

SB

332

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/3/98

FURTHER: 4/2/98

Date of 5-Day Notice: 3/26/98
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/6/98

Finance Committee considered SENATE BILL NO. 332

"An Act relating to the Alaska Student Loan Corporation."

and recommends:

- be replaced with _____ CS SB 332 (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 title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John Legend</i>	<input checked="" type="checkbox"/>	<i>Red & Blue</i>	<input checked="" type="checkbox"/>		
<i>David Bailey</i>	<input checked="" type="checkbox"/>	<i>Sean P. Arnold</i>	<input checked="" type="checkbox"/>		
		<i>Al Cda</i>	<input checked="" type="checkbox"/>		
Co-Chair: <i>Peace</i>	<input checked="" type="checkbox"/>	Co-Chair: <i>John Legend</i>		<input checked="" type="checkbox"/>	
Co-Chair:		Co-Chair:			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Education	3/6/98	Ø	

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSSB 332

DRAFT

Revision Date (Note if correction) March 17, 1998 Dept. Affected Education
 Title "An Act authorizing the Alaska Student Loan Corporation to set the amount available for student loan programs and increasing the amount of bonds that may be issued without legislative approval; and providing for an effective date." BRU Alaska Commission on Postsecondary Education
 Sponsor Senate HESS Component Alaska Student Loan Program
 Requester Senate Finance Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
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						
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CHANGE IN REVENUES)	0.0	0.0	0.0	*0.0	*0.0	*0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Section 1 of this bill will allow the Alaska Student Loan Corporation (ASLC) to manage the loan fund by actually setting an annual limit available from the student loan fund, if necessary, for an academic year. Further, that management tool would permit the ASLC to reduce the impact to borrowers in any single year should a shortfall occur. **Continued.**

Prepared by Mike Maher, Director of Student Loan Operations
 Division Student Loan Operations

Phone 465-6743
 Date March 17, 1998

Approved by Executive Director:  /Diane Barrans
 Agency: Alaska Commission on Postsecondary Education

Date: March 17, 1998

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

A shortfall could occur if the cashflows of the ASLC fail to demonstrate to Ambac (the bond insurer) that it will have the assets equal to or in excess of 150% of the ASLC debt. This test of asset-to-debt coverage is required as an element of the ASLC master bond indenture. The indenture sets out terms by which the corporation agreed to manage its finances and govern the use of bond proceeds and other assets of the corporation. The ASLC is bound by the terms of the indenture while bonds issued in compliance with it are outstanding.

Section 2. increases the present bond cap of \$125 million in any two consecutive fiscal years to \$200 million, which would accommodate program growth for years to come. This change is necessary due to legislation that passed in 1996, at the request of Alaska's students, which increased individual loan limits by 35%. As a result, the annual Alaska Student Loan volume also increased by more than 30%.

Increasing the biennial bond limit will allow the ASLC to consolidate its 1998 bonding needs in a single issue, avoiding additional fixed issuance costs of approximately \$125,000 (rating, printing, bond counsel, and financial advisor). Without this legislation, the corporation will have to issue a portion of the bonds (up to the current cap) in FY 98 (prior to June 30, 1998) and the remainder, necessary to meet the demand, in FY 99. **It should be noted that this saving would not result in a negative fiscal note, as the loan funds of Corporation are exempt from title 37, the executive budget act. However, the \$125,000 savings will reduce the overall ASLC debt.**

Section 3. The immediate effective date will allow for a single bond issuance prior to June 30, 1998.

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From: Dave Tonkovich <Dave_Tonkovich@legis.state.ak.us>
Subject: Fiscal Note on SB 332
To: Larry Stevens <Larry_Stevens@legis.state.ak.us>

10:17 AM

Larry

I did some research on the Student Loan Program fiscal note for CSSB 332. The short answer is that costs of bond issuance would not ordinarily show up in budget documents. Several reasons:

1. AS 14.42.190 states the the Operating budget of the Corporation is subject to AS37.07, the Executive Budget Act. The key word here is "operating".

2. AS 14.42.300 Operations of Certain Statutes Excepted. Except as provided in AS 14.42.190, the Corporation is not subject to AS37.

The corporation interprets this as applying to their loan fund activities. That interpretation seems to be consistent with how other entities with active loan funds are treated.

In any event the corporation indicates that these costs (or savings) are ultimately built into the bond costs (amortized and paid off over time as bonds are retired.)

I hope this helps-let me know if I can follow up.

Dave Tonkovich
465-5413 (I think!)

