishing the minimum amount for which a loan may be made.

Sec. 8 Establishes the graduate loan limit for half-time students at \$2,500 (full time limit is \$6,500). Requires adoption of regulations establishing minimum loan amount.

Sec. 9 Limits the use of half-time loan funds to books, tuition, and required fees. Full-time loan funds may also be used for room and board.

Sec. 10 Allows loans to be made to institutions that have been operating only one year if the commission determines the program is operating on a fiscally sound basis. Current statute requires two years of operation.

Sec. 11 Requires that half-time loan recipients be enrolled in good standing in a career education program, college, or university in the state. These are the same requirements that full-time students must meet, except that full-time loan recipients may attend school out of state.

Sec. 12 Requires repayment of a half-time loan within five years from the commencement of repayment. This is half of the 10 year repayment period for full-time loans.

Sec. 13 Allows for deferral of principal and interest when a half-time borrower returns to school (this same deferral provision applies to full-time students). Specifies that deferral of a half-time loan may not exceed eight years (no such limitation applies to full-time loans). Clarifies that the student must be enrolled full-time, not half-time, in order to defer a full-time loan.

A SECTION NEEDS TO BE ADDED (SEE ATTACHED AMENDMENT) THAT WOULD ALLOW FOR DEFERRAL OF INTEREST PAYMENTS WHILE THE HALF-TIME BORROWER IS IN SCHOOL (SEC. 13 APPLIES ONLY TO A BORROWER WHO RETURNS TO SCHOOL). THIS GENERAL DEFERRAL CURRENTLY APPLIES TO FULL-TIME STUDENTS.

Sec. 14 Conforming amendment per defunct Student Financial Aid Committee.

Sec. 15 Amends the eligibility provisions of the student loan program to include half-time, as well as full-time, enrollment in a career education, associate, baccalaureate, or graduate degree program in the state. Full-time students may enroll out of state also.

Sec. 16 Defines half-time student as an undergraduate, graduate, or career education student enrolled and in regular attendance at classes for at least six semester credit hours, or a career education student enrolled and in regular attendance at classes for at least 15 hours a week. The definition of a full-time student is enrollment and regular attendance in at least 12 semester credit hours or the equivalent of undergraduate or career study, or 9 hours of graduate study.

Sec. 17-26 Conforming amendments per defunct Student Financial Aid Committee.

Sec. 27 Defines "commission" as the Alaska Postsecondary Education Commission.

Sec 28 Two repealers per defunct Student Financial Aid Committee.

Sec. 29 Effective date of July 1, 1991.

NOTE: All sections of SB 77 amend sections of existing law. Provisions of existing law that currently apply to full-time students but that are not referenced in SB 77 would apply to half-time students as well (8% interest, interest accrual during grace period, begin repayment within one year of completing study, default at 120 days, maximum five years worth of loans except eight years if obtain loans for both undergraduate and graduate study, garnishment of Permanent Fund dividends for defaulted loans, two year residency requirement).

## SENATE BILL 77

reasons for limiting eligibility for half-time loans to in-state students

1. Sponsor's desire so as to help the bill pass
2. it would be impossible to monitor residency of half-time students Outside, because of the likelihood that they would be working, paying taxes, etc. which jeopardizes their Alaska residency
3. It would increase costs greatly

#2 UC o/c.  
A M E N D M E N T

OFFERED IN THE SENATE  
TO: CSSB 77(HES)

BY SENATOR POURCHOT  
AND ZHAROFF

Page 4, line 26, after "standing in":

Insert "(1)"

Page 4, line 27, after "section":

Insert "or (2) a career education program, college, or university that meets the requirements under (b) of this section and be physically present in the state while attending the career education program, college, or university"

Page 5, line 16, after "standing in":

Insert "(A)"

Page 5, line 17, after "section":

Insert "or (B) a career education program, college, or university that meets the requirements under (b) of this section and the borrower is physically present in the state while attending the career education program, college, or university"

Page 6, line 11, after "in":

Insert "(i)"

Page 6, line 12, after "state":

Insert "; or

(ii) a career education, associate, baccalaureate, or graduate degree program and is physically present in the state while attending the career education, associate, baccalaureate, or graduate degree program"

13 Feb 91

AMFNDMENT  
Sen. Pourchot

order CS

Legal Services, Fax 405-2029

TO: SB 77, AN ACT RELATING TO LOANS FOR HALF-TIME STUDENTS....

