

**SB**

**123**

**SFIN**

**FILE**

this bill reported out  
4/25/95.

# FISCAL NOTE

STATE OF ALASKA

BILL NO. FCCS SB 123

1996 LEGISLATIVE SESSION

Revision Date: 2/20/96

Department Affected: Revenue

Title: An Act relating to student loan programs

BRU: Alaska Student Aid Corporation

Component: Program Administration

Sponsor: (S)HES

Requester: (S)HES

COMPONENT SERIAL NO. 2111

**Expenditures/Revenues:**

(Thousands of Dollars)

| OPERATING              | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES      |       |       |       |       |       |       |
| TRAVEL                 |       |       |       |       |       |       |
| CONTRACTUAL            |       |       |       |       |       |       |
| SUPPLIES               |       |       |       |       |       |       |
| EQUIPMENT              |       |       |       |       |       |       |
| LAND & STRUCTURES      |       |       |       |       |       |       |
| GRANTS, CLAIMS         |       |       |       |       |       |       |
| MISCELLANEOUS          |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                           |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES</b> |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|

**FUND SOURCE**

(Thousands of Dollars)

|                            |     |     |     |     |     |     |
|----------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts      |     |     |     |     |     |     |
| 1003 GF Match              |     |     |     |     |     |     |
| 1004 GF                    |     |     |     |     |     |     |
| 1005 GF/Program Receipts   |     |     |     |     |     |     |
| 1006 GF/MHTIA              |     |     |     |     |     |     |
| Other - Corporate Receipts |     |     |     |     |     |     |
| <b>TOTAL</b>               | -0- | -0- | -0- | -0- | -0- | -0- |

**POSITIONS:**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

Estimate of current year (FY96) impact: \$ -0-

ANALYSIS (Attach a separate page if necessary)

Prepared by: Gillian R. Hays, Legislative Liaison Phone: 465-6718

Division: Alaska Student Aid Corporation Date: 2-20-96

Approved by Executive Director: Diane Barrans

Agency: Revenue Date: 2-20-96

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REPORTED OUT 7/22/94  
4/25/95  
Updated note for 1996  
BILL NO. FCCS SB 123  
Bill is in a free confer. cmt.

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

Revision Date: 2/20/96

Title: An Act relating to student loan programs

Sponsor: (S)HES

Requester: (S)HES

Department Affected: Revenue

BRU: Alaska Student Aid Corporation

Component: Student Loan Operations

COMPONENT SERIAL NO. 2113

**Expenditures/Revenues:**

(Thousands of Dollars)

| OPERATING         | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES |       |       |       |       |       |       |
| TRAVEL            |       |       |       |       |       |       |
| CONTRACTUAL       |       |       |       |       |       |       |
| SUPPLIES          |       |       |       |       |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| GRANTS, CLAIMS    |       |       |       |       |       |       |
| MISCELLANEOUS     |       |       |       |       |       |       |
| TOTAL OPERATING   | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

|                      |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|

|                    |  |  |  |  |  |  |
|--------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES |  |  |  |  |  |  |
|--------------------|--|--|--|--|--|--|

**FUND SOURCE**

(Thousands of Dollars)

|                            |     |     |     |     |     |     |
|----------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts      |     |     |     |     |     |     |
| 1003 OF Match              |     |     |     |     |     |     |
| 1004 OF                    |     |     |     |     |     |     |
| 1005 OF/Program Receipts   |     |     |     |     |     |     |
| 1006 GF/MHTIA              |     |     |     |     |     |     |
| Other - Corporate Receipts |     |     |     |     |     |     |
| TOTAL                      | -0- | -0- | -0- | -0- | -0- | -0- |

**POSITIONS:**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

Estimate of current year (FY98) impact \$ -0-

**ANALYSIS:** The goal of the Alaska Student Aid Corporation is to ensure that student loan funds are available for future generations of Alaskans. A number of programmatic changes are authorized in this bill that move the program towards a financially viable and self-sustaining loan fund. There are also provisions to improve customer service, strengthen collection efforts, and partner with postsecondary institutions to raise educational standards. The Alaska Student Loan Program is funded by corporate receipts. No general fund dollars have been appropriated to the program since FY92, forcing us to absorb losses due to death, disability, default, and forgiveness on loans prior to 1987. In order to ensure that funds are available for Alaskans in the future, the changes recommended in this bill must occur.

Prepared by: Gillian R. Hays, Legislative Liaison Phone: 465-6718

Division: Alaska Student Aid Corporation Date: 2/20/96

Approved by Executive Director: Diana Barans

Agency: Revenue Date: 2/20/96

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/21/95

FURTHER:

DATE TURNED INTO OFFICE: 4-25-95

The Finance Committee considered **SENATE BILL NO. 123**

"An Act relating to student loan programs, interstate compacts for postsecondary education, and fees for review of postsecondary education institutions; and providing for an effective date."

and recommends:

- be replaced with CS SB 123 (FIN)
- adopt previous CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:
  - same title
  - new title
- House Bill:
  - same title
  - technical change
  - new: SCR# \_\_\_\_\_

| SIGNING DO PASS              | DP | OTHER RECOMMENDATIONS | NR | DNP | AM |
|------------------------------|----|-----------------------|----|-----|----|
| <i>[Signature]</i>           | ✓  | <i>[Signature]</i>    | ✓  |     |    |
| <i>[Signature]</i>           | ✓  | <i>[Signature]</i>    | ✓  |     |    |
| Co-Chair: <i>[Signature]</i> | ✓  |                       |    |     |    |
| Co-Chair: <i>[Signature]</i> | ✓  |                       |    |     |    |

**NEW FISCAL NOTE(S):**

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

**PREVIOUS FISCAL NOTE(S):\***

| Department           | Date    | Zero | Fiscal |
|----------------------|---------|------|--------|
| #1 DOE (St. Louis)   | 3/14/95 | 0    |        |
| #2 DOE (Prog. Admin) | 3/14/95 | 0    |        |
|                      |         |      |        |
|                      |         |      |        |
|                      |         |      |        |

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

#1 3/20/95  
(S) HESS, FIN

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. SB 123

Revision Date: \_\_\_\_\_ Dep\* Affected: Education  
 Title: An Act relating to student loan programs . . . BHJ: ACPE  
 Component: Student Loan Operations  
 Sponsor: (S)HESS  
 Requester: Sen. Green COMPONENT SERIAL NO. 213

**Expenditures/Revenues** (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES      |       |       |       |       |       |       |
| TRAVEL                 |       |       |       |       |       |       |
| CONTRACTUAL            |       |       |       |       |       |       |
| SUPPLIES               |       |       |       |       |       |       |
| EQUIPMENT              |       |       |       |       |       |       |
| LAND & STRUCTURES      |       |       |       |       |       |       |
| GRANTS, CLAIMS         |       |       |       |       |       |       |
| MISCELLANEOUS          |       |       |       |       |       |       |
| TOTAL OPERATING        | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

|                      |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|

|                        |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES ( ) |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                          |     |     |     |     |     |     |
|--------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts    |     |     |     |     |     |     |
| 1003 GF Match            |     |     |     |     |     |     |
| 1004 GF                  |     |     |     |     |     |     |
| 1005 GF/Program Receipts |     |     |     |     |     |     |
| 1006 GF/MHTIA            |     |     |     |     |     |     |
| Other                    |     |     |     |     |     |     |
| TOTAL                    | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY95) cost: \$ 0.0

**POSITIONS**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

Prepared by: Gillian R. Hays, Legislative Liaison Phone: 465-6718  
 Division: Alaska Commission on Postsecondary Education Date: 3/16/95  
 Approved by Executive Director: Joe L. McCormick Date: 3/16/95  
 Agency: Alaska Commission on Postsecondary Education

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513-123

#2 3120195  
(S)HES,FIN

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. SB 123 | \_\_\_\_\_

Revision Date: \_\_\_\_\_ Dept. Affected: Education  
Title: An Act relating to student loan programs . . . BRU: ACPE  
Component: Program Administration

Sponsor: (S)HES  
Requester: Sen. Green COMPONENT SERIAL NO. 212

### Expenditures/Revenues (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 96      | FY 97      | FY 98      | FY 99      | FY 00      | FY 01      |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES      |            |            |            |            |            |            |
| TRAVEL                 |            |            |            |            |            |            |
| CONTRACTUAL            |            |            |            |            |            |            |
| SUPPLIES               |            |            |            |            |            |            |
| EQUIPMENT              |            |            |            |            |            |            |
| LAND & STRUCTURES      |            |            |            |            |            |            |
| GRANTS, CLAIMS         |            |            |            |            |            |            |
| MISCELLANEOUS          |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

|                      |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES |  |  |  |  |  |  |
|----------------------|--|--|--|--|--|--|

|                        |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES ( ) |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|

### FUND SOURCE (Thousands of Dollars)

|                          |            |            |            |            |            |            |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts    |            |            |            |            |            |            |
| 1003 GF Match            |            |            |            |            |            |            |
| 1004 GF                  |            |            |            |            |            |            |
| 1005 GF/Program Receipts |            |            |            |            |            |            |
| 1006 GF/MHTIA            |            |            |            |            |            |            |
| Other                    |            |            |            |            |            |            |
| <b>TOTAL</b>             | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY95) cost: \$ 0.0

### POSITIONS

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Gillian R. Hays, Legislative Liaison Phone: 465-6718  
Division: Alaska Commission on Postsecondary Education Date: 3/16/95

Approved by Executive Director: Joe L. McCormick Date: 3/16/95  
Agency: Alaska Commission on Postsecondary Education

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SB 123

April 25, 1995

TO: Legal Services

FROM: Norma Strickland, Senate Finance Secretary *ed 4935*

SUBJECT: FINAL LEGISLATION

I am requesting a final version for the bills listed below. I am including conceptual amendments and faxing additional amendments per bill.

