

SB

59

"An Act providing certain transition provisions regarding ch. 112, SLA 1994, relating to student loans; and providing for an effective date."

• **Section 1.** Notwithstanding sec. 11, ch. 112, SLA 1994, the Alaska Commission on Postsecondary Education may immediately proceed to adopt regulations under AS 44.62 (Administrative Procedure Act) necessary to determine an interest rate under secs. 2 and 4, ch. 112, SLA 1994, and to set an interest rate under those regulations, for a loan for which money is disbursed on or after July 1, 1995. The regulations may take effect before July 1, 1995.

• **Sec. 2.** Notwithstanding sec. 11, ch. 112, SLA 1994, the Alaska Commission on Postsecondary Education may immediately proceed to adopt regulations under AS 44.62 (Administrative Procedure Act) necessary to implement secs. 3 and 5, ch. 112, SLA 1994. The regulations may not take effect before July 1, 1995.

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

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY SENATOR PHILLIPS

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to student loans; and providing for an effective date."

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

3 * Section 1. The Alaska Commission on Postsecondary Education may immediately proceed
4 to adopt regulations necessary to

5 (1) determine an interest rate applicable to a loan for which money is disbursed
6 on or after July 1, 1995, required under AS 14.43.120(f), as repealed and reenacted in sec. 2,
7 ch. 112, SLA 1994, and under AS 14.43.120(v), as enacted in sec. 4, ch. 112, SLA 1994; and

8 (2) implement AS 14.43.120(i), as amended by sec. 3, ch. 112, SLA 1994, and
9 AS 14.43.122, as enacted by sec. 5, ch. 112, SLA 1994; regulations authorized by this paragraph
10 may not take effect before July 1, 1995.

11 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

BILL ANALYSIS

Section 1. The current interest rate of 8% for Alaska Student Loans is repealed effective July 1, 1995. Before the Commission can enter into student loans for the summer and 1995-96 terms, it must set an interest rate. This transitional language will allow the Commission to adopt regulations to implement the new interest rate under ch. 112, SLA 1994. In the absence of this authority, the Commission has been advised by the Department of Law that it will not be able to set the interest rate for money disbursed after July 1, 1995, and no new loans could be made. Under the Federal Truth in Lending law, student loan applicants must be informed of the interest rate at which they are borrowing money. The applications/promissory notes are printed each spring, and must be distributed before the summer 1995 term stating interest rate information. In order to meet the Commission's schedule for printing and distribution of loan packets for loans disbursed after July 1, 1995, the regulations must be adopted as early as possible.

Section 2. Provides transitional language to allow adoption of regulations to implement loans default procedures and consolidation of loans. Regulations under this section may not take effect until July 1, 1995.

Section 3. Provides for an immediate effective date of this Act.

ATTACHMENT ONE

Letters of Interest

*** ALASKA STUDENT LOAN CUSTOMER SERVICE QUESTIONNAIRE ***

INSTRUCTIONS: Check the number that best describes your response to the following questions. Please return to the Alaska Student Loan Program. No postage required. Thank you for your assistance.

	Unacceptable		Acceptable		Excellent
	1	2	3	4	5
1. Was your call answered promptly and courteously?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. How well did the representative you spoke with listen and understand your concerns?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. How well did the representative fulfill your needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. How satisfied were you with the customer service you received?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. How would you rate the overall service you have received from the Alaska Student Loan Program?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>



6. Please share your additional comments with us. In the early '90's, I had atrocious service from this sector. It appears to be excellent now.

OPTIONAL:

Name & Address: MARK Staple
P.O. Box 240752
Douglas AK 99824-0752

Social Security Number: 06048 3805

TELEPHONE: TEL

THANK YOU!!

8-15 doc (10/94)

Alaska State Legislature

SENATOR
MIKE MILLER
P O Box 55094
North Pole, Alaska 99705
(907) 488-0862

Senate District Q



Senate

RECEIVED
JAN 27 1995

Alaska Commission on
Postsecondary Education

White in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4976

January 24, 1995

Dr. Joe L. McCormick
Executive Director
Ak Comm Postsecondary Ed
3030 Vintage Blvd
Juneau, Ak 99801-7109

Dear Dr. McCormick,

I appreciate your letter on behalf of the Alaska Commission on Postsecondary Education regarding the services your department provides and the staff contacts for this legislative session.

You were very helpful this past year in keeping us informed on the "status quo" regarding post secondary education.

My staff in the past have made numerous calls to your student loan personnel and have always found them to be helpful and prompt in response to our requests.

We look forward to working with you and your department once again this year.

Sincerely,

Mike Miller
Senator

STATE OF ALASKA

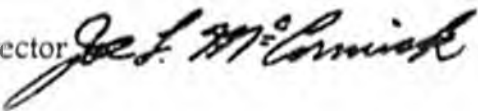
TONY KNOWLES, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
DIVISION OF STUDENT FINANCIAL AID

3030 Vintage Blvd.
JUNEAU, ALASKA 99801-7109
PHONE: (907) 465-2962
FAX: (907) 465-5316

MEMORANDUM

TO: All Alaska Commission on Postsecondary Education staff and
Schools participating in the Alaska Student Loan Program

FROM: Dr. Joe L. McCormick, Executive Director 

SUBJECT: Bankruptcy Law Changes

DATE: January 17, 1995

As you know, the Alaska legislature passed Alaska Statute 14.43.125 (a) (5) which states, "A person may apply for and obtain a scholarship loan if the person has not, within the previous five years, had a scholarship loan discharged or written off by the commission for any reason." This became effective for Alaskans applying for Alaska Student Loans beginning with the 1994-95 academic year.

However, we recently became aware that Section 313 of the Bankruptcy Reform Act of 1994 (Public Law 103-394) added the following portion of paragraph (c) to section 525 of title 11, United States Code:

"(c)(1) A governmental unit that operates a student grant or loan program.....may not deny a grant, loan, loan guarantee, or loan insurance to a person that is or has been a debtor under this title or a bankrupt or debtor under the Bankruptcy Act, has been insolvent before the commencement of a case under this title or during the pendency of the case but before the debtor is granted or denied a discharge, or has not paid a debt that is dischargeable in the case under this title or that was discharged under the Bankruptcy Act."