Page 5, after line 28, add a new section.

amended by committee

Sec. AS 14.43.120(l) is amended to read:

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

(1) the period in which the borrower is a full-time or a half-time student;

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

Rationale: Under current statute, interest accrual on loans is delayed until the student leaves school. (Repayment is delayed an additional year -- the "grace period" -- during which interest accrues but is not paid.) In addition, if a student who has left school returns to school, interest accrual is again delayed during the period the student is enrolled.

It was the intent of the sponsor that these same provisions apply to half-time students. AS 14.43.120(k), which addresses a student's return to school, was properly amended in SB 77. Subsection (l) should also have been amended; the amendment proposed herein would correct this oversight.

Please ~~not~~ prepare final CS to SB 77 incorporating this amendment.

Acelisa Fouse  
Staff, Senate/ESS Committee

# Alaska State Legislature

Sen. Pat Pourchot, Co-Chairman  
Sen. Jay Kerttula, Co-Chairman

Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffman  
Sen. Dick Shultz  
Sen. Rick Uehling




P.O. Box V  
State Capitol  
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907-465-3712

## Senate Finance Committee

### MEMORANDUM

TO: Senator Sturgulewski, Chair  
Senate Committee on Health, Education,  
and Social Services

FROM: Senator Pat Pourchot 

RE: Questions Raised During Hearings on SB 77, An Act  
Relating to Loans for Half-Time Students

DATE: February 11, 1991

1. Number of years that loans may be obtained

Under current statute, interest accrual and loan payments are deferred while the loan recipient is enrolled in school. Senator Fischer expressed concern that individuals would continue to take out loans so they could stay in school -- enrolling in a new program as soon as one was completed -- simply to delay loan payments. I would call the committee's attention to the following provisions:

AS 14.43.120(c) limits the number of years that a borrower may receive a loan to 5 years of undergraduate study, 5 years of graduate study, or not more than 8 years of undergraduate and graduate study combined. Half-time borrowing or a combination of half-time and full-time borrowing would be limited to these same maximums.

Sec. 13 of SB 77 limits the number of years that a half-time borrower is eligible for loan deferral (for continuing to stay enrolled in school) to 8 years.

2. Financial impact of expanding student loan program to include half-time students

Due to a number of occurrences in the late 1980's -- probably including the downturn in the state's economy and changes made to the student loan program to accommodate bonding (such as the repeal of the forgiveness provision, an increase in the interest rate, and accrual of interest during the grace period) -- demand for state student loans has dropped from a high of 17,173 borrowers in FY 85 (total cost \$75.1 million) to 11,000 in FY 91 (total cost \$54 million).

During this same period of time, revenues available to the student loan program have increased. A reduced default rate (due to aggressive loan collection efforts), and the fact that loans made in the high volume years are coming due, have resulted in increased loan repayments. Repayments have been supplemented with bond proceeds since 1988, and an annual general fund appropriation of \$10 million.

This mixture of funding has accommodated loan demand. Evensen Dodge, Inc., the financial advisor to the Student Loan Corporation, predicts that if this funding pattern continues and loan demand remains static, the loan fund will be revolving by the year 2000-2002. It is conceivable that, in the short term at least, demand for half-time and full-time loans combined will not result in total program growth -- full-time demand may continue to decline; current full-time borrowers may convert to half-time borrowing.

Under no circumstance will borrowing grow unchecked. Current statute (AS 14.42.032) limits loan awards to a total value that exceeds by no more than 3% the loans awarded the previous year, regardless of demand. Even with the inclusion of half-time borrowers, it is unlikely that demand will grow in the near term at this rate.