FISCAL NOTE

REPORTED OUT OF
SFC 4/2/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. SB 332

Revision Date (Note if correction) _____ Dept. Affected Education
 Title "An Act relating to the Alaska Student Loan Corporation." BRU Alaska Commission on
 Postsecondary Education
 Component Alaska Student Loan Program
 Sponsor Senate HESS
 Requester Senate Finance Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
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						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	*0.0	*0.0	*0.0
------------------------	-----	-----	-----	------	------	------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Section 1 of this bill will allow the Alaska Student Loan Corporation (ASLC) to manage the loan fund by actually setting an annual limit available from the student loan fund, if necessary, for an academic year. Further, that management tool would permit the ASLC to reduce the impact to borrowers in any single year should a shortfall occur. Continued.

Prepared by Mike Maffer, Director of Student Loan Operations
 Division Student Loan Operations

Phone 465-6743
 Date March 6, 1998

Approved by Executive Director: Diane Barrans
 Agency: Alaska Commission on Postsecondary Education

Date: 3/6/98

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

A shortfall could occur if the cashflows of the ASLC fail to demonstrate to Ambac (the bond insurer) that it will have the assets equal to or in excess of 150% of the ASLC debt. This test of asset-to-debt coverage is required as an element of the ASLC master bond indenture. The indenture sets out terms by which the corporation agreed to manage its finances and govern the use of bond proceeds and other assets of the corporation. The ASLC is bound by the terms of the indenture while bonds issued in compliance with it are outstanding.

Section 2, increases the present bond cap of \$125 million in any two consecutive fiscal years to \$200 million, which would accommodate program growth for years to come. This change is necessary due to legislation that passed in 1996, at the request of Alaska's students, which increased individual loan limits by 35%. As a result, the annual Alaska Student Loan volume also increased by more than 30%.

Increasing the biennial bond limit will allow the ASLC to consolidate its 1998 bonding needs in a single issue, avoiding additional fixed issuance costs of approximately \$125,000 (rating, printing, bond counsel, and financial advisor). It should be noted that this saving will not result in a negative fiscal note, as the loan funds of Corporation are exempt from title 37, the executive budget act.

The bill should have an immediate effective date added in order to allow for a single bond issuance on or before June 30, 1998.

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For further distribution information, call the Governor's Legislative Office

SENATE FINANCE
COMMITTEE

not offered

Amendment Number: #1

0-LS1631VA.6

Bill Number: SB 332

Ford

Sponsor: Donley Date: 4/1/98

4/1/98

Logged In By: O Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR DONLEY

TO: SB 332

1 Page 1, line 1, following "Corporation":

2 Insert "; and relating to financial assistance for students attending a graduate
3 education program"

4 Page 1, following line 10:

5 Insert new bill sections to read:

6 "* Sec. 3. AS 14.43.110(a) is amended to read:

7 (a) In a school year, the commission may make a loan not to exceed

8 (1) \$8,500 to a full-time undergraduate student or \$5,000 to a half-time
9 undergraduate student attending a college or university if the full- or half-time student
10 is otherwise eligible under AS 14.43.125;

11 (2) \$9,500 to a full-time graduate student or \$4,500 to a half-time
12 graduate student attending a college or university if the full- or half-time graduate
13 student is otherwise eligible under AS 14.43.125 and not receiving a loan under (4)
14 or (5) of this subsection;

15 (3) \$5,500 to a full-time student or \$2,000 to a half-time student if the
16 full- or half-time student is attending a career education program that is at least six
17 weeks in length and is otherwise eligible under AS 14.43.125;

18 (4) \$15,000 to a full-time graduate student attending a degree
19 program not available in this state if the student is otherwise eligible under
20 AS 14.43.125 and not receiving a loan under (2) or (5) of this subsection;

21 (5) \$25,000 to a full-time graduate student attending a medical or
22 dental degree program if the student is otherwise eligible under AS 14.43.125 and
23 not receiving a loan under (2) or (4) of this subsection.