"(2) In this section, 'student loan program' means the program operated under part B, D, or E of title IV of the Higher Education Act of 1965 or a similar program operated under State or local law." [Emphasis is mine.]

In other words, this new Federal Bankruptcy law says the Commission cannot deny an Alaska Student Loan to a person who has had a loan discharged in bankruptcy. The Office of the Attorney General has advised us that the Federal Bankruptcy law supersedes the new State law. Therefore, effective immediately, applicants will not be denied Alaska Student Loans if previous loans had been discharged as long as they meet other program requirements.

Please be aware that applicants will continue to be denied if their loan(s) had been written off within the previous five years for any reason other than bankruptcy; such as medical cancellations or settlement offers.



Letter to the Commissioners January 1995

New Commission Appointment

Patricia Hill, Vice President of the North Dakota Board of Higher Education, was appointed to serve on the WICHE Commission representing North Dakota. Many of you may have met Patricia at the December Commission meeting in Tucson. Congratulations and welcome Patricia. North Dakota's Commission representation is a model it shares with Utah: an individual from the state's board of higher education, a state legislator, and the state's chief higher education executive officer. In the past, other states have used this model.

December Commission Meeting-Highlights

Audrey Alvarado (CO) was elected Chair for 1995 and Paul Page (NV) was elected Vice-Chair for 1995 (Chair-elect for 1996). Congratulations to both.

Executive Committee Members for 1995 were selected. Once standing committees have been discussed by the Executive Committee, new committee assignments will be determined.

Commissioners attending their first meeting included: Cheryl Frasca of Alaska, Chuck Ruch of Idaho, Joe Cox of Oregon, and Tad Perry of South Dakota.

Commission Action

- Approved the project, "Models for Interstate/Interinstitutional Academic Degree Programs," to be undertaken jointly by the Student Exchange Program and the Western Cooperative for Educational Telecommunications, if funded.
- Approved the project, "Rural and Non-Rural Consumers' Priorities for Mental Health Services and Outcomes," to be carried out by the Mental Health Program, if funded.
- Approved an increase in the Comprehensive Health Care Benefit for staff in anticipation of a change in insurance carriers involving higher co-payments for staff and lower premium costs for WICHE.
- Approved the audit report for FY 1994 and retained the general fund reserve level at the minimum of \$200,000.

-over-

- Approved the development of a WICHE fact book that will contain comparative data for use in addressing policy issues in the region.
- Requested the Chair appoint an ad hoc committee of Commissioners to explore the options and structure of the relationship between the Mental Health Program and WICHE, in consultation with state mental health program directors.

The Commission continued work on identifying and discussing state priorities and WICHE's activities. As part of this work, a paired comparison survey was developed and completed by Commissioners to obtain a ranking of the Commissioners top priorities. Commissioners who were not able to attend the meeting are being surveyed; this information will be added to the data base. Commissioners also met in small groups to outline priority issues. The discussion and information will guide staff and Commissioners in setting future directions. Dick Jonsen has written a draft response regarding WICHE priorities that will be reviewed during an Executive Committee conference call meeting on February 7. The paper will eventually be distributed to all Commissioners.

The Commission discussed changing the meeting format, and asked that the officers and staff explore the feasibility of several ideas: 1) moving the meetings to a Thursday/Friday schedule, 2) having the Executive Committee meet a day earlier to handle administrative business, 3) having the standing committees meet simultaneously, 4) providing time for topical discussions, 5) scheduling visits to area campuses/state capitols, and 6) inviting local WICHE students to participate in the Commission meetings.

The Executive Committee will discuss many of these items via conference call before the June meeting.

Future Meetings

June 15-16, 1995	Thursday/Friday	Boulder, Colorado
December 1-2, 1995	Friday/Saturday	San Francisco, California
June 13-14, 1996	Thursday/Friday	Boulder/Denver, Colorado
December 6-7, 1996	Friday/Saturday	Albuquerque, New Mexico

In Memoriam

We received word that former WICHE Commissioner from Idaho, Martha Jones, died in November 1994. She served on the WICHE Commission from 1967 to 1985. If you would like to receive a copy of her obituary, please contact Marla Hamby (303/541-0204).

Memorandum

TO: WICHE Commissioners
FROM: Marla Hamby *Marla*
DATE: January 5, 1995
SUBJECT: New Commission Meeting Dates

At the December 1994 meeting, considerable interest was expressed in changing the Commission meetings from a Friday/Saturday format to a Thursday/Friday format. The site selection committee looked at the cost implications of this change, especially with respect to the "over Saturday night" airfare requirements. It was decided the best approach would be to alternate the formats for the next few meetings.

Future Commission meetings are as follows:

June 15-16, 1995	Thursday/Friday	Clarion, Boulder, Colorado
December 1-2, 1995	Friday/Saturday	Westin, San Francisco Airport, California
June 13-14, 1996	Thursday/Friday	Boulder/Denver, Colorado
December 6-7, 1996	Friday/Saturday	Albuquerque, New Mexico

Major revisions to the meeting schedule are being discussed as well. Suggested revisions will be presented to the Executive Committee for consideration during a conference call in January/February. Most recent plans call for the Executive Committee to meet early on the first day of the meeting. This will mean that Executive Committee members will need to arrive the night before the meeting. You may want to note this on your calendar.

We will keep you posted as decisions are made. If you have any questions, please call me 303/541-0204. Thanks.