BB 123

Include Amendment #2 and 3 (separate faxed pages)

Conceptual Amendment:

Title Change: page 1, line 1 and 2:

Remove: interstate compacts for postsecondary education

Add: after "programs," "Professional Student Exchange Program administered by the Western Interstate Commission on Higher Education,

Adopted 4-25-95  
P.03

9-LS0856F.3 ✓  
Ford  
4/22/95

AMENDMENT

OFFERED IN THE SENATE  
TO: CSSB 123(HES)

BY SENATOR ZHAROFF /SHARP

SENATE FINANCE  
COMMITTEE  
Amendment Number: 2  
Bill Number: SB 123  
Sponsor: ZHAROFF Date: 4/24/95  
Logged In By: [Signature]

- 1 Page 1, line 14:
- 2 Delete "\$5,500 to a full-time student or \$2,000"
- 3 Insert "\$6,500 to a full-time student or \$3,000"
- 4 Page 2, lines 1 - 2:
- 5 Delete "nine or more months"
- 6 Insert "30 or more weeks"
- 7 Page 2, line 3:
- 8 Delete "\$3,000 to a full-time student or \$1,000"
- 9 Insert "\$4,500 to a full-time student or \$2,000"
- 10 Page 2, lines 4 - 5:
- 11 Delete "nine months"
- 12 Insert "30, but at least 20 weeks"
- 13 Page 2, line 5, following "AS 14.43.125":
- 14 Insert ";
- 15 (5) \$3,000 to a full-time student or \$1,000 to a half-time student if the
- 16 full- or half-time student is attending a career education program that is less than 20
- 17 but more than 10 weeks in length and is otherwise eligible under AS 14.43.125"

Adopted 4-25-95  
P.02

9-LS0856F.2 ✓  
Ford  
4/22/95

AMENDMENT

OFFERED IN THE SENATE  
TO: CSSB 123(HES)

SENATE FINANCE  
COMMITTEE  
Amendment Number: 3  
Bill Number: SB 123  
Sponsor: Sharp Date: 4/24/95  
Logged In By: [Signature]

- 1 Page 3, line 17:
- 2 Delete "\$79,000"
- 3 Insert "\$60,000"

W. Th. drawn 4-25-95

SENATE FINANCE  
COMMITTEE

9-LS0856VF.1 ✓  
Ford  
4/5/95

Amendment Number: 1  
Bill Number: SB 123  
Sponsor: FRANK Date: 4/6/95  
Logged In By: JH

A M E N D M E N T

RECEIVED

APR 6 REC'D

OFFERED IN THE SENATE

BY SENATOR FRANK

TO: CSSB 123(HES)

- 1 Page 1, line 2, after "for":
- 2       Insert "postsecondary medical education programs and for"
  
- 3 Page 1, after line 4:
- 4       Insert a new bill section to read:
- 5       \*\* Section 1. AS 14.42.030(d) is amended to read:
- 6               (d) The commission may enter into agreements with government or
- 7       postsecondary education officials of this state or other states to provide postsecondary
- 8       educational services and programs to Alaska residents pursuing a medical education.
- 9       An agreement with another state must be limited to services and programs that are
- 10       unavailable in Alaska. The commission may impose upon a state resident who
- 11       participates in a medical education program authorized under this subsection,
- 12       fees that are necessary to compensate the state for costs incurred by the state by
- 13       participation in the medical education program."
  
- 14 Page 1, line 5:
- 15       Delete "Section 1."
- 16       Insert "Sec. 2."
  
- 17 Renumber the following bill sections accordingly.
  
- 18 Page 11, line 18:
- 19       Delete "sec. 9"
- 20       Insert "sec. 10"

- 1 Page 11, line 20:
- 2 Delete "sec. 28"
- 3 Insert "sec. 29"

- 4 Page 11, line 21:
- 5 Delete "sec. 30"
- 6 Insert "sec. 31"

A mendment to Amendment #1 By Rieger

Page 1, line 13

delete "medical education program"

insert "mining and engineering programs,  
including the allocated costs of  
building construction and costs of  
repairing deferred maintenance in the  
buildings housing those programs"

# Alaska State Legislature

Sen. Lyda Green, Chairman  
Sen. Loren Leman, Vice-Chairman  
Sen. Mike Miller  
Sen. Johnny Ellis  
Sen. Judith Salo



State Capitol  
Room 123  
Juneau, Alaska 99801-1182  
907-465-3762

## Senate Committee on Health, Education and Social Services

### MEMORANDUM

TO: Senator Rick Halford, Co-Chairman  
Senate Finance Committee

FROM: Senator Lyda Green, Chairman  
Senate Committee on Health, Education and Social Services

DATE: March 22, 1995

RE: Scheduling Request for SB 123

*Lyda Green*

---

I respectfully request that SB 123, Relating to the Alaska Commission on Postsecondary Education Loan Programs, be scheduled for a hearing at the earliest convenience of the Chairman.

Thank you for your consideration.

## CSSB 123(HES) - SECTIONAL BILL ANALYSIS

Revised 3/23/95

**Section 1** -- increases the annual borrowing maximum for college and university undergraduate and graduate students. The University of Alaska, which receives 60% of the ASLs, recently increased the tuition rates for all levels of study. Over the past 10 years, the University of Alaska has increased tuition by 140%, and during that same time, there have been no increase in loan limits. Loan limits for career education programs were adjusted to reflect costs relative to program length. The number of financial aid sources available for graduate students has dwindled, while the cost of education has increased at a steady pace. National statistics show that graduate/professional students repay their loans in the greatest numbers.

**Section 2** -- changes guarantee fee to origination fee to more accurately describe the fee being assessed -- to offset for loan losses to the Revolving Loan Fund due to death, permanent and complete disability, bankruptcy, or default of the borrower.

**Section 3** -- clarifies the Commission's authority to ensure the financial and administrative capability of an institution participating in the ASL. This section strengthens consumer protection and protects the ASL fund from unnecessary losses due to defaults and school closures.

**Section 4** -- sets the borrowing maximum at a **dollar** amount rather than the **number of loan years** that a borrower is eligible. This is a more flexible and practical means of tracking student eligibility.

**Section 5** -- eliminates the drain on the Revolving Loan Fund resulting from interest-free deferment periods. Under Sections 9 and 13, the borrower will become responsible for the interest if the State does not appropriate the money rather than placing the loss on the Alaska Student Loan program.

**Section 6** -- amends the terms of repayment of the ASL as follows:

- a) the traditional 12-month grace period prior to the beginning of repayment is reduced to six months.
- b) a minimum monthly payment of \$50 per month is established.
- c) the number of years required to repay the loan is extended to fifteen years.

Section 7 -- simplifies the procedure for collection of the origination fee.

Section 8 -- eliminates requirement for certified or registered mail thus eliminating an unnecessary cost of administration. Once a loan is in a default status, the borrower will be notified by mail at the most recent address provided by the borrower.

Section 9 -- alters the following terms and conditions involving student loan deferments:

- a) interest on the loan will continue to accrue during periods of deferment as provided in Section 5;
- b) the six years of military deferment is reduced to three years; and
- c) borrower must be totally disabled to qualify for a medical deferment.

In order to move the Alaska Student Loan Program toward a self-sustaining, actuarially sound basis, these changes are essential.

Section 10 -- clarifies when a borrower's accrued interest will be paid by the State of Alaska.

Section 11 -- reduces administrative expenses by eliminating the need for continued renewal of a hardship deferment.

Section 12 -- extends the due diligence period on a loan from 120 to 180 days. This allows the borrower an additional 60 days to recover from temporary financial problems and prevent the loan from being declared in default.

Section 13 -- conforms with changes made in Section 5 and 9.

Section 14 -- provides consistency with changes made in Sections 2, 7 and 19, and allows the ACPE to set the origination fee amount by regulation, but not to exceed five percent of the loan amount. Additionally the fee is to be deducted from the disbursement rather than added to the principal and then deducted.

Section 15 -- contains technical amendments and amends the residence requirement to comply with a court decision reducing the residency requirement from two year to one year. The allowable absence length for military service is reduced from six to three years.

**Section 16** -- allows a student to borrow on the student's own behalf in the ASL program at the same time a parent or spouse borrows on the student's behalf in the Family Education Loan program (FEL). The total amount borrowed in both programs cannot exceed the student's cost of attendance.

**Section 17** -- makes incarcerated persons ineligible for ASL funds.

**Section 18** -- gives delinquent student loans priority, behind child support enforcement, for garnishment of wages.

**Section 19** -- provides consistency with Sections 7 and 14.

**Section 20** -- caps the level in the Teacher Scholarship Loan (TSL) program to \$37,500 rather than the number of years of borrowing. This is consistent with changes in the ASL program in Section 4.

**Section 21** -- consistent with the change in Section 16, allows a TSL recipient to borrow on the student's own behalf while a family member also borrows on the student's behalf.

**Section 22** -- technical amendment: repeal of duplicitous language for graduate loan limits that is now covered in Section 1 of this bill.

**Section 23** -- consistent with the change in Section 12, extending the due diligence period on the Family Education Loan from 120 to 180 days.

**Section 24** -- clarifies that a loan obtained illegally by a person who does not meet the eligibility criteria must be paid in full upon demand.

**Section 25** -- allows the ACPE to target funds administered as part of the Western Interstate Commission on Higher Education's (WICHE) Professional Student Exchange Program, and eliminates the specific categories previously in statute. This change would make possible the allotment of these funds in accordance with over-all needs of Alaskans.

**Section 26** -- allows the ACPE to initiate user fees from non-accredited Postsecondary institutions, outside of Alaska, that wish to receive the proceeds of ASL loans. The fees would ensure that the state does not subsidize the review of outside institutions.

Section 27 -- repeals limits on the amount of loans that can be awarded in any one year; repeals separate section for graduate loan limits; and enables a family member to borrow a loan for a student at the same time the student is borrowing an ASL or TSL as referenced in Sections 16 and 21 of this bill.

Section 28 -- provides the Commission with interim authority to promulgate regulations to implement this bill.

Section 29 -- clarifies that loans disbursed after June 30, 1995 will be obligated to pay interest during deferments as referenced in Section 5.

Section 30 -- provides for an immediate effective date to promulgate regulations referenced in Section 28.

Section 31 -- provides for an effective date of this bill at the beginning of the fiscal year.

Analysis.doc

APR 05 1995

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

3030 VINTAGE BLVD.  
JUNEAU ALASKA 99801-1109  
PHONE (907) 465-2962  
FAX (907) 465-5316

April 5, 1995

The Honorable Rick Halford, Co-Chair  
Senate Finance Committee  
Alaska State Senate  
Juneau, Alaska 99801

Dear Senator Halford:

I would like to request scheduling of CSSB 123 (HESS), "An Act relating to student loans", sponsored by the Senate HESS Committee. This bill is currently in the Senate Finance Committee after passing out of the Senate HESS Committee.

This legislation will go a long way toward insuring the financial viability of the Alaska Student Loan Program. Our goal is to insure that the loan program is available to future Alaskan students. The importance of access to postsecondary education opportunities cannot be overstated.

This bill will bolster the financial stability of the program by charging interest during periods of deferment, raising the loan origination fee to cover loan losses due to death, disability, and defaults, and reducing administrative costs. (Please see attached bill and sectional analyses for further detail.) These changes are vital if we are to remain a self-sustaining revolving loan fund.

