

LEG. FINANCE - BILLS 1985 - 1986 2353

HB 161 cont. - CSHB 161

2353

1 person, grant an exemption to the requirement that the person has
2 been present in the state for one year of the immediately preced-
3 ing five years;

4 (C) has been physically present in the state, or is a
5 dependent of a parent or guardian who has been physically present
6 in the state, for at least two years immediately before the
7 applicant was absent from the state and the absence is due solely
8 to

9 (i) serving an initial period of up to six years
10 on active duty as a member of the armed forces of the United
11 States;

12 (ii) serving, for up to three years, as a full-
13 time volunteer under the Peace Corps Act;

14 (iii) serving, for up to three years, as a full-
15 time volunteer under the Domestic Volunteer Service Act of
16 1973;

17 (iv) required medical care for the applicant or
18 the applicant's immediate family;

19 (v) being a person who otherwise qualifies as a
20 resident and is accompanying a spouse who qualifies as a
21 resident under (i) - (iv) of this paragraph; or

22 (D) has been physically present in the state, or is a
23 dependent of a parent or guardian who has been physically present
24 in the state, for at least two years immediately before the
25 applicant or the parent or guardian was absent from the state and
26 the absence is due solely to

27 (i) participating in a foreign exchange student
28 program recognized by the commission;

29 (ii) attending a school as a full-time student;

1 (iii) full-time employment by the state;
2 (iv) being a member of or employed full-time by
3 the state's congressional delegation;
4 (v) being a person who otherwise qualifies as a
5 resident and is accompanying a spouse who qualifies as a
6 resident under (i) - (iv) of this paragraph.
7 (b) A person does not qualify as a resident of the state under
8 this section if the person declares or establishes residence in another
9 state during an absence from Alaska.
10 * Sec. 4. AS 14.43.120(j), (o), and (p) are repealed.
11 * Sec. 5. Section 4 of this Act takes effect September 1, 1990.
12 * Sec. 6. Section 1 of this Act takes effect July 1, 1985.
13 * Sec. 7. Sections 2 and 3 of this Act take effect immediately in
14 accordance with AS 01.10.070(c).

Introduced: 2/1/85
Referred: House Special Committee
on State Loans, Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY BINKLEY

2

HOUSE BILL NO. 161

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to student loans; and providing for
7 an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 14.43.120(f) is amended to read:

10 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
11 at the rate of eight [FIVE] percent a year unless the loan is in
12 default. Interest on a loan that is in default is 10 percent a year
13 for the period the loan is in default.

14 * Sec. 2. AS 14.43.125(a) is repealed and reenacted to read:

15 (a) A person may apply for and obtain a scholarship loan if the
16 person

17 (1) is a resident of the state at the time of application
18 for a scholarship loan;

19 (2) meets the requirements of (b) of this section; and

20 (3) has

21 (A) graduated from high school within one year preced-
22 ing the date of application or is scheduled for graduation from a
23 high school within six months after the date of application, with
24 sufficient credits to be admitted to a career education program
25 or to an accredited college or university; or

26 (B) established financial need in accordance with
27 regulations adopted by the Alaska Commission on Postsecondary
28 Education.

29 * Sec. 3. AS 14.43.125 is amended by adding a new subsection to read:

1 (c) The recipient of a scholarship loan may continue to apply
2 for and receive scholarship loans during each year in which the recip-
3 ient remains enrolled as a full-time student in a career education,
4 associate, baccalaureate or graduate degree program. A recipient who,
5 after the date of the initial application, interrupts study as a
6 full-time student for periods totaling more than two years may receive
7 a new loan only if the recipient can establish financial need under
8 (a)(3)(B) of this section.

9 * Sec. 4. AS 14.43.640(b) is amended to read:

10 (b) If a borrower meets the conditions provided in (a) of this
11 section and is employed as a teacher in a rural elementary or second-
12 ary school in the state, a portion of the loan shall be repaid by the
13 state. The [THE] portion of the loan that shall be paid by the state
14 [, NOTWITHSTANDING AS 14.43.120(j),] is the following percentages of
15 the total loan received plus interest up to a total of 100 percent of
16 the total loan:

- 17 (1) one year employment, 15 percent;
- 18 (2) two years employment, an additional 15 percent;
- 19 (3) three years employment, an additional 15 percent;
- 20 (4) four years employment, an additional 25 percent;
- 21 (5) over four years employment, an additional 30 percent.

22 * Sec. 5. AS 14.43.640 is amended by adding a new subsection to read:

23 (e) Notwithstanding AS 14.43.120(f), interest on a loan made
24 under AS 14.43.600 - 14.43.700 is at the rate of five percent a year
25 unless the loan is in default. Interest on a loan that is in default
26 is 10 percent a year for the period the loan is in default.

27 * Sec. 6. AS 14.43.120(j), (o), and (p) are repealed.

28 * Sec. 7. A student who received a scholarship loan during the school
29 year before the year this Act takes effect may receive a new loan only if

1 the student

2 (1) initially applied for a loan while in high school or within
3 one year after graduation from high school, and has not interrupted study
4 as a full-time student for periods totaling more than two years; or

5 (2) can establish financial need under AS 14.43.125(a)(3)(B), as
6 amended by sec. 2 of this Act.

7 * Sec. 8. This Act takes effect July 1, 1985.

COMMITTEE REPORT
SENATE

FURTHER:

4/1/86

Date 4/28/86

Mr. President

The Committee on FINANCE considered CSHB 161(Fin)am
interest rate, loan conditions and repayment provisions of scholarship
loans; efd.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for CSHB 161 (Fin)
 new title
 same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
25.0 DOE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature] Do Not pass.
Paul Frick Non Rec
[Signature] " "

[Signature]
Chairman
[Signature]
Chairman recommendation

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 3/27/86

REQUEST

Bill/Resolution No. : SCSHCSHB 161
 Title : Re: Scholarship Loans

 Sponsor : Binklev
 Requestor : Senate HESS
 Date of Request : 3/27/86

FISCAL DETAIL

Agency Affected : Education
 BRU : Postsecondary Education

 Components : Student Loan Administration
Student Loan Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		25.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	N.A.	25.0	-0-	-0-	-0-	-0-

CAPITAL	N.A.	-0-	< 217.5 >	< 651.6 >	< 1,316.2 >	< 2,319.9 >
---------	------	-----	-----------	-----------	-------------	-------------

REVENUE	N.A.	-0-	217.5	651.6	1,316.2	2,319.9
---------	------	-----	-------	-------	---------	---------

FUNDING : (Thousands of Dollars)

GENERAL FUND	N.A.	25.0	< 217.5 >	< 651.6 >	< 1,316.2 >	< 2,319.9 >
FEDERAL FUNDS						
OTHER						
TOTAL		25.0	< 217.5 >	< 651.6 >	< 1,316.2 >	< 2,319.9 >

POSITIONS :

FULL-TIME	N.A.	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

See attached.

Prepared by : Kerry D. Romesburg 
 Division : Commission on Postsecondary Education Phone : 465-2854
 Date : 3/27/86

Approved by Commissioner : _____ Date : _____
 Agency : _____

Distribution (by Agency preparing fiscal note) :

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Comments:

1. Contractual amount of \$25.0 is for modifying the existing student loan system to accommodate variable interest rates.
2. The monthly payment amount for borrowers will increase as a result of the increased interest rate. The changes would be:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>8%</u>
\$ 1,000	\$ 10.61	\$ 11.98
\$24,000	\$254.56	\$287.28

3. The reduced borrowing maximum will not result in program savings, rather it will permit additional students to borrow. This impact is presented below, first in a "dollar" term and then in an increased borrower term.

<u>Year</u>	<u>"Savings"</u>	<u>Number of Students</u>
FY87	\$2,405,000	544
88	\$2,618,000	575
89	\$2,652,000	567
90	\$2,686,000	558
91	\$2,726,000	551

Please note that the "savings" and number of students impacted overlaps slightly with the Commission's \$500 regulation. Without the regulation, the statutory impact would increase.

Offered: 4/1/86
Referred: Finance

Original sponsor: Binkley

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

SENATE CS FOR CS FOR HOUSE BILL NO. 161 (2d HESS)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the interest rate, loan conditions and repayment provisions of scholarship loans; and providing for an effective date."

7

8

9

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

10

~~* Section 1. AS 14.43 is amended by adding a new section to read.~~

DELETE

JF: Moved
No Ob

11

~~Sec. 14.43.103 FEDERAL ASSISTANCE. A scholarship loan may only~~

12

~~be granted to an applicant who submits with the application informa-~~

13

~~tion required by regulation of the commission necessary to determine~~

14

~~whether the applicant qualifies for financial assistance from the~~

15

~~federal government.~~

16

* Sec. ~~2~~¹ AS 14.43.110 is amended to read:

17

Sec. 14.43.110. UNDERGRADUATE LOANS. The student financial aid

18

committee may make a loan, not to exceed \$5,500 [\$6,000] in any one

19

school year, to an undergraduate student eligible under AS 14.43.125.

20

The committee may make a loan for a summer term, even if the total

21

loan for the school year exceeds the \$5,500 [\$6,000] maximum, if the

22

loan for the summer term is counted against the \$5,500 [\$6,000] maxi-

23

mum for the following school year.

24

* Sec. ~~1~~² AS 14.43.115 is amended to read:

25

Sec. 14.43.115. GRADUATE LOANS. The student financial aid

26

committee may make a loan, not to exceed \$6,500 [\$7,000] in any one

27

school year, to a graduate student who is eligible under AS 14.43.125

28

and is pursuing an advanced degree. The committee may make a loan for

29

a summer term, even if the total loan for the school year exceeds the

1 \$6,500 [\$7,000] maximum, if the loan for the summer term is counted
2 against the \$6,500 [\$7,000] maximum for the following school year.

3 * Sec. ³ ~~4~~. AS 14.43.120(b) is amended to read:

4 (b) Scholarship [THE] loans may only be used to attend a
5 (1) career education program that has been approved by the
6 commission before July 1, 1986, or has been operating for at least two
7 years before the borrower attends; or

8 (2) [A] college or university that
9 (A) has been approved by the commission before July 1,
10 1986, or has been operating for at least two years before the
11 borrower attends;

12 (B) is accredited by a national or regional accredita-
13 tion association recognized by the Council on Postsecondary
14 Accreditation or is approved by the commission; [,] and [,]

15 (C) if the loans are federally insured, is approved by
16 the United States Commissioner of Education.

17 * Sec. ⁴ ~~5~~. AS 14.43.120(f) is amended to read:

18 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
19 at the rate of eight [FIVE] percent a year unless the loan is in
20 default. Interest on a loan that is in default is 10 percent a year
21 for the period the loan is in default.

22 * Sec. ⁵ ~~6~~. By January 31, 1987, the Alaska Commission on Postsecondary
23 Education shall submit a report to the legislature containing recommenda-
24 tions for changes relating to interest rate, loan conditions, and repayment
25 provisions designed to decrease the cost of the scholarship loan program.

26 * Sec. ⁶ ~~7~~. This Act takes effect July 1, 1986.

4/22/86
Ferguson
WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 IN THE SENATE BY THE FINANCE COMMITTEE
 2 SENATE BILL NO.
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 FOURTEENTH LEGISLATURE - SECOND SESSION
 5 A BILL

6 For an Act entitled: "An Act relating to student loans; creating the
 7 Alaska Student Loan Corporation; and providing for an
 8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.42 is amended by adding new sections to read:

11 ARTICLE 2. ALASKA STUDENT LOAN CORPORATION

12 Sec. 14.42.100. CREATION OF ALASKA STUDENT LOAN CORPORATION.
 13 There is created the Alaska Student Loan Corporation. The corporation
 14 is a public corporation and government instrumentality within the
 15 Department of Education but having a legal existence independent of
 16 and separate from the state. The corporation may not be terminated as
 17 long as it has bonds, notes or other obligations outstanding. Upon
 18 termination of the corporation, its rights and property pass to the
 19 state.

20 Sec. 14.42.110. PURPOSE OF CORPORATION. The purpose of the
 21 corporation is to improve higher educational opportunities of resi-
 22 dents of Alaska in accordance with the provisions of this chapter.