**ALASKA COMMISSION
ON
POSTSECONDARY EDUCATION**

LEGISLATIVE CONTACT SHEET

PHONE 465-6740

FAX 465-3293

- * Dr. Joe L. McCormick, Executive Director
- * Gillian Hays, Executive Assistant (*Gillian*)
- * Lisa Perkins, Legislative Intern

FOR STUDENTS AND GENERAL PUBLIC:

Mailing/Street Address (Juneau)

3030 Vintage Blvd.
Juneau, AK 99801-7109

Main Telephone Numbers

(907) 465-2962 (Juneau)
(907) 272-6440 (Anchorage)
(907) 465-3143 (TDD)

Fax Numbers

(907) 465-5316 (Juneau)
(907) 465-3293 (Executive Office)
(907) 272-6097 (Anchorage)

Mailing/Street Address (Anchorage)

[Correspondence regarding Institutional Authorization]
707 A Street, Suite 206
Anchorage, AK 99501

Financing College Costs and The Decision to Attend School

By Dr. Joe L. McCormick

The decision to enroll in or return to school to pursue some type of postsecondary educational training is a most important decision that should be examined carefully, taking into account some critical factors. Among the factors a student must consider in pursuing educational training beyond high school are these:

Which program of study or training should I pursue?

The *Alaska Career Guide* contains several articles with ideas to assist you in identifying the type of program that best matches your interests and talents. In addition, it is strongly advised you use the counseling services of the local high school and/or college in your area.

Which school should I enroll in?

Choosing a school is sometimes difficult, sometimes confusing, but is most definitely a very important decision. Do your homework, compare schools on the basis of total costs, reputation in the community, type of school, and actual visits to the school. There are basically three types of schools to consider: a) public institutions operated by the state, b) private traditional colleges, and c) for-profit proprietary schools (sometimes referred to as trade or business schools).

Compare the schools that you are seriously thinking of attending using the "Three C's Test": Cost, Course Content, and Credibility.

Costs: compare the total tuition, fees, books, and other direct school charges for each school that offers the program of study you are considering. Tuition for the same program taught at different schools can be drastically different. In an important and related matter, find out what kinds of student financial aid are available at the school. There are generally three types of aid: grants and/or scholarships, student loans, and part-time employment. Please reference the student financial aid portion of this article and related sections of the *Alaska Career Guide* for more detailed information on student financial aid.

Course Content: for the program of study you are pursuing, what courses (subjects) are actually taught and how long are the courses? Do the course offerings appear reasonable and essential to the program being studied? What is different in the courses offered at the different schools being considered? Ask the school officials to explain any questions you may have about the courses taught in the programs offered.

Credibility: what is the reputation of the school in the community and among students who attend or have attended? Ask the school if it offers job placement and the names of employers that have hired the school's graduates. Ask the school what its retention rate is (how many students stay in school to complete the course of study?). Talk to fellow students and faculty. Ask if the school is accredited and/or licensed to operate by the state and whether or not it is certified to participate in the

federal and/or state programs of student financial aid.

How will I pay for the cost of the training and living expenses while a student?

The *Alaska Career Guide*, the Alaska Commission on Postsecondary Education, and your local financial aid office of the college or school you plan to attend have all the information you will need to learn what financial aid programs are available at the schools you may be considering. The most important first step is to inquire at the school about: a) what financial aid programs are available and b) how to apply for financial aid at the school.

What are the implications/risks of financing the education or training primarily with student loans?

Many students are forced to borrow the funds needed to pay the costs of attending the school of their choice. Students should assess their situation very carefully before going into debt to pay college expenses. Never borrow needlessly nor accept a loan in place of a scholarship or grant. Look for schools that have more than simply loan programs available to help students pay the costs of the training.

Remember: borrowing money to pay tuition is a surrender of your future earnings. Seek advice about the potential earnings for the program of study you are pursuing and the likelihood of successful employment in the area you are willing to live when the training is finished. The *Alaska Career Guide* lists potential earnings by occupation and the potential for employment in the Occupational Table (see pages ??).

If you must borrow to finance your schooling, know the terms and conditions under which you must borrow before signing anything or agreeing to enroll in the school. Have the school explain possible repayment options, deferments, and the interest to be charged on the loan. Have a full understanding of the consequences of delinquency and default of the loan (loss of a good credit rating, seizure of the Permanent Fund Dividend, or a court judgement). You must understand that a loan is a loan. Failure to complete the course of study or to find gainful employment or dissatisfaction of the student borrower does not in any way avoid the student's responsibility to pay the loan in full.