According to Evensen Dodge, Inc., with an annual \$10 million general fund appropriation and 8% default rate:

	<u>1% Decline</u>	<u>No Growth</u>	<u>1.5% Growth</u>	<u>3% Growth</u>
Last year for bonds	1998	1999	2003	2006
Last year for GF	2000	2002	2004	2006

While it is possible to determine the number of students who would be eligible for half-time loans, it is difficult to determine how many of these students would choose to apply for a loan. It is conceivable that at some point in the future loan demand will exceed available loan funds, and that full-time students will be competing with half-time students for loan funds. In my opinion, this is not necessarily a "bad" situation. The goal of the student loan program is to enhance educational opportunities for Alaskans -- students who are not able to attend school full time are no less entitled, in my opinion, to state support for their education.

To handle any potential competition, the Postsecondary Education Commission will likely set aside a portion of funds (perhaps 15%) specifically for half-time borrowers. The Commission now sets aside 20% for vocational loans. This serves as a maximum amount; if demand for vocational loans in any given year is less, the funds are loaned to full-time students.

### 3. Cost of half-time attendance

Please find attached a memorandum prepared by the Postsecondary Education Commission addressing award cost data requested by the committee.

# STATE OF ALASKA

## ALASKA COMMISSION ON POSTSECONDARY EDUCATION


STEVE COWPER, GOVERNOR

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

### MEMORANDUM

TO: Members of the Senate HESS Committee

The Honorable Arliss Sturgulewski, Chair  
The Honorable Sam Cotten  
The Honorable Paul Fischer  
The Honorable Lyman Hoffman  
The Honorable Curt Menard

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

THROUGH: The Honorable Pat Pourchot  
Alaska State Senate

SUBJECT: SB 77: Half-Time Loans

DATE: February 8, 1991

This information is in response to the Committee's request for half-time loan award cost data. The following are examples of maximum allowable costs based on actual expenses at the campuses listed.

<u>SCHOOL</u>	<u>UNDERGRADUATE</u>		<u>GRADUATE</u>
	<u>6 CREDIT HRS.</u>	<u>9 CREDIT HRS.</u>	<u>6 CREDIT HRS.</u>
<u>University of Alaska Anchorage</u>			
Tuition/Fees	\$ 635	\$ 953	\$1,154
Books/Supplies	220	330	220
Total Costs	\$ 855	\$1,283	\$1,374
Maximum Award	\$ 850	\$1,250	\$1,350
<u>University of Alaska Fairbanks</u>			
Tuition/Fees	\$ 552	\$1,060	\$1,080
Books/Supplies	150	225	150
Total Costs	\$ 702	\$1,285	\$1,230
Maximum Award	\$ 700	\$1,250	\$1,200
<u>Alaska Pacific University</u>			
Tuition/Fees	\$2,724	\$4,086	\$3,096
Books/Supplies	250	375	250
Total Costs	\$2,974	\$4,461	\$3,346
Maximum Award	\$2,000	\$2,000	\$2,500

Members of the Senate HESS Committee  
February 8, 1991  
Page 2

We are unable to provide an adequate answer to the Committee concurring potential delinquency and default rates of half-time borrowers. An assumption could be made that since most of these individuals are currently employed and since many are seeking training to upgrade their skills for better employment opportunities, they should have adequate ability to repay loans after program completion.

We have no reason to suspect that this borrowing population's payback record would be less than that of full-time borrowers. Since the total borrowing is expected to remain about the same, the default rate should not be adversely affected.

Finally, federal loan default rates are not delineated for half-time versus full-time borrowers, so there appears to be no historical data to rely on to fully address this concern.

# STATE OF ALASKA

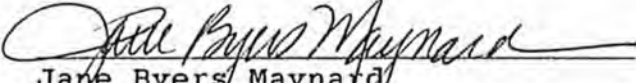
**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

**STEVE COWPER, GOVERNOR**

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

Senate Bill No. 77

The members of the Commission on Postsecondary Education endorse the concept of a half-time Student Loan Program to provide opportunities for those Alaskan students who are unable or disinclined to pursue postsecondary education on a full-time basis.