23 Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corpor-
 24 ation shall be governed by a board of directors consisting of four
 25 individuals serving on the Commission of Postsecondary Education
 26 pursuant to AS 14.42.015(a)(1) - (2), (4) - (6) and (8), and one
 27 member appointed under AS 14.42.015(a)(3). Members of the board serve
 28 without compensation but are entitled to per diem and travel expenses
 29 as may be authorized by law for boards and commissions.

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 Sec. 14.42.130. MEETING OF THE BOARD. (a) The Board shall
2 elect a chairman from among the membership at its annual meeting each
3 year. A majority of the members constitute a quorum for organizing
4 the board, conducting its business and exercising the powers of the
5 corporation. The board shall meet at the call of its chairman and at
6 such other times as the board may determine in accordance with its
7 regulations.

8 (b) The board may meet and transact business by electronic media
9 if:

10 (1) public notice of the time and locations where the
11 meeting will be held by electronic media has been given in the same
12 manner as if the meeting were held in a single location; and

13 (2) participants and members of the public in attendance
14 can hear and have the same right to participate in the meeting as if
15 the meeting were conducted in person; and

16 (3) copies of pertinent reference materials, statutes,
17 regulations, and audiovisual materials are reasonably available to
18 participants and the public.

19 (c) A meeting by electronic media as provided in this section
20 has the same legal effect as a meeting in person.

21 (d) For purposes of AS 14.42.100 - 14.42.310 public notice of 24
22 hours or more is adequate notice of a meeting of the board at which
23 the issuance of corporation bonds is authorized.

24 Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep
25 minutes of each meeting and send a certified copy to the governor and
26 to the Legislative Budget and Audit Committee.

27 Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall
28 manage the assets and business of the corporation and may prescribe,
29 amend and repeal bylaws and regulations governing the manner in which

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 the business of the corporation is conducted in the manner in which
2 its powers are exercised in accordance with the administrative pro-
3 cedures act AS 44-160. The board shall delegate supervision of the
4 administration of the corporation to the executive director of the
5 corporation.

6 Sec. 14.42.160. EXECUTIVE DIRECTOR. The corporation shall
7 employ an executive director, who may not be a member of the board.
8 The executive director shall be the executive director of the Commis-
9 sion on Postsecondary Education appointed under AS 04.42.040a.

10 Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The board may appoint
11 other officers and engage professional and technical advisors as
12 independent contractors. The executive director may hire employees of
13 the corporation and, subject to the approval of the board, engage
14 professional and technical advisors under contract with the corpor-
15 ation. The board shall prescribe the duties and compensation of
16 corporation personnel, including the executive director.

17 Sec. 14.42.190. EXECUTIVE BUDGET ACT. The operating budget of
18 the corporation is subject to the Executive Budget Act (AS 37.07).

19 Sec. 14.42.200. EXECUTIVE POWERS. In addition to other powers
20 granted in this chapter, the corporation may:

- 21 (1) sue and be sued in its own name;
- 22 (2) adopt an official seal;
- 23 (3) adopt bylaws for the regulation of its affairs and the
24 conduct of its business;
- 25 (4) employ fiscal consultants, attorneys, and such other
26 consultants and employees as may be required in the judgement of the
27 corporation, and fix and pay their compensation from money available
28 to the corporation;
- 29 (5) make and execute agreements, contracts and other

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 instruments necessary or convenient in the exercise of the powers and
2 functions of the corporation under this chapter, including contracts
3 with any person, firm, corporation, governmental agency or other
4 entity;

5 (6) receive, administer and comply with the conditions and
6 requirements respecting any appropriation or gift, grant or donation
7 of property or money;

8 (7) acquire real property, or any interest in real pro-
9 perty, in its own name, by purchase, transfer or foreclosure, when the
10 acquisition is necessary or appropriate to protect any loan in which
11 the corporation has an interest; sell, transfer and convey any such
12 property to a buyer; and, if the sale, transfer or conveyance cannot
13 be effected with reasonable promptness or at a reasonable price, rent
14 or lease the property to a tenant pending the sale, transfer or
15 conveyance;

16 (8) borrow money as provided in this chapter to carry out
17 an effectuate its corporate purposes and issue its obligations as
18 evidence of any such borrowing;

19 (9) include in any borrowing the amounts to pay financing
20 charges, interest on the obligations for a period not exceeding one
21 year after the date on which the corporation estimates funds will
22 otherwise be available to pay the interest, consultant, advisory and
23 legal fees and such other expenses as are necessary or incident to
24 this borrowing;

25 (10) invest or reinvest, subject to its contracts with
26 noteholders and bondholders, any money or funds held by the corpor-
27 ation in any obligations or other securities authorized under AS
28 37.10.070;

29 (11) collect from a borrower amounts owed with respect to a

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 student loan the corporation has purchased or made;

2 (12) gather information on loans available to residents of
3 Alaska attending or planning to attend an eligible institution and
4 disseminate the information to reasonably assure that qualified stu-
5 dents are aware of financial resources available to those attending or
6 desiring to attend an eligible institution;

7 (13) require an eligible institution or eligible lender to
8 file reports with the corporation as the corporation considers neces-
9 sary for the effective performance of its duties and publish the
10 information from the reports or other sources as the corporation
11 considers necessary;

12 (14) service student loans held by the corporation;

13 (15) except as specifically prohibited by law, obtain infor-
14 mation from a state agency or instrumentality or other source to
15 verify information submitted by or on behalf of a student applying for
16 or receiving assistance from the corporation;

17 (16) make or participate in the making of and purchase or
18 participate in the purchase of student loans;

19 (17) contract in advance for the purchase or sale of student
20 loans;

21 (18) sell or participate in the sale, either public or
22 private and on terms authorized by the board, or student loans to the
23 Student Loan Marketing Association or to other purchasers;

24 (19) collect and pay reasonable fees and charges in connec-
25 tion with the purchase, sale, and servicing of student loans;

26 (20) enter into agreements with the federal government
27 (including guaranty agreements and supplemental guaranty agreements as
28 described in the United States Higher Education Act of 1965) as
29 necessary to provide for the receipt by the corporation of

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 administrative allowances and other benefits available under the
2 United States Higher Education Act of 1965;

3 (21) enter into contracts with lenders upon terms and con-
4 ditions agreed upon between the corporation and the lenders, which
5 terms and conditions may reflect the requirements of the United States
6 Higher Education Act of 1965;

7 (22) enter into contracts with institutions upon the terms
8 and conditions agreed upon between the corporation and the institu-
9 tions, which terms and conditions may reflect the requirements of the
10 United States Higher Education Act of 1965;

11 (23) administer federal money allotted to the state with
12 respect to insured student loans and related administrative costs and
13 other matters;

14 (24) consent to the modification of the rate of interest,
15 time of payment of an installment of principal or interest, or other
16 terms of a student loan made or purchased by the corporation;

17 (25) procure insurance against any loss in connection with
18 the operation of its programs under this chapter;

19 (26) provide advisory services to borrowers and other parti-
20 cipants in the corporation's programs under this chapter;

21 (27) do all acts and things necessary, convenient or desir-
22 able to carry out the powers expressly granted or necessarily implied
23 in this chapter.

24 Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund
25 is established in the corporation. The student loan fund is a trust
26 fund for the uses and purposes of AS 14.42.010 - 14.42.310. The
27 student loan fund consists of money or assets appropriated or trans-
28 ferred to the corporation and other money or assets deposited in it by
29 the corporation.

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 (b) Money and other assets of the student loan fund may be used
2 to secure bonds of the corporation in the types of investments under
3 AS 37.10.070a or shall be used to make or purchase loans approved
4 under AS 14.43.09 - 14.43.160.

5 Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (g)
6 of this section, the corporation may borrow money and may issue bonds,
7 including but not limited to bonds on which the principal and interest
8 are payable, (1) exclusively from the income and receipts or other
9 money derived from the loans financed with proceeds of the bonds, (2)
10 exclusively from the income and receipts or other money derived from
11 designated loans whether or not they are financed in whole or in part
12 with the proceeds of the bonds, or (3) from its income and receipts or
13 other assets generally, or a designated part or parts of them.

14 (b) Bonds shall be authorized by resolution of the authority,
15 and be dated and shall mature more than 20 years from the date of its
16 issue. Bonds shall bear interest at the rate or rates, be in the
17 denominations, be in the form, either coupon or registered, carry the
18 registration privileges, be executed in the manner, be payable in the
19 medium of payment, at the place or places, and be subject to the terms
20 or redemption which the resolution or a subsequent resolution may
21 provide.

22 (c) All bonds, regardless of form or character, shall be nego-
23 tiable instruments for all the purposes of the Uniform Commercial
24 Code.

25 (d) All bonds may be sold at public or private sale in the
26 manner, for the price or prices, and at the time or times which the
27 corporation may determine.

28 (e) Before issuance of any bonds, the corporation shall make
29 provision by agreement or otherwise at least sufficient in the

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 judgement of the corporation to pay the principal of and interest on
2 the bonds as they become due and to create and maintain the reserves
3 therefor as the corporation considers necessary or desirable and to
4 meet all obligations in connection with the agreement and all costs
5 necessary to service the bonds unless the agreement provides that the
6 obligations are to be met or costs are to be paid by a party other
7 than the corporation.

8 (f) The superior court shall have jurisdiction to hear and
9 determine suits, actions or proceedings relating to the corporation,
10 including suits, actions or proceedings brought to foreclose or other-
11 wise enforce a mortgage or other security interest or brought by or
12 for the benefit of a holder of its bonds or by a trustee for or other
13 representative of the holders.

14 (g) The corporation may not issue bonds during any fiscal year
15 in an amount greater than \$100,000,000 unless the legislature, by law,
16 approves issuance of a greater amount.

17 Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. In the
18 discretion of the corporation, an issue of bonds may be secured by a
19 trust indenture or trust agreement between the corporation and a
20 corporate trustee (which may be a trust company, bank, or national
21 banking association, with corporate trust powers, located inside or
22 outside the state) or by a secured loan agreement or other instrument
23 or under a resolution giving powers to a corporate trustee (herein-
24 after in this section referred to as "trust agreement") by means of
25 which the corporation may:

26 (1) make and enter into any and all the covenants and
27 agreements with the trustee or the holders or the bonds which the
28 corporation may determine to be necessary or desirable, including,
29 without limitation, covenants, provisions, limitations and agreements

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 as to:

2 (A) the application, investment, deposit, use and
3 disposition of the proceeds of bonds of the corporation or of money or
4 other property of the corporation or in which it has an interest;

5 (B) the fixing and collection of loan payments and
6 other consideration for, and the other terms to be incorporated in, a
7 student loan;

8 (C) the assignment by the corporation of its rights in
9 a student loan or in a mortgage or other security interest created
10 with respect to a student loan to a trustee for the benefit of bond-
11 holders;

12 (D) the terms and conditions upon which additional
13 bonds of the corporation may be issued;

14 (E) the vesting in a trustee of rights, powers,
15 duties, funds or property in trust for the benefit of bondholders,
16 including, without limitation, the right to enforce payment, perfor-
17 mance and all other rights of the corporation or of the bondholders,
18 under a student loan or a security interest created with respect to a
19 student loan;

20 (2) pledge, mortgage or assign money, agreements, property,
21 or other assets of the corporation either presently in hand or to be
22 received in the future, or both; and

23 (3) provide for any other matters of like or different
24 character which in any way affect the security or protection of the
25 bonds.