This bill will also enhance our level of customer service by raising loan limits for graduate and undergraduate students, allowing more options for borrowers, and increasing the period of due diligence to allow borrowers to work through temporary financial difficulties.

Support for this bill is strong. Many borrowers have expressed support and seem to share the belief that insuring a strong future for the ASLP is important to Alaska's future.

Thank you for your consideration of this request. If you have any questions, please contact me or my staff at 465-6740.

Sincerely,

  
Dr. Joe L. McCormick  
Executive Director

*Bill Analysis for CSSB 123 (HESS), "An Act relating to student loan programs, interstate compacts for Postsecondary education, and fees for review of Postsecondary education institutions; and providing for an effective date." Sponsored by the Senate HESS Committee  
March 30, 1995*

**BACKGROUND:**

The goal of the Alaska Commission on Postsecondary Education is to improve customer service and ensure that student loan funds are available for future generations of Alaskan borrowers. To achieve this, we must move the Alaska Student Loan Program toward a completely self-sustaining financially sound future. A number of programmatic changes must be made in order to achieve these goals.

The Alaska Student Loan Program is funded solely by corporate receipts. No general fund dollars have been appropriated to the program since FY 92. As a result, the Program has been forced to absorb losses due to death, disability, default, forgiveness on loans prior to 1987 and interest-free deferment periods. The loan fund cannot continue to absorb these losses. In order to ensure that student loan funds are available for Alaskans in the future, the changes made in SB 123 must occur.

**ANALYSIS OF BILL/PROGRAM EFFECTS:**

Provisions of SB 123 (in the order they appear in the bill):

- ◆ raises graduate and undergraduate loan limits
- ◆ increases loan origination fees to cover loan losses
- ◆ allows ACPE to insure the financial and administrative capability of institutions receiving ASL funds
- ◆ sets the borrowing maximum at a dollar amount rather than the number of loan years
- ◆ provides for the accrual of interest during periods of deferment
- ◆ amends repayment options
- ◆ reduces administrative costs
- ◆ alters the terms of student deferments
- ◆ denies loans to incarcerated individuals
- ◆ extends the period before a loan goes into default
- ◆ expands students' financial aid options
- ◆ establishes wage garnishment priority (behind Child Support Enforcement)
- ◆ amends Alaska's participation in the Western Interstate Commission on Higher Education (WICHE) Program to provide for more directed student funding
- ◆ establishes fees for institutional review
- ◆ requires institutions to sign a program participation agreement
- ◆ makes various technical amendments which are intended to improve program administration.

These changes are intended to improve the overall financial stability of the Alaska Student Loan Program as well as elevate levels of customer service.

**(Please see attached sectional analysis for more detail.)**

# **ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

**FY 96 Budget Overview**

**Dr. Joe L. McCormick  
Executive Director**

**March 1995**  
(revised 3-17-95)

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**ACPE 1995 - 1996  
OPERATION/SERVICE OBJECTIVES**

The Alaska Student Loan Program (ASLP) is funded solely by corporate receipts. No general fund dollars have been appropriated to the program since FY 1992. As a result the Corporation has had to absorb losses due to the following statutory provisions:

- Interest paid by the State while borrower is in school and authorized deferred periods
- Forgiveness of principal and interest for eligible borrowers
- Payment of third-party collection vendors not recovered from defaulted borrowers
- Write-offs due to death, disability, and uncollectible loans
- Bond issuance costs paid from bond proceeds
- Difference between the yield on bonds outstanding (interest paid by the Corporation) and the yield on loans in the portfolio (interest earned on loans in the portfolio)

Finally, the Alaska Student Loan Program has suffered for a number of years with serious problems related to its loan servicing system software. After serious audit deficiencies were identified and the ASLC lost its insurance on the 1993 student loan bonds, ACPE has taken dramatic steps to resolve its loan servicing system problems. This FY96 budget request, as well as ACPE's 1995 Legislative Proposals, reflects the continuing effort of the commission to finally resolve these problems by meeting three major objectives in the coming year:

- To maintain a high level of customer satisfaction and service in the programs administered by the ACPE
- To enhance the financial stability now and for the long term in the ASLP
- To improve the ASLP loan servicing system to reduce defaults through enhanced repayment activity supported by a new up-to-date, fully automated loan servicing system

**ACPE Objective One: Maintenance of high levels of customer satisfaction and service**

Over the past two years, ACPE has made major progress toward improving its customer service and overall program administration. Staff has been reorganized on a more horizontal and functional basis; procedures have been revamped to improve efficiency and effectiveness; and changes to law and regulations that would improve program administration have been aggressively pursued. Outlined below are some of the major achievements in 1994 that have greatly contributed to ACPE's improved levels of customer service:

- **A New Executive Director** - Dr. Joe L. McCormick, Executive Officer of the Corporation became Executive Director of the Commission on December 1, 1993. Dr. McCormick comes to the Corporation with more than 25 years of experience in the student loan industry at both the national and state level.
- **Restructuring Commission Staff** - Since December 1, 1993, the Executive Director has taken the following actions:
  - **Hired an internal auditor** to monitor all Commission functions and assess progress toward corrective loan servicing functions on January 18, 1994.
  - **Hired a new finance officer** to oversee the Commission's accounting department in April of 1994.
  - **Reassigned functions of the Commission staff** Effective April 1, 1994 the commission was restructured and organized to maximize the efficiency and effectiveness of the workforce and to "flatten the organizational structure" of the Commission staff as follows:
    - **Finance division** includes the Finance Officer, accounting staff, administrative support staff, and personnel staff.
    - **Student Financial Aid Program division** directs all financial aid programs including the award function of the ASLP, all institutional authorization and compliance functions, Veterans Affairs, special program, and all policy research functions.

- **Information Support Services**, a new division, directs all functions related to the management of the information of the computer mainframe and network of the entire Corporation. In addition, this division is responsible for resolution of special problems due to the 1991 computer conversion and records management functions.
- **Loan Servicing** division directs the communications between the borrowers, payment and deferment processing, forgiveness provisions, skip tracing, and collections on delinquent loans.
- Identified a solution to long standing ASLP loan servicing problems and now actively seeking funds to implement a permanent solution to a fully automated, up-to-date loan servicing system. (Total commission staff is 98 permanent positions and 6 temporary positions).
- Issued \$50.0 million in student loan bonds fully insured by AMBAC (the 1993 student loan bonds were uninsured).
- Initiated a 72-hour turnaround time for processing ASLP applications (in prior years the commission took up to eight weeks to process loan applications).
- Backlogs in correspondence, processing deferments, and paid-in-full accounts have all but been eliminated.
- Telephone Service at ACPE has greatly improved to the point the commission now has a 98+% answer rate every month.

The FY96 Budget Request reflects a level of funding to allow the commission to maintain the high standards of customer service that have been implemented these past several months. *Funds are requested to allow ACPE to install a 1/800 telephone number to assist borrowers who must communicate with our office.* In addition, funds are requested to replace some very old modular furniture that now represents a serious work hazard to employees.

**ACPE Objective Two: Enhance the financial stability and secure a strong financial future for the program**

*New statutory authority will allow the Corporation to:*

- Tie the interest rate on loans to the interest paid on bonds and the cost of servicing
- Restrict borrower's ability to receive a loan if previous loans were written off
- Restrict renewal of state occupational licenses for defaulted ASLP borrowers
- Receive an assignment of wages from borrowers with defaulted loans by a court of law

*Proposed 1995 Legislative Proposals*

- Increase loan limits for students
- Begin charging interest on loans during deferment periods
- Change the definition of default from 120 days to 180 days to be consistent with other servicers in the industry and to allow for more time to perform due diligence on the loan
- Reduce the grace period from twelve months to six months
- Implement a required per loan minimum payment of \$50 per month
- Reduce the military deferment period from six years to three years
- Change the language, a "guarantee fee" to a loan origination fee of up to five percent of the loan amount. Fee used to offset losses due to death, disability and loan write-offs
- Alter the terms of repayment to allow for fifteen year repayment and a \$50 minimum payment
- Allow student and family member to have both ASLP and FELP in same year
- Prohibit loans to incarcerated students
- Various technical amendments

**ACPE Objective Three: Improve loan servicing to reduce defaults through enhanced repayment activity**

The Commission's most significant issue is to provide Alaska student borrowers an up-to-date, fully automated loan servicing system. The FY 96 budget has requested funding for a Capital Budget Request of \$1.4 million to provide ACPE the necessary resources to implement a fully automated student loan servicing system. In December 1994, the Legislative Budget and Audit Committee authorized ACPE \$250,000 to find the loan servicing software required to complete this effort. The capital budget request will provide the resources necessary to modify the software to the ASLP and implement the new system to a fully operational status as follows:

- \$ 250,000 Personnel costs related to the hiring of four temporary programming staff.
- \$ 5,050 Contractual services to assist with modification and conversion issues.
- \$ 1,144,950 Equipment costs to purchase hardware, software and installation services.

This project is vital to the Commission as the current software does not have the capacity to meet the needs of the Commission in properly servicing loans and will not meet future needs of the Alaska Student Loan Program. Current system deficiencies include:

- Inadequate audit trails
- Labor intensive procedures requiring multiple screens to perform basic tasks
- Poor support of interest accrual and billing cycles
- A collection module which cannot handle a large volume of accounts
- Highly labor intensive, manual tasks required to service loans properly
- Inability to reconcile system transactions and verify accuracy of data
- Maintenance of the current system is an unacceptable, high risk to the ASLC