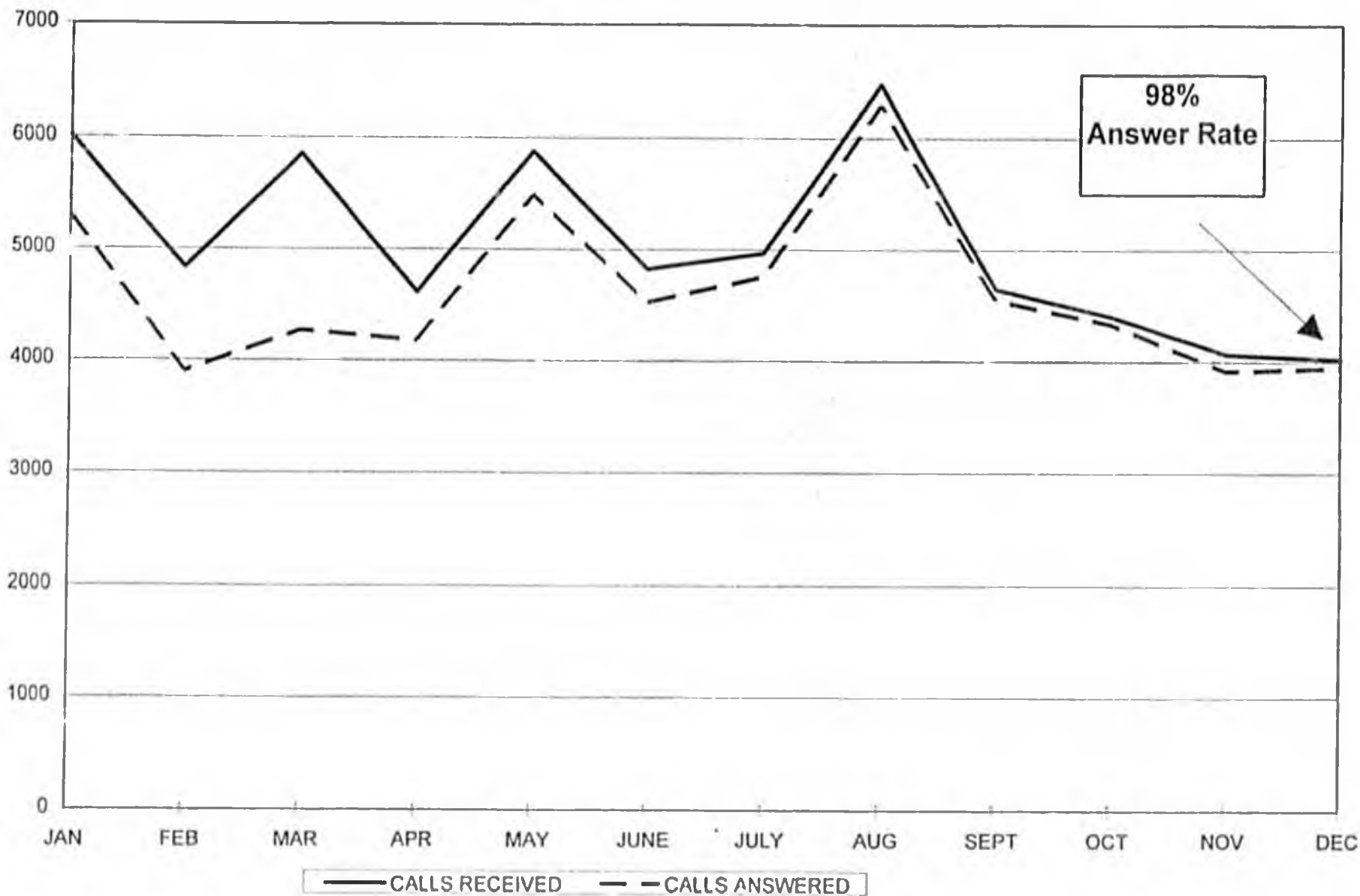
ATTACHMENT THREE

ACPE TELEPHONE & CORRESPONDENCE ACTIVITY

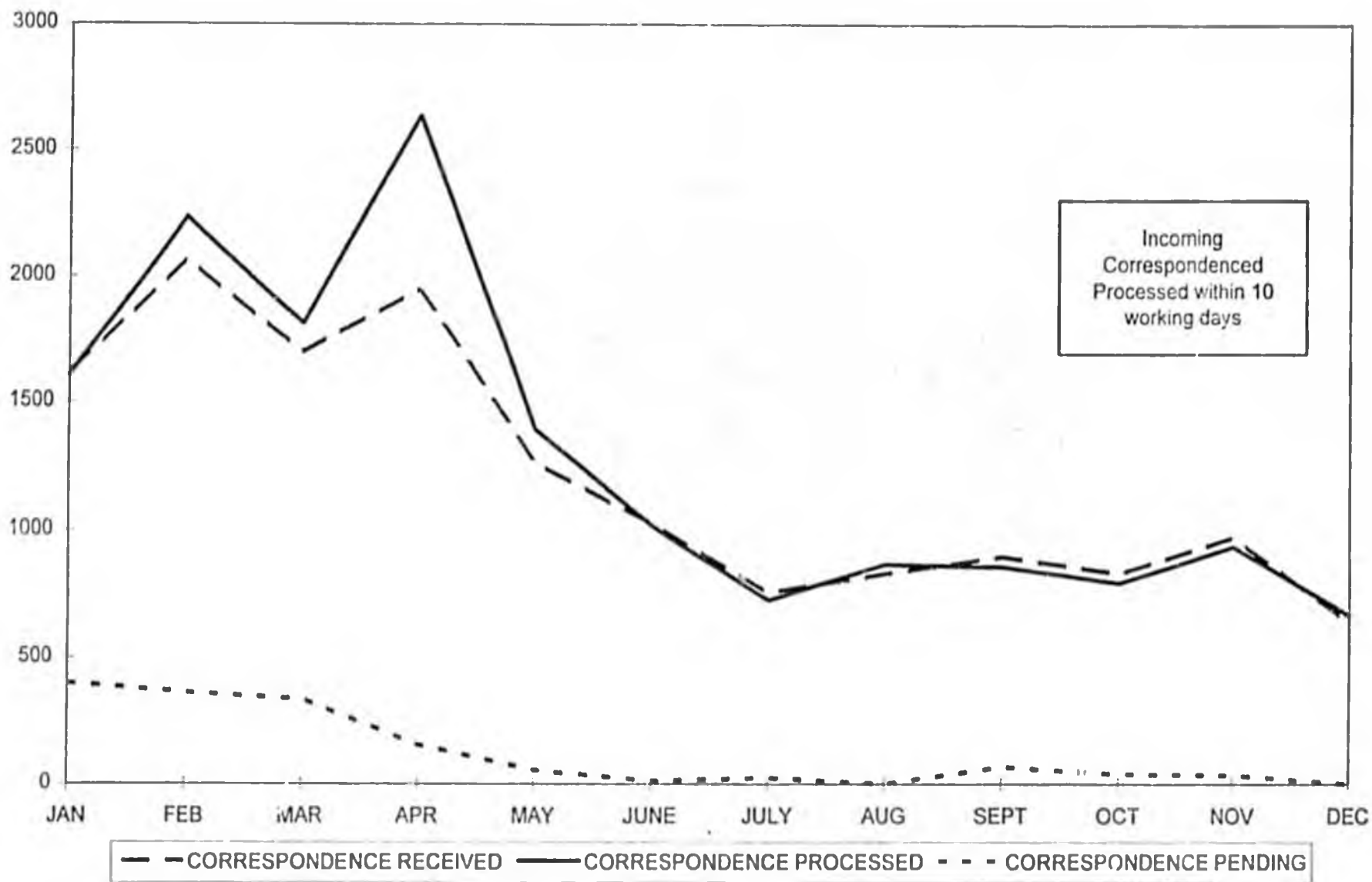
for

1994

1994 TELEPHONE STATISTICS



CORRESPONDENCE PROCESSING 1994



9-LS0581VA
Ford
1/27/95

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the Alaska Commission on Postsecondary Education to adopt
 2 regulations necessary to determine and set an interest rate applicable to a student
 3 loan for which money is disbursed on or after July 1, 1995, and regulations necessary
 4 to implement certain loan default sanctions and consolidation of loan provisions
 5 beginning July 1, 1995; and providing for an effective date."