24 * Sec. 4. AS 14.43.120(d) is amended to read:

1 (d) Scholarship loans may not be made to a student

2 (1) for more than a total of \$42,500 for undergraduate study;

3 (2) for more than a total of

4 (A) \$47,500 for graduate study in a program other than a
 5 program described under (B) of this paragraph; or

6 (B) \$60,000 for graduate study in a program not available
 7 in this state;

8 (3) for more than a combined total of

9 (A) \$60,000 for undergraduate and graduate study in a
 10 program other than a program described under (B) of this paragraph; or

11 (B) \$100,000 for undergraduate and graduate study if the
 12 graduate program was not available in this state;

13 (4) to attend an institution if the total amount of scholarship loans
 14 made to students to attend that institution exceeds \$100,000 and the default rate on
 15 those loans is (A) greater than 20 percent but less than 25 percent, and the institution
 16 is unable to reduce its default rate within 24 months after the rate determination; or
 17 (B) equal to or greater than 25 percent for two consecutive calendar years; for
 18 purposes of this paragraph, the default rate shall be determined by the commission for
 19 each annual group of loans required to be repaid under (g) of this section on or after
 20 July 1, 1996; if a scholarship loan is refused based on the provisions of this paragraph
 21 and, under a subsequent default rate determination, an institution's default rate does
 22 not exceed the limits established under this paragraph, the commission may not refuse
 23 to issue a scholarship loan to attend that institution based on the provisions of this
 24 paragraph.

25 * Sec. 5. AS 14.43.120(g) is amended to read:

26 (g) A borrower's obligation to commence repayment of the principal and
 27 interest on the loan begins six months after the borrower is no longer enrolled under
 28 (c) of this section. The borrower shall repay the total amount owed in periodic
 29 installments of at least \$50 a month over a period of not more than 15 years from the
 30 commencement of the repayment obligation, except that a borrower who graduates
 31 from a graduate degree program not available in this state may repay the total
 32 amount owed over a period of not more than 20 years from the commencement

1 **of the repayment obligation.** If the commission and the borrower agree to a
2 different repayment schedule, the borrower shall repay the loan in accordance with the
3 agreement. A borrower may make payments earlier than required by this subsection
4 or the agreement."

not offered

SENATE FINANCE
COMMITTEE

0-LS1631VA.3
Ford
3/30/98

Amendment Number: #2
Bill Number: SB 332
Sponsor: Donley Date: 4/1/98
Logged In By: U Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR DONLEY

TO: SB 332

1 Page 1, line 1, following "Corporation":
2 Insert "; and relating to repayment of student loans"

3 Page 1, following line 10:
4 Insert new bill sections to read:

5 "* Sec. 3. AS 14.43 is amended by adding a new section to read:

6 **Sec. 14.43.128. Loan forgiveness for medical students.** (a) If a person
7 required to repay a loan under AS 14.43.120 has graduated from a medical education
8 program for which the loan was received and is employed within the state as a
9 physician, including self-employment within the state as a physician and employment
10 within the state in a medical residency program, the loan shall be forgiven and
11 considered a grant in an amount equal to the following percentages plus accrued
12 interest:

- 13 (1) one year employment, 10 percent;
- 14 (2) two years employment, an additional 10 percent;
- 15 (3) three years employment, an additional 10 percent;
- 16 (4) four years employment, an additional 10 percent;
- 17 (5) five years employment, an additional 10 percent.

18 (b) Notwithstanding AS 14.43.120(g), a person who qualifies for forgiveness
19 under (a) of this section is not required to begin repayment to the state as long as the
20 person remains qualified for forgiveness under (a) of this section. A person employed
21 within the state in a medical residency program is not required to begin repayment to
22 the state as long as the person remains in the medical residency program. Forgiveness
23 under (a) of this section only applies to that portion of the loan that has not been
24 repaid to the state.

1 (c) If a person meets the qualifying conditions under this section for
2 forgiveness after beginning repayment, the repayment requirement is deferred in the
3 month following qualification for forgiveness. Repayment shall be deferred as long
4 as the person remains qualified. If the person is delinquent or in default on the
5 person's regular repayment schedule, repayment shall continue until the person is
6 current in payments. A period of time during which the person is making past due
7 payments may not be considered as a qualifying period for the purpose of calculating
8 forgiveness benefits.

9 (d) For purposes of qualifying for forgiveness under this section, a person
10 qualifies for a prorated forgiveness benefit if the person is a full-time employee for
11 a period of at least six months or if self-employed, the person provides physician
12 services an average of 40 hours a week for a period of at least six months. In this
13 subsection, "full-time employee" does not include seasonal or temporary employment.

14 * **Sec. 4. APPLICABILITY.** Section 3 of this Act applies to a person who begins an
15 education program and who receives financial aid from the state for a medical education
16 program on or after July 1, 1998."

0-LS1631E

Ford

3/6/98

3/27

revised

Sen. Adams object -

withdrawn

w/o objection,

ADOPTED

CS FOR SENATE BILL NO. 332()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

**Sponsor(s): SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE BY
REQUEST**

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the Alaska Student Loan Corporation to set the amount
2 available from the student loan fund for student loan programs financed by the
3 student loan fund and increasing the amount of bonds that may be issued by the
4 Alaska Student Loan Corporation without legislative approval; and providing for
5 an effective date."