**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**  
**FY96 BUDGET SUMMARY AND COMPARISON**  
(Narrative Explanation of Budget Components to follow)

|   | <u>FY95 Budget</u> | <u>FY96 Request</u> |
|---|--------------------|---------------------|
| <b>Operating Budget</b>                             |                    |                     |
| General Fund:                                       |                    |                     |
| WICHE Administration                                | \$79,000           | \$ --               |
| WICHE Student Exchange                              | 579,800            | 474,600             |
| WAMI Medical Program                                | 1,162,400          | 1,307,000           |
| Federal Student Aid (State Match)                   | 329,500            | 369,100             |
| <b>Total General Fund</b>                           | <b>\$2,150,700</b> | <b>\$2,150,700</b>  |
| Corporate Receipts:                                 |                    |                     |
| Postsecondary Commission:                           |                    |                     |
| Program Administration                              | \$635,100          | \$717,900           |
| Loan Operations                                     | 4,465,100          | 6,451,500           |
| Data and Word Processing                            | 843,700            | --                  |
| Student Loan Corporation                            | 382,200            | --                  |
| <b>Total Corporate Receipts</b>                     | <b>\$6,326,100</b> | <b>\$7,169,400</b>  |
| Federal Funds:                                      |                    |                     |
| Program Administration:                             |                    |                     |
| Veterans Administration                             | \$176,800          | \$148,100           |
| State Postsecondary Review Entity<br>(SPRE) Program | 150,000            | 100,000             |
| Federal Student Aid (SEIG)                          | 163,500            | 163,500             |
| Governors Council on Vocational Ed.                 | 160,700            | 160,100             |
| <b>Total Federal Receipts</b>                       | <b>\$651,000</b>   | <b>\$571,700</b>    |
| <b>Total Operating</b>                              | <b>\$9,127,800</b> | <b>\$9,891,800</b>  |
| Capital Projects (All Corporate Receipts):          |                    |                     |
| Intelligent Dialing System                          | \$185,500          | \$ --               |
| Expanded System Network<br>and DP Enhancement       | 400,000            | --                  |
| Microfiche Replacement Equipment                    | 130,000            | --                  |
| Feasibility Study                                   | 100,000            | --                  |
| Office Furniture                                    | --                 | 0                   |
| New Loan Servicing Software                         | --                 | 1,400,000           |
| <b>Total Capitol Projects</b>                       | <b>\$815,500</b>   | <b>\$1,400,000</b>  |
| <b>TOTAL</b>  | <b>\$9,943,300</b> | <b>\$11,291,800</b> |

## ACPE OPERATIONAL BUDGET COMPONENTS

### GENERAL FUND PROGRAMS

#### WICHE (Western Interstate Commission on Higher Education) Student Exchange Program

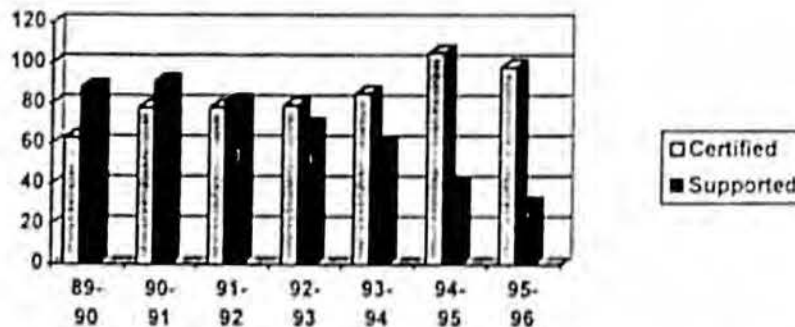
The goal of this component is to provide professional education opportunities to Alaskan students in fields for which there are no programs operating in Alaska and to encourage them, through State labor data, to return and practice in Alaska. The Commission participates in three student exchange programs: Western Undergraduate (WUE), Professional Student (PSEP) and Western Regional Graduate (WRGP).

The Commission anticipates funding 15 continuing students and 15 new students in nine separate fields from an applicant field of approximately 98 students in the PSEP WICHE program. Total WICHE funds requested for FY96 is \$474,600. The Commission anticipates passage of related legislation modifying the program to include physician assistant as a new field.

#### WICHE Changes from FY95 authorized budget requested in the FY96 Budget:

- \$ 79,000 Transfer the WICHE Administration component into this component
- \$ 0 Line item transfer from grants to fund travel and supply expenditures
- \$144,600 Transfer to the WAMI Medical Education component to cover the increase in the commission's contractual obligation
- (\$ 39,600) Transfer of Federal Student Aid component to fund additional need-based awards

# WICHE PSEP STUDENTS



\* Due to budget cuts, no new participants are supported in the current year 1994-1995.

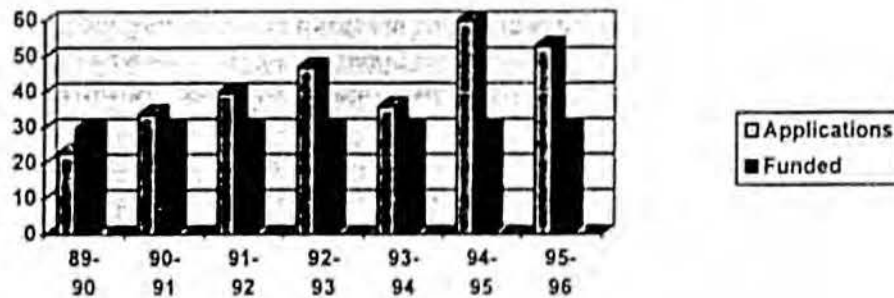
#### WAMI (Washington, Alaska, Montana and Idaho) Medical Education

This program provides guaranteed access to a medical school for ten (new) Alaskan residents per year. The University of Washington School of Medicine (UWSM) acts as the regional medical school for Washington, Alaska, Montana and Idaho by reserving a predetermined number of class places each year. Alaska currently contracts and pays for thirty places, ten in each year of study. Students attend the first year of training at the University of Alaska, Anchorage campus before transferring to the University of Washington campus. Funding request for WAMI in FY96 is \$1,307,000.

*WAMI Changes from FY 95 authorized budget:*

\$144,600 Transfer from the WICHE Student Exchange component to cover the cost of living increase in the Commission's contractual obligation.

# WAMI STUDENTS



**CORPORATE RECEIPTS**

**Program Administration (FY96 funding request \$717,900)**

This component has two goals: to provide overall administration and policy direction to the Commission programs and staff and to exercise review and oversight of postsecondary programs and institutions operating in the state, with the exception of the University of Alaska system. This component administers the Veterans Administration and SPRE program. In addition, the component contains funding for the Commission to set policy, the Office of the Executive Director to implement policy and the Institutional Authorization staff, which enforces the Commission's regulations and policy directives. Sources of funding include corporate and federal receipts.

*Changes from FY95 authorized budget:*

- \$ 0 Combination of two part-time positions into one full-time position.
- \$ 0 Line item transfers to align federal authorization with expenditures.
- \$82,800 Increase in Corporate receipts to fully fund anticipated expenditures based on actual expenditures incurred in past years and anticipated activity for the coming year.
- (\$78,700) Decrement in federal authorization to more closely reflect actual grant receipts.

**Alaska Student Loan Operations (FY96 funding request \$6,451,500)**

The goals of this component are to provide low cost financing to the Alaska Student Loan Program (ASLP), disburse low-cost loans to eligible Alaskans enabling them to pursue postsecondary education and training and to service the outstanding loan portfolio in a manner which maximizes repayment to the Student Loan fund and protects the financial integrity of the Alaska Student Loan Program. This component is funded solely from corporate receipts.

*In FY96 the following FY95 components were combined with this component in an effort to eliminate unnecessary components and to combine all related activity into one component:*

- Data and Word Processing
- Alaska Student Loan Corporation

*Other changes from the FY95 authorized budget:*

- \$843,700 Transfer of Data and Word Processing component into this component.
- \$374,200 Transfer of Alaska Student Loan Corporation appropriation to this component.
- \$250,000 Addition of four CIP funded positions for implementation of the new loan servicing system requested through a capital project budget.
- \$292,000 Funding for a 1-800 number for borrower use.
- \$ 8,000 Increase in the cost of services to be provided by the Department of Commerce and Economic Development to implement new legislation passed in HB506.
- \$218,500 Increase in other line item expenditures based on actual expenditures in past years and anticipated activity for the coming year.

Federal Funds

The Veteran Affairs program and the State Postsecondary Review Entity (SPRE) are federal funds located in the Program Administration component of the ACPE budget. Under the VA program, ACPE certifies schools eligibility for VA benefits; in the SPRE program, ACPE acts as an oversight agency for the U.S. Department of Education for all Alaska Schools that participate in federal student aid programs.

The Federal Student Aid component includes the State Student Educational Incentive Grant program and the Paul Douglas Teacher Scholarship program. The State Student Educational Incentive Grant program utilizes federal and state funding to provide \$1,500 need-based grants to eligible low-income students enrolled in full-time undergraduate programs. Each year approximately 1,400 students apply for this grant as it is the only need-based student aid program offered by the State of Alaska. The Commission funded 319 grants in FY94 and anticipates funding 296 and 325 in FY95 and FY96 respectively. The state matching fund request for FY96 is \$369,100.

The Commission acts as Alaska's administrative and fiscal agent for the federal Paul Douglas teacher scholarship loan program. This program is funded exclusively by the federal government. The Commission provided seven loans in FY 94 and anticipates providing ten and eight loans in FY95 and FY96 respectively.

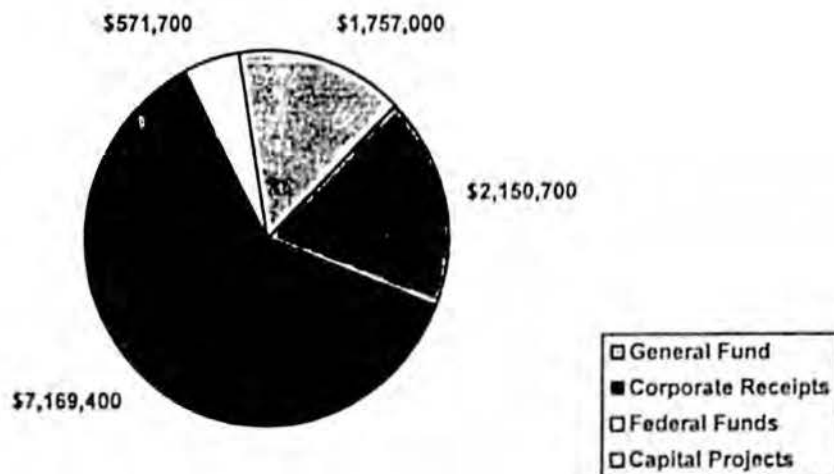
Finally, the Commission acts as an administrator of the federal funds allocated to the Governor's Council on Vocational Education. FY96 funding request is \$160,100. The goal of the governor's council on Career and Vocational Education is to expand and improve the delivery of vocational educational opportunities to Alaskan citizens.