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

7 * Section 1. The Alaska Commission on Postsecondary Education may immediately proceed
 8 to adopt regulations necessary to

9 (1) determine and set an interest rate applicable to a loan for which money is
 10 disbursed on or after July 1, 1995, required under AS 14.43.120(f), as repealed and reenacted
 11 in sec. 2 , ch. 112, SLA 1994, and under AS 14.43.120(v), as enacted in sec. 4, ch. 112, SLA
 12 1994; and

13 (2) implement AS 14.43.120(i), as amended by sec. 3, ch. 112, SLA 1994, and

- 1 AS 14.43.122, as enacted by sec. 5, ch. 112, SLA 1994; regulations authorized by this paragraph
- 2 may not take effect before July 1, 1995.
- 3 • Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

WORK ORDER REQUEST FORM

W.O. [19] LS-0581

KEYWORDS: EDUCATION ASSIGNED: Ford

LOAN FUNDS/LOANS

REQUEST FOR: New Bill TAKEN BY: Ford

SUBJECT: Student Loan Interest Rates

REQUESTED FOR: SC SHES BY: Portia PHONE: 465-3762

DELIVER TO: Sen. L. Green, Cap. 423

INSTRUCTIONS: Prepare a new draft relating to student loans per attached, with a narrow title. (9-LS0404\C has been withdrawn)

<p>OBTAIN</p>	<p>SPECIAL DRAFTING INSTRUCTIONS ATTACHED [] AUTHORIZED TO CONFER WITH _____ _____ RETURN _____ _____ TO REQUESTOR APPROVED: <u>X</u> DIRECTOR, LEGAL SERVICES</p>
<p>REVIEWED _____ IN <u>01/26/95</u> DUE _____ TYPED: Draft _____ Date _____ Final _____ Date _____ PROOFED _____ DELIVERED _____</p>	<p>SPECIAL INSTRUCTIONS to TYPING/PROOFING _____ _____ Request for DRAFT</p>

Poznik

STATE OF ALASKA

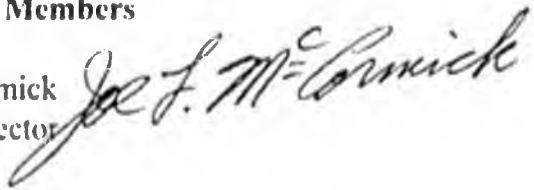
ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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

MEMORANDUM

TO: ACPE Commission Members
ASLC Board Members

FROM: Joe L. McCormick
Executive Director



DATE: January 23, 1995

RE: December 1994 Status Report

ACPE Commission Meets : On December 9 & 10, 1994 the Alaska Commission on Postsecondary Education held its Winter meeting in Anchorage on the campus of Alaska Pacific University. Chairman Wagoner convened the meeting to discuss the following items:

- Executive Director's report
- Commissioner reports
- Institutional Authorization Committee report
- Proposed Legislative Agenda
- Adoption of Proposed Regulations

Executive Director, Joe McCormick, reported on the status of the commission's budget preparation for FY96, status of the FY94 financials, corporate priorities for the coming quarter, and actions taken by the Legislative Budget and Audit Committee. Commissioner Helmerick reported on activities of the University of Alaska Board of Regents; Commissioner Jarvis reported on recent meetings of the State Board of Education; and Commissioner Becker reported on the activities of the Governor's Council on Vocational Education.

The Institutional Authorization Committee reported on its most recent meeting on November 15, 1994. The IA Committee renewed five school licenses and approved one new school license. Proposed regulatory changes were adopted and forwarded to the Lt Governor's Office for final adoption.

The Commission adopted a legislative agenda to include proposed changes to the Alaska Student Loan Program that would require borrowers to pay interest on loans during authorized deferment periods, increase loan limits for graduate students, a minimum payment of \$50 per month, and other changes designed to improve program administration.

JAN 27 1995

Legislative Budget and Audit Committee Approves ACPE Loan Servicing Project:

in early December, 1994, the LB&A Committee met and approved ACPE to initiate a search for a new software package to service the ASLP loan portfolio. This initial approval of a capital budget of \$250,000 is part of a larger project request for an additional \$4 million to fully revamp the existing student loan servicing system and replace it with an up-to-date, fully automated system. This is the first critical step toward addressing the serious deficiencies in the current ACPE loan servicing system.

WICHE Board of Directors Meet; the board of directors of the Western Interstate Commission on Higher Education (WICHE) met in Phoenix on December 2&3, 1994 to discuss critical issues facing higher education in the western states. Alaska was represented by board of director member Cheryl Frasca of Juneau.

Commission Activity in December; commission staff were extremely busy in December with a variety of important projects and assignments. Customer Service continues to answer all phone calls with a 98% plus answer rate. Loan Operations section continues to make progress toward the elimination of backlogs in processing their work. Almost 14,000 ASLP loan applications have been processed to date for the 1994-1995 year. The 1995-1996 loan application has been revised and will be printed in late January. Staff efforts to formalize our school compliance function are almost complete. Work continues to complete the FY1994 financial audit.

Critical Dates

January 16, 1995	Alaska Legislature convenes in Juneau
February 28, 1995	Institutional Authorization Committee meets - JUNEAU
March 1, 1995	Alaska Student Loan Corporation meets (2 pm) - Juneau
March 1-2, 1995	Alaska Commission on Postsecondary Education meets (2 pm) - Juneau

cc: Management Team
All Alaska Legislators

ATTACHMENT ONE

Letters of Interest

PAUL B. SHELDON
MANAGING DIRECTOR
(212) 698-5304
(212) 698-5873 Fax Number

SMITH BARNEY

November 7, 1994

Mr. Tom Wagoner
Chairman
Alaska Commission on Post Secondary Education
3030 Vintage Boulevard
Juneau, Alaska 99801-7109

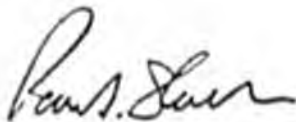
Dear Mr. Wagoner:

I have read the report of Peat Marwick dated September 1994 which reviewed various aspects of your current servicing configuration and suggestions for the future. I have also reviewed a recommendation memo from Joe McCormick dated October 24, 1994.