  
Jane Byers Maynard  
Executive Director

# University of Alaska

## Statewide System

### SENATE BILL 77

Sen. Pat Pourchot

*"An Act Relating to loans for half-time students, loans to attend a career education program, deferral of loan repayment, conditions of scholarship loans, and to the Alaska Postsecondary Education Commission; repealing the student financial aid committee; and providing for an effective date."*

Position Paper

The Alaska Student Loan Program, while providing financial support for thousands of Alaskan students to pursue higher education opportunities, has effectively discriminated against the majority of students attending the University of Alaska. Nearly 70% of the 32,000 students attending the University of Alaska campuses during the past year were part-time students, and thus ineligible for participation in the Alaska Student Loan program.

This inequity is compounded by the demographics of our part-time student population, which represents a significantly older group of students as well as a larger proportion of women and minority students.

A further impact of the current program has been to essentially disenfranchise rural students from access to financial assistance. Over 90% of the 7500 students attending the branch campuses last year were part-time students.

Providing student loan opportunities for part-time students will be an excellent investment for Alaska:

- Part-time students are more likely to be permanent and committed residents of the state who will apply the benefits of their education in Alaska;
- Part-time students are often seeking career up-grades or job-training that will allow them to earn higher salaries and thus contribute more to the Alaska economy;
- Providing loans for part-time students will encourage more individuals to seek educational opportunities that will enhance their performance and productivity;

The University of Alaska strongly supports this legislation and urges its adoption by the Senate HESS Committee.

**contact:**

Wendy Redman, Vice President  
University Relations  
474-7582  
February 8, 1991



# UNIVERSITY OF ALASKA ANCHORAGE

3211 Providence Drive  
Anchorage, Alaska 99508

STUDENT SERVICES

February 11, 1991

Senate Health and Social Services Committee  
c/o The Honorable Senator Pat Pourchot  
P.O. Box V  
Juneau, Alaska 99811

Members: The Honorable Senator Al Adams  
The Honorable Senator Arliss Sturgulewski  
The Honorable Senator Pat Pourchot

Dear Senators:

I would like to confirm UAA's and the University of Alaska's support for SB 77, and our commitment to part-time students. UAA has long supported the financial aid needs of our part-time students, many of whom are older and single parents. UAA's - Anchorage campus contains a majority of part-time students as well as its extended campuses in Kenai, Mat-Su, and Kodiak where over ninety percent of the students are part-time.

It is important to understand that the norm for students completing degrees across the nation significantly exceeds four years for the Baccalaureate and exceeds two years for the Associate. Part-time students desiring to earn college credentials have demographic profiles that demonstrate financial needs that meet or exceed their younger, full-time counterparts. UAA's Student Government and its administration have worked diligently over the years to help part-time students obtain financial aid to support their obtainment of higher education.

Please help us to reduce one more barrier to higher education for this group of students and rule favorably on SB 77.

Sincerely,



Dr. Larry K. Kingry  
Vice Chancellor for Student Services

:cm

cc: Don Behrend, Chancellor



## UNIVERSITY OF ALASKA FAIRBANKS

Associated Students University of Alaska Fairbanks  
Fairbanks, Alaska 99775-0220 • (907) 474-7355 • FAX (907) 474-5157

February 6, 1991

To: Members of the HESS Committee  
From: Rick Whitbeck, ASUAF Legislative Coordinator  
Re: Support for SB 77

Please note, for the record, that I am in support of SB 77, "An Act relating to loans for half-time students...and providing for an effective date".

The passage of this bill would make it more affordable for part-time students to obtain an education, but would not hinder the full-time students' efforts to obtain the same. The monetary amount of being able to receive no more than \$2000.00 per (undergraduate) academic year from the loan program is fair; not only to the students who will be taking out the loan, but to those of us who are full-time and are able to receive up to \$3300.00 during the same amount of time.

Furthermore, the repealing of the student financial aid committee, and the replacement of this body by a Postsecondary Education Commission, is a good idea, and is one which should be implemented. This new commission's purpose, under (the amended) AS 14.42.030(b), would be of much greater benefit to the students who are seeking a postsecondary education in this state.

Please note that this support is my own; it does not necessarily reflect any of the other UAF students' views.

Thank you for your consideration. Please support SB 77.