*Federal Student Aid Changes from FY95 authorized budget:*

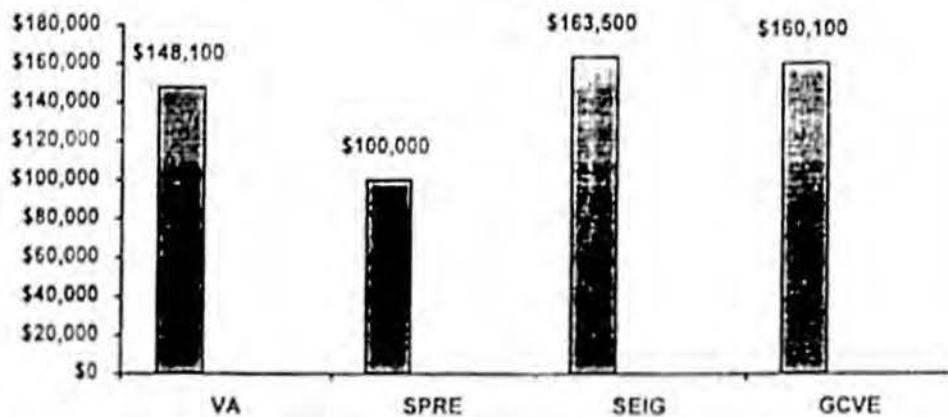
- \$39,600 Transfer from the WICHE SEP to fund additional need-based awards
- (\$600) Decrement in federal authorization to more closely reflect actual grant receipts

# ACPE FUNDING SOURCES ILLUSTRATED

FY96 BUDGET



FEDERAL FUNDS



# APPENDIX

1. Alaska Commission on Postsecondary Education Members
2. Alaska Student Loan Corporation Members
3. Alaska Student Loan Portfolio Analysis
4. History of Changes to the Alaska Student Loan Program

## Alaska Commission on Postsecondary Education

### Members

|                      |                                    |
|----------------------|------------------------------------|
| Tom Wagoner, Chair   | General Public                     |
| Stuart Bowdoin       | General Public                     |
| Bobette Bush         | General Public                     |
| Debbie Fullenwider   | General Public                     |
| Vacant               | General Public                     |
| Senator Johnny Ellis | Alaska State Senate                |
| Rep. Con Bunde       | Alaska House of<br>Representatives |
| Roger Jarvis         | Board of Education                 |
| Eric Forrer          | Board of Regents                   |
| Mary Jane Fate       | Board of Regents                   |
| Marie Becker         | Governor's Council                 |
| Helen Finney         | Private Higher Education           |
| Milton Byrd          | Proprietary Education              |
| Patricia MacPike     | Student                            |

## Alaska Student Loan Corporation

### Members

|                |  |
|----------------|--|
| Tom Wagoner    | Postsecondary Commission                             |
| Vacant         | Postsecondary Commission                             |
| Will Condon    | Commissioner of Revenue                              |
| Mark Boyer     | Commissioner of Administration                       |
| Willie Hensley | Commissioner of Commerce and<br>Economic Development |

## GENERAL DUTIES AND RESPONSIBILITIES

### Alaska Commission on Postsecondary Education (ACPE)

- **Consumer Protection**
  - Monitor school advertising and contracts with students.
  - Handle customer complaints.
  - Help to assure loan/tuition refunds and student teach-outs when schools close.
- **Institutional Authorization**
  - Provide biennial review and re-authorization for approximately 100 postsecondary institutions.
  - Regulate program and degree offerings
  - Approve institutions for Alaska and Veterans student loans.
- **Student Financial Aid**
  - Full-time, half-time, teacher scholarship, and family education loans
  - Special state and federal scholarship loans
  - State and federal grants for low income students
  - Tuition subsidy for professional programs not available in Alaska
  - WICHE Professional Exchange and WAMI Medical Programs
  - Tuition breaks for Alaskans enrolled in certain regional undergraduate and graduate programs
- **State Postsecondary Review Entity (SPRE) Program to insure continuing availability of Federal Title IV eligible Alaska institutions**
- **Administrative support provided to the Governor's Council on Vocational Education**

### Alaska Student Loan Corporation (ASLC)(AS 14.42.200)

- Collect from a borrower amounts owed with respect to a student loan the corporation has purchased or originated
- Service student loans held by the Corporation
- Enter into agreements with the federal government, including guaranty agreements and supplemental guaranty agreements as described in the United States Higher Education Act of 1965.
- Administer federal dollars allotted to the state involving insured student loans and related administrative costs and other matters
- Borrow money to carry out the purpose of the corporation and issue obligations as evidence of the borrowing
- Invest or reinvest money held by the Corporation
- Gather information on student loans available to residents of Alaska and disseminate the information to reasonably assure that qualified residents are aware of financial resources available to those attending or desiring to attend institutions for which the corporation can make loans
- Enter into agreements with the Alaska Commission on Postsecondary Education relating to student loans, the administration of the student loan fund, and the payment of and security for bonds of the corporation

# ALASKA STUDENT LOAN PROGRAM

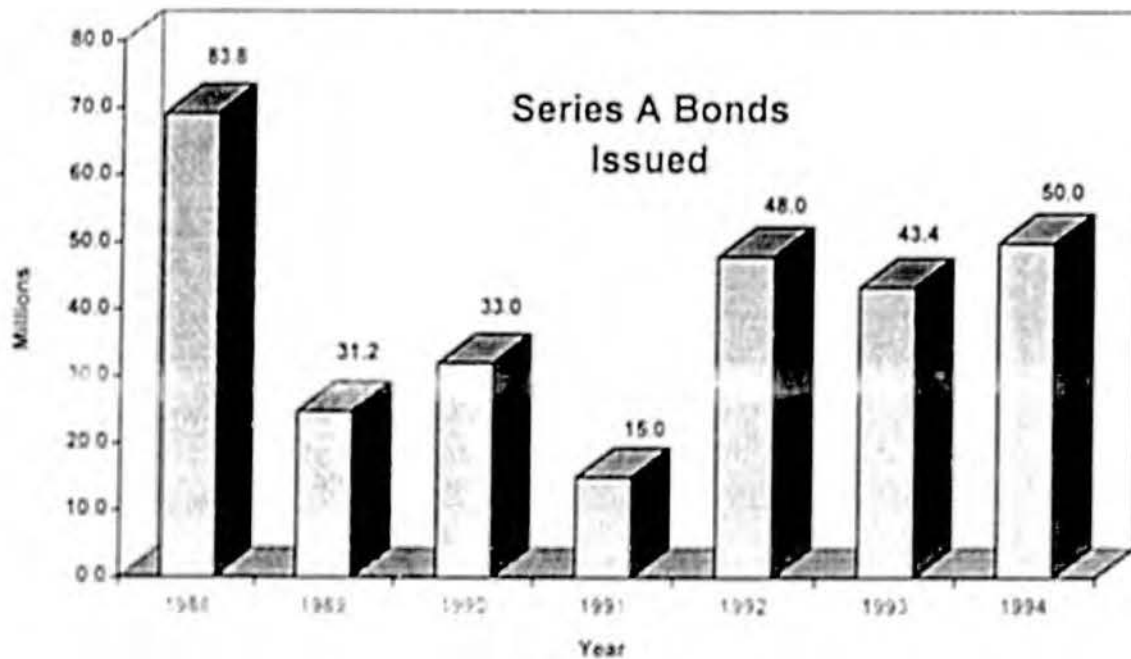
## PORTFOLIO CHARACTERISTICS

March 1995  
(revised 3-17-95)

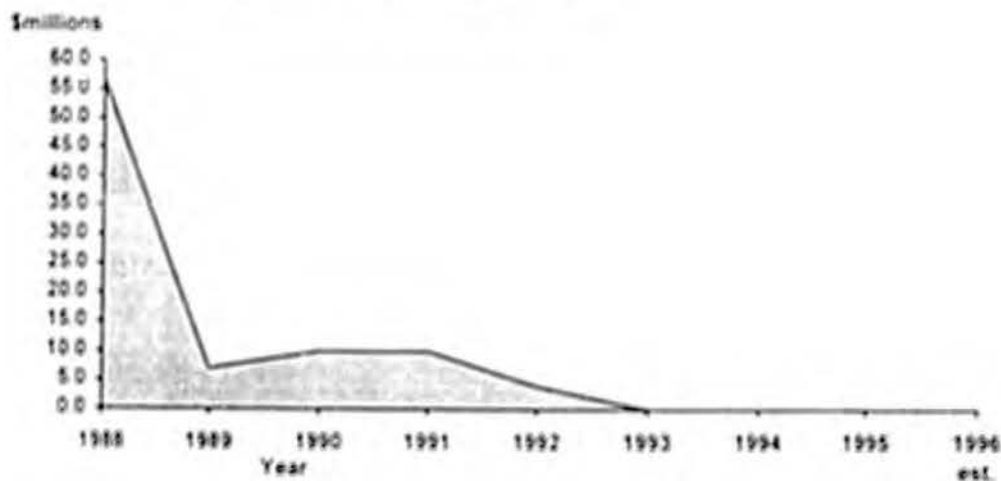
### Fund History

The Alaska Student Loan Corporation (Corporation) was created in 1987 through an act of the Legislature. A public corporation and a governmental instrumentality, the corporation was specifically established for the purpose of financing student loans through the issuance of bonds, notes, or other debt instruments.

The corporation must determine the funding for Alaska student loans on an annual basis. The Alaska Student Loan Fund consists of a blend of funds from tax-exempt bonds, loan repayments and prior years State of Alaska general fund support. Repayments are used to make new loans, to pay debt service on the outstanding bonds, and to pay operating expenses of the Corporation. The chart below illustrates the amount of previous bond issuance by the Corporation.



State Appropriations to ASLP



### The 1994 Bond Issue:

The 1994 offering was viewed by all parties as successful with ASLC incurring favorably low debt service costs. In comparing the Series 1994 bonds with the 1993 issue, it should be noted that AMBAC agreed to insure the 1994 issue after refusing to insure the 1993 bonds. AMBAC's participation in the 1994 issue was primarily due to their confidence in the new senior management's ability to rectify the servicing difficulties which have persisted over the years. Even though the 1994 issue was offered during weak market conditions, the true interest costs (TIC) of the transaction was among the lowest ever achieved. See Chart A below. In addition, the 1994 underwriter's discount compared favorably to discounts previously paid by the corporation (competitive or negotiated) and resulted in an aggregate discount of \$449,500 versus the budgeted discount of \$750,000 producing a savings of \$300,500. See Chart B for a summary of the corporation's historical bond insurance costs.