The purpose of this letter is to endorse the importance of this endeavor. I cannot overemphasize the importance of proper and efficient servicing capability, not only for customer service reasons but also to facilitate the ability to finance with the lowest cost possible. Obtaining the report shows that you recognize the problems and that you are serious about correcting these problems. Furthermore, the costs of a new system, as outlined in Dr. McCormick's memorandum are somewhat modest when compared to the size of your portfolio and annual budgets.

We believe that you must succeed if you are to continue to supply student loan capital to Alaskans. Without proper servicing, the future of your program would be threatened. With a properly installed servicing operation, together with your new management, we are very confident about obtaining increased credit ratings, and lower cost insurance and/or interest rates.

Sincerely,



Alaska State Legislature

Ronald L. Larson
Co-Chair
(907) 465-3878

OFFICE ADDRESS
P.O. Box 53
Palmer, Alaska 99645
(907) 746-1048



Eileen P. MacLean
Co-Chair
(907) 465-3722

OFFICE ADDRESS
P.O. Box 200
Barrow, Alaska 99723
(907) 862-7111

House of Representatives

Committee on Finance
State Capitol, Juneau, Alaska 99801-1182

November 30, 1994

Joe L. McCormick, Executive Director
Alaska Commission on Postsecondary Education
3030 Vintage Blvd.
Juneau, Alaska 99801-7109

Mr. McCormick:

I am extremely disappointed in how you chose to use the \$100,000 which appropriated in the fiscal year 95 capital budget for the purposed dictated by the following Legislative Intent:

"The sum of \$100,000 in corporate receipts is appropriated to the Alaska Commission on Post Secondary Education to contract with a private firm of national reputation in the student loan industry to conduct a cost/benefit analysis to determine the feasibility of either contracting with a third-party loan servicer to use their software and hardware in a service bureau arrangement or to contract out all loan servicing of the Alaska Student Loan Program to a third-party loan servicer".

The Peat Marwick "feasibility" study does not come close to addressing the concerns in the intent. It is merely a support document to convince the administration and the legislature expend additional funds for the ACPE and probably more consultants. Even in your own cover letter you refer to the purpose of this analysis to be "to evaluate the long-term standing problems associated with the servicing of the Alaska Student Loans and recommend a solution". Apparently the exhaustive report recently completed on this very topic by Deloitte and Touche has been forgotten.

(2)

There is one comment in the study which I do agree with. On page 35 the statement is made that "outsourcing the servicing to an existing student loan servicer is the most attractive alternative solution from an economic standpoint". Yet, the report goes on to comment that such a move would "have a negative impact on the Juneau economy". This comment is unwarranted and shows the bias that this report was constructed under.

The Commission always points out in its many RPL's that the funding is from corporate receipts and therefore there is not effect on the general fund. While this may be true, due to these withdrawals it is easy to visualize the day when that the fund may need additional general fund support. If excess money is so readily available in the fund, with no impact on student loans, perhaps it should be called upon to help with our general fund shortage.

Given the direction you have taken on this matter I urge my fellow members on the Legislative Budget and Audit Committee to disapprove or delay the Commission's request until such time as the study as called for in the intent is actually completed. I also question why the Commission would need \$250,000 merely to prepare an RFP.

Once a entirely new loan processing system has been installed, you can be sure the hired consultants would conclude that outsourcing the loan program would make no sense at all.

Sincerely,



Representative Eileen Panigeo MacLean

cc: Senator Drue Pearce
Legislative Budget and Audit Committee members
ACPE Board Members

December 2, 1994

«title» «first» «last»
«address»
«city», «state» «zip»

**RE: THE REQUEST BY THE ALASKA COMMISSION
ON POSTSECONDARY EDUCATION TO UPDATE
ITS STUDENT LOAN SERVICING SYSTEM.**

Dear «title» «last»:

I write in support of the above-referenced request to be considered this morning by the Alaska Legislative Budget and Audit Committee. The details, the need, the benefits in effectiveness, efficiency and responsiveness are all set forth in the documents before you from the Commission.

As a long-term educator in higher education, serving as both faculty member and administrator, and as the current president of a two-year private degree-granting Alaskan college which I founded some ten years ago, and as a current commissioner of the Alaska Commission on Postsecondary Education, I believe the measure before you should represent a turning point in resolving many of the problems and difficulties that have in the past few years beset what is regarded generally for higher education in the United States as a stellar program, serving a broad range of social needs.

The Alaska Student Loan Program no longer uses general funds but instead floats bonds to serve the people of Alaska. Your considered review and approval of the request will permit the Commission and its new executive director to continue a splendid traditional and to do so with increased efficiency and reduced cost.

Very cordially,

Milton Byrd
President

MB/rr

ALASKA PACIFIC UNIVERSITY

The President

December 15, 1994

Dr. Joe McCormick, Executive Director
Alaska Commission on Postsecondary Education
3030 Vintage Blvd.
Juneau, AK 99801-7109

Dear Joe:

I write with great pleasure to tell you that the Board of Trustees of Alaska Pacific University have selected Dr. Douglas McKay North as the next president of the university. Dr. North, who has been until recently president of Prescott College in Arizona, expects to join the university on January 16, 1995. I am very pleased with the decision and look forward to a great time under his leadership.

Cordially,



F. Thomas Trotter

ATTACHMENT TWO

ARTICLES OF INTEREST

Uncle Sam has a way to help families and students afford college

... and save taxpayers billions!