26 Sec. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND
27 REQUIREMENTS. (a) For the purpose of securing one or more issues of
28 its bonds, the corporation may establish one or more special funds,
29 called "capital reserve funds", and shall pay into those capital

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 reserve funds the proceeds of the sale of its bonds and other moneys
2 which may be made available to the corporation from other sources for
3 the purposes of the capital reserve funds. A capital reserve fund may
4 be established only if the corporation determines that the establish-
5 ment of the fund would enhance the marketability of the bonds. Money
6 in a capital reserve fund, except as provided in this section, may be
7 used as required only for (1) the payment of the principal of, and
8 interest on, bonds or of the sinking fund payments with respect to
9 those bonds; (2) the purchase or redemption of the bonds, or (3) the
10 payment or a redemption premium required to be paid when the bonds are
11 redeemed before maturity. However, money in a capital reserve fund
12 may not be withdrawn if the withdrawal would reduce the amount in the
13 capital reserve fund to less than the capital reserve fund require-
14 ment, except for the purpose of making payment, when due, of princi-
15 pal, interest redemption premiums on the bonds, and sinking fund
16 payments when other money of the corporation is not available for the
17 payments. Income or interest earned by, or increment to, a capital
18 reserve fund, from the investment of all or part of the fund, may be
19 transferred by the corporation to other funds or accounts of the
20 corporation if the transfer does not reduce the amount of the capital
21 reserve fund below the capital reserve fund requirement.

22 (b) If the corporation decides to issue bonds secured by a
23 capital reserve fund, the bonds may not be issued if the amount in
24 requirement, unless the corporation, at the time of issuance of the
25 bonds, deposits in the capital reserve fund from the proceeds of the
26 bonds to be issued or from other sources, an amount of which, together
27 with the amount then in the fund, is not less than the capital reserve
28 fund requirement.

29 (c) In computing the amount of a capital reserve fund for the

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 purpose of this section, securities in which all or a portion of the
2 fund is invested shall be valued by a reasonable method established by
3 the corporation by resolution. Valuation shall include the amount of
4 interest earned or accrued as of the date of valuation.

5 (d) The chairman of the corporation shall annually, no later
6 than January 2, certify in writing to the governor and the legislature
7 the amount, of any, required to restore a capital reserve fund to the
8 capital reserve fund requirement. The legislature may appropriate to
9 the corporation the amount certified by the chairman of the corpora-
10 tion. The corporation shall deposit the amounts appropriated under
11 this subsection during a fiscal year in the proper capital reserve
12 fund. Nothing in this section creates a debt or liability of the
13 state.

14 (e) In this section, "capital reserve fund requirement" means
15 the amount required to be on deposit in the capital reserve fund as of
16 the date of computation as determined by resolution of the corpora-
17 tion.

18 (f) The corporation may establish reserve funds, other than
19 capital reserve funds, to secure one or more issues of its bonds. The
20 corporation may deposit in a reserve fund established under this
21 subsection the proceeds of sale of its bonds and other money which may
22 be made available from any other source. A reserve fund established
23 under this subsection must comply with (a) 9(c) of this section. The
24 corporation may allow a reserve fund established under this subsection
25 to be depleted without complying with (d) of this section.

26 Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the
27 legislature that a pledge made in respect of bonds shall be valid and
28 binding from the time the pledge is made; that the money or property
29 so pledged and thereafter received by the corporation shall

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 immediately be subject to the lien of the pledge without physical
2 delivery or further act; and that the lien of the pledge shall be
3 valid and binding as against all parties having claims of any kind in
4 tort, contract or otherwise against the corporation irrespective of
5 whether the parties have notice. Neither the resolution, trust
6 agreement nor any other instrument by which a pledge is created need
7 be recorded or filed under the provisions of the Uniform Commercial
8 Code to be valid, binding or effective against parties.

9 Sec. 14.42.260. NONLIABILITY ON BONDS. (a) Neither the mem-
10 bers of the corporation nor a person executing the bonds are liable
11 personally on the bonds or are subject to personnel liability or
12 accountability by reason of the issuance of the bonds.

13 (b) The bonds issued by the corporation do not constitute an
14 indebtedness or other liability of the state or of a political
15 subdivision of the state, except the corporation, but shall be payable
16 solely from the income and receipts or other funds or property of the
17 corporation. The corporation may not pledge the faith or credit of
18 the state or of a political subdivision of the state (except the
19 corporation) to the payment of a bond and the issuance of a bond by
20 the corporation does not directly or indirectly contingently obligate
21 the state or a political subdivision of the state to apply money from,
22 or levy or pledge any form of taxation whatever to the payment of the
23 bond.

24 Sec. 14.42.270. PLEDGE OF STATE. The state pledges to and
25 agrees with holders of bonds issued under this chapter that the state
26 will not limit or alter the rights and powers vested in the corpor-
27 ation by this chapter to fulfill the terms of a contract made by the
28 corporation with the holders or in any way impair the rights and
29 remedies of the holders until the bonds, together with the interest on

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 them with interest on unpaid installments of interest, and all costs
2 and expenses in connection with an action or proceeding by or on
3 behalf of the holders, are fully met and discharged. The corporation
4 is authorized to include this pledge and agreement of the state in
5 contract with the holders.

6 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal
7 property of this corporation and its assets, income and receipts are
8 declared to be the property of a political subdivision of the state
9 and devoted to an essential public and governmental function and
10 purpose, and the property, assets income, receipts, and other
11 interests of the corporation shall be exempt from all taxes and
12 special assessments of the state of a political subdivision of the
13 state, including, without limitation, all borough, cities,
14 municipalities, school districts, public utility districts and other
15 taxing units. All bonds of the corporation are declared to be issued
16 by a political subdivision of the state and for an essential public
17 and governmental purpose and to be public instrumentality, and the
18 bonds, and the interest on them, the income from them and the transfer
19 of the bonds, and all assets, income and receipts pledged to pay or
20 secure the payment of the bonds, or interest on them, shall at all
21 times be exempt from taxation by or under the authority of the state,
22 except for inheritance and estate taxes and taxes on transfers by or
23 in contemplation of death. Nothing in this section affects or limits
24 an exemption from license fees, property taxes, or excise, income or
25 any other taxes provided under any other law, nor does it create a tax
26 exemption with respect to the interest of any business, enterprise or
27 the person, other than the corporation, in any property, assets,
28 income, receipts, or other interest.

29 Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 bonds of the corporation are securities in which all public officers
2 and bodies of the state and all municipalities and municipal sub-
3 divisions, all insurance companies and associations and other persons
4 carrying on a insurance business, all banks, bankers, trust companies,
5 savings banks, savings associations, including savings associations
6 and building and loan associations, investment companies and other
7 persons carrying on a banking business, all administrators, guardians,
8 executors, trustees and other fiduciaries, and all other persons
9 whatsoever who are now or may hereafter be authorized to invest in
10 bonds or other obligations of the state, may properly and legally
11 invest funds including any other provisions of law, the bonds of the
12 corporation are also securities which may be deposited with and may be
13 received by all public officers and bodies of this state and all
14 municipalities and municipal subdivisions for any purpose for which
15 the deposit of bonds or other obligations of the state is now or may
16 hereafter be authorized.

17 Sec. 14.42.310. OPERATION OF CERTAIN STATUTES EXCEPTED. (a)
18 The corporation shall not be considered or constitute (1) a political
19 subdivision of the state as the term is used in AS 37.10.085, (2) a
20 municipal corporation or political subdivision of the state as the
21 terms are used in AS 29, or (3) except as provided in AS 14.42.330, a
22 state agency as the term is used in AS 37, but for all other purposes
23 the corporation constitutes a political subdivision and an instrumen-
24 tality of the state provided in this chapter.

25 (b) The funds, income or receipts of the corporation shall not
26 be considered or constitute money of the state, nor shall real pro-
27 perty in which the corporation has an interest be considered land
28 owned in fee by the state or to which the state may become entitled or
29 in any way lands belonging to the state, or state lands referred to in

WORK DRAFT COPY

WORK DRAFT COPY

WORK DRAFT COPY

1 Article VIII of the Alaska Constitution.

2 Sec. 14.42.320. ANNUAL AUDIT. The corporation shall have its
3 financial records audited annually by the legislative auditor or by a
4 certified public accountant approved by the legislative auditor. The
5 legislative auditor may prescribe the form and content of the finan-
6 cial records of the corporation and shall have access to these records
7 at any time.

8 Sec. 14.42.330. OPERATING BUDGET. The operating budget of the
9 corporation is subject to the Executive Budget Act (AS 37.07).

10 * Sec. 2. AS 14.43.120(d) is amended to read:

11 (d) scholarship loans may not be made to a student:

12 (1) for more than five years of undergraduate study;

13 (2) for more than five years of graduate study;

14 (3) for more than a total of eight years of undergraduate
15 and graduate study;

16 (4) to attend an institution for which the default rate on
17 loans made to students to attend the institution exceeds the program
18 default rate by more than 150%.

19 * Sec. 3. This Act takes effect immediately in accordance with AS
20 01.10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

OK
4/24/85

Page 1 of 3

Revision Date: 4/24/85

REQUEST

Bill/Resolution No.: CSHB 161 (Fin)
Title: Re: Student Loans

Sponsor: Binkley
Requestor: House Finance
Date of Request: 4/24/85

FISCAL DETAIL

Agency Affected: Education
Program Category Affected: Postsecondary
Education Commission
BRU, Program or Subprogram(s) Affected:
Student Loan Administration
Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL			28.4	60.2	63.8	67.6
300 CONTRACTUAL		20.0				
400 SUPPLIES			.1	.2	.2	.2
500 EQUIPMENT			1.2	1.2		
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	N.A.	20.0	29.7	61.6	65.0	67.8

CAPITAL		(48.7)	(2,274.5)	(4,207.9)	(6,209.0)	(9,629.4)
----------------	--	--------	-----------	-----------	-----------	-----------

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	N.A.	(28.7)	(2,244.8)	(4,146.3)	(6,144.0)	(9,561.6)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	N.A.	1.0	.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached.

Prepared By: Kerry D. 
Division: Postsecondary Education Commission

Phone: 465-2854
Date: 4/25/85

Approved by Commissioner: _____
Agency: _____

Date: _____

- Distribution (by Agency preparing fiscal note):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

7/1/84

Proposal No. 6. Increase loan interest to 8%, beginning in FY86, reduce grace period to six months, but maintain current monthly payment level for the first three years of repayment, then increase payments for the last seven years.

(a) Fiscal Impact:

CSHB 161(Fin) 2 of 3

Year of Impact	BORROWING YEAR													Total Impact
	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	
FY86	\$ 48.7	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 48.7
FY87	2,229.9	44.6												2,274.5
FY88	2,122.8	2,040.5	44.6											4,207.9
FY89	2,181.5	1,942.4	2,040.5	44.6										6,209.0
FY90	3,605.7	1,996.2	1,942.4	2,040.5	44.6									9,629.4
FY91	1,102.8	3,299.3	1,996.2	1,942.4	2,040.5	44.6								10,425.8
FY92	1,326.8	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6							12,378.9
FY93	1,966.2	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6						14,232.4
FY94	2,010.4	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6					16,075.7
FY95	2,010.4	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6				17,915.3
FY96	1,961.7	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6			19,706.2
FY97	[219.5]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6		19,320.0
FY98	[112.4]	[200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6	19,226.2
FY99	[171.1]	[102.8]	[200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	19,020.1
FY00	[1,595.3]	[156.6]	[102.8]	[200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	15,354.2

(b) Additional Administrative Cost:

The increase workload would result in the need for additional repayment staff, but not until FY87.

Object Code	FY86	FY87	FY88
100	\$ -0-	\$28.4	\$60.2
200	-0-	-0-	-0-
300	20.0	-0-	-0-
400	-0-	.1	.2
500	-0-	1.2	1.2
TOTAL:	\$20.0	\$29.7	\$61.6

(c) Comments:

CSHB 161(Fin) 3 of 3

1. The \$20.0 in contractual is for modifying the existing student loan on-line system to accommodate for individuals with loans carrying varying interest rates.
2. The monthly payments for borrowers would change upward the last seven years of the repayment cycle. Examples of the repayment schedule are:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>Delayed 8%</u>
\$ 1,000	\$ 10.61	\$ 10.61/\$ 12.80
\$24,000	\$254.56	\$254.56/\$306.89

3. Forgiveness would be applied as it is now, with the State paying on behalf of the borrower up to 50% of the principal and interest accrued. Hence, the delayed impact of the 8% interest will actually provide a small additional incentive for forgiveness (about \$26 on a \$24,000 loan).