CHART A  
TRUE INTEREST COST on ASLC BONDS

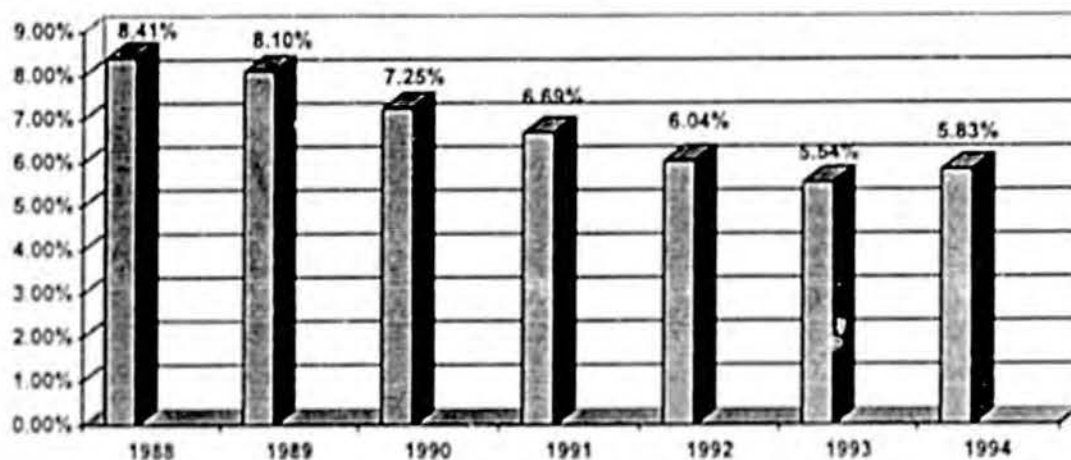
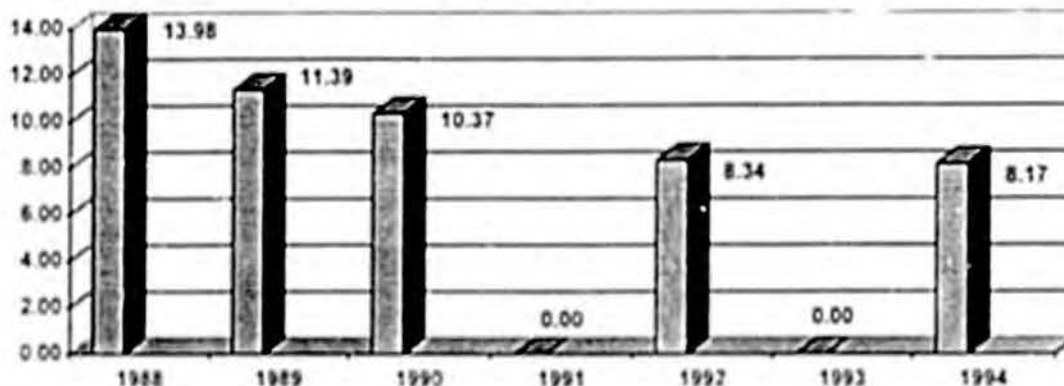


CHART B  
ASLC BOND INSURANCE COSTS  
(per \$1,000 in bonds)



**Overcollateralization of the Alaska Student Loan Fund** - One of the questions most frequently asked about the Alaska Student Loan Program has to do with its financial solvency and ability to retire the bond debt that now exists in the loan fund. The following summary clearly indicates that the total assets of the ASLP Loan Fund remain at over twice the amount of student loan bond debt to be retired. The tremendous support of the Alaska Legislature in the early years of the loan program created this highly overcollateralized fund. However,

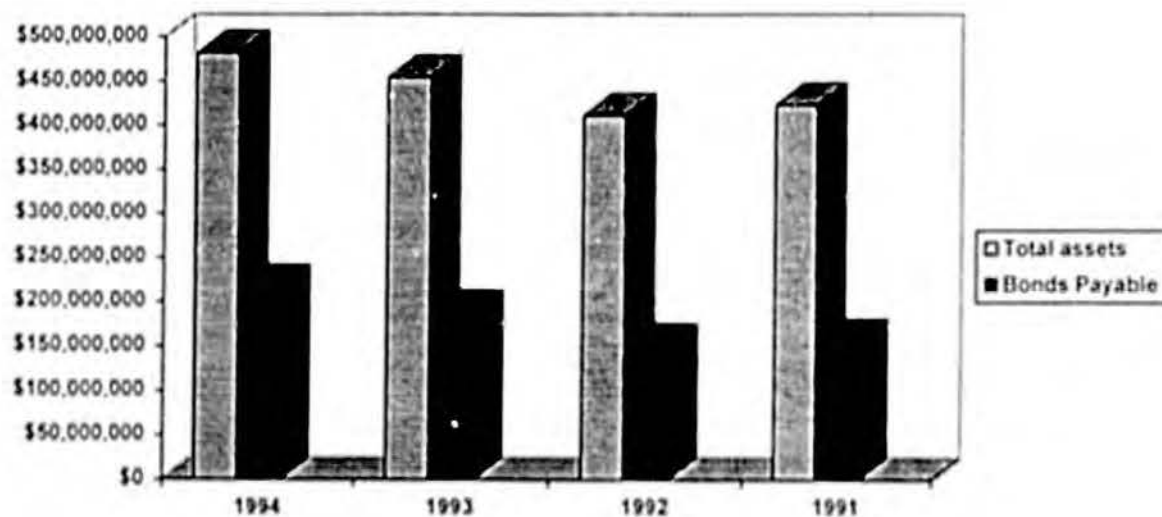
since 1992 no General Fund Revenue has been appropriated to the ASLP. In order to remain financially solvent, the ASLP will have to continue to eliminate certain losses to the loan fund due to lost interest, defaults, and forgiveness benefits. The ACPE 1995 Legislative Proposals and the FY96 budget plan are designed to secure the future financial solvency of the ASLP.

**Summary of Overcollateralization of the Alaska Student Loan Fund**

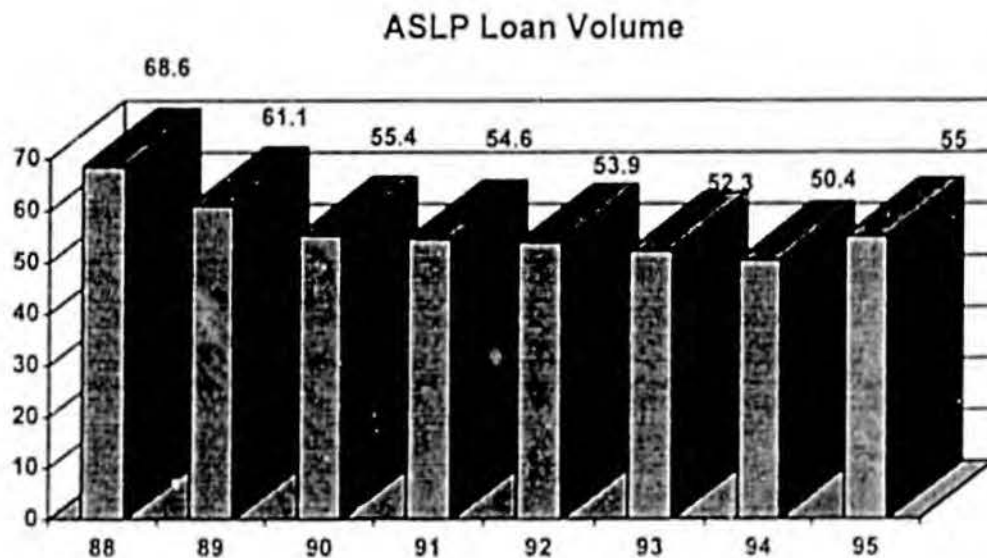
|   | 1994               | 1993               | 1992               | 1991               |
|---|--------------------|--------------------|--------------------|--------------------|
| Loans receivable                                | 490,615,743        | 486,836,311        | 483,959,466        | 479,681,427        |
| Less allowances for:                            |                    |                    |                    |                    |
| Doubtful Loans:                                 | 96,503,198         | 93,158,000         | 100,534,190        | 102,144,000        |
| Forgiveness                                     | 12,880,026         | 18,709,788         | 26,385,723         | 29,588,948         |
| Net Loans receivable                            | <u>381,232,519</u> | <u>374,986,523</u> | <u>357,039,553</u> | <u>347,948,479</u> |
| Cash and equivalents                            | 13,185,091         | 8,146,615          | 11,083,015         | 5,584,929          |
| Investments held by trustee                     | <u>87,239,970</u>  | <u>70,951,944</u>  | <u>42,701,143</u>  | <u>69,222,894</u>  |
|   | <u>100,425,061</u> | <u>79,098,559</u>  | <u>53,784,158</u>  | <u>74,807,823</u>  |
| Total assets                                    | <u>481,657,580</u> | <u>454,067,052</u> | <u>410,823,711</u> | <u>422,756,302</u> |
| Bonds payable, net of bond discounts            | 216,889,540        | 188,407,638        | 150,918,410        | 156,032,505        |
| Total Assets Net of Loan Allowance/Bond payable | 2.22%              | 2.41%              | 2.72%              | 2.71%              |

(ratio is showing that our assets by far exceed bonds payable)

**Total Assets to Total Bonds Payable Compared**



Alaska Student Loan Volume - the level of lending in the ASLP for the past several years has remained stable in the \$50.0 million range. All demand for ASLP loans has been met each year. The chart below illustrates the loan activity since FY88.



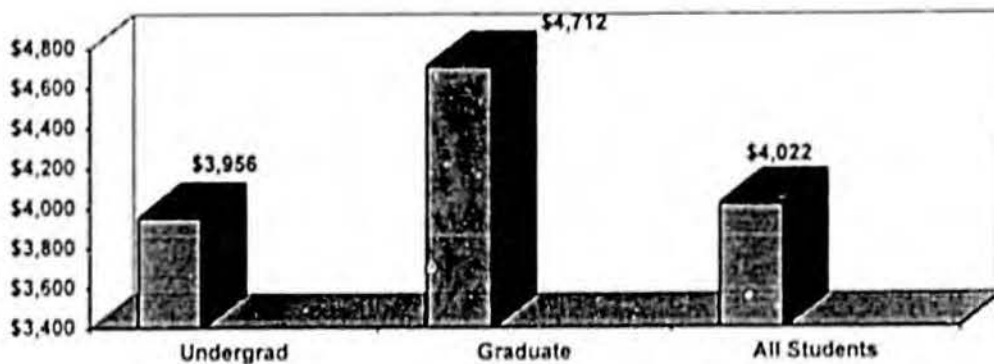
#### Profile of the 1994 Alaska Student Loan Portfolio

| Type of Students | Number of Students | Total \$ Loans 1994 | Average Loan per Borrower |
|------------------|--------------------|---------------------|---------------------------|
| Undergraduates   | 11,418             | \$45,181,000        | \$3,956                   |
| Graduate         | 1,075              | \$5,065,000         | \$4,712                   |
| Total            | 12,535             | \$50,246,000        | \$4,022                   |