Post-It™ brand fax transmittal memo 7871		# of pages > 2
To: Sandra Shubert	From: UAF	
Co. Sen. Pat Pouchot	Co. Student Govmt.	
Dept. Al. State Senate	Phone # 474-6036	
Fax # 465-2069	Fax #	

To: The Hess and Finance Committees

Re: Support for SB 77 .

I have reviewed SB 77 by Senator Pourchot, and as a student of the University of Alaska Fairbanks, I would like to express my support. By the passing of SB 77, the Legislature of the State of Alaska will be providing prospective students a better chance for a college education. Not only students struggling to pay for a full-time student status would benefit; but students that can only work on part-time status (because of a wide array of reasons) would also benefit. Most important is the ability for students to attend college who never before could have afforded a higher education. To me, SB 77 would provide not only a benefit to the students of Alaska, but will also benefit greatly the future of our great state.

This testimony is my own opinion, and does not necessarily reflect every students' view. I thank you for the opportunity to be heard. Please pass SB 77.

Sincerely,



John Brojakowski, ASUAF Legislative Coordinator

# Alaska State Legislature



SENATOR  
ARLISS STURGULEWSKI

3111 C STREET, SUITE 550  
ANCHORAGE, ALASKA 99503  
(907) 561-7615

While in Juneau  
P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3818

Senate

March 13, 1991

Mr. Ernie Mangrobang  
3161 Norm Circle  
Anchorage, Alaska 99507

Dear Ernie:

Thank you for your message in support of SB 77 relating to loans for half-time students. As you know, I am a co-sponsor of this legislation.

Senate Bill 77 had a hearing and passed out of the Senate Health, Education and Social Services Committee, which I chair, on February 15. It was then referred to the Senate Finance Committee. I am pleased to report that a hearing was held on SB 77 in that committee on March 8 and the bill has now moved on to the Senate Rules Committee. I will work to see that the bill is scheduled to come before the full Senate.

Continuing education is very important and this bill would be helpful to students who are trying to balance work and school.

Kindest regards,

A handwritten signature in cursive script, appearing to read "Arliss".

Arliss Sturgulewski  
Alaska State Senator

PUBLIC OPINION MESSAGE

DEAR: SENATOR STURGULEWSKI

NAME: MR. ERNIE MANGROBANG

TITLE:

ADDRESS: 3161 NORM CIRCLE

CITY: ANCHORAGE

ZIP: 99507

PHONE: 563-2133

BILL NO: SB 77

SUBJECT: STUDENT LOANS: 1/2 TIME, CAREER ED, ETC.

MESSAGE: SB 77 IS ESSENTIAL IN EDUCATING ADULT ALASKANS. THE AVERAGE AGE OF THE STUDENTS AT UAA IS 28. MAJORITY OF STUDENTS ARE EITHER A WORKING PARENT AND/OR WORKING AND GOING TO SCHOOL PART TIME. I URGE YOU TO SUPPORT SB 77. /CMR

POMID: 03102805

DATE: 91/03/11

TIME: 10:28:05

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RODEY  
SHULTZ  
UEHLING  
ZHAROFF

**The Travel Academy**

540 West International Airport Road

Anchorage, Alaska 99518

Telephone (907) 563-7575



February 12, 1990

Senator Arliss Sturgulewski,

Post-It™ brand fax transmittal memo 7671 # of pages > 2

To Senator Sturgulewski	From Jennifer Ditz
Co.	Co.
Dept.	Phone # 463 1-575
Fax # 463-3818	Fax # 563 8850

The Alaska Association of Private Career Educators is a cohesive body of postsecondary career educators operating in the state of Alaska. The association strives to ensure high standards for quality education by communicating with all relevant bodies regulating as well as funding or supporting postsecondary technical and career education in Alaska.

The association serves the interests of the Alaska community of private postsecondary technical and career education in order to better service the education needs and the educational accessibility of the students of Alaska.

As discussed with Sandra Schubert and Melissa Fourst with Senators' Pourchot and Sturgulewski the association was not aware of the public hearing and testimony opportunity on Friday. On behalf of the Association I would like to submit these comments and recommendations regarding SB77.