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES



POUCH 7
STATE CAPITAL
JUNEAU, ALASKA 99811
907-465-3634
907-465-3635

Senate Committee on Health, Education and Social Services

Letter of Intent for SCS CSHB 161 (2d HESS), An Act relating to the interest rate, loan conditions, and repayment provisions of scholarship loans.

SCS CSHB 161 (2d HESS) proposes several changes to the Scholarship Loan Program in an effort to enhance the activity of the program without increasing state appropriations to the fund.

Section 1 would require all applicants to submit information necessary to determine eligibility for federal financial aid. It is the intent of the Senate Committee on Health, Education and Social Services that this information be used to counsel and advise students on the availability of federal financial aid and to encourage qualified students to apply for federal assistance. It is also the intent of the committee that the information be kept on file with the Alaska Commission on Postsecondary Education and used in the development of recommendations for revisions to the program.

Section 6 would require the Alaska Commission on Postsecondary Education to submit recommendations to the legislature for changes to the scholarship loan program. It is the intent of the committee that the report include a detailed study of a proposal based on financial need, a "two-tiered" proposal that would provide supplemental loan funds based on financial need, a proposal that matches the features of the federal aid program and establishes the state as a lender of last resort, and other proposals that would enable the program to meet projected loan demand with reduced state appropriations.

ALASKA STATE SENATE

JOE P. JOSEPHSON
DISTRICT H — ANCHORAGE
1024 WEST SIXTH AVENUE
ANCHORAGE, ALASKA 99501

WHILE IN JUNEAU
P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4525



COMMITTEES

BUDGET & AUDIT
HEALTH, EDUCATION & SOCIAL SERVICES
RULES
TRANSPORTATION

SENATE CHAIR, ANCHORAGE CAUCUS

OFFICE OF MINORITY WHIP

April 21, 1986

The Honorable Jan Faiks
✓ The Honorable John Sackett
The Honorable Al Adams
P.O. Box V
Juneau, Alaska 99811

RE: House Bill 161

Dear Finance Committee Chairpersons:

As you know, I have been a strong advocate of the student loan program in Alaska. I continue to believe that the program represents a wise investment in Alaska's future.

However, over time, it seems inevitable that changes in the program are going to be necessary. For example, I would urge that the legislature give notice of an intention, to be implemented five or six years hence, to move the program away from its present worldwide portability towards a policy in which student loans will be available for use within the State of Alaska, at public or private facilities here, unless the program sought by a student is not available within the state. In the interval, we would be building our University system and improving our offerings at the University and community colleges.

I am enclosing a draft amendment which would save the State, according to information given to me, \$8-\$16 million dollars per year without jeopardizing any loan recipients ability to go to school. The amendment would require that all applicants for student loans through the Commission on Postsecondary Education, of which I was formerly a member, would complete forms for financial assistance from the federal government through the federal guaranteed student loan program. Students receiving a federally guaranteed student loan would still enjoy forgiveness through the state system of up to 50%, just as they enjoy partial forgiveness under the wholly state funded system.

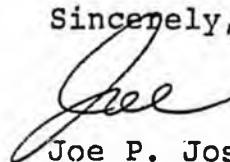
The only effect most applicants would notice from the adoption of the enclosed language is the requirement that they complete additional paper work. The federal program would be the loan of first resort and about 20% of Alaska's students, it is estimated, would qualify.

The Honorable Jan Faiks
The Honorable John Sackett
The Honorable Al Adams
April 21, 1986
Page Two

At present, most students don't bother to even apply for the federal program because of the inconvenience and, as a result, we spend state money that we ought not to be spending when some federal money is available.

With best personal regards, I am

Sincerely,



Joe P. Josephson
State Senator

JPJ:rak
Enclosure

Sec. 14.43.103. FEDERAL ASSISTANCE. The scholarship loan shall be used as a loan of last resort and shall only be granted to an applicant who, if eligible, first exhausts Federal Guaranteed Student Loan availability. As a condition of loan award, each applicant must submit, with the loan application, information necessary to determine whether the applicant qualifies for financial assistance from the federal government.

RECEIVED
APR 11 1986

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

Date 3-27-86

1/16/86

Mr. President

The Committee on HESS considered CSHB 161 Fin am
interest rate, loan conditions and repayment provisions of scholarship
loans; efd.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for CSHB 161 ~~(HESS)~~ ^(2d HESS)
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Ardis Stupulis
Edna De Vries

MEMBERS HAVING
OTHER RECOMMENDATIONS

Joe P. Josephson - No Recommendation

B. Faber-Kemp
 Chairman

Chairman recommendation _____

COMMITTEE REPORT
SENATE

FURTHER:

HESS

5/9/85

Date 1/10/86

Mr. President

The Committee on FINANCE considered CSHB 161(Fin) am
interest rate, loan conditions and repayment provisions of scholarship
loans; efd.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation

recommends/^{return}referral to Senate HESS Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

<i>[Signature]</i> <u>Return to HESS</u>	<i>[Signature]</i> <u>NO RE</u>
<i>[Signature]</i> <u>Return to HESS</u>	
<i>[Signature]</i> <u>Ret. to HESS</u>	
<i>[Signature]</i> <u>" " "</u>	
_____	_____
_____	_____
_____	_____

[Signature]
Chairman
Return to HESS at
Chairman recommendation
[Signature] sponsor's request.

1
COMMITTEE REPORT
SENATE

FURTHER: FINANCE

5/7/85

Date 5-9-85

Mr. President

The Committee on HESS considered CSHB 161(Fin)am

interest rate, loan conditions and repayment provisions of scholarship loans; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt 5 CS for CSHB 161 ~~HESS~~ HESS
- new title
- same title and recommends DO PASS
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Anders Furgulowski
Edna de Vries

MEMBERS HAVING
OTHER RECOMMENDATIONS

Dittye Fehrenkamp
Chairman
Do Pass
Chairman recommendation

Offered: 5/9/85
Referred: Finance

Original sponsor: Binkley

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the interest rate, loan condi-
7 tions and repayment provisions of scholarship loans;
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.43.120(f) is amended to read:

11 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
12 at the rate of eight [FIVE] percent a year unless the loan is in
13 default. Interest on a loan that is in default is 10 percent a year
14 for the period the loan is in default.

15 * Sec. 2. AS 14.43.120(g) is amended to read:

16 (g) Repayment of the principal and interest on the loan begins
17 no later than six months [ONE YEAR] after the borrower's studies are
18 terminated. The loan shall provide for repayment of the total amount
19 owed in periodic installments in not more than 10 years from the
20 commencement of repayment, except as provided in (k) and (m) of this
21 section. Interest shall accrue as provided in (f) of this section,
22 but the borrower shall be allowed to repay the loan at a five percent
23 interest rate for the first three years of the repayment period, with
24 the extra accrued interest to be paid in later years. If the commis-
25 sion and the borrower agree to a different repayment schedule, the
26 borrower shall repay the loan in accordance with the agreement. A
27 borrower may make payments earlier than required by this subsection.

28 * Sec. 3. This Act takes effect July 1, 1985.

Offered: 4/29/85
Referred: Rules

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 161 (Finance) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the interest rate, loan condi-
7 tions and repayment provisions of scholarship loans;
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.43.120(c) is amended to read:

11 (c) To maintain a loan the student must continue to be enrolled
12 as a full-time student in good standing, or as a part-time student in
13 good standing in more than one institution for a total number of
14 credits equivalent to a full-time student in a career education pro-
15 gram, college or university designated under (b) of this section. The
16 commission shall adopt regulations defining "good standing" for pur-
17 poses of this subsection.

18 * Sec. 2. AS 14.43.120(f) is amended to read:

19 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
20 at the rate of eight [FIVE] percent a year unless the loan is in
21 default. Interest on a loan that is in default is 10 percent a year
22 for the period the loan is in default.

23 * Sec. 3. AS 14.43.120(g) is amended to read:

24 (g) Repayment of the principal and interest on the loan begins
25 no later than six months [ONE YEAR] after the borrower's studies are
26 terminated. The loan shall provide for repayment of the total amount
27 owed in periodic installments in not more than 10 years from the
28 commencement of repayment, except as provided in (k) and (m) of this
29 section. Interest shall accrue as provided in (f) of this section.

1 but the borrower shall be allowed to repay the loan at a five percent
2 interest rate for the first three years of the repayment period, with
3 the extra accrued interest to be paid in later years. If the commis-
4 sion and the borrower agree to a different repayment schedule, the
5 borrower shall repay the loan in accordance with the agreement. A
6 borrower may make payments earlier than required by this subsection.

7 * Sec. 4. This Act takes effect July 1, 1985.

COMMITTEE REPORT

SENATE

FURTHER:

5/9/85

Date 5/10/85

Mr. President

The Committee on FINANCE considered CSHB 161(Fin) an interest rate, loan conditions and repayment provisions of scholarship loans: eff.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to Finance Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Rich Howard Peterson Tolles
John Tolles
John Tolles

Chairman

Chairman recommendation

SECTIONAL ANALYSIS FOR HOUSE BILL 161 (versions 1 & 2)

An Act relating to the interest rate, loan conditions and repayment provisions of scholarship loans and providing for an effective date

Section 1

Increases the annual interest rate on a student loan from 5% to 8%. On a \$1000 loan, that would add \$2.19 to the monthly payment during the last 7 years of the loan. On a \$24,000 loan, the increase would amount to \$52.33 a month.

Section 2

Raising the interest rate from 5% to 8% would not increase the monthly payment of the borrower during the first three years of repayment. Instead, this additional interest rate would be reflected in the monthly payments of the last 7 years of the loan. Essentially, this results in an interest average of 5% for the first three years and 10% for the remaining seven.

Version 2 includes an additional section that does the following. Under current law, a borrower has a one year grace period after studies are terminated before repayment begins. This section would reduce that time period to 9 months.

Section 3

Effective date of July 1, 1986.

Comments

As passed by the House, this bill contained a section which allowed borrowers to attend more than one institution in order to reach the 12 units needed to qualify for a student loan. The Senate HESS Committee deleted that section because Senate Bill 17, which did the same thing, passed during the 1985 session.

Version #12
Cook ✓
1/14/86

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act relating to the interest rate, loan condi-
7 tions and repayment provisions of scholarship loans;
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.43.120(f) is amended to read:

11 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
12 at the rate of eight [FIVE] percent a year unless the loan is in
13 default. Interest on a loan that is in default is 10 percent a year
14 for the period the loan is in default.

15 * Sec. 2. AS 14.43.120(g) is amended to read:

16 (g) Repayment of the principal and interest on the loan begins
17 no later than nine months [ONE YEAR] after the borrower's studies are
18 terminated. The loan shall provide for repayment of the total amount
19 owed in periodic installments in not more than 10 years from the
20 commencement of repayment, except as provided in (k) and (m) of this
21 section. Interest shall accrue as provided in (f) of this section,
22 but the borrower shall be allowed to repay the loan at a five percent
23 interest rate for the first three years of the repayment period, with
24 the extra accrued interest to be paid in later years. If the commis-
25 sion and the borrower agree to a different repayment schedule, the
26 borrower shall repay the loan in accordance with the agreement. A
27 borrower may make payments earlier than required by this subsection.

28 * Sec. 3. This Act takes effect July 1, 1986.
29

Original sponsor: Binkley

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the interest rate, loan condi-
7 tions and repayment provisions of scholarship loans;
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.43.120(f) is amended to read:

11 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
12 at the rate of eight [FIVE] percent a year unless the loan is in
13 default. Interest on a loan that is in default is 10 percent a year
14 for the period the loan is in default.

15 * Sec. 2. AS 14.43.120(g) is amended to read:

16 (g) Repayment of the principal and interest on the loan begins
17 no later than one year after the borrower's studies are terminated.
18 The loan shall provide for repayment of the total amount owed in
19 periodic installments in not more than 10 years from the commencement
20 of repayment, except as provided in (k) and (m) of this section.
21 Interest shall accrue as provided in (f) of this section, but the
22 borrower shall be allowed to repay the loan at a five percent interest
23 rate for the first three years of the repayment period, with the extra
24 accrued interest to be paid in later years. If the commission and the
25 borrower agree to a different repayment schedule, the borrower shall
26 repay the loan in accordance with the agreement. A borrower may make
27 payments earlier than required by this subsection.