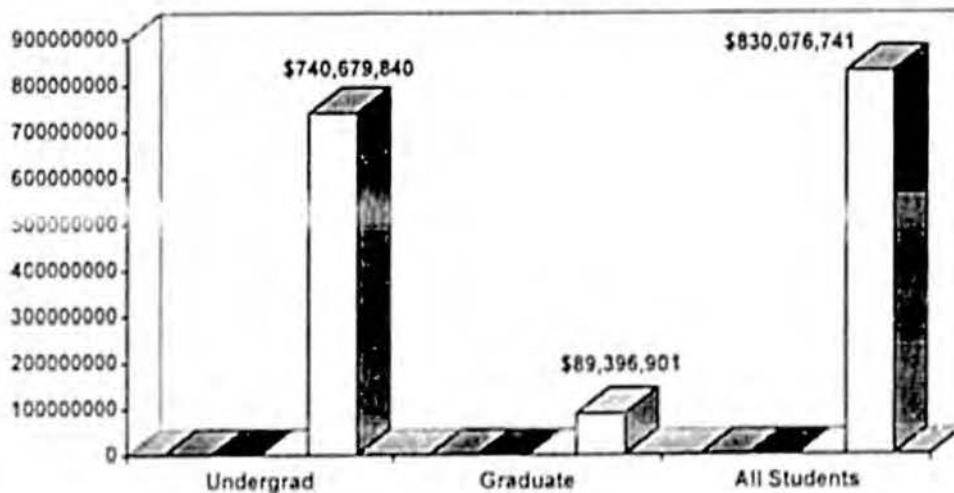
| Residency    | Total Portfolio | Undergraduates | Graduate |
|--------------|-----------------|----------------|----------|
| In-state     | 62.6%           | 65.5%          | 32.3%    |
| Out-of-state | 37.4%           | 34.5%          | 67.7%    |

| Type of Students | Total Cumulative #Students | Total Cumulative \$Dollars | Alaska Students Percentage | Out-of-State Students Percentage |
|------------------|----------------------------|----------------------------|----------------------------|----------------------------------|
| Total            | 208,772                    | \$830,076,741              | 52.2%                      | 47.8%                            |
| Undergrad        | 190,285                    | \$740,679,840              | 55.4%                      | 44.6%                            |
| Graduate         | 18,487                     | \$89,396,901               | 23.5%                      | 76.5%                            |

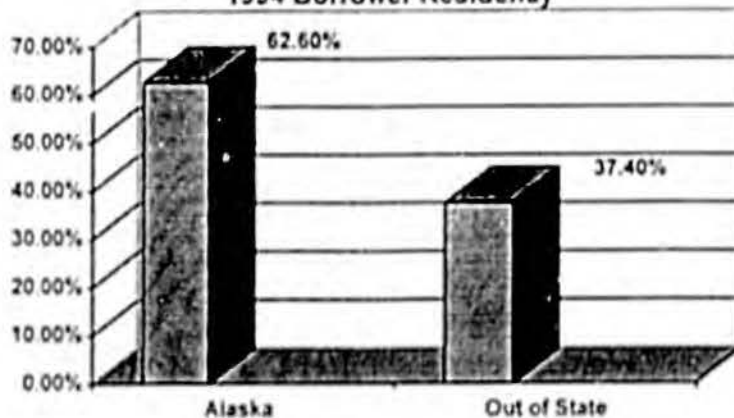
Average ASLP Loan



Cumulative ASLP Loan Volume

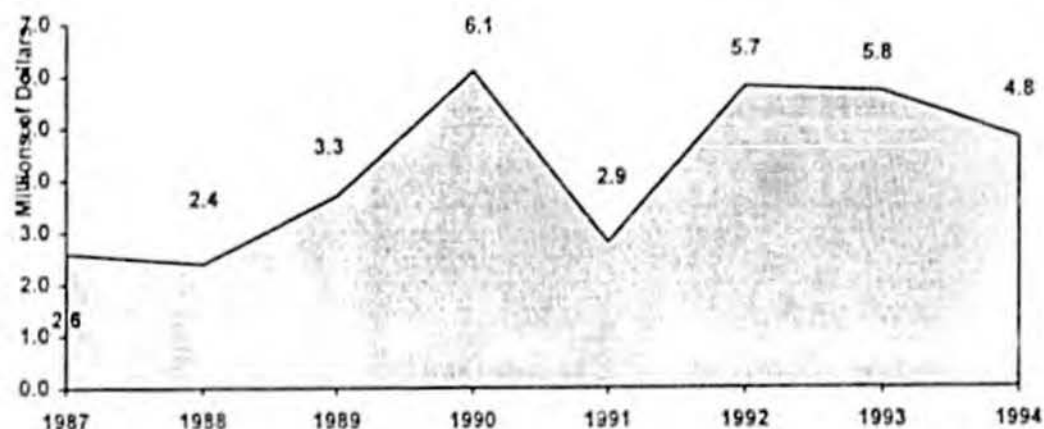


1994 Borrower Residency

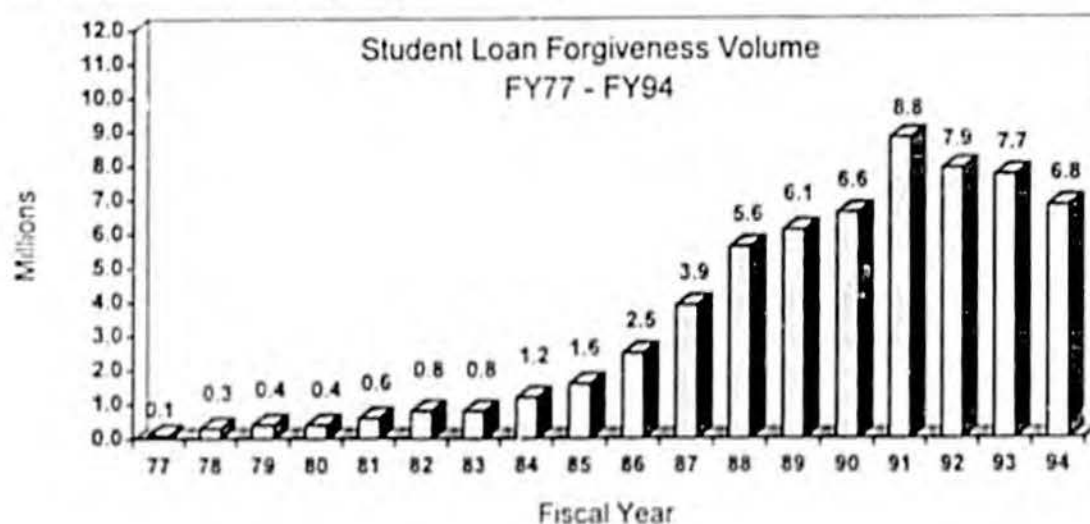


**The Permanent Fund Dividend** - According to AS 43.23.065 (b)(3) to satisfy the balance of a defaulted loan, the Commission can garnish an Alaskans Permanent Fund Dividend. The Alaska Permanent Fund is a fund held and managed by the state which was established by an amendment to the constitution of the State in 1976. The Alaskan Permanent Fund may be taken to satisfy the balance of a defaulted loan. Through this garnishment process, approximately 33.5 million dollars have been garnished since 1987, from defaulted borrowers. During dividend year 1994, to date, 4.83 million has been collected.

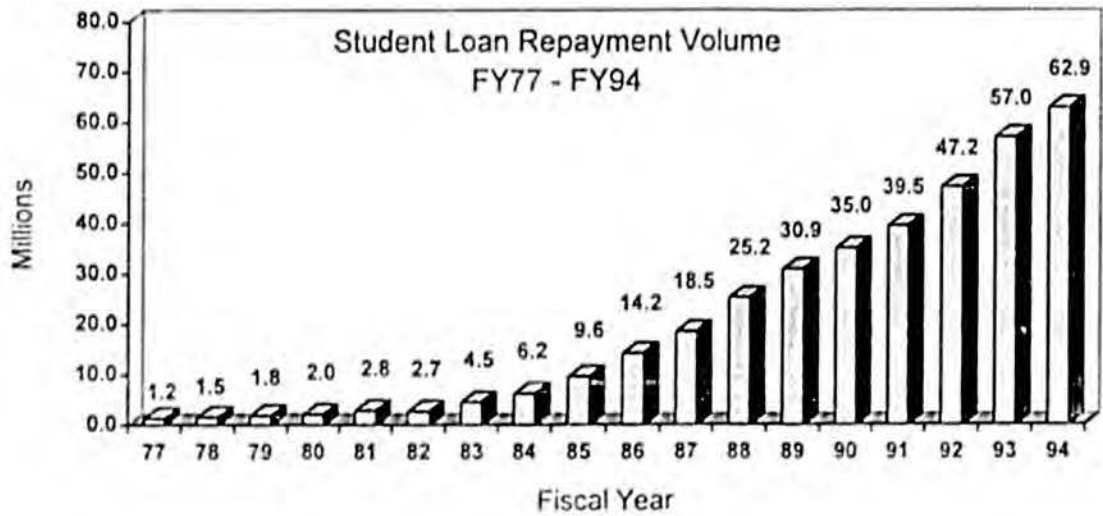
### Permanent Fund Dividend Garnishments



**Loan Forgiveness Provisions** - A rather unique feature of the Alaska Student Loan Program is that loans made prior to July 1, 1987 are eligible for forgiveness benefits. If a borrower completes the program of study for which a loan is made and then lives in Alaska after completion of study, the borrower may be eligible to have up to 50% of the loan forgiven (canceled). Forgiveness benefits are earned in 10% increments for each year of residency after the second year following completion of study.

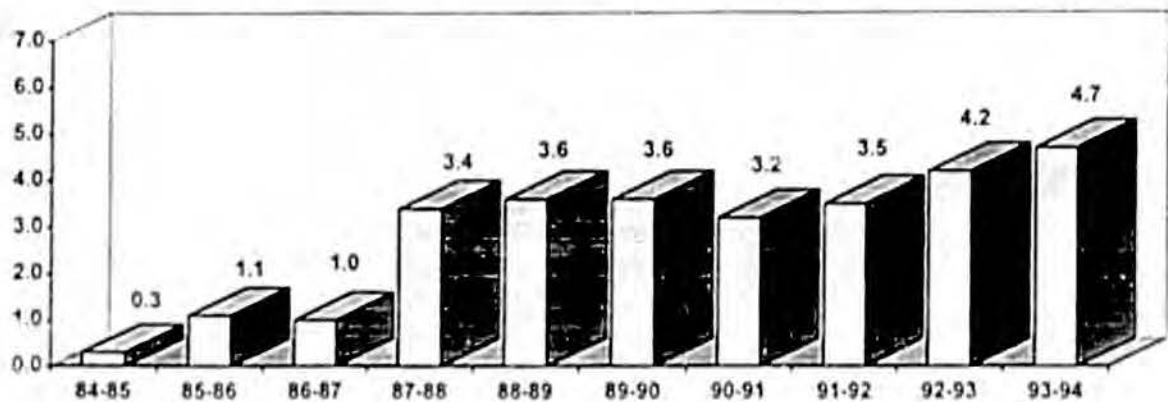


**Loan Repayments and Recoveries** - Since its inception, the Alaska Student Loan Program has been based upon a revolving fund with loan repayments and proceeds being used for loans in subsequent years. Since 1976-77, student loan borrowers have repaid over 362 million. The annual and dramatic growth in repayment is presented graphically below.