We recommend that the committee consider the following two suggested changes >

1. On page 4 of the printed bill (SB77) under Sec. 10, omit under (b)(1) all of paragraph (c) as follows:

"operating for one year before the borrower attends and the commission determines the program is operating on a fiscally sound basis;"

**Rationale:** the language of the bill as currently drafted changes the statute which requires two years of continuous operation for a school to utilize the Alaska Student Loan Program. The new language reduces the requirement to one year of operation.

Prior to the enactment of the two-year statute by the Legislature, there had been a rash of school failures and serious losses for some students. Since the enactment of the two-year statute, schools have been more financially stable and problems have been reduced significantly. To reduce now the two-year requirement may return some students to the level of jeopardy they faced earlier. We recommend maintaining the two-year rule.

2. On page 7 of the printed bill (SB77), under Sec. 16, change the last two lines of the paragraph, so that they read:

*no action*

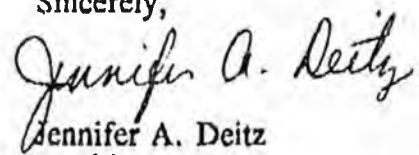
*no action*

"or equivalent of six semester credit hours, and includes a career education student enrolled and in regular attendance in class for no less than one-half the time required for full-time career education students as defined by the Alaska Commission on Postsecondary Educations."

**Rationale:** the current regulation by the Commission for full-time career education students provides several options, such as "twenty-five hours of attendance plus a minimum of ten hours of home assignment." There is good reason for this in that private career education teaches some academic courses, such as English, math and law. In addition some private career education curricula have been built around the Commission's current regulation. Any change would require major curricula and scheduling restructuring.

Moreover, the generic language suggested here provides for simplicity and flexibility should the Commission in the future find good reason to review and modify the definition of a full-time career education student. In that case the half-time student is automatically adjusted requiring no time-consuming statutory changes.

Sincerely,



Jennifer A. Deitz  
President  
Alaska Association of Private Career Educators

cc: Senator Pourchot

Jane Maynard  
Alaska Commission on Postsecondary Education

Delivered by Fax

## More States Are Providing Aid to Those Who Study Part Time

By GOLDIE BLUMENSTYK

Pamela J. Powell has a demanding schedule. A single parent of two grade-school-aged children, she commutes 30 minutes each way to her job at a drug company, and spends two evenings a week and Saturday afternoons in classes at the Newark campus of Rutgers University.

Fortunately for Ms. Powell, who aspires to be a lawyer, New Jersey's student financial-aid policies no longer force her to choose between a job and a college education. Ms. Powell, whose load of three courses a semester makes her a part-time student, can continue to receive state financial aid under a special program started this year.

### Changing Nature of Student Body

Unluckily for Jennifer J. Daniels, the State of Washington does not have a similar program. Ms. Daniels is blind and says it is too difficult for her to attend Tacoma Community College full time because transportation poses special problems and she would need to spend an extra \$700 a semester to pay people to read to her.

But students like Ms. Daniels could soon receive help. This year state lawmakers are expected to approve a new program that would provide money to needy part-time students.

"It's really a recognition of the changing composition of the student body," says State Rep. Ken G. Jacobsen, chairman of the Higher Education Committee.

Washington is not alone. Increasingly, state officials are

dealing with the financial needs of the fastest-growing segment of the higher-education market by expanding their financial-aid programs so that working people, parents, and students with disabilities who must attend college part time can receive state aid. Today at least 30 states offer some kind of financial aid for part-timers, although some of the programs are restricted to certain kinds of students.

For example, the New Jersey program that serves Ms. Powell is only for students accepted under special conditions and who require academic help and counseling.

More than half of the 11,000 students in the program come from families with annual incomes of less than \$6,000, and even though they also qualify for federal financial aid, "there's pressure on them to pick up some additional money," says Kwaku Armah, executive director of the program.

Some students, like Ms. Powell, seek to study on a part-time basis, so that they can take a better-paying job, he says. Others are advised to take a lighter course load to help them adjust to college work. But until the state changed its financial-aid policy for them, they could not afford to do so.