28 * Sec. 3. This Act takes effect July 1, 1986.

SECTIONAL ANALYSIS OF HOUSE BILL 161

An Act relating to the interest rate, loan conditions and repayment provisions of scholarship loans

Section 1

Would increase the annual interest rate on a student loan from 5% to 8%. On a \$1000 loan that would add \$2.19 to the monthly payment over the 10 year life of the loan. On a \$24,000 loan, the increase would amount to \$52.33 a month.

Section 2

Under current law, a borrower has a one year grace period after studies are terminated before repayment begins. This section would reduce that to six months.

In addition, raising the interest rate from 5% to 8% would not increase the monthly payment of the borrower during the first three years of repayment. Instead, this additional interest rate would be reflected in the monthly payments of the last 7 years of the loan.

Section 3

Effective date of July 1, 1985 which would of course have to be changed to July 1, 1986.

Comments

As passed by the House, this bill contained a section which allowed borrowers to attend more than one institution in order to reach the 12 units needed to qualify for a student loan. The Senate HESS Committee deleted that section because Senate Bill 17, which did the same thing, passed during the 1984 Session.

Fiscal Impact

The Postsecondary Education Commission estimates an FY 87 increase of \$20,000 to cover the cost of modifying the on-line system used for computing loan repayments. Future years would require additional funds for additional repayment staff.

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 1/15/86

REQUEST

Bill/Resolution No. : SCSCSHB 161
 Title : Re: Student Loans

 Sponsor : Binkley
 Requestor : Senate Finance
 Date of Request : 1/14/86

FISCAL DETAIL

Agency Affected : Education
 BRU : Postsecondary Commission

 Components : Student Loan Administration
Student Loan Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		25.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	25.0	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

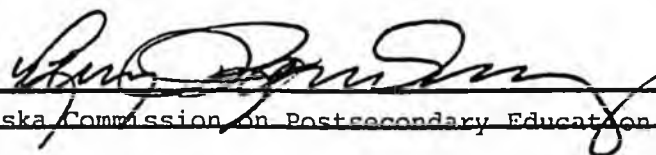
GENERAL FUND	N.A.	25.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME	N.A.	N.A.	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

See attached

Prepared by :  Phone : 465-2854
 Division : Alaska Commission on Postsecondary Education Date : 1/15/86

Approved by Commissioner : _____ Date : _____
 Agency : _____

Distribution (by Agency preparing fiscal note) :

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 1/15/86

REQUEST

Bill/Resolution No.: SCSCSHB161
 Title: Re: Student Loans

 Sponsor: Binkley
 Requestor: Senate Finance
 Date of Request: 1/14/86

FISCAL DETAIL

Agency Affected: Education
 BRU: Postsecondary Commission

 Components: Student Loan Administration
Student Loan Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES			30.3	63.7	67.5	71.6
TRAVEL						
CONTRACTUAL		25.0				
SUPPLIES			.1	.2	.2	.2
EQUIPMENT			1.2	1.2		
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL		(23.1)	(1,079.6)	(2,132.0)	(3,259.9)	(5,211.9)
---------	--	--------	-----------	-----------	-----------	-----------

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

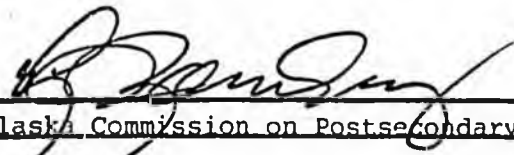
GENERAL FUND	N.A.	1.9	(1,048.0)	(2,066.9)	(3,192.2)	(5,140.1)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME	N.A.	-0-	1.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

See attached

Prepared by:  Phone: 465-2854
 Division: Alaska Commission on Postsecondary Education Date: 1/15/86

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1985 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date: 10/22/85

REQUEST

Bill/Resolution No.: CSHB 161
 Title: Re: Student Loans

Sponsor: Binklev
 Requestor: Senate Finance
 Date of Request: 10/22/85

FISCAL DETAIL

Agency Affected: Education
 Program Category Affected: Postsecondary
Education Commission

BRU, Program or Subprogram(s) Affected:
Student Loan Administration
Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING				30.3	63.7	67.5
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			25.0			
400 SUPPLIES				.1	.2	.2
500 EQUIPMENT				1.2	1.2	
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING			25.0	31.6	65.1	67.7

CAPITAL			(46.1)	(2,158.9)	(4,263.8)	(6,510.8)
----------------	--	--	--------	-----------	-----------	-----------

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

	N.A.	N.A.	(21.1)	(2,127.3)	(4,198.7)	(6,443.1)
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	N.A.	N.A.	-0-	1.0	2.0	2.0
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached

Prepared By: Kerry D. Romesh Executive Director Phone: 465-2854
 Division: Alaska Commission on Postsecondary Date: 10/22/85
Education
 Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

7/1/84

Comments:

1. The \$20.0 in contractual is for modifying the existing student loan on-line system to accommodate for individuals with loans carrying varying interest rates.
2. The monthly payments for borrowers would change upward the last seven years of the repayment cycle. Examples of the repayment schedule are:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>Delayed 8%</u>
\$ 1,000	\$ 10.61	\$ 10.61/\$ 12.80
\$24,000	\$254.56	\$254.56/\$306.89

3. Forgiveness would be applied as it is now, with the State paying on behalf of the borrower up to 50% of the principal and interest accrued. Hence, the delayed impact of the 8% rate est will actually provide a small additional incentive for forgiveness (about \$26 on a \$24,000 loan).

TABLE 1
PROJECTED REPAYMENT WITH CURRENT
PROGRAM TERMS

Year of Impact	BORROWING YEAR																	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
FY86																		
FY87																		
FY88	\$1,769.6	\$ 376.9																
FY89	3,452.3	735.3	\$1,702.1	\$ 362.5														
FY90	5,174.5	1,102.2	3,320.5	707.3	\$1,777.5	\$ 378.6												
FY91	7,726.2	1,645.7	4,977.0	1,060.1	3,467.7	738.6	\$1,853.9	\$ 394.9										
FY92	7,900.0	1,682.7	7,431.3	1,582.9	5,197.6	1,107.1	3,616.7	770.4	\$1,930.6	\$ 411.2								
FY93	7,581.5	1,614.9	7,598.5	1,618.5	7,760.6	1,653.0	5,420.9	1,154.7	3,766.5	802.3	\$2,018.4	\$ 429.9						
FY94	7,278.6	1,550.3	7,292.1	1,553.0	7,935.2	1,690.2	8,027.9	1,709.9	5,645.4	1,202.5	3,937.6	838.7	\$2,110.2	\$ 449.5				
FY95	6,968.6	1,484.3	7,000.8	1,491.2	7,615.3	1,622.1	8,276.2	1,762.8	8,429.3	1,795.4	5,901.9	1,257.1	4,116.7	876.9	\$2,206.2	\$ 469.9		
FY96	6,509.3	1,386.5	6,702.6	1,427.7	7,311.0	1,557.2	7,942.5	2,075.2	8,618.9	1,835.8	8,812.3	1,877.0	6,170.3	1,314.3	4,303.9	916.7	\$ 2,306.5	\$ 491.3
FY97	6,478.0	1,379.8	6,260.9	1,333.6	6,999.6	1,490.9	7,625.2	1,624.2	8,271.4	1,761.8	9,010.5	1,919.2	9,213.1	1,962.4	6,450.9	1,374.0	4,499.6	958.4
FY98	5,026.9	1,070.7	6,230.8	1,327.2	6,538.3	1,392.6	7,300.4	1,555.0	7,940.9	1,691.4	8,647.2	1,841.9	9,420.3	2,006.5	9,632.1	2,051.6	6,744.3	1,438.5
FY99	3,647.1	776.8	4,835.0	1,029.9	6,506.9	1,386.0	6,831.2	1,455.0	7,602.7	1,619.4	8,301.7	1,768.3	9,040.5	1,925.6	9,848.7	2,097.8	10,070.0	2,144.9
FY00	2,234.9	476.0	3,508.0	747.2	5,049.3	1,075.5	6,706.5	1,445.5	7,102.6	1,512.9	7,948.2	1,693.0	8,309.6	1,769.9	9,451.6	2,013.2	10,296.6	2,193.2

- Assumptions: 1. General Fund appropriation remains constant at \$60.0 million after FY87.
2. The percentage of borrowers entering repayment, with a 12-month grace period, will be:

Percent	Years After Borrowing
0.0	one year
22.4	two years
21.3	three years
21.8	four years
32.3	five years
2.2	six or more years
100.0	

3. Borrowing rates will not be reduced if interest is increased to 8 percent.

TABLE 2
PROJECTED DEPARTMENT WITH
CSHB 161 TERMS

Year of Impact	BORROWING YEAR																	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
FY86																		
FY87			\$ 38.0	\$ 8.1														
FY88	\$1,769.6	\$ 376.9	1,740.1	370.6	\$ 39.7	\$ 8.5												
FY89	3,452.3	735.3	3,358.5	715.4	1,817.2	387.1	\$ 41.4	\$ 8.8										
FY90	5,174.5	1,302.2	5,015.0	1,068.2	3,507.4	747.1	1,895.2	403.7	\$ 43.1	\$ 15.0								
FY91	7,726.2	1,645.7	7,431.3	1,582.9	5,237.2	1,115.5	3,658.1	779.2	1,973.7	686.8	\$ 45.1	\$ 15.7						
FY92	7,900.0	1,682.7	7,598.5	1,618.5	7,760.6	1,653.0	5,462.3	1,163.5	3,809.6	1,325.7	2,063.4	718.1	\$ 47.1	\$ 16.4				
FY93	7,581.5	1,614.9	7,285.3	1,551.8	7,935.2	1,690.2	8,094.1	1,724.0	5,688.5	1,979.6	3,982.6	1,385.9	2,157.2	750.7	\$ 49.2	\$ 16.8		
FY94	7,278.6	1,550.3	6,954.0	1,489.7	7,608.1	1,620.5	8,276.2	1,762.8	8,429.3	2,933.4	5,946.9	2,069.5	4,163.8	1,449.0	2,255.4	784.9	\$ 51.5	\$ 17.9
FY95	6,968.6	1,484.3	6,695.8	1,426.2	7,303.9	1,555.7	7,935.1	1,690.2	8,618.9	2,999.4	8,812.3	3,066.7	6,217.4	2,163.7	4,353.1	1,514.9	2,357.9	820.5
FY96	6,509.3	1,386.5	6,261.0	1,333.6	6,992.5	1,489.4	7,617.7	1,622.6	8,263.6	2,875.7	9,010.5	3,135.7	9,213.1	3,206.2	6,500.1	2,262.0	4,551.1	1,583.8
FY97	6,478.0	1,379.8	6,230.8	1,327.2	6,538.3	1,392.7	7,293.0	1,553.4	7,933.2	2,760.8	8,639.1	3,006.4	9,420.3	3,278.3	9,632.0	3,351.5	6,795.8	2,364.9
FY98	5,026.9	1,070.7	4,803.9	1,023.2	6,506.9	1,386.6	6,819.3	1,452.5	7,595.0	2,643.1	8,293.6	2,886.2	9,032.0	3,143.1	9,848.7	3,427.3	10,070.1	3,504.4
FY99	3,647.1	776.8	3,476.8	740.6	5,016.8	1,068.6	6,786.5	1,445.5	7,101.6	2,471.4	7,940.1	2,763.2	8,670.8	3,017.4	9,442.7	3,286.1	10,296.6	3,583.2
FY00	2,234.9	476.0	2,118.5	451.2	3,630.8	773.4	5,232.4	1,114.5	7,067.5	2,459.5	7,424.3	2,583.7	7,551.7	2,628.0	9,064.8	3,154.6	9,872.2	3,435.5

Assumptions: 4. The percentage of borrowers entering repayment, with a 6-month grace period, will be:

Percent	Years After Borrowing
0.5	during first year
22.4	one year
21.3	two years
21.8	three years
31.8	four years
2.2	five or more years
100.0	