Finally, there's good news for family. And good news for taxpayers, too. New Individual Education Accounts are here. Recently created by the President and the Congress, they make the American dream of an affordable college education a reality for many more young people and their families who thought it was beyond their financial reach. Here's how it works:

- *Borrowing for college is simpler.* Students get their loans directly through their colleges. No more confusion about where to go for loans. No more red tape.
- *Loans are more affordable.* The new direct loan program lowers fees and interest rates for all types of college loans.
- *Pay back as you can.* Student can tailor their repayment plan to match their ability to pay. That means they can start a business, do community service, or take other jobs without being burdened with a big, fixed debt early in their careers.
- *Refinancing is available.* If students have more than one loan, an IEA can help consolidate them and offer a refinancing plan that makes more sense.

CHISEL

Student loan program expands

By Tamara Henry
USA TODAY

Education Secretary Richard Riley today announces the addition of 346 colleges and universities to the Federal Direct Student Loan Program.

Riley, just back on the job after prostate cancer surgery, says 1,493 public, private, four-year, two-year and career schools will participate next fall. About 2 million students will be eligible for the program, which lends directly to students through schools rather than private lenders.

Riley says colleges quickly snapped up all the available loan money, which will account for 40% of new student loan volume for 1995-96.

By removing private lenders, the Clinton administration says taxpayers will spend about \$4.2 billion less through fiscal 1998 because of lower administrative costs. The program gives students a repayment option tailored to income.

Want to know if your school is in the program? Phone 800-433-3243, or contact your financial aid officer.


Thursday! Sun & Snow

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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

TO: Portia Babcock
c/o Senator Green

FROM: Dr. Joe L. McCormick
Executive Director 

DATE: March 21, 1995

RE: HB 135

Below is information on HB 135, which is transition language giving Commission immediate authority to promulgate regulations necessary to implement provisions in HB 506, passed last session.

The regulations will:

- set the interest rate for loans disbursed after July 1, 1995;
- allow for consolidation of loans; and
- provide for specific loan default procedures.

Under the Federal Truth in Lending law, student loan programs are required to notify students of the interest rate at which they are borrowing money. The Commission cannot do this until this bill is law.

This action is urgently needed to allow the Commission time to get rules in place before July 1, when loan checks must be disbursed to over 13,000 Alaskans.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 59

Date: _____
 Title: An Act authorizing the Alaska Commission on Postsecondary Education to adopt regulations necessary to set an interest rate applicable to a student loan, for which money is disbursed on or after July 1, 1995.
 Sponsor: Senate HESS Committee
 Requestor: Senate HESS Committee

Dept. Affected: EDUCATION
 BRU: ACPE
 Component: Student Loan Operations
 COMPONENT SERIAL NO. 213

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
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						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

Federal Receipts						
State Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY95) Impact: 0 90

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared by: Gillian R. Hays *Gillian R Hays*
 Division: Alaska Commission on Postsecondary Education
 Approved by Executive Director: Joe M. Loring
 Agency: ACPE

Phone: 465-6740
 Date: 10-Feb-95
 Date: 2/10/95

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FAX (907) 465-5316

MEMORANDUM

TO: ACPE Commission Members
ASLC Board Members

FROM: Joe L. McCormick *Joe L. McCormick*
Executive Director

DATE: February 10, 1995

RE: January 1995 Status Report

Legislative Status Report - HB 135 and companion bill SB59 have been introduced giving authority to the Alaska Commission on Postsecondary Education to promulgate emergency regulations to set the interest rate on Alaska Student Loans to be disbursed after July 1, 1995. This legislation must be passed as soon as possible in order to allow the ACPE to have appropriate regulations in place prior to July 1, 1995. The Alaska Commission on Postsecondary Education, at its December 1994 meeting, unanimously approved legislative changes to promote financial stability of the student loan fund and to assist in improving customer support services. ACPE staff are working closely with the Governor's Office and the Office of Management and Budget to secure the Administration's full support for these legislative proposals. The legislative changes proposed are:

- Increase Maximum Graduate Loan Limits
- Reduce Administrative Costs/Streamline Administrative Process
- Program Participation Agreement
- Modify Deferment Options
- Amend Repayment Options
- Expand Students' Financial Aid Options
- Amending definition of 'default'
- Establish Wage Garnishment Priority
- Deny Loans to Incarcerated Individuals
- Technical Amendments for Residency Requirements
- Amend WICHE for Directed Student Funding

1994 Alaska Student Loan Corporation Financial Audit Completed - final work was completed on the 1994 Alaska Student Loan Corporation Financial Audit. The ASL Corporation board will receive a full presentation of the audit at its March 1, 1995 meeting in Juneau. In a related activity, preparations for a compliance audit of the ASLP loan servicing system in February 1995 were completed. This audit is required by the insurer of the ASLC student loan bonds, AMBAC, and will focus on the operational

FEB 10 1995

aspects of servicing Alaska Student Loans and a review of the improvements made by ACPE since the last compliance audit in March of 1993.

Alaska Student Loan Volume for 1994-1995 by Participating Schools - over \$53.0 million in ASLP awards have been made as of 1-31-95 for this current school year 1994-1995. Approximately \$31.4 million has been awarded to Alaska students attending Alaska schools; approximately \$21.7 million has been awarded to Alaska students attending out-of-state schools. Listed below is a breakdown of the ten schools in Alaska currently receiving the most ASLP funds:

<u>Alaska Schools</u>	<u>Total # of Students</u>	<u>Total \$ Amount Loaned</u>
University of Alaska - Anchorage	3,213	\$12,069,063
University of Alaska - Fairbanks	1,952	\$ 8,222,668
University of Alaska - Southeast	349	\$ 1,478,391
University of Alaska -MSC	343	\$1,264,058
Alaska Pacific University - Anchorage	210	\$ 888,473
University of Alaska - Kenai	220	\$ 770,887
Alaska Computer Institute	143	\$ 712,652
Charter College	154	\$ 584,304
Alaska Junior College	133	\$ 547,652
Alaska Vo-Tech Center	123	\$ 496,117

Loan Servicing System Update - ACPE staff completed the bid process for the selection of a firm to assist staff in the search and selection of the new software needed to fully update the current ASLP loan servicing system. Only one bid was received that fully met the requirements to conduct a national search and evaluation of the appropriate software.