In several other states—including Maryland, where the Higher Education Commission will re-evaluate its entire range of state student-aid programs next summer—coordinating boards are considering proposals to create such programs.

### State Action Called Overdue

The federal government has made Pell Grants available since 1980 to students carrying at least a "half load" of courses. Beginning in 1990 needy students enrolled for less than half a course load also would be eligible, although it is still unclear whether there will be enough money in the

budget to meet the demand after first satisfying the needy full- and half-time students.

Typically, the financial aid for part-time students provided by states is available only to students taking at least a half load, although Vermont provides aid for students not pursuing a degree if they are taking courses related to their job, and Iowa next year will expand its part-time aid program to include students who take even one course.

For many advocates of financial aid to part-time students, state action of any kind is long overdue.

Students who are working or supporting families "need the help the most," says Joseph S. Murphy, chancellor of the City University of New York and a leading proponent of government support for part-time students.

New York has had such a program for five years. Even so, CUNY lobbyists this year hope to remove some of what Mr. Murphy calls the program's "onerous" requirements. If the student fails to maintain a passing grade-point average, the colleges must return most of the aid to the state, a cumbersome and expensive process. As a result, Mr. Murphy says, institutions are reluctant "to advertise the program, make it widely available, or even participate."

Lawrence N. Gold, a lobbyist in Washington who used to be employed by CUNY and worked to expand the Pell Grant program to students attending less than half time, says the problems with the New York program illustrate a more troublesome issue. Even in states where officials have committed substantial resources—\$11-million in the case of New York—other factors can undermine the effectiveness of programs.

Working students often cannot go to a financial-aid office during regular business hours, and sometimes program budgets do not provide enough money for those offices to maintain

evening hours. Also, Mr. Gold says, some financial-aid officials are reluctant to promote the programs. They require more work than preparing an aid package for a full-time student, since smaller sums are distributed to a greater number of students.

To overcome such barriers, states such as Michigan, which spent \$2-million for aid to part-time students last year, sponsor special campaigns to publicize the programs, including public-service announcements on radio and television stations.

Still, in some states, lawmakers and higher-education officials have rejected the idea of using state money for such programs altogether.

In some of those states, the officials believe the part-time student "is probably not a very serious student, whatever serious means," says Jerry S. Davis, director of policy and research analysis for the Pennsylvania Higher Education Assistance Authority. He compiles an annual survey on state financial-aid programs.

In Pennsylvania, for example, a bill to establish an aid program for part-time students has failed to win support from the General Assembly for each of the last three years, although the state does have an extensive financial-aid program for full-timers.

### 'A Solomon-Like Decision'

Lawmakers believe "their need isn't as great because they have a job and they're only paying half the tuition and most of them are attending lower-cost community colleges," Mr. Davis says.

Others see the need to help part-time students, but believe that the states should not be the ones to meet it.

W. Ann Reynolds, chancellor of the California State University System, contends that it is a much more appropriate role for the federal government. She notes that many states, including California, are constrained financially by laws that restrict state spending and by cyclical economic conditions.

"We don't have the funding" to pay for the needs of both full-time and part-time students, she says. Deciding which group to serve would present "a Solomon-like decision for us and kind of an awful one."

Ms. Reynolds says California already assists part-time students with its low college costs.

The opposite is true in Vermont, a state with a policy of charging high tuition in public colleges and matching it with large financial-aid awards for needy students.

The Vermont experience also illustrates another problem for state financial-aid programs. Before Vermont started its aid program for part-time students, it was able to meet 60 per cent of the financial-aid needs of full-timers. Today it can afford to meet only 40 per cent of those needs.

Suzanne A. Valenti, executive director of the Vermont Higher Education Planning Commission, says that is the reason she was initially uneasy about the program, now in its fourth year.

"I had some questions about divvying up the pie," she says. "I think it has hurt in that regard."

But Ms. Valenti says she also realizes that not every student "needs or wants a degree," and that many of the part-time students—81 per cent of whom are women—could not have had a college experience without the state program.

"There was obviously an erosion of aid for traditional students," she says, but "it's probably helping the people who need it most."