5. Forgiveness benefits will be received by 18 percent of the borrowers.

6. Default rate is not included.

TABLE 3
FISCAL IMPACT OF
CSHB 161

Year of Impact	BORROWING YEAR																				
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		Total*		
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	
FY86																					
FY87			\$ 38.0	\$ 8.1																\$ 38.0	\$ 8.1
FY88			1,740.1	370.6	\$ 39.7	\$ 8.5														1,779.8	379.1
FY89			1,656.4	352.9	1,817.2	387.1	\$ 41.4	\$ 8.8												3,515.0	748.8
FY90			1,694.5	360.9	1,729.9	368.5	1,895.2	403.7			\$ 43.1	\$ 15.0								5,362.7	1,148.1
FY91			2,454.3	522.8	1,769.5	376.9	1,804.2	384.3	1,973.7	686.8	\$ 45.1	\$ 15.7								8,046.8	1,936.5
FY92			167.2	35.6	2,563.0	545.9	1,845.6	393.1	1,879.0	914.5	2,063.4	718.1	\$ 47.1	\$ 16.4						8,565.3	2,623.6
FY93			(313.2)	(66.7)	174.6	37.2	2,673.2	569.3	1,922.0	1,177.3	1,964.2	956.0	2,157.2	750.7	\$ 49.2	\$ 16.8				8,627.2	3,440.6
FY94			(298.1)	(63.5)	(327.1)	(69.7)	249.3	52.9	2,783.9	1,730.9	2,009.3	1,230.8	2,053.6	999.5	2,255.4	784.9	\$ 51.5	\$ 17.9		9,431.0	6,255.9
FY95			(305.0)	(65.0)	(311.4)	(66.3)	(341.1)	(72.7)	189.6	1,204.0	2,910.4	1,809.6	2,100.7	1,286.8	2,146.9	1,045.0	2,357.9	820.5		8,748.0	5,961.9
FY96			(441.6)	(94.1)	(318.5)	(67.8)	(324.8)	(69.2)	(355.3)	1,039.9	198.2	1,258.7	3,042.8	1,891.9	2,196.2	1,345.3	2,244.6	1,092.5		6,952.2	6,397.2
FY97			(35.1)	(6.4)	(461.3)	(98.3)	(332.2)	(70.8)	(338.2)	999.0	(371.4)	1,087.2	207.2	1,315.9	3,101.1	1,977.9	2,296.2	1,406.5		4,151.3	6,611.0
FY98			(1,426.9)	(303.9)	(31.4)	(6.7)	(481.1)	(102.5)	(345.9)	951.7	(353.6)	1,044.3	(388.3)	1,136.6	216.6	1,375.7	3,325.8	2,067.9		515.2	6,163.1
FY99			(1,358.2)	(284.3)	(1,490.1)	(317.4)	(44.7)	(9.5)	(501.1)	852.0	(361.6)	994.9	(369.7)	1,091.8	(406.0)	1,188.3	226.6	1,438.3		(4,304.8)	4,949.1
FY00			(1,389.5)	(296.0)	(1,418.5)	(302.1)	(1,554.1)	(331.0)	(35.1)	946.6	(523.9)	890.7	(757.9)	858.1	(386.8)	1,141.4	(424.4)	1,242.3		(6,490.2)	4,150.0

*NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

TABLE 4
FISCAL IMPACT OF
8% INTEREST

FY	BORROWING YEAR																Total*		
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93				FY94
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	
86																			
87																			
88																			
89				\$ 217.5															\$ 217.5
90				424.4			\$ 227.2												651.6
91				636.1			443.2												1,316.2
92				949.7			661.3												2,319.9
93				971.1			991.8												3,395.0
94				931.8			1,014.1												4,466.2
95				894.7			973.3												5,565.2
96				856.6			934.3												6,897.0
97				800.2			894.5												7,454.6
98				796.3			835.6												7,981.6
99				617.9			831.6												8,056.1
00				448.3			645.3												7,472.1

TE: Totals after FY94 will be effected by loans made in FY95 and beyond.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

*OL
sup 5/1*

Page 1 of 3

Revision Date: 4/24/85

REQUEST

Bill/Resolution No.: CSHB 161 (Fin)
Title: Re: Student Loans

FISCAL DETAIL

Agency Affected: Education
Program Category Affected: Postsecondary
Education Commission
BRU, Program or Subprogram(s) Affected:
Student Loan Administration
Student Loan Program

Sponsor: Binkley
Requestor: House Finance
Date of Request: 4/24/85

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL			28.4	60.2	63.8	67.6
300 CONTRACTUAL		20.0				
400 SUPPLIES			.1	.2	.2	.2
500 EQUIPMENT			1.2	1.2		
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	N.A.	20.0	29.7	61.6	65.0	67.8

CAPITAL		(48.7)	(2,274.5)	(4,207.9)	(6,209.0)	(9,629.4)
----------------	--	--------	-----------	-----------	-----------	-----------

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	(28.7)	(2,244.8)	(4,146.3)	(6,144.0)	(9,561.6)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	N.A.	1.0	.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached.

Prepared By: Kerry D. *[Signature]*
Division: Postsecondary Education Commission

Phone: 465-2854
Date: 4/25/85

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

Proposal No. 6. Increase loan interest to 8% beginning in FY86, reduce grace period to six months, but maintain current monthly payment level for the first three years of repayment, then increase payments for the last seven years.

(a) Fiscal Impact: CSHB 161(Fin) 2 of 3'

Year of Impact	BORROWING YEAR													Total Impact
	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	
FY86	\$ 48.7	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 48.7
FY87	2,229.9	44.6												2,274.5
FY88	2,122.8	2,040.5	44.6											4,207.9
FY89	2,181.5	1,942.4	2,040.5	44.6										6,209.0
FY90	3,605.7	1,996.2	1,942.4	2,040.5	44.6									9,629.4
FY91	1,102.8	3,299.3	1,996.2	1,942.4	2,040.5	44.6								10,425.8
FY92	1,326.8	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6							12,378.9
FY93	1,966.2	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6						14,232.4
FY94	2,010.4	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6					16,075.7
FY95	2,010.4	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6				17,915.3
FY96	1,961.7	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6			19,706.2
FY97	[219.5]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6		19,320.0
FY98	[112.4]	[200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6	19,226.2
FY99	[171.1]	[102.8]	[200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	19,020.1
FY00	[1,595.3]	[156.6]	[102.8]	[200.9]	1,795.0	1,839.6	1,839.5	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	15,354.2

(b) Additional Administrative Cost:

The increase workload would result in the need for additional repayment staff, but not until FY87.

Object Code	FY86	FY87	FY88
100	\$ -0-	\$28.4	\$60.2
200	-0-	-0-	-0-
300	20.0	-0-	-0-
400	-0-	.1	.2
500	-0-	1.2	1.2
TOTAL:	\$20.0	\$29.7	\$61.6

(c) Comments:

CSHB 161(Fin) 3 of 3

1. The \$20.0 in contractual is for modifying the existing student loan on-line system to accommodate for individuals with loans carrying varying interest rates.
2. The monthly payments for borrowers would change upward the last seven years of the repayment cycle. Examples of the repayment schedule are:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>Delayed 8%</u>
\$ 1,000	\$ 10.61	\$ 10.61/\$ 12.80
\$24,000	\$254.56	\$254.56/\$306.89

3. Forgiveness would be applied as it is now, with the State paying on behalf of the borrower up to 50% of the principal and interest accrued. Hence, the delayed impact of the 8% interest will actually provide a small additional incentive for forgiveness (about \$26 on a \$24,000 loan).

SCSCS HB 161: Student Loans
(1-15-86 Analysis)

- Assuptions: 1. General Fund appropriation remains constant at \$60.0 million after FY87.
2. The percentage of borrowers entering repayment, with a 12-month grace period, will be:

<u>Percent</u>	<u>Years After Borrowing</u>
0.0	one year
22.4	two years
21.3	three years
21.8	four years
32.3	five years
2.2	six or more years
<u>100.0</u>	

3. Borrowing rates will not be reduced if interest is increased to 8 percent.
4. The percentage of borrowers entering repayment, with a 6-month grace period, will be:

<u>Percent</u>	<u>Years After Borrowing</u>
0.5	during first year
22.4	one year
21.3	two years
21.8	three years
31.8	four years
2.2	five or more years
<u>100.0</u>	

5. Forgiveness benefits will be received by 18 percent of the borrowers.
6. Default rate is not included.
7. The percentage of borrowers entering repayment, with a 9-month grace period, will be:

<u>Percent</u>	<u>Years After Borrowing</u>
0.3	during first year
22.4	one year
21.3	two years
21.8	three years
32.0	four years
2.2	five or more years
<u>100.0</u>	

- Comments: 1. Contractual amount of \$25.0 is for modifying the existing student loan system to accommodate variable interest rates.
2. The monthly payment for borrowers would change upward the last seven years of the repayment cycle. Examples of the repayment schedule are:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>Delayed 8%</u>
\$ 1,000	\$ 10.61	\$ 10.61/\$ 12.80
\$24,000	\$254.56	\$254.56/\$306.89

3. The delayed 8% (ramping) translates into 5% interest for the first three years and 10.14% interest for the last seven years.
4. Forgiveness would be applied as it is now, with the State paying on behalf of the borrower up to 50% of the principal and interest accrued. Hence, the delayed impact of the 8% interest will actually provide a small additional incentive for forgiveness (about \$26 on \$24,000 loan).

TABLE 1
PROJECTED REPAYMENT WITH CURRENT
PROGRAM TERMS

Year of Impact	BORROWING YEAR																	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
FY86																		
FY87																		
FY88	\$1,769.6	\$ 376.9																
FY89	3,452.3	735.3	\$1,702.1	\$ 362.5														
FY90	5,174.5	1,102.2	3,320.5	707.3	\$1,777.5	\$ 378.6												
FY91	7,726.2	1,645.7	4,977.0	1,060.1	3,467.7	738.6	\$1,853.9	\$ 394.9										
FY92	7,900.0	1,682.7	7,431.3	1,582.9	5,197.6	1,107.1	3,616.7	770.4	\$1,930.6	\$ 411.2								
FY93	7,581.5	1,614.9	7,598.5	1,618.5	7,760.6	1,653.0	5,420.9	1,154.7	3,766.5	802.3	\$2,018.4	\$ 429.9						
FY94	7,278.6	1,550.3	7,292.1	1,553.0	7,935.2	1,690.2	8,027.9	1,709.9	5,645.4	1,202.5	3,937.6	838.7	\$2,110.2	\$ 449.5				
FY95	6,568.6	1,484.3	7,000.8	1,491.2	7,615.3	1,622.1	8,276.2	1,762.8	8,429.3	1,795.4	5,901.9	1,257.1	4,116.7	876.9	\$2,206.2	\$ 469.9		
FY96	6,509.3	1,386.5	6,702.6	1,427.7	7,311.0	1,557.2	7,942.5	2,075.2	8,618.9	1,835.8	8,812.3	1,877.0	6,170.3	1,314.3	4,303.9	916.7	\$ 2,306.5	\$ 491.3
FY97	6,478.0	1,379.8	6,260.9	1,333.6	6,999.6	1,490.9	7,625.2	1,624.2	8,271.4	1,761.8	9,010.5	1,919.2	9,213.1	1,962.4	6,450.9	1,374.0	4,499.6	958.4
FY98	5,026.9	1,070.7	6,230.8	1,327.2	6,538.3	1,392.6	7,300.4	1,555.0	7,940.9	1,691.4	8,647.2	1,841.9	9,420.3	2,006.5	9,632.1	2,051.6	6,744.3	1,436.5
FY99	3,647.1	776.8	4,835.0	1,029.9	6,506.9	1,386.0	6,831.2	1,455.0	7,602.7	1,619.4	8,301.7	1,768.3	9,040.5	1,925.6	9,848.7	2,097.8	10,070.0	2,144.9
FY00	2,234.9	476.0	3,508.0	747.2	5,049.3	1,075.5	6,786.5	1,445.5	7,102.6	1,512.9	7,948.2	1,693.0	8,309.6	1,769.9	9,451.6	2,013.2	10,296.6	2,193.2

- Assumptions: 1. General Fund appropriation remains constant at \$60.0 million after FY87.
2. The percentage of borrowers entering repayment, with a 12-month grace period, will be:

Percent	Years After Borrowing
0.0	one year
22.4	two years
21.3	three years
21.8	four years
32.3	five years
2.2	six or more years
100.0	

3. Borrowing rates will not be reduced if interest is increased to 8 percent.

TABLE 2
PROJECTED REPAYMENT WITH
6-MONTH GRACE PERIOD

Year of Impact	BORROWING YEAR																			
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94			
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I		
FY86																				
FY87			\$ 38.0	\$ 8.1																
FY88	\$1,269.6	\$ 376.9	1,740.1	370.6	\$ 39.7	\$ 8.5														
FY89	3,452.3	735.3	3,358.5	715.4	1,817.2	387.1	\$ 41.4	\$ 8.8												
FY90	5,174.5	1,102.2	5,015.0	1,068.2	3,507.4	747.1	1,895.2	403.7	\$ 43.1	\$ 15.0										
FY91	7,726.2	1,645.7	7,431.3	1,582.9	5,237.2	1,115.5	3,658.1	779.2	1,973.7	686.8	\$ 45.1	\$ 15.7								
FY92	7,900.0	1,682.7	7,598.5	1,618.5	7,260.6	1,653.0	5,467.3	1,163.5	3,809.6	1,325.7	2,063.4	718.1	\$ 47.1	\$ 16.4						
FY93	7,581.5	1,614.9	7,285.3	1,551.8	7,935.2	1,690.2	8,094.1	1,724.0	5,688.5	1,979.6	3,982.6	1,385.9	2,157.2	750.7	\$ 49.2	\$ 16.8				
FY94	7,278.6	1,550.3	6,994.0	1,489.7	7,608.1	1,620.5	8,276.2	1,762.8	8,429.3	2,933.4	5,946.9	2,069.5	4,163.8	1,449.0	2,255.4	784.9	\$ 51.5	\$ 17.9		
FY95	6,968.6	1,484.3	6,695.8	1,426.2	7,303.9	1,555.7	7,935.1	1,690.2	8,618.9	2,939.4	8,812.3	3,066.7	6,217.4	2,163.7	4,353.1	1,514.9	2,357.9	820.5		
FY96	6,509.3	1,386.5	6,261.0	1,333.6	6,992.5	1,489.4	7,617.7	1,622.6	8,263.6	2,875.7	9,010.5	3,135.7	9,213.1	3,206.2	6,500.1	2,262.0	4,551.1	1,583.8		
FY97	6,478.0	1,379.8	6,230.8	1,327.2	6,538.3	1,392.7	7,293.0	1,553.4	7,933.2	2,760.8	8,639.1	3,006.4	9,420.3	3,278.3	9,632.0	3,351.9	6,795.8	2,364.9		
FY98	5,026.9	1,070.7	4,803.9	1,023.2	6,506.9	1,386.6	6,819.3	1,452.5	7,595.0	2,643.1	8,293.6	2,886.2	9,032.0	3,143.1	9,848.7	3,427.3	10,070.1	3,504.4		
FY99	3,647.1	776.8	3,476.8	740.6	5,016.8	1,068.6	6,786.5	1,445.5	7,101.6	2,471.4	7,940.1	2,763.2	8,670.8	3,017.4	9,442.7	3,286.1	10,296.6	3,583.2		
FY00	2,234.9	476.0	2,118.5	451.2	3,630.8	773.4	5,232.4	1,114.5	7,067.5	2,459.5	7,424.3	2,583.7	7,551.7	2,628.0	9,064.8	3,154.6	9,872.2	3,435.5		

Assumptions: 4. The percentage of borrowers entering repayment, with a 6-month grace period, will be:

Percent	Years After Borrowing
0.5	during first year
22.4	one year
21.3	two years
21.8	three years
31.8	four years
2.2	five or more years
100.0	

5. Forgiveness benefits will be received by 18 percent of the borrowers.
6. Default rate is not included.

TABLE 3
FISCAL IMPACT OF
6-MONTH GRACE PERIOD

Year of Impact	BORROWING YEAR																		Total*									
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		P	I								
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I												
FY86																												
FY87		\$ 38.0		\$ 8.1																\$ 38.0	\$ 8							
FY88		1,740.1		370.6		\$ 39.7		\$ 8.5												1,779.8	379							
FY89		1,656.4		352.9		1,817.2		387.1		\$ 41.4		\$ 8.8								3,515.0	748							
FY90		1,694.5		360.7		1,729.9		368.5		1,895.2		403.7		\$ 43.1		\$ 15.0				5,362.7	1,148							
FY91		2,454.3		522.8		1,769.5		376.9		1,804.2		384.3		1,973.7		686.8		\$ 45.1		\$ 15.7	8,046.8	1,986						
FY92		167.2		35.6		2,563.0		545.9		1,815.6		393.1		1,879.0		914.5		2,063.4		718.1	\$ 41.1	\$ 16.4	8,565.3	2,623				
FY93		[313.2]		[66.7]		174.6		37.2		2,673.2		569.3		1,922.0		1,177.3		1,964.2		956.0	2,157.2	750.7	\$ 49.2	\$ 16.8	8,627.2	3,440		
FY94		[298.1]		[63.5]		[327.1]		[69.7]		248.3		52.9		2,783.9		1,730.9		2,009.3		1,230.8	2,053.6	999.5	1,255.4	784.9	\$ 51.2	\$ 17.9	9,431.0	6,255
FY95		[305.0]		[65.0]		[311.4]		[66.3]		[341.1]		[72.7]		189.6		1,204.0		2,910.4		1,805.6	2,100.7	1,286.8	2,146.9	1,045.0	2,357.9	820.5	8,748.0	5,961
FY96		[441.6]		[94.1]		[318.5]		[67.8]		[324.8]		[69.2]		[355.3]		1,039.9		198.2		1,258.7	3,042.8	1,891.9	2,196.2	1,345.3	2,244.6	1,092.5	6,952.2	6,397
FY97		[30.1]		[6.4]		[461.3]		[98.3]		[332.2]		[70.8]		[338.2]		999.3		[371.4]		1,087.2	207.2	1,315.9	3,181.1	1,977.9	2,796.2	1,406.5	4,151.3	6,611
FY98		[1,426.9]		[303.9]		[31.4]		[6.7]		[481.1]		[102.5]		[345.9]		951.7		[353.6]		1,044.3	[388.3]	1,136.6	216.6	1,375.7	3,425.8	2,067.9	515.2	6,163
FY99		[1,358.2]		[289.3]		[1,490.1]		[317.4]		[44.7]		[9.5]		[501.1]		852.0		[361.6]		994.9	[369.7]	1,091.8	[406.0]	1,188.3	226.6	1,438.3	[4,304.8]	4,949
FY00		[1,389.5]		[296.0]		[1,418.5]		[302.1]		[1,554.1]		[331.0]		[35.1]		946.6		[523.9]		890.7	[757.9]	858.1	[386.8]	1,141.4	[424.4]	1,242.3	[6,490.2]	4,150

NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

TABLE 5
FISCAL IMPACT OF
CSHB 161
9-MONTH GRACE

Year of Impact	BORROWING YEAR																				Total*	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94					
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I		
FY86																						
FY87		\$ 19.0		\$ 4.1																		
FY88		870.1		185.3	\$ 19.9	\$ 4.3																
FY89		828.2		176.5	908.6	193.6	\$ 20.7	\$ 4.4														
FY90		847.3		180.5	865.0	184.3	947.6	201.9	21.6	\$ 7.5												
FY91		1,227.2		261.4	804.8	180.5	902.1	192.2	986.9	343.4	\$ 22.6	\$ 7.9										
FY92		250.8		53.4	1,281.5	273.0	922.8	196.6	939.5	457.3	1,031.7	359.1	\$ 23.6	\$ 8.2								
FY93		(156.6)		(33.4)	261.9	55.8	1,336.6	284.7	961.0	88.7	982.1	478.0	1,078.6	375.4	\$ 24.6	\$ 8.4						
FY94		(149.1)		(31.8)	(163.6)	(34.9)	372.5	79.4	1,391.9	865.5	1,004.7	615.4	1,026.8	499.8	1,127.7	392.5	\$ 25.8	\$ 7.9	4,610.9	2,391.1		
FY95		(152.5)		(32.5)	(155.7)	(33.2)	(170.6)	(36.4)	284.4	59.7	1,455.2	904.8	1,050.4	643.4	1,073.5	522.5	1,178.9	410.3	7,604.6	2,431.1		
FY96		(220.8)		(47.1)	(159.3)	(33.9)	(162.4)	(34.6)	(177.7)	(37.9)	297.3	62.4	1,521.4	946.0	1,098.1	672.7	1,122.3	546.3	3,318.9	2,071.1		
FY97		(60.2)		(12.8)	(230.7)	(49.2)	(166.1)	(35.4)	(169.1)	(36.0)	(185.7)	(39.0)	310.8	65.3	1,590.6	988.9	1,148.1	703.3	2,237.7	1,581.1		
FY98		(713.5)		(152.0)	(15.7)	(3.4)	(240.6)	(51.3)	(173.0)	(36.8)	(176.8)	(37.1)	(194.2)	(40.8)	324.9	68.2	1,662.9	1,034.0	474.0	1,251.1		
FY99		(679.1)		(144.7)	(745.1)	(150.7)	(22.4)	(4.8)	(250.1)	(53.3)	(180.8)	(38.0)	(184.9)	(38.8)	(203.0)	(42.6)	339.9	71.4	(1,925.5)	(101.1)		
FY00		(694.8)		(148.0)	(709.3)	(151.1)	(777.1)	(165.5)	(17.6)	(3.7)	(262.0)	(55.0)	(379.0)	(79.6)	(193.4)	(40.6)	(212.2)	(44.6)	(3,245.4)	(681.1)		

*NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

TABLE 6
FISCAL IMPACT OF
8% INTEREST WITH RAMPING
12-MONTH GRACE PERIOD

Year of Impact	BORROWING YEAR																				Total*	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		P	I		
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I		
FY86																						
FY87																						
FY88																						
FY89																						
FY90																						
FY91																						
FY92																						
FY93																						
FY94																						
FY95																						
FY96																						
FY97																						
FY98																						
FY99																						
FY00																						

*NOTE: Totals after FY94 will be affected by loans made in FY95 and beyond.

TABLE 7
FISCAL IMPACT OF
CSHB 161
9-MONTH GRACE AND
6% INTEREST

BORROWING YEAR

Year of Impact	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		Total*		
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	
FY86																					
FY87			\$ 19.0	\$ 4.1																	\$ 19.0 \$ 4.1
FY88			870.1	185.3	\$ 19.9	\$ 4.3															890.0 189.4
FY89			828.2	176.5	908.6	193.6	\$ 20.7	\$ 4.4													1,757.5 374.4
FY90			847.3	184.7	865.0	184.3	947.6	201.9	\$ 21.6	\$ 7.5											2,681.5 578.4
FY91			1,227.2	451.9	884.8	192.9	902.1	192.2	986.9	343.4	\$ 22.6	\$ 7.9									4,023.5 1,188.4
FY92			250.8	421.0	1,281.5	472.0	922.8	201.1	939.5	457.3	1,031.7	359.1	\$ 23.6	\$ 8.2							4,449.9 1,918.4
FY93			(156.6)	683.8	261.9	439.7	1,336.6	492.3	961.0	596.4	982.1	478.0	1,078.6	375.4	\$ 24.6	\$ 8.4					4,488.1 3,074.4
FY94			(149.1)	1,043.2	(163.6)	714.1	372.5	479.9	1,391.9	1,218.5	1,004.7	623.5	1,026.8	499.8	1,127.7	392.5	\$ 25.8	\$ 8.9			4,610.9 4,980.4
FY95			(152.5)	1,542.3	(155.7)	1,089.4	(170.6)	744.8	284.4	476.7	1,455.2	1,274.0	1,080.4	651.8	1,073.5	522.5	1,178.9	410.3			7,604.6 6,711.4
FY96			(220.8)	1,465.0	(159.3)	1,610.9	(162.4)	1,699.3	(177.7)	775.7	297.3	498.3	1,521.4	1,331.9	1,098.1	681.3	1,122.3	546.3			3,318.9 8,608.4
FY97			(60.2)	1,499.3	(230.7)	1,529.8	(166.1)	1,611.6	(169.1)	1,183.4	(185.7)	811.5	310.8	521.1	1,590.6	1,392.4	1,148.1	712.4			2,237.7 9,261.4
FY98			(713.5)	1,200.3	(15.7)	1,508.4	(240.6)	1,525.5	(173.0)	1,678.3	(176.8)	1,237.6	(194.2)	848.4	324.9	544.7	1,662.9	1,455.8			474.0 9,999.4
FY99			(679.1)	899.6	(745.1)	1,246.7	(22.4)	1,460.5	(250.1)	1,588.8	(180.8)	1,365.3	(184.9)	1,293.9	(203.0)	887.0	339.9	569.6			(1,925.5) 9,311.4
FY00			(694.8)	610.0	(709.3)	939.5	(777.1)	1,300.3	(17.6)	1,530.4	(262.0)	1,891.1	(339.0)	1,909.9	(193.4)	1,352.7	(212.2)	927.2			(3,245.4) 10,461.4

*NOTE: Totals after FY94 will be effected by loans made in FY95 and beyond.

Alaska State Legislature

CO-CHAIRMAN
FINANCE COMMITTEE

907-465-3740



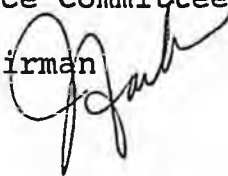
JAN FAIKS
POUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

Senate

January 15, 1986

MEMORANDUM

TO: All Members, Senate Finance Committee

FROM: Senator Jan Faiks, Co-Chairman
Senate Finance Committee 

SUBJECT: House Bill 161

I received the following recommendations from the Student Financial Aid Advisory Committee of ACC and UAA over the telephone and was requested to relay them to the Finance Committee.

The recommendations are as follows:

- 1) Support restricting loans to United States citizens and permanent resident aliens only. They estimate a savings of \$75,000 to \$100,000.
- 2) Define institutional eligibility as being accredited by national or regional accreditation organization or having been approved by the Postsecondary Education Commission and having operated for 2 consecutive years prior to becoming eligible.
- 3) Reduce the maximum loan available to \$5500. Estimate savings of \$2.5 million.
- 4) Establish a two-tier loan program partially based upon need. Everyone would be eligible to borrow up to \$4,000. Remaining \$2,000 - \$3,000 would be loaned using a needs based test. However, they do not want to use federal standards of need because of Alaska's higher cost of living.

The Committee wanted to stress that they were most supportive of recommendations 1 and 2.

OUT OF SESSION

1024 WEST SIXTH AVENUE, SUITE 302 ANCHORAGE, ALASKA 99501 907-274-6611

STUDENT LOANS-- ONE STUDENT'S PERSPECTIVE

PROBLEMS WITH HB 161:

60% INCREASE IN INTEREST-- WHY SHOULD THE STUDENT LOAN PROGRAM, WHICH HAS ONE OF THE BEST RECORDS FOR PAYBACK, BE SINGLED OUT FOR SUCH A HUGE INCREASE IN INTEREST?

GRACE PERIOD ON REPAYMENT MOVED AHEAD 6 MONTHS, AT A TIME WHEN THE GRADUATING STUDENT CAN LEAST AFFORD IT.

THE BILL DOES NOT DO WHAT IT IS INTENDED TO DO

WHAT IS WRONG WITH THE STUDENT LOAN PROGRAM?

PEOPLE COME UP FROM OUT-OF-STATE LONG ENOUGH TO QUALIFY FOR THE RESIDENCY REQUIREMENT, APPLY FOR A LOAN, AND TAKE THE MONEY BACK OUT OF THE STATE. ALASKA PAYS FOR THEIR EDUCATIONS AND THE MONEY SPENT ON LIVING EXPENSES (OFTEN THE MAJOR PART OF THE LOAN) IS SPENT OUT OF THE STATE.

THERE ARE CASES OF PEOPLE WHO MAKE OVER \$50,000 ANNUALLY, APPLY FOR THE LOW-INTEREST LOAN, AND THEN PROCEED TO MAKE MONEY BY REINVESTING THE LOAN FUNDS.

THE POSTSECONDARY EDUCATION COMMISSION HAS DECREED THAT STUDENTS MUST SHOW THAT THEY SPEND \$500 OF THEIR OWN MONEY TO ATTEND SCHOOL. THIS AFFECTS IN-STATE STUDENTS PRIMARILY BECAUSE OUT-OF-STATE STUDENTS HAVE NO PROBLEM SHOWING THAT THEIR COSTS FOR LIVING, TUITION, AND BOOKS ALREADY EXCEED THE MAXIMUM AMOUNT OF THE LOAN BY AT LEAST \$500.

ALTERNATIVES TO HB 161:

1. CHARGE A DIFFERENTIAL RATE OF INTEREST 5% TO IN-STATE STUDENTS, 8% TO OUT-OF-STATE STUDENTS. EXEMPT THOSE STUDENTS ENROLLED IN DEGREE PROGRAMS NOT OFFERED WITHIN ALASKA.

OR

REQUIRE GRADUATION FROM AN ALASKA HIGH SCHOOL FOR STUDENTS WHO WANT A STUDENT LOAN TO ACQUIRE A DEGREE FROM OUTSIDE ALASKA IF THAT PROGRAM IS ALSO OFFERED WITHIN THE STATE.

2. INSTITUTE A REALISTIC INCOME/NEEDS FORMULA FOR ELIGIBILITY ON THE LOW-INTEREST LOAN. SOME STUDENTS HAVE A PROBLEM WITH AN INCOME CEILING FIGURE OF \$20,000. NOBODY HAS A PROBLEM WITH \$50,000. A REALISTIC FIGURE IS PROBABLY SOMEWHERE IN BETWEEN.

3. ANOTHER SUGGESTION THAT WOULD BRING MONEY BACK INTO THE PROGRAM MORE QUICKLY IS TO CREATE INCENTIVES FOR EARLY PAYBACK. THE CURRENT PROGRAM OFFERS NO REASON FOR EARLY PAYBACK. PERHAPS A FIRST-5-YEAR AT 5%, SECOND-5-YEAR AT 10% SCHEDULE WOULD DO IT?

The delegates of the United Campus's of Alaska Conference held in Juneau, Alaska on January 9, 10, & 11, 1986 are unanimously opposed to HB 161.

The impact of the new Post-Secondary Education Commission regulation requiring a \$500 contribution by students needs time to be ascertained.

We support the maintainence of the present 5% interest rate. A low interest rate helps to ensure the accessibility of the loan program as the burden of repayment is more appealing.

Furthermore, we find the proposed change in the grace period for repayment from one year to six months to be unrealistic for the following reasons:

First, when the federal Guaranteed Student Loan Program underwent a similar change it was discovered that there was a substantial increase in the default rate. This increase caused the GSL program to recind its decision.

Second, Alaska has a seasonal economy. If a student graduates in June, the six month grace period means that the repayment begins in December which is not a good time for employment in Alaska. This could result in many hardships.

Finally, if a student withdraws from school for one semester or takes part-time status, the loan then becomes due for repayment. The current one year period allows the student the kind of flexibility we would like to see maintained in the Alaska State Student Loan Program.

Michael Jensen Smith Pres. U.S. U.A.S.
Richard A. Vallee Pres. K.C.C.
Virginia Belknap Vice Pres. ACCSA
Michael A. Hoffender Vice Pres. Prince William Sound Community College
Barbara Finnie Campus Assembly, ACC
Marie Mutschman Lobbying Coordinator, U.A.A.
Carolyn Minor Student Rep., Ketchikan Community College
Bonnie Esmerth Student Rep., Ketchikan Community College
Paul G. Williams Secatary, Student Assoc. of U.A.A.
J. M. Rene Eyon Senate Representative, Ketchikan Comm. College
Bruce Bruckman PRES ACCSA

B. Lynn Moore, Student Member Board

Patricia K. Stefford, Senate Representative KEEC Regents

Gloria Egan, KEEC Conference Delegate

Frances K. Montgomery, IAA Student President.

Sharon M. Cole, LEGISLATIVE AFFAIRS COORDINATOR; UAS

J.P. Malady, Vice-President ASUA - UAF

Daniel A. Smith, Legislative Affairs coordinator KEEC

Juanita H. Price, President Student Government, Parker College CB

James G. Doughton, Rep. of Student Assoc. of U.A.A.

Karen E. Yarka, Representative Council of UAF

Alexander K. Thomas, legislative council of UAF

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

5/7/85

Date 5-9-85

Mr. President

The Committee on HESS considered CSHB 161(Fin)am

interest rate, loan conditions and repayment provisions of scholarship loans; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt 5 CS for CSHB 161 ~~HESS~~ HESS
- new title
- same title and recommends DO PASS
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING

DO PASS

Alexis Furgulowski
Edna de Vries

MEMBERS HAVING

OTHER RECOMMENDATIONS

Dittie Fabunke
Chairman
Do Pass
Chairman recommendation

Offered: 5/9/85
Referred: Finance

Original sponsor: Binkley

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the interest rate, loan condi-

7 tions and repayment provisions of scholarship loans;

8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.43.120(f) is amended to read:

11 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is

12 at the rate of eight [FIVE] percent a year unless the loan is in

13 default. Interest on a loan that is in default is 10 percent a year

14 for the period the loan is in default.

15 * Sec. 2. AS 14.43.120(g) is amended to read:

16 (g) Repayment of the principal and interest on the loan begins

17 no later than six months [ONE YEAR] after the borrower's studies are

18 terminated. The loan shall provide for repayment of the total amount

19 owed in periodic installments in not more than 10 years from the

20 commencement of repayment, except as provided in (k) and (m) of this

21 section. Interest shall accrue as provided in (f) of this section,

22 but the borrower shall be allowed to repay the loan at a five percent

23 interest rate for the first three years of the repayment period, with

24 the extra accrued interest to be paid in later years. If the commis-

25 sion and the borrower agree to a different repayment schedule, the

26 borrower shall repay the loan in accordance with the agreement. A

27 borrower may make payments earlier than required by this subsection.

28 * Sec. 3. This Act takes effect July 1, 1985.

Offered: 4/29/85
Referred: Rules

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 161 (Finance) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the interest rate, loan condi-
7 tions and repayment provisions of scholarship loans;
8 and providing for an effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 14.43.120(c) is amended to read:
11 (c) To maintain a loan the student must continue to be enrolled
12 as a full-time student in good standing, or as a part-time student in
13 good standing in more than one institution for a total number of
14 credits equivalent to a full-time student in a career education pro-
15 gram, college or university designated under (b) of this section. The
16 commission shall adopt regulations defining "good standing" for pur-
17 poses of this subsection.
18 * Sec. 2. AS 14.43.120(f) is amended to read:
19 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
20 at the rate of eight [FIVE] percent a year unless the loan is in
21 default. Interest on a loan that is in default is 10 percent a year
22 for the period the loan is in default.
23 * Sec. 3. AS 14.43.120(g) is amended to read:
24 (g) Repayment of the principal and interest on the loan begins
25 no later than six months [ONE YEAR] after the borrower's studies are
26 terminated. The loan shall provide for repayment of the total amount
27 owed in periodic installments in not more than 10 years from the
28 commencement of repayment, except as provided in (k) and (m) of this
29 section. Interest shall accrue as provided in (f) of this section,

1 but the borrower shall be allowed to repay the loan at a five percent
2 interest rate for the first three years of the repayment period, with
3 the extra accrued interest to be paid in later years. If the commis-
4 sion and the borrower agree to a different repayment schedule, the
5 borrower shall repay the loan in accordance with the agreement. A
6 borrower may make payments earlier than required by this subsection.

7 * Sec. 4. This Act takes effect July 1, 1985.