It is anticipated to take no more than 60 to 90 days to complete this phase of the project. As reported in the December 1994 Monthly Status Report, the Legislative Budget and Audit Committee approved ACPE to expend \$250,000 of corporate receipts as part of a larger project request (in the capital budget) for an additional \$1.4 million to fully revamp the existing student loan servicing system and replace it with an up-to-date, fully automated system. ACPE is now working with the Governor's Office and the Office of Management and Budget to secure the remaining \$1.4 million funding for the rest of the project.

Critical Dates

February 13, 1995	Loan Servicing Compliance Audit begins
February 20, 1995	President's Day - ACPE Holiday
February 28, 1995	Institutional Authorization Committee meets - Juneau
March 1, 1995	Alaska Student Loan Corporation meets - Juneau
March 1&2, 1995	Alaska Commission on Postsecondary Education meets - Juneau
March 27, 1995	Seward's Day - ACPE Holiday

cc: Management Team

MEMORANDUM

State of Alaska
Department of Law

TO Gillian Hays
Alaska Commission on
Postsecondary Education

DATE January 13, 1995

FILE NO

TEL NO 269-5200

SUBJECT Transition provisions
regarding ch. 112, SLA 1994


FROM Teresa Williams
Assistant Attorney General
Commercial Section -- Anchorage

I am writing to explain the necessity for the legislature to immediately adopt transition provisions regarding ch. 112, SLA 1994.

The current interest rate of 8% for Alaska Student Loans is repealed effective July 1, 1995, and the commission has the duty to set the interest rate for money disbursed after that time. Ch. 112, SLA 1994. Before the commission can enter into student loans for the summer and 1995-96 terms, it must set an interest rate. The commission attempted to begin that process in November, 1994. However, the Department of Law's Regulation Attorney has determined that, in the absence of transitional regulation authority, the commission cannot move forward to adopt regulations to establish the elements of the new interest rate until the new legislation becomes effective July 1, 1995.

Commission staff have advised me that loan packets are sent to students and schools in the spring of each year, and students sign promissory notes for student loans during that time for the following school year. However, this year, the students cannot be advised of the interest rate. Under the Federal Truth in Lending law, student loan programs are required to notify students of the interest rate at which they are borrowing money. Additionally, in making decisions about which loan programs to pursue, students need to know the cost of each.

This office has drafted the attached bill language to correct the problem. Section 1 gives the commission authority to immediately begin the adoption process for regulations that will give the commission authority to set the interest rate for money disbursed after July 1, 1995. The bill would allow the regulations to take effect as soon as that project could be completed under the APA, even if that date is before July 1, 1995. In order to meet the commission's schedule for printing and distribution of loan packets for loans disbursed after July 1, 1995, the regulations must be adopted as early as possible.

Gillian Hays
Alaska Commission on
Postsecondary Education

January 13, 1995
Page 2

Section 2 of the bill gives the commission standard transition regulatory authority to immediately begin the process to adopt regulations for other provisions of ch. 112, SIA 1994, relating to loan default procedures and consolidation of loans. Regulations adopted under section 2 may not take effect before July 1, 1995, when the enabling statute becomes effective.

I will be out of the country from January 15 - February 11 and April 1 - 20. If any questions arise during that time about this problem or other issues, please direct them to AAG Linda Kesterson or to AAG Linda O'Bannon, my supervisor.

TEW:mh

Attachment

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Current Status: (S) CALENDAR 3/21

Jrn-Date	Jrn-Page	Action
1 01/30/95	174	(H) READ FIRST TIME - REFERRALS
2 01/30/95	174	(H) HES, FIN
3 02/08/95	267	(H) HES RPT 5DP 1NR
4 02/08/95	267	(H) DP: ROKEBERG, G.DAVIS, BUNDE, TOOHEY
5 02/08/95	267	(H) DP: ROBINSON
6 02/08/95	267	(H) NR: BRICE
7 02/08/95	267	(H) ZERO FISCAL NOTE (DOE) 2/8/95
8 02/15/95	365	(H) FIN RPT CS(FIN) NEW TITLE 9DP 1AM
9 02/15/95	365	(H) DP: HANLEY, KELLY, PARNELL, KOHRING
10 02/15/95	365	(H) DP: THERRIAULT, NAVARRE, MULDER
11 02/15/95	365	(H) DP: GRUSSENDOKF, BROWN
12 02/15/95	365	(H) AM: MARTIN
13 02/15/95	365	(H) ZERO FISCAL NOTE (DOE) 2/8/95
14 03/03/95	569	(H) RULES TO CALENDAR 3/03/95
15 03/03/95	569	(H) READ THE SECOND TIME
16 03/03/95	570	(H) FIN CS ADOPTED UNAN CONSENT NEW TITLE
17 03/03/95	570	(H) ADVANCED TO THIRD READING UNAN CONSENT
18 03/03/95	570	(H) READ THE THIRD TIME CSHB 135(FIN)

Current Status: (S) CALENDAR 3/21

Jrn-Date	Jrn-Page	Action
1 03/03/95	570	(H) PASSED Y33 E4 A3
2 03/03/95	571	(H) EFFECTIVE DATE(S) SAME AS PASSAGE
3 03/03/95	578	(H) TRANSMITTED TO (S)
4 03/06/95	490	(S) READ THE FIRST TIME - REFERRAL(S)
5 03/06/95	490	(S) FINANCE
6 03/08/95	537	(S) FIN RPT 4DP 3NR
7 03/08/95	537	(S) PREVIOUS H ZERO FN
8 03/21/95		(S) RULES TO CALENDAR 3/21/95

* Remember -

HB 135 allows the Alaska Commission on Postsecondary Education to proceed with implementing regulations to implement legislation that passed last year - it makes no statutory changes, simply allows the Commission to do their regulations in time for the July 1, 1995 effective date, so student loan applications won't be delayed. Leaving out regulation authority was an oversight last session.