

**SB**

**288**

ALASKA STATE LEGISLATURE



Senate Labor and Commerce  
Committee

Senate Community and Regional  
Affairs Committee

Department of Military and Veterans  
Affairs Budget Subcommittee

SENATOR JOHNNY ELLIS  
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**SPONSOR STATEMENT SB 288**

**SEPTEMBER AS EDUCATION SAVINGS MONTH**

The purpose of SB 288 is to encourage Alaskans to begin preparing for rising costs of postsecondary education and vocational training.

In recent years, families have struggled to cope with rapidly increasing cost of college tuition and vocational education training. All around the country, colleges, universities, and vocational education training centers continue to raise tuition rates at an alarming rate. At the same time, funding for federal student aid programs is being cut drastically, forcing students who have not planned ahead to make the decision between not pursuing education after high school, and taking on large amounts of debt.

SB 288 is designed to help raise awareness about the importance of saving early for future educational needs, so that families can have a plan that will ensure their child continues their education after high school, either through college and university study, or vocational training.

In various years past, Alaska's Governors have proclaimed each September as "College Savings Month". This bill makes such a proclamation permanent, by establishing "Education Savings Month" in Alaska statute.

Every September, just before Alaskans begin receiving their Permanent Fund Dividends, SB 288 will serve as a reminder to take responsibility and begin saving for the future education of the children in our state.

This bill is intended to promote responsible savings by Alaskans. I strongly encourage your support for SB 288.

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## Sticker price: farther out of reach

By Kim Clark

Posted 10/18/05

The price of a college degree continues to move farther out of the average family's reach, according to the 2005 survey of tuition and fees by the College Board, the nonprofit that brings you the SAT and Profile aid application.

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Tuition at the average four-year public school is 7.1 percent higher than it was last fall, rising much faster than wages and most other costs. Average earnings have risen only 2.3 percent in the past year, while the overall consumer price index is up 4.7 percent in the last 12 months, largely on spiking energy costs.

Making matters worse for students, public colleges raised their room and board bills by 6.2 percent. The full cost of a year of study, including books, transportation and extras, averages \$15,566 for an in-state student now, \$926 more than last year.

The price rise for private colleges is slightly less, with tuition up 5.9 percent and other charges rising 5 percent. But the total sticker price is still a hefty \$32,070 for a year of study, up \$1,621 from last year.

Community colleges continue to be an education bargain, with tuition up 5.1 percent. A commuter student who lives at home would pay less than \$3,000 for tuition and books, just \$143 more than last year.

Of course, many students do not pay the full sticker price. More than \$56 billion in federal, state, and private grants and scholarships reduces the cost significantly for about half of all students. And the amount of those grants is up about 6 percent from last year. After adding in tax breaks, the College Board estimates that the average student at a four-year public university will pay only \$2,200 for this year's tuition at a public four-year university, about \$3,300 less than the posted price. Private schools hand out so much aid that the average student this year is paying only about \$11,600 in tuition, \$9,600 less than the price listed on the colorful brochures.

Unfortunately, however, much of the increase in aid is simply keeping pace with the increased number of students enrolling in college. Congress hasn't increased the amount of the Pell grant in years, for example. As a result, the real cost of a degree continues to skyrocket along with the sticker price.

With a growing share of scholarships and tax breaks going to middle- and upper-income students, it is getting harder for low-income students to afford a college education, says Sandy Baum, the Skidmore economist who prepared the College Board's report.

The rising real cost of higher education is forcing more students to borrow big bucks. Nearly two thirds of public university graduates take an average educational debt load of \$19,400 with their sheepskin. Three quarters of private college graduates have had to borrow an average of \$24,600.

That's scary, but the College Board says it's probably worth it. There's so much evidence that a college degree improves a student's earnings and career prospects that "there is not a better investment a parent or student can make than going to college," says Gaston Caperton, president of the College Board.

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2004  
Grade

Improvement  
Over Decade



Alaska has lost ground in making higher education affordable over the past decade. This year Alaska receives an F in affordability.

### Graded Information

- Compared with best-performing states, families in Alaska devote a fairly large share of family income, even after financial aid, to attend public four-year colleges and universities, which enroll over 90% of college students in the state.
- Alaska has made no investment in need-based financial aid, and does not offer low-priced college opportunities.
- Undergraduate students borrowed on average \$3,277 in 2003.

### Other Key Facts

- In Alaska, 92% of students are enrolled in public four-year colleges and universities.

AFFORDABILITY	ALASKA		Top States A Decade Ago
	A Decade Ago	2004	
<b>Family Ability to Pay (50%)</b>			
Percent of income (average of all income groups) needed to pay for college expenses minus financial aid:			
at community colleges	17%	20%	15%
at public 4-year colleges/universities	17%	21%	16%
at private 4-year colleges/universities	34%	41%	32%
<b>Strategies for Affordability (40%)</b>			
State investment in need-based financial aid as compared to the federal investment	5%	0%	89%
At lowest-priced colleges, the share of income that the poorest families need to pay for tuition	10%	12%	7%
<b>Reliance on Loans (10%)</b>			
Average loan amount that undergraduate students borrow each year	\$3,101	\$3,277	\$2,619

Note: In the affordability category, the lower the figures the better the performance for all indicators except for "State investment in need-based financial aid."

The affordability category measures whether students and families can afford to pay for higher education, given income levels, financial aid, and the types of colleges and universities in the state.

A Closer Look at Family Ability to Pay	Average family income	Community colleges		Public 4-year colleges/universities		Private 4-year colleges/universities	
		Net college cost*	Percent of income needed to pay net college cost	Net college cost*	Percent of income needed to pay net college cost	Net college cost*	Percent of income needed to pay net college cost
<b>Income groups used to calculate 2004 family ability to pay</b>							
20% of the population with the lowest income	\$15,726	\$7,286	46%	\$7,918	50%	\$15,482	98%
20% of the population with lower-middle income	\$35,334	\$7,565	21%	\$8,248	23%	\$15,607	44%
20% of the population with middle income	\$54,543	\$7,717	14%	\$8,399	15%	\$15,531	28%
20% of the population with upper-middle income	\$79,597	\$7,772	10%	\$8,530	11%	\$15,462	19%
20% of the population with the highest income	\$127,730	\$7,755	6%	\$8,627	7%	\$16,022	13%
<b>40% of the population with the lowest income</b>	<b>\$25,530</b>	<b>\$7,425</b>	<b>29%</b>	<b>\$8,083</b>	<b>32%</b>	<b>\$15,545</b>	<b>61%</b>

\*Net college cost equals tuition, room, and board, minus financial aid

Those who are striving to reach or stay in the middle class—the 40% of the population with the lowest incomes—earn on average \$25,530.

■ If a student from such a family were to attend a public four-year college in the state, their net cost to attend college would represent about 32% of their income annually.

Tuition, room, and board:	\$9,350
Financial aid received:	-\$1,267
Net college cost:	\$8,083

Percent of income: 32%

**Note**

The numbers shown for tuition, room, and board minus financial aid may not exactly equal net college cost due to rounding.