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

7 * **Section 1.** AS 14.42.210 is amended by adding a new subsection to read:

8 (d) The corporation shall set the amount available from the student loan fund
9 during an academic year for the student loan programs that receive financing from the
10 fund.

11 * **Sec. 2.** AS 14.42.220(f) is amended to read:

12 (f) The corporation may not issue bonds, other than refunding bonds, during
13 any two consecutive fiscal years in an aggregate amount greater than \$200,000,000

- 1 [\$125,000,000] unless the legislature, by law, approves issuance of a greater amount.
- 2 * Sec. 3. This Act takes effect immediately as provided under AS 01.10.070(c).

GARY WILKEN

SENATOR
Districts 29 & 30
West Fairbanks



During Session:
State Capitol, Room 510
Juneau, Alaska 99801-1182
(907) 465-3709 (v)
(907) 465-4714 (f)
www.akrepublicans.org/wilken.htm
E-mail: Senator_Gary_Wilken@legis.state.ak.us

Senate Standing Committees

Chairman: Health, Education,
and Social Services (HESS)
Vice Chairman: Transportation
Vice Chairman: Community and
Regional Affairs

Interior:
119 N. Cushman St., Room 213
Fairbanks, Alaska 99701
(907) 452-3421
Fax (907) 452-3426

Special Committee

Member: Administrative Regulation Review

SB 332

MEMORANDUM

TO: All Legislators

FROM: Gary Wilken
Senator, West Fairbanks

DATE: March 9, 1998

RE: Alaska Student Loan Program

At my request, Ms. Diane Barrans, Executive Director, Alaska Commission on Postsecondary Education, has prepared a brief update on the general status of the Alaska Student Loan Program. This concise report is attached.

As indicated, the general financial condition of the Alaska Student Loan Program is improving. The Corporation's annual net losses continue to decline and the recovery rate on defaulted loans shows modest improvement. In addition, within the next few months the Commission will begin full implementation of several new collection tools authorized under SB 189, regarding the Alaska Student Loan Program.

I hope you find this summary informative as well as encouraging.

Gary Wilken

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
VOICE (800) 441-2962
In Juneau 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

MEMORANDUM

TO: Senator Gary Wilken
Alaska State Senate

FROM: Diane Barrans, Executive Director
Alaska Commission on Postsecondary Education

DATE: February 25, 1998

SUBJECT: ASLP 'Report Card'

Thank you for your request for an update on the general status of the Alaska Student Loan Program (ASLP). The continuing interest and strong support, of you and your fellow legislators, for this program is very much appreciated by both the Commission and the Alaska Student Loan Corporation.

The general financial condition of the ASLP, viewed prospectively, is quite encouraging. Managers are currently in the process of implementing many of the collection tools provided to the Commission in SB189, passed last session. However, due to changes made to the program in the preceding sessions, there are already key indicators of positive improvement.

The Corporation's annual **net losses are continuing to decline**, as reflected in our Audited Financial Statement:

<u>ASLC Annual Net Losses</u>			
As of June 30:	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>
\$ in Millions*	\$7.0	\$2.7	\$2.5
*rounded to nearest tenth			

As we have discussed, the Corporation will continue to experience losses, albeit in decreasing amounts, until a substantial number of older loans cycle out of the program portfolio. These are loans with forgiveness benefits, long interest-free periods, etc. representing losses which, along with default and loan cancellations (due to death, disability, etc.), have resulted in cumulative losses to the Corporation's fund equity of almost \$50 million over the past decade. With the exception of the interest-free in-school period, these provisions are no longer contained in Alaska Student Loans.

The second indicator, our recovery rate on defaulted loans, also shows modest improvement. When I first reported to you in May of last year, that rate was approximately 34% and has improved to approximately 40%. This recovery rate is an indicator of what percent of principal loaned to borrowers who default, is eventually collected. That improvement is primarily associated with Permanent Fund Dividend garnishments, a critical tool in recovering on defaulted loans. This improvement is especially encouraging when considering that within the next six to nine months we will have:

- 1) Expanded the occupational licensing leveraging (already used to collect approximately \$250,000 on defaulted loan balances totaling \$3.7 million);
- 2) Implemented wage garnishment in the public and private sectors in Alaska; and
- 3) Implemented credit assessment on applicants to eliminate borrowers with chronic bad credit indicators.

In the coming weeks, I will provide you with default information calculated by program and by institution participating in the program. I look forward to discussing this information with you at that time.

This session the Commission and Corporation have directed me to pursue some additional statutory changes with two primary objectives: 1) insuring that sufficient funding is available to meet current loan demand; and, 2) make final (hopefully) changes to conditions and terms of the program that, based on recommendations of our financial advisors, complete the stabilization of this public fund.

As always, if there is additional information we can provide, you can reach me at 465-6740, or Mike Maher, Director of Student Financial Aid Programs at 465-6743.

Alaska State Legislature

Senator Gay Wilken, Chairman
Senator Loren Leman, Vice Chairman
Senator Lyda Green
Senator Jerry Ward
Senator Johnny Ellis



State Capitol
Room 510
Juneau, Alaska 99801
(907) 465-3762

Senate Committee on Health, Education and Social Services

SPONSOR STATEMENT

Senate Bill 332

"An Act authorizing the Alaska Student Loan Corporation to set the amount available from the student loan fund for student loan programs financed by the student loan fund and increasing the amount of bonds that may be issued by the Alaska Student Loan Corporation with legislative approval; and providing for an effective date."

Senate Bill 332 increases the Alaska Student Loan Corporation's (ASLC) biennial revenue bond issuance limit from \$125 million to \$200 million. Passage of this legislation will reduce the Corporation's cost to issue its revenue bonds in 1998 by being able to consolidate its financing into one issue.

The \$125 million biennial limit on issuance of new revenue bonds has been in effect since the Corporation was created in the late 1980's. In 1996, the Legislature increased the student loan limit to \$ 8,500 for a full-time undergraduate student and \$ 9,500 for a full-time graduate student. As a result, the annual student loan volume increased by more than 30%. This jump in volume is currently creating pressure on the existing bond cap. The increase in this limit will provide a comfortable financial margin for the Corporation and is designed to accommodate program growth in the years to come.

In addition, SB 332 allows the Corporation to set the amount of funding available for student loans each academic year. This added flexibility will allow the Corporation to better manage the loan fund and mitigate the effect of any anticipated funding shortfall.

I recommend passage of Senate Bill 332.

 **EVENSEN DODGE INC**
FINANCIAL CONSULTANTS

February 24, 1998

Diane Barrans
Executive Officer
Alaska Student Loan Corporation
3030 Vintage Blvd
Juneau, AK 99801

Dear Ms. Barrans:

As the Corporation's financial advisor we support the immediate passage of legislation which increases the Corporation's biennial revenue bond issuance limit from \$125 million to \$200 million. Passage of this legislation now will reduce the Corporation's cost to issue its revenue bonds in 1998 by being able to consolidate 1998 financings in one issue.

The \$125 million biennial limit on issuance of new money revenue bonds has been in effect since the Corporation was created in the late 1980's. In 1997 the legislature approved an increase to the annual limit that the Corporation could lend each student. The 1997 change in loan limits increased annual loan demand from \$55 million to \$80 million. The increase in loan demand will require the Corporation's annual debt issuance to exceed \$65 million per year.

In 1997 the Corporation issued \$75 million of its revenue bonds. Plans for bond issuance in 1998 are not completed, but are expected to include \$40-80 million of new money bonds and \$40 million of refunding bonds. The refunding bonds are not subject to the biennial limit, but must be completed by July 1, 1998. If it is necessary to issue more than \$50 million of new money bonds in 1998, the Corporation must sell two series of bonds, one that closes prior to July 1, 1998 and includes the refunding issue and a second which closes after July 1, 1998 and includes the new money portion above \$50 million. However, if the limit is not increased soon the Corporation may be severely limited in its ability to finance loan demand in 1999 and the future.

Increasing the biennial bond limit will allow the Corporation to consolidate its 1998 new money and refunding needs in a single issue, saving the Corporation approximately \$125,000 in issuance costs (rating, printing, bond counsel, and financial advisor).

The biennial revenue bond limit is not the Corporation's only limit on debt issuance. The issuance of new money revenue bonds must also meet certain legal tests including a debt service coverage test which must be approved by the Corporation's bond insurer, Ambac.

Atlanta • Boston • Buffalo • Chicago • Dallas • Denver • Detroit • Fargo • Hartford
Los Angeles • Minneapolis • New York • Orlando • San Francisco • Washington
601 Second Avenue South, Suite 5100, Minneapolis, MN 55402
612/338-3535 800/320-8200 612/338-7264 FAX

As always, please call on us if you have additional questions.

Sincerely yours,
EVENSEN DODGE, INC.



Patrick P. Born
Senior Vice President
and Principal