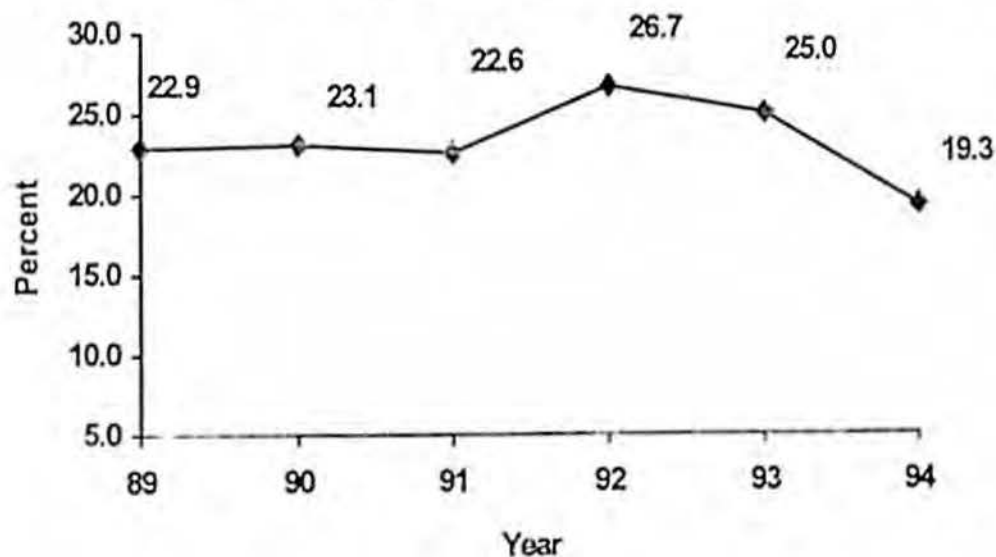
**Student Loan Collection Agency Recoveries** - Collection contractors have been utilized since September 1984 to provide debt collection services to the Commission on accounts which have reached at least 120 days past due. The contracts are contingency fee based, covering the cost of pursuing collection of defaulted loans, including skiptracing, legal fees, and judgment enforcement. Existing contracts between the Commission and private contractors are currently in effect. The Commission recently solicited bids for additional contractors, with additional emphasis on skiptracing. Three new nationally known collection agencies will be added tentatively set by March 1, 1995. A table summarizing the recovery on accounts by private vendors since 1984-85 follows:

Student Defaulted Loan Recoveries from Collection Agencies



ASLP Default Experience - The ASLP's default rate has been unusually high during the past five years with default rates ranging from 22 to 26%. During this past year the default rate dropped below 20% and was 19.3% as of June 30, 1994. This decline is due in part to our increased collection efforts and in part to the steady increase in the number of borrowers entering repayment. The default rates illustrated below are cumulative rates calculated on the total dollars that have defaulted since inception of the ASLP as a numerator and the total outstanding principle balance of loans in the portfolio minus loans "in-school" or "in-grace" status as a denominator.

### Alaska Student Loan Program Default Rates



***HISTORY OF CHANGES TO THE  
ALASKA STUDENT LOAN PROGRAM***

1968

- ◆ Administered by the Department of Education
- ◆ Maximum loan amount \$500 per year up to four years
- ◆ Non-interest bearing
- ◆ Forgiven at the rate of \$500 for each six months student lives in Alaska after completing studies

1970

- ◆ Maximum loan amount increased to \$750
- ◆ Forgiven at a rate of \$750 for each full year student lives in Alaska after completing studies

1971

- ◆ Framework for current student loan program established
- ◆ Created the Scholarship Revolving Loan Fund
- ◆ Maximum loan amount of \$2,500 for undergraduates, \$5,000 for graduates
- ◆ Interest rate of 5%
- ◆ Forgiveness of up to 40% at the rate of 10% for each year student remains in Alaska after completing studies

1974

- ◆ Alaska Commission on Postsecondary Education created and charged with administering the program
- ◆ Scholarship Revolving Loan Fund established as self-supporting unless funds needed from general fund
- ◆ Memorial Scholarship Loan Fund created

1978

- ◆ Maximum undergraduate loan amount increased to \$3,000

1981

- ◆ Maximum loan amount increased to \$6,000 for undergraduates, \$7,000 for graduates
- ◆ Forgiveness amount raised to 50%

***HISTORY OF CHANGES CONTINUED...***

1984

- ◆ Allowed Scholarship Revolving Loan Fund to be used to pay costs of collecting defaulted student loans if costs not recovered from student
- ◆ Interest rate for defaulted loans increased to 10%
- ◆ Teacher Scholarship Loan Program established

#### 1986

- ◆ Maximum loan amounts decreased to \$5,500 for undergraduates, \$6,500 for graduates
- ◆ Interest rate increased to 8%

#### 1987

- ◆ Alaska Student Loan Corporation created to allow the sale of tax-exempt revenue bonds to finance the program
- ◆ Commission to continue administering the program
- ◆ Forgiveness provision repealed
- ◆ One-year grace period on interest accrual eliminated
- ◆ Allowance given for payment of administrative costs from Scholarship Revolving Loan Fund
- ◆ Alaska Family Education Loan established

#### 1991

- ◆ Alaska Half-Time Loan Program established

#### 1993

- ◆ Guarantee fee of 1% established

#### 1994

- ◆ Variable interest rate established
- ◆ Non-renewal of occupational licenses to defaulted borrowers until default resolved.
- ◆ Borrowers have the option of consolidating multiple loans into a single loan or to consolidate loans made to married borrowers. The new interest rate is the weighted average of the respective loans.
- ◆ Family Education Loans made more accessible to Alaskans wishing to borrow on behalf of a child or spouse.

Defaulted borrowers subject to wage garnishment as a part of any judgment issued Loan by the courts.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

April 13, 1995

3030 VINTAGE BLVD  
JUNEAU, ALASKA 99801-7109  
PHONE (907) 465-2962  
FAX (907) 465-5316

The Honorable Steve Frank, Co-Chair  
Senate Finance Committee  
Alaska State Senate  
Juneau, Alaska 99801

Dear Senator Frank:

I am writing to advocate full funding for the WAMI Medical Education Program.

When I joined the Commission a year and a half ago, I was very skeptical of the value of this program and the "grow your own" approach the state seemed to be taking. Over the past year, I have met with current and former WAMI participants as well as UA and UWSM faculty and administrators and my opinion has changed dramatically. I have been most impressed by the program's beneficial impact on Alaska by providing a regional medical center as well as a variety of services which come to Alaska directly as a result of our participation in WAMI. Our partnership with Washington, Montana and Idaho in this regional resource-sharing approach to medical education has provided Alaskans with:

- ◆ Residency Training Program development
- ◆ Biomedical infrastructure to the health and biological science divisions at the University of Alaska Anchorage
- ◆ Emphasized admission for Alaska Natives
- ◆ Medical care provided by WAMI doctors to approximately 95,000 Alaskans in seventeen different communities around the state;
- ◆ Minority health sciences recruitment
- ◆ Community health systems development

Elimination of the WAMI program would be extremely detrimental to the quantity and quality of medical care in Alaska and we would like to work with the Committee to explore alternatives.

Your proposed amendment to CSSB 123 (HESS) would provide for the possibility of charging fees to WAMI participants in order to "compensate the state for costs incurred by the state by participation in the medical education program". I believe we should take whatever steps necessary to insure Alaska's continued participation in the WAMI Medical Education Program. If it is determined that this change is the only way for Alaska to participate in program, I will strongly urge the members of the Alaska Commission on Postsecondary Education to support the amendment.

Sincerely,

  
Dr. Joe L. McCormick  
Executive Director

- cc: Governor Knowles  
Dr. Komisar, President, University of Alaska  
Dr. Michael Dimino, Director, UAA Biomedical Program  
ACPE Commissioners

April 26, 1995

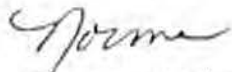
TO: Ann Ringstad  
Val Rader *R ok*  
Cam Toohey  
Tom Panamaroff

FROM: Norma Strickland, Sec'y  
Senate Finance Committee

SUBJECT: CSSB 123 (FIN)

The attached final has been returned from legal. Please review to ensure that the new language is correct. I am holding the new CS for your approval and will pass on to the Senate Secretary once I receive your concurrence.

Thank you,



Norma Strickland  
x4935

April 26, 1995

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Val Rader  
Cam Toohey *OK*  
Tom Panamaroff *OK*

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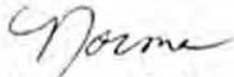
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Norma Strickland  
x4935

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 3/10/95

FURTHER: Finance

Date of 5-Day Notice: 3/15/95  
 (in accordance with Uniform Rule, 23)

DATE TURNED INTO OFFICE: 3-21-95

HESS Committee considered SB 123

Student loan programs, interstate compacts for postsecondary education, and fees for review of postsecondary education institutions; efd.

*DFW*

and recommends:

- be replaced with CS SB 123 (HES)
- adopt previous CS (    )
- attached amendment(s)
- adopt Letter of Intent by      Committee
- further referral to the      Committee

Senate Bill:  same title  
 new title  
 House Bill:  same title  
 technical title  
 new: SCR#     

| SIGNING <u>DO PASS</u>  | DP | OTHER RECOMMENDATIONS      | NR | DNP             | AM |
|-------------------------|----|----------------------------|----|-----------------|----|
| <i>John A. Leman</i>    | ✓  | <i>Mike Miller (1)</i>     | ✓  | <del>    </del> |    |
| <i>John Ellis</i>       | ✓  | <i>Quidith P. Sato (2)</i> | ✓  |                 |    |
| CHAIR: <i>Syde Gran</i> | ✓  |                            |    |                 |    |

**NEW FISCAL NOTE(S):**

Department                      Date    Zero    Fiscal

|                          |                |   |  |
|--------------------------|----------------|---|--|
| <i>DOE/ACPE</i>          | <i>3/16/95</i> | ✓ |  |
| <i>DOE/ACPE Loan Op.</i> | <i>3/14/95</i> | ✓ |  |
|                          |                |   |  |
|                          |                |   |  |
|                          |                |   |  |

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date    Zero    Fiscal

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APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill