

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1145 SCOMM 34: HOUSE SPEC. COMMITTEE ON STATE LOANS 1983-84

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PROGRAM DESCRIPTION

PURPOSES

1. To provide Alaskans with access to postsecondary educational resources through low-interest loans to students.
2. To encourage an educated citizenry through initial access to education and training and through inducements to utilize that education and training in Alaska.

TERMS

1. Undergraduates and vocational students may borrow up to \$6,000 per year of full-time study.
2. Graduate students may borrow up to \$7,000 per year of full-time study.
3. Students may borrow for up to 5 years of undergraduate study, or up to 5 years of graduate study, but for not more than 8 years combined.
4. A student must be a two-year Alaska resident to borrow and must maintain full-time study in good standing to continue borrowing Alaska student loans.
5. Loans may be used for attendance at any approved institution.
6. Proceeds from loans may only be used for the costs of tuition and fees, room and board, and books and supplies.
7. Loan repayment begins one year after the student ceases to be a full-time student (except for approved periods of deferment).
8. Repayment is over a 10-year period with provision for extending to 15 years if necessary.
9. Interest charged on the loans is 5%.

FORGIVENESS

If, upon completion of the program of study for which the loan was granted, the borrower resides in Alaska, a portion of the loan, plus interest, shall be forgiven by the State. That portion, for up to a total of 50%, shall accrue as follows:

1. 2-3 years residence in the state, 10%
2. 3-4 years residence in the state, an additional 10%
3. 4-5 years residence in the state, an additional 10%
4. 5-6 years residence in the state, an additional 10%
5. Over 6 years residence in the state, a final 10%.

This residence must be continuous and must begin within one year of completion of program.

REPAYMENT SCHEDULE

IF YOUR STUDENT LOANS TOTAL:	YOUR MONTHLY PAYMENT FOR 120 MONTHS (10 YRS.) WOULD BE:	TOTAL TO BE REPAYED:		
		5% Interest	Principal	Total
\$1,000.00	\$ 10.61	\$ 273.20	\$1,000.00	\$ 1,273.20
2,000.00	21.21	545.20	2,000.00	2,545.20
3,000.00	31.83	818.40	3,000.00	3,818.40
4,000.00	42.43	1,091.60	4,000.00	5,091.60
5,000.00	53.06	1,363.60	5,000.00	6,363.60
6,000.00	63.64	1,636.80	6,000.00	7,636.80
7,000.00	74.25	1,910.00	7,000.00	8,910.00
8,000.00	84.95	2,182.00	8,000.00	10,182.00
9,000.00	95.46	2,455.20	9,000.00	11,455.20
10,000.00	106.07	2,728.40	10,000.00	12,728.40
15,000.00	159.10	4,092.00	15,000.00	19,092.00
20,000.00	212.13	5,455.60	20,000.00	25,455.60
25,000.00	265.16	6,819.20	25,000.00	31,819.20
30,000.00	318.20	8,184.00	30,000.00	38,184.00
35,000.00	371.23	9,547.60	35,000.00	44,547.60
40,000.00	424.26	10,911.20	40,000.00	50,911.20
45,000.00	477.29	12,274.80	45,000.00	57,274.80
50,000.00	530.33	13,639.60	50,000.00	63,639.60

1982-83 ALASKA STUDENT LOANS

1. Program Status (March 11, 1983)

<u>Student Level</u>	<u>Number</u>	<u>Amount</u>
Freshman	3,844	\$15,200,300
Sophomore	2,631	11,134,250
Junior	1,920	8,273,000
Senior	1,694	7,240,550
Vocational	1,580	7,982,100
Undergraduate	11,669	49,830,200
Graduate	1,137	6,110,550
TOTAL	12,806	\$55,940,750

2. In-State/Out-of-State Attendance by Level (March 11, 1983)

<u>Student Level</u>	<u>Alaska</u>	<u>%</u>	<u>Out-of-State</u>	<u>%</u>
Freshman	2,078	54.1	1,766	45.9
Sophomore	1,268	48.2	1,363	51.8
Junior	872	45.4	1,048	54.6
Senior	789	46.6	905	53.4
Vocational	1,157	73.2	423	26.8
Undergraduate	6,164	52.8	5,505	47.2
Graduate	277	24.4	860	75.6
TOTAL	6,441	50.3	6,365	49.7

3. Percent In-State Previous Year

<u>Year</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>All Loans</u>
1981-82	47.3	23.8	45.0
1980-81	45.3	17.9	42.3
1979-80	36.1	12.3	33.3
1978-79	35.1	12.0	32.3

4. States of Attendance by Student Level (March 11, 1983)

<u>Freshman</u>	<u>Sophomore</u>	<u>Junior</u>	<u>Senior</u>	<u>Vocational</u>	<u>Undergraduate</u>	<u>Graduate</u>
AK-2,078	AK-1,268	AK- 872	AK- 789	AK-1,157	AK-6,164	AK- 277
WA- 384	WA- 295	WA- 263	WA- 240	CO- 123	WA-1,276	CA- 166
OR- 289	OR- 255	OR- 172	OR- 144	WA- 94	OR- 906	WA- 156
CA- 198	CA- 137	CA- 89	CA- 87	AZ- 48	CA- 552	OR- 124
ID- 120	AZ- 81	AZ- 57	AZ- 50	OR- 46	CO- 366	CO- 33
AZ- 113	CO- 71	UT- 52	ID- 42	CA- 41	AZ- 349	MA- 32
HA- 102	ID- 69	HA- 51	HA- 36	OK- 17	HA- 265	HA- 24
CO- 98	HA- 68	CO- 40	UT- 35	HA- 8	ID- 265	UT- 22
UT- 55	UT- 54	MT- 35	CO- 34	FL- 7	UT- 198	TX- 21
MT- 42	TX- 39	ID- 33	TX- 28	MN- 5	TX- 150	NY- 19
ZZ- 365	ZZ- 294	ZZ- 256	ZZ- 209	ZZ- 34	ZZ-1,178	ZZ- 263
3,844	2,631	1,920	1,694	1,580	11,669	1,137

5. Age Distribution of Borrowers (January 18, 1983)

<u>Age</u>	<u>Number</u>	
60+	24	Age Range: 16-72
50-59	163	Median Age: 22.6
40-49	618	
30-39	2,421	
20-29	8,479	
16-19	1,851	
	13,556	

6. Residency (January 18, 1983)

<u>Student Level</u>	<u>2-Years</u>	<u>3-5</u>	<u>6-10</u>	<u>10+</u>	<u>Total</u>
Freshman	243	763	913	2,313	4,232
Sophomore	82	445	604	1,677	2,808
Junior	78	289	461	1,191	2,019
Senior	61	279	385	1,009	1,734
Vocational	87	339	305	850	1,581
Undergraduate	551	2,115	2,668	7,040	12,374
Graduate	177	293	308	404	1,182
TOTAL	728	2,408	2,976	7,444	13,556

% Breakdown

2 Years	5.4%	6-10 Years	21.9%
3-5 Years	17.8%	10+ Years	54.9%

7. Default: (Computed on June 30)

1971-72	N.A.
1972-73	N.A.
1973-74	N.A.
1974-75	80.0%
1975-76	44.6%
1976-77	24.9%
1977-78	22.3%
1978-79	19.3%
1979-80	14.5%
1980-81	11.5%
1981-82	9.2%

10. Loan Volumes, Collections, Forgiveness (see attached table)

STATE STUDENT LOAN ACTIVITY
Projected to 1988-89
(Current Program)

Year	Loan Awards	Loan Volume	Cumulative Total	Average Loan	Loan Collections	Federal Funds	Forgiveness	General Fund
1971-72	1,081	\$ 1,603,158	\$ 1,603,158	\$1,483	\$ -0-	\$ -0-	\$ -0-	\$ 1,603,158
1972-73	1,748	2,870,384	4,473,542	1,642	-0-	-0-	-0-	2,870,384
1973-74	1,665	2,986,176	7,459,718	1,793	-0-	-0-	-0-	2,986,176
1974-75	1,457	2,659,807	10,119,525	1,826	235,476	-0-	703	2,424,331
1975-76	1,719	3,382,997	13,502,522	1,968	465,530	-0-	44,233	2,977,467
1976-77	1,921	3,850,507	17,353,029	2,004	1,141,461	-0-	64,746	2,709,046
1977-78	2,265	4,604,167	21,957,196	2,033	1,191,851	-0-	314,306	3,412,316
1978-79	2,795	6,416,402	28,373,598	2,296	1,391,643	-0-	445,985	5,024,758
1979-80	3,918	9,373,949	37,747,547	2,393	1,603,436	-0-	409,501	7,770,513
1980-81	6,460	15,957,717	53,705,264	2,475	2,225,388	-0-	555,494	13,732,329
1981-82	9,898	40,559,499	94,264,763	4,098	2,779,900	1,000,000	785,769	36,819,599
1982-83*	12,500	56,250,000	150,514,763	4,500	4,604,046	1,200,000	(1,367,555)	54,563,309
1983-84	15,000	73,500,000	224,014,763	4,900	7,591,895	850,000	2,311,210	65,058,105
1984-85	17,741	99,349,600	323,364,363	5,600	11,187,099	675,000	3,458,423	87,487,501
1985-86	19,000	112,100,600	435,464,963	5,900	15,871,653	500,000	4,750,002	95,728,947
1986-87	21,100	124,490,000	559,954,963	5,900	20,742,025	350,000	6,432,819	103,397,975
1987-88	22,489	133,809,550	693,764,513	5,950	24,787,158	225,000	8,113,038	108,797,392
1988-89	24,365	144,971,750	838,736,263	5,950	28,423,931	150,000	10,617,441	116,397,819

*1982-83 through 1988-89 are projections

Revised 3/3/83

TABLE 1

DISTRIBUTION OF YEAR-TO-DATE ALASKA STATE LOANS
FOR STUDENTS ATTENDING IN ALASKA
(February, 1983)

Institution	1982-83	
	No.	Amount
U of Alaska, Fairbanks	2,266	\$ 6,975,068
U of Alaska, Anchorage	1,560	4,611,230
Anchorage Community College	1,353	4,538,244
U of Alaska, Juneau	340	1,053,425
Kenai Peninsula Community College	326	1,191,593
Alaska Pacific U	198	680,400
Alaska Business College	198	943,887
Alaska Vocational-Technical Center	197	348,741
Tanana Valley Community College	195	731,450
Testing Institute of Alaska	167	761,361
Sheldon Jackson College	138	465,953
Matanuska-Susitna Community College	130	547,800
New Anchorage Beauty School	115	549,450
Gordon Aviation, Inc.	110	549,764
Aero Technical Flight School	80	409,000
Wilburs Flight Operation	53	286,300
Fort Richardson Flying Club	49	249,000
Ketchikan Community College	46	124,250
Trend Setter School of Beauty	42	191,500
Sitka Community College	36	114,400
Headquarters Barber & Beauty Academy	35	171,000
Hutchison Career Center	35	131,200
Flight Training Devices	33	136,800
Academy of Hair Design	32	126,600
Alaska Native Training Institute	29	112,200
A.I.R. Center	24	129,000
Alaska Computer Training Center	21	97,150
Anchorage Alaska School of Barbering	20	96,000
Elmendorf Aero Club	20	90,871
St. Herman's Theological Seminary	19	62,000
Kotzebue Technical Center	19	44,250
Kodiak Community College	15	44,050
North Pacific Business Institute	14	55,050
Alaska Bible College	12	40,950
Fairbanks Beauty School	14	58,100
Peninsula Institute of Welding Technology	11	44,950
Peninsula Hair Styling Academy	11	43,750
Prince William Sound Community College	8	21,531
Kuskokwim Community College	8	18,550
Alaska Piper Sales, Inc.	6	35,900
Birchwood Air Service	4	24,000
University of LaVerne	3	12,750
Chapman College	2	3,000
Far North Bible College	2	2,450
~~T&M Real Estate Institute~~	~~1~~	~~6,000~~
Northwest Community College	1	5,000
Charismatic Bible College	1	4,500
~~Bar Review~~	~~1~~	~~4,000~~
Delta Greely Rural Educational Center	1	3,000
Alaska Media Workshop	1	550
TOTAL	8,002	\$26,648,006

**INSTITUTIONS AT WHICH AT LEAST FIFTY ALASKA
STUDENT LOAN BORROWERS ATTENDED 1982-83
(as of February, 1983)**

Institution	No.	Amount
*University of Alaska, Fairbanks	2,266	\$6,975,068
*University of Alaska, Anchorage	1,560	4,611,230
*Anchorage Community College	1,353	4,538,244
*University of Alaska, Juneau	340	1,053,425
*Kenai Peninsula Community College	326	1,191,593
Oregon State University	241	1,189,956
University of Oregon	233	1,026,136
University of Washington	205	935,667
*Alaska Business College	198	943,887
*Alaska Pacific University	198	680,400
*Alaska Vocational-Technical Center	197	348,741
*Tanana Valley Community College	195	731,450
Western Washington University	177	767,542
*Testing Institute of Alaska	167	761,311
Brigham Young University (UT)	160	498,630
*Sheldon Jackson College	138	465,953
Arizona State University	135	615,025
*Matanuska-Susitna Community College	130	547,800
Washington State University	124	551,776
University of Hawaii, Manoa	124	381,811
*New Anchorage Beauty School	115	549,450
Gonzaga University (WA)	113	596,450
*Gordon Aviation, Inc.	110	549,764
University of Puget Sound (WA)	103	512,200
University of Hawaii, Hilo	100	276,175
University of Idaho	99	364,950
Willamette University (OR)	95	481,675
Northern Arizona University	90	308,942
Pacific Lutheran University (WA)	87	406,950
University of Arizona	86	329,600
*Aero Technical Flight Service	80	409,000
Seattle Pacific University (WA)	77	344,550
Central Washington University	77	334,900
American Diesel & Automotive School (CO)	77	320,573
Seattle University (WA)	73	333,134
Montana State University	69	254,088
Linfield College (OR)	67	305,100
Colorado State University	60	306,050
Ricks College (OR)	58	139,181
Denver Institute of Technology (CO)	56	204,056
*Wilbur's Flight Service	53	286,300
Eastern Washington University	53	255,267
University of Colorado	52	231,400

*Alaskan School

SAMPLE STUDENT BUDGETS
(1982-83)*

Budget Item	UAF On-Campus	UAF Off-Campus	UAA	UAJ	ACC	Kenai Penn. C.C.	APU On-Campus	SJC On-Campus
Tuition & Fees	\$ 788	\$ 788	\$ 648	\$ 624	\$ 632	\$ 632	\$3,190	\$3,100
Room & Board	2,100	4,800	4,096	4,650	4,608	4,608	3,050	3,000
Books & Supplies	400	400	270	300	270	270	270	250
Subtotal	\$3,288	\$5,988	\$5,014	\$5,574	\$5,510	\$5,510	\$6,510	\$6,350
Transportation	1,000	1,000	640	600	720	1,080	1,080	100
Personal	800	800	768	775	864	864	768	630
Total	\$5,088	\$7,788	\$6,422	\$6,949	\$7,094	\$7,454	\$8,358	\$7,080

Budget Item	Oregon State U On-Campus	U of Oregon On-Campus	Willamette U On-Campus	Linfield College On-Campus	Lewis & Clark College On-Campus	U of Washington On-Campus	Western Washington U On-Campus
Tuition & Fees	\$4,050	\$4,020	\$5,570	\$ 5,555	\$6,444	\$3,255	\$3,210
Room & Board	2,100	2,250	2,350	2,550	2,603	2,601	2,100
Books & Supplies	300	285	250	290	225	300	300
Subtotal	\$6,450	\$6,555	\$8,170	\$ 8,395	\$9,272	\$6,156	\$5,610
Transportation	1,240	1,126	1,800	1,850	1,560	1,525	1,500
Personal	1,320	990	530	715	575	1,041	600
Total	\$9,010	\$8,671	\$10,500	\$10,960	\$11,407	\$8,722	\$7,710

Budget Item	Washington State U On-Campus	Pacific Lutheran U On-Campus	U Puget Sound On-Campus	Gonzaga U On-Campus	Seattle U On-Campus	Arizona State U On-Campus	Northern Arizona U On-Campus
Tuition & Fees	\$3,256	\$ 5,280	\$ 5,480	\$ 4,700	\$ 4,725	\$3,250	\$2,750
Room & Board	2,200	2,370	2,580	2,420	2,493	2,320	1,770
Books & Supplies	330	330	400	330	330	288	275
Subtotal	\$5,786	\$ 7,980	\$ 8,460	\$ 7,450	\$ 7,548	\$5,858	\$4,795
Transportation	1,664	1,600	1,225	1,660	1,736	1,200	1,200
Personal	900	900	700	900	900	1,040	650
Total	\$8,350	\$10,480	\$10,385	\$10,010	\$10,184	\$8,098	\$6,645

*All budgets are for single full-time undergraduate students for a full academic year.

**SAMPLE STUDENT BUDGETS
(1982-83)***

Budget Item	U of Hawaii On-Campus	U of Idaho On-Campus	U of Montana On-Campus	Colorado State U On-Campus	U of Colorado On-Campus	U of Denver On-Campus	Stanford U On-Campus
Tuition & Fees	\$ 481	\$2,516	\$2,241	\$4,109	\$ 4,711	\$ 5,790	\$ 8,220
Room & Board	2,837	1,870	2,000	2,700	2,286	2,649	3,423
Books & Supplies	316	300	200	300	230	375	350
Subtotal	\$3,634	\$4,686	\$4,441	\$7,109	\$ 7,227	\$ 8,814	\$11,993
Transportation	1,099	1,450	1,044	1,675	1,716	1,746	1,990
Personal	688	600	500	150	1,417	690	745
Total	\$5,421	\$6,736	\$5,985	\$8,934	\$10,360	\$11,250	\$14,728

Budget Item	Boston U On-Campus	Purdue U On-Campus	Northwestern U On-Campus	Dartmouth College On-Campus	Brigham Young U On-Campus
Tuition & Fees	\$ 7,275	\$3,800	\$ 8,085	\$ 8,190	\$1,100
Room & Board	3,400	2,200	3,060	3,255	1,740
Books & Supplies	310	270	350	1,033	340
Subtotal	\$10,985	\$6,270	\$11,495	\$12,478	\$3,180
Transportation	1,540	1,880	1,560	1,865	1,100
Personal	600	760	650	1,600	200
Total	\$13,325	\$8,910	\$13,705	\$15,943	\$4,480

*All budgets are for single full-time undergraduate students for a full academic year.

**FISCAL IMPACTS OF CERTAIN CHANGES
TO THE LOAN PROGRAM**

	Additional Interest Income	7%	8%	9%	10%	11%
FY 84		\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FY 85		-0-	-0-	-0-	-0-	-0-
FY 86		62,300	93,450	124,600	155,750	187,225
FY 87		248,300	372,450	496,600	620,750	744,900
FY 88		1,041,850	1,562,775	2,083,700	2,604,625	3,125,550
FY 89		2,140,150	3,210,225	4,280,300	5,350,375	6,420,450

	Savings By Changing Forgiveness	To 20%	To 10%	TO -0-
FY 84		\$ -0-	\$ -0-	\$ -0-
FY 85		-0-	-0-	-0-
FY 86		214,200	285,600	357,000
FY 87		520,200	693,600	867,000
FY 88		930,000	1,240,000	1,550,000
FY 89		1,491,000	1,988,000	2,485,000

All changes would be reflected by reducing the amount of State General Fund money needed by the program. To obtain the result of any combination of the above, simply add the impacts for the appropriate fiscal years. (For example: raising interest to 11% and eliminating forgiveness completely would save \$8.9 million in FY 89.)

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BILL SHEFFIELD, GOVERNOR

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STATEMENT ON ALASKA STUDENT LOANS

The State of Alaska can make no better commitment of resources than investing in the education of its citizens. Direct support of Alaska's public elementary, secondary, and postsecondary school systems is vital to the state's continued growth and development. It is in the best interest of the state to provide access to these educational resources for the citizens of Alaska.

The best method of assuring access and opportunity is through the direct provision of educational services, but this is not always practical or possible, particularly at the postsecondary level. Therefore, the most effective and efficient method of attaining these goals of access and opportunity is through a system of low interest loans which allow the students to choose the educational setting most appropriate for their particular needs.

The Commission endorses and recommends the continuation and full-funding of the Alaska State Student Loan Program. Amendments which restrict access by denying loans to groups of Alaskans, either by design or by default, are vigorously opposed. However, the fiscal climate of the state, as well as increasing costs because of increased demand require that some modifications be made in the present program. Therefore, the Commission recommends:

1. interest rates be increased to 9%, and
2. forgiveness provisions be eliminated.

Additionally, the Commission will, by regulation, eliminate the practice of providing refunds for forgiveness benefits and will revert to the method of crediting the account.

3/2/83

STATE STUDENT LOAN ACTIVITY
Projected to 1988-89
(Current Maximums)
(9% Interest)
(No Forgiveness)

Year	Loan Awards	Loan Volume	Cumulative Total	Average Loan	Loan Collections	Federal Funds	Forgiveness	General Fund
1971-72	1,081	\$ 1,603,158	\$ 1,603,158	\$1,483	\$ -0-	\$ -0-	\$ -0-	\$ 1,603,158
1972-73	1,748	2,870,384	4,473,542	1,642	-0-	-0-	-0-	2,870,384
1973-74	1,665	2,986,176	7,459,718	1,793	-0-	-0-	-0-	2,986,176
1974-75	1,457	2,659,807	10,119,525	1,826	235,476	-0-	703	2,424,331
1975-76	1,719	3,382,997	13,502,522	1,968	465,530	-0-	44,233	2,977,467
1976-77	1,921	3,850,507	17,353,029	2,004	1,141,461	-0-	64,746	2,709,046
1977-78	2,265	4,604,167	21,957,196	2,033	1,191,851	-0-	314,306	3,412,316
1978-79	2,795	6,416,402	28,373,598	2,296	1,391,643	-0-	445,985	5,024,758
1979-80	3,918	9,373,949	37,747,547	2,393	1,603,436	-0-	409,501	7,770,513
1980-81	6,460	15,957,717	53,705,264	2,475	2,225,388	-0-	555,494	13,732,329
1981-82	9,898	40,559,499	94,264,763	4,098	2,779,900	1,000,000	785,769	36,819,599
1982-83*	12,500	56,250,000	150,514,763	4,500	4,604,046	1,200,000	(1,367,555)	51,813,509
1983-84	15,000	73,500,000	224,014,763	4,900	7,591,895	850,000	2,311,210	65,058,105
1984-85	17,741	99,349,600	323,364,363	5,600	11,187,099	675,000	3,458,423	87,487,501
1985-86	19,000	112,100,600	435,464,963	5,900	15,996,253	500,000	4,393,002	95,604,347
1986-87	21,100	124,490,000	559,954,963	5,900	21,238,625	350,000	5,565,819	102,901,375
1987-88	22,489	133,809,550	693,764,513	5,950	26,870,858	225,000	6,563,038	106,713,692
1988-89	24,365	144,971,750	838,736,263	5,950	32,704,231	150,000	8,132,441	112,117,537

*1982-83 through 1988-89 are projections

Revised 3/1/83

TELEGRAM

ALASCOM, INC.
PHONE 586-8442
JUNEAU, AK 99802

#

02144 POM ANCHORAGE AK 15 02-07 1152A AST

PMS REP RICK UEHLING

JUNEAU

STRONGLY OPPOSE GOVERNORS PROPOSED CHANGE TO STUDENT LOAN
PROGRAM. STATE MUST HELP EDUCATE HER CHILDREN.

JOE WILEY

2822 MCCOLLIE

ANCHORAGE AK 99503

Ans.
2/10

03-00007010 PRTY 1 02/08/83 16 12 32 ORIG: LA02 IN= 0015 OUT= 0024
FROM: SHIPLEY, AND LIO
TO: PONS, JUDAN INFO

2/8/83, SHIRLEE AND LIO, MSG 7018

TO SENATORS V. FISCHER AND JOSEPHSON
REPRESENTATIVES CLOCKSIN AND [REDACTED]

FEB 9 1983

FROM ALICE ABBOTT
538 M STREET
ANCHORAGE, AK 99501 (H/W) 272-3346

I FEEL STRONGLY THAT THE STUDENT LOAN PROGRAM SHOULD
BE MAINTAINED AS FAR AS THE INTEREST RATES, LOAN
AMOUNTS AND THE FORGIVENESS CLAUSE. I ALSO FEEL THAT
THE SUGGESTION THAT IT BE LIMITED TO ALASKA HIGH SCHOOL
GRADUATES IS A GOOD ONE.

FILE COPY

ANS
2/10

FROM: ALISON SMITH, 3406 OREGON DRIVE, ANC 99503
272-0149 H 279-5516

Ans. 2/10

*State
K-12*

THIS GREAT STATE DEPENDS UPON AN EDUCATED POPULACE. DECLINING
OIL REVENUES SHOULD NOT MEAN A DECREASE IN THE QUALITY OF EDUCATION
FOR OUR STUDENTS. THIS WOULD RESULT FROM CUTS IN THE ALASKA STUDENT
LOAN PROGRAM. PLEASE CONTINUE THIS WORTHWHILE PROGRAM.

FROM: ALISON SMITH, 3406 OREGON DRIVE, ANC 99503
272-0149 H 279-5516

PLEASE SUPPORT HJR 4/SJR 1. THE ERA IS FOR HUMAN RIGHTS NOT JUST
WOMEN'S RIGHTS.

COM

Alaska State Legislature



House of Representatives

Representative
RICK UEHLING

FILE COPY

MEMORANDUM

TO: Representative Ramona Barnes
FROM: Representative Rick Uehling
DATE: May 9, 1983

RE: Comparison of CSHB 56 (Loans) and CSHB 56 (Finance)

Pursuant to our conversation this morning, I have directed staff to prepare a comparison of specific provisions of the Loans Committee and Finance Committee Substitutes for House Bill 56, relating to scholarship loans.

The attached reflects such an analysis.

/wtl
Attachment

COMPARISON OF CSHB 56 (FINANCE) AND CSHB 56 (LOANS)

<u>Item</u>	<u>Finance CS</u>	<u>Loans CS</u>
Interest rate on student loans	8%	8%
Military deferment	dererment for up to 4 years for <u>all</u> military personnel	deferment for up to 4 years for enlisted <u>personnel only</u>
Eligibility for student loans	4 years residency and physical presence within the state (with exceptions noted below) graduate of high school <u>or equivalent</u> , not delinquent on previous awards	2 years residency and physical presence within the state (with exceptions noted below) graduate of high school, not delinquent on previous awards
Allowable reasons for physical absence from the state	military service, Peace Corps, VISTA, et al, school on full-time, full-time employment by the state or the congressional delegation, <u>required medical care</u>	military service, Peace Corps, VISTA, et al, school on full-time, full-time employment by the state or the congressional delegation
Forgiveness	retains 50%	retains 50%
Maximum loans	retains present levels -- undergrad: \$6000 grad: \$7000	retains present levels -- undergrad: \$6000 grad: \$7000

/wt.l

CHAIRMAN
HOUSE SPECIAL COMMITTEE
ON STATE LOANS
VICE-CHAIRMAN
HOUSE RESOURCES COMMITTEE
HOUSE LABOR AND COMMERCE COMMITTEE
MEMBER
JOINT GAS PIPELINE COMMITTEE
HOUSE FINANCE SUBCOMMITTEE ON
ADMINISTRATION, REVENUE
AND THE GOVERNOR'S OFFICE

Alaska State Legislature



House of Representatives

Representative
RICK UEHLING

ANCHORAGE
DISTRICT 12 - SEAT A
1634 JUNEAU DRIVE
ANCHORAGE, ALASKA 99501
(907) 274-4256
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

MEMORANDUM

FILE COPY

TO: Representative Rick Uehling
FROM: William Lovell, Staff *W Lovell*
DATE: April 13, 1983

RE: Loans Committee Substitute for House Bill 56

The Loans Committee Substitute for House Bill 56 includes the following elements:

Section 1 raises the fixed interest rate on student loans from the present level of 5% to 8%.

Section 2 limits the existing deferment on repayment of student loans due to military service to a first enlistment period of up to four years and to enlisted personnel only.

Section 3 unifies the current scholarship loan program eligibility requirements under the following criteria:

- (1) the borrower must be enrolled as a full-time student in a career education or associate, baccalaureate, or graduate degree program;
- (2) the borrower must be a graduate of a high school or scheduled for graduation within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university;
- (3) the borrower must be a resident of the state at the time of application for the loan and must qualify for said residency under the conditions described in the following:
 - (a) physically present for at least two years,
 - (b) dependent upon a parent or guardian who has been physically present in the state for at least two years, or
 - (c) has been physically present in the state for at least

Committee substitute for House Bill 56
April 13, 1983
Page two

two years immediately before becoming absent from the state and the absence is due solely to:

- (i) military service,
- (ii) volunteer service in the Peace Corps,
- (iii) volunteer service under the Domestic Service Volunteer Service Act of 1973,
- (iv) attendance at school as a full-time student, or
- (v) full-time employment by the state or its congressional delegation.

Section 4 eliminates unconstitutional elements of the existing loan selection criteria by eliminating the preference given to those Alaskans with longer in-state residency.

Section 5 encourages scholarship loans to be federally insured whenever possible.

Section 6 sets a July, 1984 effective date.

/wtl

cc: Representative John Lindauer
Finance Committee staff

MEMORANDUM

TO: Representative Rick Uehling
FROM: William Lovell, Staff *WLL*
DATE: April 12, 1983
RE: Version 2 of Loans Committee Substitute for House Bill 56

Version 2 of the Loans Committee Substitute for House Bill 56 includes the following elements:

- Section 1 raises the fixed interest rate on student loans from 5% to 8%
- Section 2 limits the existing deferment on repayment of student loans due to military service to four years and to enlisted persons only
- Section 3 unifies the student loans program residency and eligibility requirements

allows military service, volunteer charitable service, attendance at school, and religious mission service as acceptable reasons for absence from the state
- Section 4 eliminates unconstitutional elements of selection criteria
- Section 5 encourages scholarship loans to be federally insured whenever possible.
- Section 6 sets a July, 1984 effective date

/wtl

Attachment: version 1 of proposed CS for HB 56



Official Business

Alaska State Legislature

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Members of the House Special Committee on State Loans
FROM: William Lovell, Committee Staff *W Lovell*
DATE: April 4, 1983
RE: CSSSHB 56 (HESS)

For your convenience, I have prepared the following brief analysis of CSSSHB 56 (HESS), relating to scholarship loans.

Section 1 repeals and reenacts AS 14.43.110 to allow scholarship loans to be made annually to undergraduates eligible under AS 14.43.125. This section provides that such loans to undergraduate students may not exceed \$6000 unless necessary to cover the costs of tuition, room, and required fees.

Section 2 repeals and reenacts AS 14.43.115 to allow scholarship loans to be made annually to graduate students eligible under AS 14.43.125. This section provides that such loans to graduate students may not exceed \$7000 unless necessary to cover the costs of tuition, room and required fees.

Section 3 amends AS 14.43.120(f) by raising the annual interest rate on scholarship loans to 8%.

Section 4 amends AS 14.43.120(g) by requiring repayment of the principal and interest on student loans to commence no later than 120 days after the student's studies have terminated.

Section 5 amends AS 14.43.120(j) by allowing a portion of the total outstanding balance of a student loan to be forgiven if, upon completion of studies, the borrower is a resident of the state for at least 2 years: for 2-3 years residency after termination of studies, the borrower is forgiven 10% of the total loan, including interest; for over three years residency after termination of studies, the borrower is forgiven an additional 10% of the total loan for a maximum forgiveness of 20% of the total loan.

Section 6 amends AS 14.43 by adding a new section to require scholarship loans to be federally insured whenever possible.

Section 7 defines "committee" as the student financial aid committee of the Alaska Commission on Postsecondary Education.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

Bill Sheffield, Governor

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

March 21, 1983

The Honorable Rick Uehling
House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Uehling:

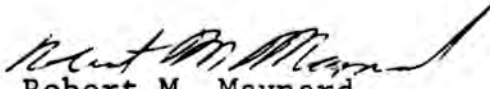
This letter is in response to your request for a brief written summary of the Department of Law's testimony before your committee on the subject of the constitutionality of a two-year residency requirement for commercial fishing loans.

Simply, we believe that the two-year requirement is very defensible under either the state or federal constitution. On the other hand, the law in this area is uncertain; any length of time beyond one year is past the present boundaries of judicially approved requirements and therefore carries a substantial risk of being found unconstitutional. If, however, any program can sustain a two-year residency requirement, both the student loan program and the commercial fishing loan program present the most compelling circumstances for such an extension. Both programs must address the very real problems of mobility of loan recipients coupled with an extremely generous loan program. Consequently, the normal superficial indicia of a subjective intent to consider oneself a citizen of the State of Alaska, such as voter registration, drivers license, and even the one-year residency requirement, are not as valued as they would be in other programs. As a result, we believe that a court could readily find that there is a rational basis for choosing a two-year residency requirement over either a one-year residency requirement or any of the other objective standards normally used by the legislature.

If you have any questions, or if you wish further testimony on this or any other residency requirement, please do not hesitate to call.

Sincerely,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By: 
Robert M. Maynard
Assistant Attorney General

RMM:mr

HOUSE SPECIAL COMMITTEE ON STATE LOANS

Teleconference on CSSSHB 56

Summary of Testimony

FILE COPY

1. Randy Dowell Fairbanks Student Assn.: position opposes changes in ceiling, forgiveness, and timing for payback. No official position on the interest rate.
2. Ernie Jennings Asked a question on defaults.
3. Rufus Bunch Ketchikan C. C. spokesman; agreed with first speaker, wants 1 yr. on payback.
4. Christine Jensen Kodiak H. S. Counselor; no ceiling & agrees to 8% if necessary to maintain the program. Wants transportation incl.
5. Don Patterson Mat-Su; Opposes changes in interest & in the necessary costs incl., 20% forgiveness is better than none.
6. Paul Bowen Petersburg instructor; opposes changes wants grandfather clause.
7. Donna Zinsky Homer; opposes changes, asked question on residency requirements/constitutional.
8. Wm. Richarson Sitka; asked about eligibility of students attending BIA schools.
9. Karla Hart Juneau participant; supports 5%, 50% forgiveness and changing deadline to January 1 of each year.
10. Ron Castle Wrangell; opposes changes, wants 1 yr. before repaying.
11. Dan Beaver Hates to see the program tied up in Court.
12. Linda Walsh Nome; Wants present \$ amounts and 1 year to repay time.
13. Roger Lincoln Opposes loan program entirely.
14. Enid Bowen Petersburg; opposes increase in interest, wants grandfather clause.
15. Ida Griner Would like to see a July 1984 effective date.
16. Fran Rich Bethel; opposes changes, wants transportation included.
17. Thecla Takumjemak Cited importance of program for rural students.
18. Selma Newlin Noorvik; Asked about residency as criteria for eligibility.
19. Michael Jack Bethel; opposes changes, wants to include transportation because of high cost for rural students, mentioned hardship of raising interest rates.
20. Sarah Hanberry Sitka; opposes changes, not a handout! Told of son who had loan taken away.

STATE OF ALASKA
FISCAL NOTE

Revision Date 4/8, 1983

I. REQUEST

Bill/Resolution No.: CSSHB 56

Title: Act Re: Student Loans

Sponsor: Lindauer

Requestor: House Loan Committee

II. FISCAL DETAIL

Agency Affected: Education

Program Category Affected: Postsecondary Comm

BRU, Program of Subprogram(s) Affected:

Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING						
CAPITAL	N.A.	52.5	74.5	(217.9)	(781.9)	(2,362.9)
REVENUE	N.A.	-0-	-0-	93.5	372.5	1,562.8

FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	52.5	74.5	(217.9)	(781.9)	(2,362.9)
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME	N.A.					
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Kerry D. Romesburg

Phone: 465.2854

Division: Commission on Postsecondary Education

Date: 4/8/83

Approved by Commissioner:

Date:

Department:

Distribution:

Original to Legislative Finance

Copy to Office of Management and Budget (for Legislature introduced bills)

Copy to Department (for Governor introduced bills)

Copy to Sponsor

Copy to Requestor (if different from Sponsor)

3/8/83

CSSSHB56 (Revised 4/8/83)

IV Analysis:

(a) Increasing interest from 5% to 8%

FY84	\$0	FY87	\$(- 372.5)
FY85	\$0	FY88	\$(-1,562.8)
FY86	\$(-93.5)	FY89	\$(-3,210.2)

(b) Reducing forgiveness to 20%

FY84	\$0	FY87	\$(- 520.2)
FY85	\$0	FY88	\$(- 930.0)
FY86	\$(-214.2)	FY89	\$(-1,491.0)

(c) Allowing for borrowing actual amount of tuition
(based upon attendance of 0.35% of total borrowers)

FY84	\$52.5	FY87	\$110.8
FY85	\$74.5	FY88	\$129.9
FY86	\$89.8	FY89	\$145.0

FILE COPY

STATE OF ALASKA
FISCAL NOTE

Revision Date 4/4, 1983

I. REQUEST

Bill/Resolution No.: CSSS HB 56
Title: Act Re: Student Loans
Sponsor: Lindauer
Requestor: House Loan Committee

II. FISCAL DETAIL

Agency Affected: Education
Program Category Affected: Postsecondary Comm
BRU, Program of Subprogram(s) Affected: Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING						

CAPITAL	N.A.	7,402.5	7,358.9	7,634.0	7,644.4	216.1
---------	------	---------	---------	---------	---------	-------

REVENUE	N.A.	0	1,742.2	2,318.1	3,874.3	12,735.6
---------	------	---	---------	---------	---------	----------

FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	7,402.5	7,358.9	7,634.0	7,644.4	216.1
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME	N.A.					
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Kerry D. Romesburg
Division: Commission on Postsecondary Education

Phone: 465-2854
Date: 4/4/83

Approved by Commissioner: _____
Department: _____

Date: _____

Distribution:

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3/8/83

CSSSHB56 (Revised 4/4/83)

IV Analysis:

(a) Increasing interest from 5% to 8%

FY84	\$0	FY87	\$ (372.5)
FY85	\$0	FY88	\$(1,562.8)
FY86	\$(93.5)	FY89	\$(3,210.2)

(b) Reducing forgiveness to 20%

FY84	\$0	FY87	\$ (520.2)
FY85	\$0	FY88	\$ (930.0)
FY86	\$(214.2)	FY89	\$(1,491.0)

(c) Allowing for borrowing actual amount of tuition
(based upon attendance of 0.35% of total borrowers)

FY84	\$52.5	FY87	\$110.8
FY85	\$74.5	FY88	\$129.9
FY86	\$89.8	FY89	\$145.0

(d) Reducing grace year to grace period of 120 days
(assuming 13.2% seniors, 12.7% vocational)

FY84	\$0	FY87	\$ (3,329.0)
FY85	\$(1,742.2)	FY88	\$(10,765.1)
FY86	\$(2,181.8)	FY89	\$(14,204.6)

(e) Room expenses are approximately 65% of total room and board expense, therefore, allowing actual room and tuition and fees would cost about \$1,000 per out-of-state borrower, plus those expenses in (c) above. Room allowance would cost (with 6% inflation):

FY84	\$ 7,350.0	FY87	\$11,755.3
FY85	\$ 9,026.6	FY88	\$13,344.1
FY86	\$10,033.7	FY89	\$15,376.2

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BILL SHEFFIELD, GOVERNOR

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

MEMORANDUM

TO: Representative Mae Tischer
Co-Chairman, House HESS

FROM: Kerry D. Romesburg, Executive Director
Alaska Commission on Postsecondary Education

DATE: March 10, 1983

At the recent HESS Committee hearing on HB 56, you requested information on administration costs of student loans. Listed below are the actual costs for FY82 and the budgeted costs for FY83.

	<u>FY82-Actual</u>	<u>FY83 Budgeted</u>
100	\$ 835,400	\$1,467,900
200	11,800	7,800
300	438,500	667,200
400	17,100	19,800
500	80,800	153,000
TOTAL	\$1,383,600	\$2,315,700

In FY82 we made 9,898 finalized loans, and in FY83 we estimate 12,500. At mid-year FY82 we had 8,718 loan accounts in repayment, and at mid-year FY83, we had 14,128 accounts in repayment. Therefore, in FY82 we handled (either in awards or repayment and collections) 18,616 loan accounts, and in FY83, we handled 26,628 loan accounts. Dividing this into the administrative expense, one finds a straight administrative cost in FY82 of \$74.32 per loan account handled, and \$86.96 per loan account handled in FY83.

Pro-rating our administrative expenses between loan awards and loan collections, we can get a better estimate of costs to make loans and costs to collect loans. This break-out includes a lot of estimates and assumptions, but at least it can serve as a guide.

	<u>Awards-82</u>	<u>Repayment-82</u>	<u>Awards-83</u>	<u>Repayment-83</u>
100	\$389,389	\$446,011	\$ 667,842	\$ 800,058
200	5,497	6,303	3,548	4,252
300	244,170	194,330	303,552	363,648
400	7,971	9,129	9,008	10,792
500	37,662	43,138	69,609	83,391
TOTAL	\$684,689	\$698,911	\$1,053,559	\$1,262,141

Memorandum to Representative Mae Tischer
March 9, 1983
Page 2

Again, simply dividing by the number of accounts handled, one gets an administrative cost in FY82 of \$69.17 per loan award finalized and \$80.17 per loan account in repayment, and \$84.28 per loan award finalized and \$89.34 per loan account in repayment in FY83.

A third way of looking at administrative cost is to compare it as a percentage of loan volume. Using this approach, in FY82 we find that award administration cost 1.69% of loan award volume, and repayment administration cost 15.31% of loan funds collected and/or forgiven. In FY83, award administration costs 1.87% of loan award volume, and repayment administration cost 17.60% of loan funds collected and/or forgiven. (It should be noted that these percentages already have default totals factored out.)

I am not certain that this is exactly what you were asking for in terms of administrative costs per loan. If not, please let me know and I will re-work the figures.

cc: Representative Terry Martin
Representative Rick Uehling
Representative Walt Furnace

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BILL SHEFFIELD, GOVERNOR

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

M E M O R A N D U M

TO: The Honorable Rick Uehling
Alaska House of Representatives

FROM: Kerry D. Romesburg, *Kerry D. Romesburg* Executive Director
Alaska Commission on Postsecondary Education

DATE: March 7, 1983

At its February 25, 1983 meeting the Alaska Commission on Postsecondary Education formally adopted its position on Alaska Student Loans. That position is enclosed for your reference.

If you have questions or wish additional information, please let me know.

Enclosure

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BILL SHEFFIELD, GOVERNOR

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

STATEMENT ON ALASKA STUDENT LOANS

The State of Alaska can make no better commitment of resources than investing in the education of its citizens. Direct support of Alaska's public elementary, secondary, and postsecondary school systems is vital to the state's continued growth and development. It is in the best interest of the state to provide access to these educational resources for the citizens of Alaska.

The best method of assuring access and opportunity is through the direct provision of educational services, but this is not always practical or possible, particularly at the postsecondary level. Therefore, the most effective and efficient method of attaining these goals of access and opportunity is through a system of low interest loans which allow the students to choose the educational setting most appropriate for their particular needs.

The Commission endorses and recommends the continuation and full-funding of the Alaska State Student Loan Program. Amendments which restrict access by denying loans to groups of Alaskans, either by design or by default, are vigorously opposed. However, the fiscal climate of the state, as well as increasing costs because of increased demand require that some modifications be made in the present program. Therefore, the Commission recommends:

1. interest rates be increased to 9%, and
2. forgiveness provisions be eliminated.

Additionally, the Commission will, by regulation, eliminate the practice of providing refunds for forgiveness benefits and will revert to the method of crediting the account.

3/2/83

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

MEMORANDUM

TO: The Honorable Barbara Lacher
Alaska State Representative

FROM: Kerry D. Romesburg, Executive Director
Alaska Commission on Postsecondary Education

DATE: February 9, 1983

FEB 9 1983

The outlook on student loan availability for the current year has changed dramatically since January 14, 1983, when we officially ran out of money. To better understand the circumstances, the following may be helpful.

1982-83 Appropriation level	\$59,000,000
Estimated cancellation reserve	6,000,000
Total loan obligation	\$65,000,000

In other words, we estimated, based upon past experience, that we could safely obligate the state for up to \$65 million in loan awards. As students dropped out, or became ineligible, we would end up with \$59 million in active loans. As of January 14, 1983 we had obligated the full \$65 million, so we stopped awarding loans. At that time, it was estimated that to continue making loans to all eligible applicants would require an additional \$3.5 million.

Now, based upon actual (as opposed to estimated) loan cancellations, it appears we will exceed the \$6.0 million cancellation reserve. As of February 2, 1983, we had received \$7.5 million in cancellations. Upon contacting the in-state institutions, we have found that there is currently as much as \$1.8 million which may soon be returned as additional cancellations. Hence, it seems we will have \$9.2 million cancelled -- \$3.2 million more than we had projected.

This means that we do not need a supplemental appropriation for this year. We could still run out of funds, but it would be very late in the year and only affect a few people -- if it happens at all. I sincerely appreciate your willingness to assist this program, but it looks as though we may not require any additional funds for the 1982-83 year.

Now, I need to work up some type of news release which says we were out of money, but now, due to the record number of ineligible and non-continuing students, the shop is open again. I feel a little like the boy who called "wolf," but at least it is good news for all involved.

To: All House members
Fm: Rep. Barbara Lacher
Date: 2/14/83
Sj: For the reasons set out above, I intend to withdraw
HB 113



REPRESENTATIVE DON CLOCKSIN

Alaska House of Representatives

ASSISTANT MINORITY LEADER

1527 H STREET
ANCHORAGE, ALASKA 99501
(907) 278-4188

WHILE IN JUNEAU:
POUCH V
J. JUNEAU, ALASKA 99811
(907) 465-3704

HB-56

STUDENT LOAN ISSUES

1. loan maximums
 - ~~undergraduate~~ - \$6000
 - graduate - \$7000 ←
2. good standing (12 hours/GPA)
3. forgiveness (5 years)
4. interest rate (5%)
5. residency (~~2 years~~)
6. loan period (5 years/8 years)
7. Alaska high school graduate
8. needs test
9. no loans/1st year students
10. WICHE schools only
11. outside graduate schools only
12. high demand causes only
13. earlier deadline

TABLE 1

DISTRIBUTION OF YEAR-TO-DATE ALASKA STATE LOANS
FOR STUDENTS ATTENDING IN ALASKA
(October, 1982-83)

Institution	1982-83	
	No.	Amount
U of Alaska, Fairbanks	2,003	\$ 7,867,100
U of Alaska, Anchorage	1,319	5,456,850
Anchorage Community College	1,050	4,734,750
Kenai Peninsula Community College	260	1,217,250
U of Alaska, Juneau	243	1,120,350
Alaska Pacific U	151	726,450
Alaska Vocational-Technical Center	149	419,250
Tanana Valley Community College	148	777,900
Alaska Business College	139	769,200
Testing Institute of Alaska	122	694,450
Sheldon Jackson College	105	482,700
Matanuska-Susitna Community College	101	548,900
Gordon Aviation, Inc.	67	388,450
New Anchorage Beauty School	56	270,500
Aero Technical Flight School	45	250,500
Fort Richardson Flying Club	35	195,800
Wilburs Flight Operation	33	193,900
Flight Training Devices	26	149,800
Trend Setter School of Beauty	26	112,350
Headquarters Barber & Beauty Academy	24	120,000
Hutchison Career Center	23	117,650
Ketchikan Community College	22	95,050
Alaska Native Training Institute	21	114,400
A.I.R. Center	20	116,150
Academy of Hair Design	20	87,200
Sitka Community College	18	84,950
St. Herman's Theological Seminary	17	62,450
Anchorage Alaska School of Barbering	16	73,450
Elmendorf Aero Club	16	69,250
North Pacific Business Institute	13	65,250
Kodiak Community College	11	52,500
Alaska Bible College	10	37,350
Kotzebue Technical Center	10	25,450
Fairbanks Beauty School	9	40,050
Peninsula Institute of Welding Technology	7	35,050
Alaska Piper Sales, Inc.	6	35,900
Peninsula Hair Styling Academy	6	26,700
Prince William Sound Community College	5	23,450
Kuskokwim Community College	5	14,200
Birchwood Air Service	2	12,000
Chapman College	2	5,950
T&M Real Estate Institute	1	6,000
Northwest Community College	1	5,000
Charismatic Bible College	1	4,500
Bar Review	1	4,000
Delta Greely Rural Educational Center	1	3,000
Alaska Media Workshop	1	550
TOTAL	6,367	\$27,713,900

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BILL SHEFFIELD, GOVERNOR

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

M E M O R A N D U M

TO: The Honorable Walt Furnace
Alaska State Representative

FROM: Kerry Romesburg, Executive Director
Alaska Commission on Postsecondary Education

DATE: January 26, 1983

As per your request, I am enclosing the figures related to Alaska high school graduation rates and some impacts certain restrictions might have on the student loan program.

The projection of high school seniors comes from the Department of Education and are still somewhat tentative, but they should at least serve your purpose for now. If you decide to pursue your ideas in the form of legislation, our fiscal note will be more precise.

1. High School Seniors (Projections)

<u>Year</u>	<u>Number</u>
1983-84	6,348
1984-85	6,581
1985-86	6,467
1986-87	6,626
1987-88	6,600
1988-89	7,577

2. Postsecondary education attendance rates

According to the commission's annual high school senior survey, approximately 59% of Alaska's seniors plan some type of postsecondary attendance. Therefore, the borrowing rates would be:

<u>Year</u>	<u>Number of Seniors</u>	<u>Potential Borrowers</u>
1983-84	6,348	3,745
1984-85	6,581	3,883
1985-86	6,467	3,792
1986-87	6,626	3,909
1987-88	6,600	3,894
1988-89	7,577	4,470

3. You indicated that you would "phase in" this Alaska high school graduation requirement. In other words, you would not impose the new requirement on anyone currently attending school with a loan. Also, you indicated that you would eliminate the current loans to graduate students, therefore the projections of borrowers would change greatly.

Assuming the "phase-in" and the \$2,000 "loan of last resort" for graduate students, the following changes would probably be applicable:

Year	Current Program						Furnace Proposal					
	Undergraduate		Graduate		Total		Undergraduate		Graduate		Total	
	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$
1983-84	16,005	76,423.9	1,495	9,326.1	17,500	85,750.0	13,819	65,985.7	748	112.2	14,567	66,097.9
1984-85	18,136	99,475.1	1,605	11,074.5	19,741	110,549.6	14,702	80,639.8	803	124.5	15,505	80,764.3
1985-86	19,248	111,811.2	1,752	12,088.8	21,000	123,900.0	15,030	87,308.9	876	140.2	15,906	87,449.1
1986-87	21,194	123,138.6	1,906	13,151.4	23,100	136,290.0	15,291	88,841.8	953	157.2	16,244	88,999.0
1987-88	22,399	130,064.1	2,090	14,421.0	24,489	144,485.1	15,537	90,218.6	1,045	177.7	16,582	90,396.3
1988-89	24,062	139,662.8	2,303	15,890.7	26,365	155,553.5	16,322	94,737.6	1,152	201.6	17,474	94,939.2

4. You will note that by "phasing in" the Alaska high school requirement, the full final impact of the change is also phased in. This is more easily seen by comparing the dollar and percentage change by year.

<u>Year</u>	<u>Reduction Under Furnace Proposal</u>	
	<u>Amount</u>	<u>%</u>
1983-84	\$19,652.1	22.9
1984-85	29,785.3	26.9
1985-86	36,450.9	29.4
1986-87	47,291.1	34.7
1987-88	54,088.8	37.4
1988-89	60,614.3	39.0

5. One note of caution. The comparisons are made to full funding of the current program. With program changes, the fiscal impact would also change.
6. Even with your suggested changes, the program would demand \$95 million by 1988-89. Is that a realistic expectation for five years from now? I suspect this is a matter for which you may have a better feel than I.

AMENDMENT

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY: Representative Lindauer

TO: CS SS (Loans)

HOUSE BILL NO. 56

SENATE BILL NO.

PAGE:

LINE:

Page 1, line 9 Insert new sections 1 and 2 and renumber subsequent sections:

Section 1. AS 14.43.110 is repealed and reenacted to read:

Sec. 14.43.110 UNDERGRADUATE LOANS. The committee may make a loan for a school year to an undergraduate student eligible under AS 14.43.125. A loan under this section may not exceed \$6000 except when necessary to cover the actual cost of tuition and required fees.

Section 2. AS 14.43.115 is repealed and reenacted to read:

Sec. 14.43.115 GRADUATE LOANS. The committee may make a loan for a school year to a graduate student eligible under AS 14.43.125. A loan under this section may not exceed \$7,000 except when necessary to cover the actual cost of tuition and required fees.

Page 1, line ¹⁷12 through page 3, line 9 Delete.

Offered: 4/13/83
Referred: Finance

Original sponsors: Lindauer, Uehling,
Furnace and Wendte

BY THE SPECIAL COMMITTEE
ON STATE LOANS

1 IN THE HOUSE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 56 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA -

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to scholarship loans; and providing
7 for 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 made [GIVEN] under AS 14.43.090 - 14.43.-
11 160 is at the rate of eight [FIVE] percent a year.

12 * Sec. 2. AS 14.43.120(k)(2) is amended to read:

13 (2) serving a first enlistment period of up to four years
14 as an enlisted person on active duty as a member of the armed forces
15 of the United States;

16 * Sec. 3. AS 14.43.125 is repealed and reenacted to read:

17 Sec. 14.43.125. ELIGIBILITY OF STUDENTS. A person may apply for
18 and obtain a scholarship loan if the person

19 (1) is

20 (A) enrolled as a full-time student in a career educa-
21 tion, or associate, or baccalaureate, or graduate degree program;
22 or

23 (B) a graduate of a high school, or scheduled for
24 graduation from a high school within six months, with sufficient
25 credits to be admitted to a career education program or to an
26 accredited college or university;

27 (2) is not delinquent or in default on a previously awarded
28 scholarship loan; and

29 (3) is a resident of the state at the time of application

1 for the loan. For purposes of this section, a person qualifies as a
2 resident of the state if at the time of application for the loan the
3 person

4 (A) has been physically present in the state for at
5 least two years;

6 (B) is dependent on a parent or guardian for care, and
7 the parent or guardian has been present in the state for at least
8 two years; or

9 (C) has been physically present in the state for at
10 least two years immediately before being absent from the state
11 and the absence is due solely to

12 (i) military service;

13 (ii) volunteer service under the Peace Corps Act;

14 (iii) volunteer service under the Domestic Volun-
15 teer Service Act of 1973;

16 (iv) attending a school as a full-time student; or

17 (v) full-time employment by the state or its
18 congressional delegation.

19 * Sec. 4. AS 14.43.130 is repealed and reenacted to read:

20 Sec. 14.43.130. SELECTION CRITERIA. (a) The selection commit-
21 tee shall grant loans based on total point accumulations under this
22 section with priority going to those applicants with the highest point
23 accumulations, except as provided in (b) of this section. Points
24 shall be awarded according to the following schedule:

25 (1) continuing undergraduate and graduate students with
26 existing Alaska scholarship loans 4 points

27 (2) continuing undergraduate and graduate students without
28 existing Alaska scholarship loans 3 points

29 (3) first year undergraduate students 2 points

1 (4) new graduate students without existing Alaska scholar-
2 ship loans 1 point

3 (5) students attending Alaska colleges or universities ...-
4 1 point

5 (b) The selection committee shall award loans to applicants
6 based upon the earliest date of completed applications if the appli-
7 cant has filed a completed application not later than May 15 of the
8 year for which the loan is requested.

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

10 Sec. 14.43.132. FEDERALLY INSURED LOANS ENCOURAGED. Whenever
11 possible scholarship loans made under AS 14.43.090 - 14.43.160 shall
12 be federally insured.

13 * Sec. 6. AS 14.43.160 is amended by adding a new paragraph to read:

14 (9) "committee" means the student financial aid committee
15 of the Alaska Commission on Postsecondary Education.

16 * Sec. 7. If the two-year residency requirement for scholarship loans
17 provided by AS 14.43.125 is declared unconstitutional or otherwise invalid
18 by a court of competent jurisdiction, the Commission on Postsecondary
19 Education shall adopt regulations to impose the most stringent residency
20 requirement allowable under the Constitution of the State of Alaska and the
21 United States Constitution on scholarship loan applicants.

22 * Sec. 8. This Act takes effect July 1, 1984.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST Proposed Revision II. FISCAL DETAIL
 Bill/Resolution No.: to CSSHB 56 Agency Affected: _____
 Title: _____ Program Category Affected: _____
 Sponsor: _____ BRU, Program of Subprogram(s) Affected: _____
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING						
CAPITAL	N.A.	52.5	74.5	(3.7)	(261.7)	(1,432.9)
REVENUE	N.A.	-0-	-0-	93.5	572.5	1,562.8

FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	52.5	74.5	(3.7)	(261.7)	(1,432.9)
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: _____ Phone: _____
 Division: _____ Date: _____
 Approved by Commissioner: _____ Date: _____
 Department: _____

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)
 Copy to Department (for Governor introduced bills)
 Copy to Sponsor
 Copy to Requestor (if different from Sponsor)

3/8/83

Proposed Revision to CSSH 56

IV Analysis:

(a) Increasing interest from 5% to 8%

FY 84	\$ 0	FY 87	\$ (372.5)
FY 85	\$ 0	FY 88	\$ (1,562.8)
FY 86	\$ (93.5)	FY 89	\$ (3,210.2)

(b) Allowing for borrowing actual amount of tuition
(based upon attendance of 0.35% of total borrowers)

FY 84	\$52.5	FY 87	\$110.8
FY 85	\$74.5	FY 88	\$129.9
FY 86	\$89.8	FY 89	\$145.0

Article 3. Free Tuition and Fees for Dependents.

Section

80. Free tuition and fees at state-supported educational institutions

FILE COPY

Revisor's notes. — This article derived from AS 14.40.920 and was renumbered by the revisor of statutes under AS 01.05.031. Collateral references. — 15A

Am.Jur.2d Colleges and Universities §§ 19, 20.
14 C.J.S. Colleges and Universities §§ 27, 28.

Sec. 14.43.080. Free tuition and fees at state-supported educational institutions. (a) Any dependent of a bona fide Alaska resident who, while serving during the hostilities involving the United States forces in Southeast Asia, was listed by the United States Department of Defense as a prisoner of war or missing in action in Southeast Asia may attend any state-supported educational institution without payment of tuition and fees.

(b) As used in this section, "dependent" means a dependent spouse or child. (§ 1 ch 176 SLA 1972; AS 14.40.920)

Article 4. Scholarship Loan Program.

Section

90. Scholarship revolving loan fund
95. Financial aid committee
100. Applications
105. Administration of program
110. Undergraduate loans
115. Graduate loans
120. Conditions of loans

Section

125. Eligibility of students
130. Selection criteria
135. Discrimination prohibited
140. Enforceability of certain contracts with minors
160. Definitions

Revisor's notes. — This article derived from AS 14.40.751 — 14.40.806 and was renumbered by the revisor of statutes under AS 01.05.031.

Collateral references. — 15A Am.Jur.2d Colleges and Universities, §§ 19, 20.

14 C.J.S. Colleges and Universities, §§ 27, 28.

Absence from, or inability to attend, school or college as affecting liability for, or right to recover back payments on account of, tuition or board. 69 ALR 714

Validity and application of provisions governing determination of residency for purposes of fixing fee differential for out-of-state students in public college. 56 ALR3d 641.

Increase in tuition as actionable in suit by student against college or university. 99 ALR3d 885.

Absence from, or inability to attend, school or college as affecting liability for, or right to recover back payments on account of, tuition or board. 69 ALR 714

Sec. 14.43.090. Scholarship revolving loan fund. (a) Created a scholarship revolving loan fund to make scholarship loans to students. 14.43.160. All repayment loans shall be paid into the scholarship revolving loan fund. (b) Repealed by § 31 ch 156 SLA 1972; am § § 1975; am § 31 ch 59 SLA 1975.

Revisor's notes. — In subsection (a) AS 14.43.090 — 14.43.160 was repealed and a reference to AS 14.43.160 was added to conform to the revision of those sections by the revisor of statutes under AS 01.05.031.

Effect of amendments. — Amendment repealed subsection (a) provided for a tuition grant fund.

Sec. 14.43.095. Financial aid committee. (a) The Commission on Postsecondary Education shall designate its functions under this section to its members, with augmentation as appropriate. The executive secretary of the Commission on Postsecondary Education shall administer this section. AS 14.43.090 — 14.43.160

(b) Members of the committee shall be entitled to per diem and travel expenses and commissions.

(c) The committee shall advise the members of the committee to the governor, colleges and universities with respect to students enrolled.

(d) The committee shall hold its meetings at the call of its members. (§ 1 ch 98 SLA 1971; am § 3 ch 136 SLA 1974)

Sec. 14.43.090. Scholarship revolving loan fund. (a) There is created a scholarship revolving loan fund. The fund shall be used to make scholarship loans to students selected under AS 14.43.090 — 14.43.160. All repayments of principal and interest on scholarship loans shall be paid into the scholarship revolving fund shall be used to make new scholarship loans. If estimated funds available from scholarship loan repayments are inadequate to fully fund estimated scholarship loans for any fiscal year, additional funding from the general fund may be requested and appropriated for that year.

(b) Repealed by § 31 ch 59 SLA 1982.

(c) Repealed by § 31 ch 59 SLA 1982. (§ 1 ch 98 SLA 1971; am § 1 ch 156 SLA 1972; am §§ 1, 2 ch 136 SLA 1974; am § 1 ch 136 SLA 1975; am § 31 ch 59 SLA 1982; AS 14.40.751)

Revisor's notes. — In subsection (a), AS 14.43.090 — 14.43.160 was substituted for a reference to AS 14.40.751 — 14.40.806 to conform to the renumbering of those sections by the revisor of statutes under AS 01.05.031.

Effect of amendments. — The 1982 amendment repealed subsection (b), which provided for a tuition grant fund, and sub-

section (c), which provided for the transfer of unobligated funds in the tuition grant fund to the scholarship revolving loan fund.

Legislative history reports. — For report on ch. 98, SLA 1971 (CSHB 415 [Finance] am S), see 1971 House Journal, p. 935.

Sec. 14.43.095. Financial aid committee. (a) The student financial aid committee is composed of the members of the Alaska Commission on Postsecondary Education. The commission may delegate its functions under AS 14.43.090 — 14.43.160 to a committee of its members, with augmented membership as the commission considers appropriate. The executive officer of the commission is the executive secretary of the committee. The Alaska Commission on Postsecondary Education shall administer the program established by AS 14.43.090 — 14.43.160.

(b) Members of the committee serve without compensation but are entitled to per diem and travel expenses authorized by law for boards and commissions.

(c) The committee shall make an annual report reviewing the work of the committee to the governor, the legislature and the private colleges and universities where students receiving tuition grants are enrolled.

(d) The committee shall meet at least once a year. The meetings shall be held at the call of the chairman or upon petition by two members. (§ 1 ch 98 SLA 1971; am § 2 ch 156 SLA 1972; am § 5 ch 78 SLA 1974; am § 3 ch 136 SLA 1974; AS 14.40.753)

Revisor's notes. — The amendments of AS 14.43.095(a) by § 5, ch. 78, SLA 1974 and § 3, ch. 136, SLA 1974, are in conflict, the first act rewriting the subsection to provide that the Alaska Commission on Postsecondary Education will act as the financial aid committee, the second act changing the name and term of members of the existing financial aid selection committee. It is considered, on the basis of the legislative history, apparent legislative intent, and later effective date of the first

act, that the re-enactment by ch. 78, SLA 1974 should prevail.

The last part of subsection (c) of this section is obsolete since the tuition grant program was repealed by Chapter 94, SLA 1980 and Chapter 59, SLA 1982.

In subsection (a), AS 14.43.090 — 14.43.160 was substituted for a reference to AS 14.40.751 — 14.40.806 to conform to the renumbering of those sections by the revisor of statutes under AS 01.05.031.

Sec. 14.43.100. Applications. (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose loan or grant application is not recommended or presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971; am § 3 ch 156 SLA 1972; am § 4 ch 136 SLA 1974; AS 14.40.755)

Revisor's notes. — The reference to "grant application" in subsection (b) of this section is obsolete in light of the repeal of

the tuition grant program by Chapter 94, SLA 1980 and Chapter 59, SLA 1982.

Sec. 14.43.105. Administration of program. The executive secretary shall administer the programs subject to review by the committee and in accordance with the regulations prescribed by the committee. The promulgation of these regulations is subject to the Administrative Procedure Act (AS 44.62), and a summary of the regulations shall be distributed to each applicant. (§ 1 ch 98 SLA 1971; am § 5 ch 136 SLA 1974; AS 14.40.757)

Sec. 14.43.110. Undergraduate loans. The committee may make a loan, not to exceed \$6,000 in any one school year, to an undergraduate student eligible under AS 14.43.125. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974; am § 1 ch 153 SLA 1978; am § 1 ch 89 SLA 1981; AS 14.40.759)

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031.

Effect of amendments. — The 1978 amendment increased the maximum

amount of the loan from \$2,500.00 to \$3,000.00.

The 1981 amendment substituted "\$6,000" for "\$3,000" following "not to exceed."

Sec. 14.43.115. Graduate loans. The committee may make a loan, not to exceed \$7,000 in any one school year, to a graduate student who is eligible under AS 14.43.125 and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974; am § 2 ch 89 SLA 1981; AS 14.40.761)

Revisor's notes. — The reference to AS 14.43.120 was substituted for AS 14.43.120 by the revisor of statutes under AS 01.05.031.

Sec. 14.43.120

loans may only be made for room and board.

(b) The loan may be made for a college or university that is not a federal institution.

(c) To maintain a full-time status in a college or university, a student shall add to this subsection.

(d) Scholarships

(1) for more

(2) for more

(3) for more

graduate students.

(e) Loans made under this section shall be repaid in accordance with the provisions of this section; however, interest shall be paid in accordance with the provisions of this section.

(f) Interest on loans made under this section shall be at a rate of five percent per annum.

(g) Repayment of loans made under this section shall be in installments, and the borrower shall be responsible for the repayment, including a commission on the borrower's salary. A borrower who fails to repay a loan made under this section shall be liable for the amount of the loan.

(h) Security for a loan made under this section shall be made by the borrower or both are liable for the repayment of the loan.

(i) If a loan made under this section is not repaid, the lender may send the borrower to court for judgment.

(j) A portion of the loan made under this section shall be state if, upon the loan being granted, the borrower agrees to repay the loan in installments. The portion of the loan made under this section shall be repaid in installments at a rate of five percent of the loan.

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031.

Effect of amendments. — The 1981 amendment substituted "\$7,000" for "\$5,000" following "not to exceed."

Sec. 14.43.120. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

(b) The loans may only be used to attend a career education program or a college or university approved by the commission, and, if the loans are federally insured, by the United States Commissioner of Education.

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section. The commission shall adopt regulations defining "good standing" for purposes of this subsection.

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

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

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

(3) for more than a total of eight years of undergraduate and graduate study.

(e) Loans are interest bearing while a student is enrolled under (c) of this section or is receiving a deferment of payments under (k) of this section; however, a student is entitled to have a portion of the interest paid in accordance with (1) of this section.

(f) Interest on a loan given under AS 14.43.090 — 14.43.160 is at the rate of five per cent a year.

(g) Repayment of the principal and interest on the loan begins no later than one year after the borrower's studies are terminated. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

(h) Security may not be required for the loans; however, provision shall be made for payment of attorney fees and costs of court if either or both are incurred in collection of the amount owed on the loan.

(i) If a loan is in default, the commission shall notify the borrower that repayment of the remaining balance is accelerated and due by sending the borrower a notice by registered or certified mail.

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower is a resident of the state for at least two years. The portion of the loan that shall be paid by the state is the following percentages of the total loan received plus interest up to a total of 50 percent of the total loan:

- (1) two — three years residence in the state, 10 percent;
- (2) three — four years residence in the state, an additional 10 percent;
- (3) four — five years residence in the state, an additional 10 percent;
- (4) five — six years residence in the state, an additional 10 percent;
- (5) over six years residence in the state, an additional 10 percent.
- (k) Periodic installments of principal shall be deferred, but interest shall accrue and be paid unless the student is eligible for interest payment benefits under (1) of this section during any of the following:
 - (1) return to student status as provided in (c) of this section;
 - (2) serving on active duty as a member of the armed forces of the United States;
 - (3) serving, for up to three years, as a full-time volunteer under the Peace Corps Act;
 - (4) serving, for up to three years, as a full-time volunteer under the Domestic Volunteer Service Act of 1973;
 - (5) for a one-time period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or
 - (6) if the borrower becomes 50 percent or more disabled as certified by competent medical authority.
- (l) The state will pay the interest on that portion of a loan that is not federally insured during
 - (1) the period before the beginning of the repayment period of the loan; and
 - (2) deferments under (k) of this section.
- (m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than 12 months each.
- (n) Repealed by § 11 ch 89 SLA 1981
- (o) The provisions of (j) of this section do not apply to a loan to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure payment of the unpaid balance of a loan made under AS 14.43.110 or 14.43.115.

(p) For purposes of this section, a person qualifies as a resident if the person is physically present in the state with the intent to remain permanently in the state or, if not physically present in the state, the person intends to return to the state and is absent due to military service. (§ 1 ch 98 SLA 1971; am § 4 ch 156 SLA 1972; am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974; am §§ 1—4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979; am §§ 3 — 9, 11 ch 89 SLA 1981; AS 14.40.763)

Revisor's notes. — In ch. 98, SLA 1971, AS 14.43.120(j)(2) read "four — five years" This was a typographical error occurring for the first time in the enrolled version of the bill (CSHB 415 Finance am

Sl and has been corrected here.

Effect of amendments. — The 1979 amendment deleted "approved by the commission" following "career education program" and substituted the language

beginning "appro for "accredited by ciation for the reg or university is lo substituted "inter subsection (e), beginning "howe entitled" to the rewrote subsection (j), substituted "borrower by the grant," "borrowe "three years" for sentence, substiti for "regarded as a up to a total of 4 interest" in the the second senter additional 10 per paragraph (2), fo graph (3), and fe graph (4). The a subsection (k) an (m), and (n).

The 1981 amen sentence of sube (d), the amendme and (2) and in p "a total of eigh "years" and adde graduate study" section (i), the "shall" for "ma "student." In sul ment substituted "months" and de requirement of following "month also rewrote sube subsections (o) a section (n) which

Sec. 14.43. and obtain a

(1) is a res ship loan;

(2) meets t

(3) is

(A) enrolle or baccalaure

(B) a grad high school w a career educ

(b) In addi scholarship b least two yea

beginning "approved by the commission" for "accredited by the accreditation association for the region in which the college or university is located" in subsection (b), substituted "interest" for "non-interest" in subsection (e), added the language beginning "however, a student shall be entitled" to the end of subsection (e), rewrote subsection (g), and in subsection (j), substituted "paid on behalf of the borrower by the state" for "considered a grant," "borrower" for "grantee," and "three years" for "two years" in the first sentence, substituted "paid by the state" for "regarded as a grant" and "interest for up to a total of 40 percent" for "accrued interest" in the introductory language of the second sentence, and substituted "an additional 10 percent" for "20 percent" in paragraph (2), for "30 percent" in paragraph (3), and for "40 percent" in paragraph (4). The amendment also rewrote subsection (k) and added subsections (l), (m), and (n).

The 1981 amendment, added the second sentence of subsection (c). In subsection (d), the amendment added paragraphs (1) and (2) and in paragraph (3), substituted "a total of eight" for "six" preceding "years" and added "of undergraduate and graduate study" following "years." In subsection (i), the amendment substituted "shall" for "may" and "borrower" for "student." In subsection (m), the amendment substituted "12" for "six" preceding "months" and deleted "within the 15-year requirement of (g) of this section" following "months each." The amendment also rewrote subsections (g) and (j), added subsections (o) and (p) and repealed subsection (n) which read "Each year spent

attending a college or university in Alaska qualifies as a year of employment and residency under (j) of this section, if the borrower resides no less than three years in Alaska after completion of the course for which the loan was granted, and has a total Alaskan residency of ten years time."

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01-5.031(c) and § 4, Chapter 58, SLA 1982.

Section 8, ch. 99, SLA 1977 provides: "The change in the repayment period of student loans set out in AS 14.40.763(g) [now 14.43.120(g)] as amended by sec. 3 of this Act and the additional basis for granting a deferment of repayment of a student loan set out in AS 14.40.763(k) [now 14.43.120(k)] as enacted by sec. 4 of this Act shall, upon request of the loan recipient, be applied retroactively to the outstanding balance of principal of and accrued interest on loans made under AS 14.40.751 — 14.40.806 [now 14.43.090 — 14.43.160] as they read before the effective date of this Act."

Section 12 of ch. 89, SLA 1981, provides: "The reenactment of AS 14.40.763(j) [now 14.43.120(j)] in sec. 7 of this Act applies to any student who has obtained a scholarship loan under AS 14.40.751 — 14.40.806 [now 14.43.090 — 14.43.160] since July 1, 1971."

Legislative history reports. — For a report of legislative intent concerning the loan forgiveness provisions of ch. 89, SLA 1981 (FCCSSB 120), see 1981 Senate Journal p. 1560, 1580; 1981 House Journal p. 2289.

Sec. 14.43.125. Eligibility of students. (a) A person may apply for and obtain a scholarship loan if the person

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

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

(3) is

(A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or

(B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university.

(b) In addition to the requirements of (a) of this section, to obtain a scholarship loan a person must have been a resident of the state for at least two years at the time of application for the loan. For purposes of

this subsection, a person qualifies as a resident of the state if at the time of application for the loan the person

(1) has been present in the state for at least two years unless an absence from the state during any part of the two years was due to military service; or

(2) is a person who is dependent on a parent or guardian for care, and the parent or guardian has been present in the state for at least two years. (§ 1 ch 98 SLA 1971; am § 10 ch 89 SLA 1981; AS 14.40.765)

Effect of amendments. — The 1981 amendment rewrote this section.

Editor's notes. — This section was redrafted by the revisor of statutes to

remove personal pronouns in conformity with AS 01.05.031(c) and § 4, ch. 58, SLA 1982.

Sec. 14.43.130. Selection criteria. (a) The selection committee shall grant loans based on total point accumulations under the subsection with priority going to those applicants with the highest point accumulations, except as provided in (b) of this section for loan applications completed before May 15 of each year. Points shall be awarded to applicants based upon student status and continuous Alaskan residency, according to the following schedule:

(1) student status:

- (A) continuing undergraduate and graduate students with existing Alaska scholarship loans 4 points
- (B) continuing undergraduate and graduate students without existing Alaska scholarship loans 3 points
- (C) freshmen 2 points
- (D) new graduate students without existing Alaska scholarship loans 1 point

(2) continuous Alaskan residency:

- (A) students with continuous Alaskan residency of 10 years or more 3 points
- (B) students with continuous Alaskan residency of at least 5 years and less than 10 years 2 points
- (C) students with continuous Alaskan residency of more than 2 years and less than 5 years 1 point
- (3) students attending Alaska colleges or universities . . . 1 point

(b) In awarding loans the selection committee shall award loans to applicants based upon the earliest date of completed applications if

- (1) the applicant has accumulated at least 5 points under (a) of this section; and
- (2) the applicant has filed a completed application not later than May 15 of the year for which the loan is requested. (§ 1 ch 98 SLA 1971; am § 2 ch 87 SLA 1979; AS 14.40.767)

Effect of amendments. — The 1979 amendment rewrote this section.

Editor's notes. — Section 1, ch. 87, SLA

1979 provides: "The legislature determines that

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student loan program for residents of Alaska to attend colleges and universities in Alaska as compared with colleges and universities outside Alaska;

"(2) the result of this lack of incentives is that 64.9 per cent of all undergraduate student loans and 92.9 percent of graduate student loans go to students attending colleges and universities outside Alaska;

"(3) the amount of the average loan to undergraduate students attending colleges and universities in Alaska is lower

than the average of similar loans in all but one of the 10 western states and the amount of the average loan for graduate students is the lowest in the West;

"(4) the funds spent on education in Alaskan colleges and universities go further than when the funds are spent out of state; and

"(5) it would be an aid to the Alaskan economy if the funds in the student loan program were spent for education in Alaskan colleges and universities."

Sec. 14.43.135. Discrimination prohibited. The student loan program shall be carried out without regard to the race, creed, sex, color, ancestry, national origin, or membership in fraternal or political organizations of the student applying for the loan. (§ 1 ch 98 SLA 1971; AS 14.40.769)

Sec. 14.43.140. Enforceability of certain contracts with minors. A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by the minor from any person for the purpose of furthering the minor's education in a career education program or an institution of higher learning, is enforceable against the minor with the same effect as if the minor were, at the time of its execution, 19 years of age, if the person making the loan has before making the loan a certification from the institution that the minor is enrolled in the institution or has been accepted for enrollment. (§ 1 ch 98 SLA 1971; AS 14.40.771)

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, ch. 58, SLA 1982.

Sec. 14.43.160. Definitions. In AS 14.43.090 — 14.43.160

(1) "career education" means a course or program in vocational-technical training or education approved by the commission;

(2) "full-time student" means an undergraduate or career education student who is enrolled and is in regular attendance at classes for at least 12 semester hours of credit or the equivalent during the semester or a graduate student who is enrolled and is in regular attendance at classes for at least nine semester hours of credit or the equivalent; any combination of semester hours of credit, or the equivalent, aggregating to the requisite number of semester hours and undertaken during a semester at two or more public or private institutions of higher education operating under a consortium constitutes full-time student status;

(3) "part-time student" means a student who is enrolled and is in regular attendance at classes for at least three but less than the semester hours of credit required for full-time student status under (2) of this section during the semester;

(4) Repealed by § 11 ch 89 SLA 1981.

(5) "school year" means the period from September 1 of one year through August 31 of the following year;

"commission" means the Alaska Commission on Postsecondary Education;

(7) Repealed by § 7 ch 246 SLA 1976.

(8) "federally insured" means a loan covered by the provisions of the Guaranteed Student Loan Program of Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329), as amended. (§ 5 ch 156 SLA 1972; am § 8 ch 78 SLA 1974; am §§ 18 — 20 ch 136 SLA 1974; am § 5 ch 136 SLA 1975; am § 7 ch 246 SLA 1976; am §§ 5 — 7 ch 99 SLA 1977; am § 9 ch 87 SLA 1979; am § 11 ch 89 SLA 1981; AS 14.40.806)

Revisor's notes. — Part-time student is defined in paragraph (3) above but is not used in the statutes.

AS 14.43.090 — 14.43.160 was substituted for AS 14.40.751 — 14.40.806 to conform to the renumbering of those sections by the revisor of statutes under AS 01.05.031.

Effect of amendments. — The 1979 amendment added paragraph (8).

The 1981 amendment repealed paragraph (4) which defined "resident."

Editor's notes. — Title IV, Part B of the Higher Education Act of 1965, referred to in paragraph (8), may be found in 20 U.S.C. §§ 1071 et seq.

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STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BILL SHEFFIELD, GOVERNOR

POUCH FP
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FILE COPY

M E M O R A N D U M

TO: Members of the House Special Committee on State Loans
Representative Rick Uehling, Chairman Representative Ron Wendte
Representative Walt Furnace Representative Niilo Koponen
Representative Jerry Ward

FROM: Kerry D. Romesburg, *[Signature]* Executive Director
Alaska Commission on Postsecondary Education

DATE: April 7, 1983

At the February 5, 1983 meeting of the House Special Committee on State Loans, Representative Walt Furnace, in discussing the fiscal impacts of CSSSHB56, asked how many students might be excluded because of the increased costs. I now have that information.

If the Legislature were to pass the bill as written and not provide the additional funds required, the average loan award per individual would increase while the total available funds would remain constant. The result would be that fewer persons could receive loans. Based upon the current undergraduate/graduate mix and the current average loan awards for each, in FY84, as many as 1,575 undergraduate students and 138 graduate students (for a total of 1,713) could be excluded. This pattern would continue into FY85, 86, and 87 and then taper off and finally reverse itself.

Again, this is based upon adoption of the bill, but no increased funding. If the premise changes, so do the figures.

ASSOCIATED STUDENTS OF THE UNIVERSITY OF ALASKA

POSITION PAPER: The Alaska Student Loan Program February, 1983

ASUA believe that changes in the Student Loan Program should only be enacted after careful study of the consequences of the changes. We also believe that we have a responsibility as students to offer our best ideas on how to make the program as cost-effective as possible while maintaining its best features. Obviously, the Student Loan Program is now in the unenviable position of being a victim of its own success.

Recommendations

1. Change the Application Deadline.
This plan would change the application deadline for student loans from May 30 to one of January 1. We also recommend that there be a one-year residency requirement before an application can be submitted. The effect of this change would be to give the Legislature a far more accurate count of the number of applications being filed and therefore a better idea of how much money to appropriate for the program.
2. Changed Interest Rate.
We will discuss a changed interest rate from 5% if other factors are considered. Any change should serve to bring a greater return to the State and help reduce administrative costs of the program.
3. Change the Forgiveness Period.
Currently the 50% forgiveness provision is applied to the balance owed on a yearly basis. We recommend that the forgiveness provision be administered simply on the basis of the existing balance being paid off until 50% of the loan is repaid. The effect of this change would be to reduce the cash-flow problem for the Commission and make available more funds for loans to new applicants.

We do not believe that either the State's or the student's interests would be served by statutory changes in the program. We maintain that the ceiling amounts should not be changed. We also are opposed to restricting student loans on the basis of where the student attends college or where the student graduated from high school.

Please call on us to discuss our position.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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Juneau, Alaska 99811
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FILE COPY

March 25, 1983

MEMORANDUM

To: Representative Niilo Koponen

From: Leonard Steinberg, Research Staff *LS*

Re: Cost Breakdown of Student Loans
Research Request 83-114

Lisa McLaren of your office requested information about the subsidy inherent in an Alaska student loan. We were asked to analyze the costs to the State for at least two scenarios: first, a one-time, one-year loan of \$4,500, and second, four consecutive one-year loans of \$4,500. We were also requested to provide a projection of the number of Alaska high school seniors that will attend college in Alaska in the next five years. Last, Ms. McLaren requested information about who receives student loans and how the Commission on Postsecondary Education projects student loan demand.

Findings

A one-time, one-year student loan of \$4,500 at 5 percent interest has a present value cost to the State of \$2,357, not including the cost of forgiveness. The cost can increase up to \$3,064 if the borrower takes advantage of the maximum (50 percent) forgiveness. Four consecutive \$4,500 loans have a present value cost of \$8,367, not including the cost of forgiveness, and up to \$11,923 if the full 50 percent forgiveness allowance is used. The cost of student loans is not as sensitive to repayment interest rates as might be expected because of the high cost of deferring interest and principal repayment. Increasing the interest rate from 5 to 9 percent would save the State approximately \$585 on a 1-year loan and \$2,026 on a 4-year loan, not including the cost of forgiveness. The present value cost of the forgiveness provision is less than the nominal cost because the forgiveness occurs in the future when the value of money is substantially less. For a 1-year loan of \$4,500, eliminating the forgiveness provisions would save the State up to \$707 and for a 4-year loan, would save the State up to \$3,556. However, the cost of student loans is sensitive to market interest rates (which determine the opportunity cost of money) precisely because of the high cost of deferment.

Representative Niilo Koponen
March 25, 1983
Page Two

Projecting the number of Alaska high school seniors that will attend college in Alaska during the next five years is difficult because of a lack of adequate data. These projections have not been made by the Department of Education, the Commission on Postsecondary Education, nor the University of Alaska. The Department of Education's Office of Planning and Research recently published projections of the number of Alaska high school seniors through the remainder of the decade, and the Commission on Postsecondary Education annually conducts a survey of Alaska high school seniors that reports the plans of this group for postsecondary education. On the basis of this information, we estimate that between 1,434 and 1,589 Alaska high school seniors will attend college in Alaska in FY 1984, rising to between 1,525 and 2,442 Alaska high school seniors attending college in Alaska in FY 1988.

Student loans are used mostly by undergraduate students in Alaska; in January 1983, the Commission on Postsecondary Education estimated that 49 percent of all student loans in FY83 would go to this group. The Commission's demand projections for student loans are based on correlating the projected number of seniors and the number of individuals in the 18-45 age group with the past demand for student loans, and projecting forward on the basis of the expected number of each group. A comparison of past demand projections and real demand shows that there has been substantial variation between projected and actual demand.

Student Loan Subsidy

Methodology. The cost of a student loan has been determined by using the net present value method of analysis. Other analytical techniques would yield slightly different answers to the question of how much a student loan costs. The net present value form of analysis was chosen specifically because it presents a single figure for the net gain or loss of a stream of benefits and costs over time.

Through discounting, net present value analysis (also known as discounted cash flow analysis) accounts for the fact that a given amount of money today is worth more than that same in future years. The discount rate used is an estimation of how much difference there will be between today's dollars and future dollars. For this analysis we chose a discount rate of 10 percent. The discount rate for any analysis is established by the rate of return which would be obtained by an alternative investment of similar duration and risk. We assumed that funds not spent on the student loan program and not spent on alternative government services would be invested in a low-risk asset such as

a Treasury Bill. Current yields on 10-15 year Treasury Bills are 10-10.5 percent; as long-term interest rates appear to be declining, we chose to use a discount rate of 10 percent. Changes in long-term interest rates can substantially modify the answers produced by this analysis.

Student loans are generally distributed at the begining of each academic semester or quarter, not all at once. For this analysis, we assumed that half the money would be distributed in September and half four months later in January. Both interest payments and repayment of principal are deferred during the time a student is in school and for one year thereafter. In analyzing the financial impacts of the forgiveness provisions we assumed that forgiveness will occur by eliminating payments at the end of the repayment period. The Postsecondary Commission has already approved this change from the current method of providing cash rebates throughout the repayment period. New regulations reflecting this change are in the process of being adopted.

The one-time administrative cost for each loan was estimated on the basis of a March 10, 1983 memo (attached as Appendix A) on administrative costs from Dr. Kerry Romesburg, Executive Director of the Commission on Postsecondary Education, to Representative Mae Tischer. According to Dr. Romesburg, the cost of finalizing a loan award in FY 83 is approximately \$84 and the cost of each loan account in repayment is \$89. To determine the cost per loan we summed the appropriate number of loan award costs and loan repayment years for each cost estimate. Depending on the length of the repayment period, the administrative cost per one-year loan is estimated to be between \$978 and \$511. Similarly, the administrative cost for four consecutive loans is estimated to be between \$1,231 and \$784.

The default rate is currently around 9 percent. The cost of collecting on loans in default is included in the administrative costs. Approximately 0.6 percent (\$300,000) of the amount of money that should be in repayment as of March 16 will never be collected because of death, disability, or disappearance of the borrower, and has been written off by the Commission. Loan write-offs, though part of the real cost of a student loan, have not been included in this analysis because of the small cost per loan.

Discussion. The cost of a single \$4,500 student loan at 5 percent is shown in Table 1 below. The first row indicates the total cost to the State under different forgiveness conditions. The remaining rows in the table indicate the breakdown of costs among the different cost components.

As indicated in Table 1, a single \$4,500 loan at 5 percent interest costs the State \$2,357 not including the cost of forgiveness. Forty-two percent of this cost is administrative expenses, 37 percent of the cost is the interest subsidy, and 21 percent of the cost is required to pay for the deferment of interest repayment. The total cost grows to \$3,064 with full 50 percent forgiveness and the relative size of the cost components cited above declines as the forgiveness subsidy rises to 38 percent of the total cost.

Table 1

Present Value Cost Breakdown Of A Single (1-Year) \$4,500 Loan At 5 Percent

Cost Component	No Forgiveness	Amount of Loan Forgiven				
		10%	20%	30%	40%	50%
Total	\$2,357.43 (100%)	\$2,455.40 (100%)	\$2,572.90 (100%)	\$2,711.96 (100%)	\$2,874.85 (100%)	\$3,064.03 (100%)
Admin. Costs	977.68 (42%)	888.34 (36%)	799.00 (31%)	709.66 (26%)	620.32 (22%)	530.98 (17%)
Interest Subsidy	875.33 (37%)	875.33 (36%)	875.33 (34%)	875.33 (32%)	875.33 (30%)	875.33 (29%)
Deferment Subsidy	504.42 (21%)	504.42 (20%)	504.42 (20%)	504.42 (19%)	504.42 (18%)	504.42 (16%)
Forgiveness Subsidy*	0.00 (0%)	187.31 (8%)	394.15 (15%)	622.55 (23%)	874.78 (30%)	1,153.30 (38%)

* Note: Eliminating the forgiveness provisions will not reduce the cost to the State by the full amount of the forgiveness subsidy because of increased administrative costs in handling the loan over a longer period of time.

Table 2 presents the total cost and a breakdown of the cost structure for four consecutive loans of \$4,500 at a 5 percent interest rate. Total costs for four consecutive loans range from \$8,367 with no forgiveness to \$11,923 with full 50 percent forgiveness. With four consecutive loans, the relative importance of the various cost components is different from a single loan; because of the time factor, the deferment subsidy is the most important cost component in every scenario except 50 percent forgiveness.

Table 2

Cost Breakdown Of Four Consecutive \$4,500 Loans At 5 Percent

Cost Component	No Forgiveness	Amount of Loan Forgiven				
		10%	20%	30%	40%	50%
Total	\$8,366.89 (100%)	\$8,930.08 (100%)	\$9,558.11 (100%)	\$10,260.94 (100%)	\$11,046.38 (100%)	\$11,922.98 (100%)
Admin. Costs	1,230.52 (15%)	1,141.18 (13%)	1,051.84 (11%)	962.50 (9%)	873.16 (8%)	783.82 (7%)
Interest Subsidy	3,501.32 (42%)	3,501.32 (39%)	3,501.32 (37%)	3,501.32 (34%)	3,501.32 (32%)	3,501.32 (29%)
Deferment Subsidy	3,635.05 (43%)	3,635.05 (41%)	3,635.05 (38%)	3,635.05 (36%)	3,635.05 (33%)	3,635.05 (30%)
Forgiveness Subsidy*	0.00 (0%)	652.52 (7%)	1,369.90 (14%)	2,162.07 (21%)	3,036.85 (27%)	4,002.84 (34%)

* Note: See note on forgiveness subsidy for Table 1.

In addition to clarifying the relative value of the deferment subsidy, the cost component breakdown also indicates the relative costs of the forgiveness program. However, the savings realized from eliminating the forgiveness program are substantially less than the amount shown as the cost of the forgiveness subsidy. The reason for this difference is that the administrative expenses increase for every year the loan is retained as an account. Loan forgiveness reduces administrative expenses because the number of years in which the account is handled is reduced. For example, 10 percent of a \$4,500 loan is \$450, but eliminating 10 percent forgiveness saves the State \$98, 22 percent of \$450. Eliminating the entire forgiveness program would reduce State costs for a one-time \$4,500, 5 percent interest loan by a present value of \$707 or 23 percent of the \$2,250 being forgiven. For four consecutive \$4,500, 5 percent interest loans, costs to the State could be reduced by \$3,557 or 30 percent of the \$9,000 being forgiven. Table 3, below, shows the real present value savings to the State from eliminating the forgiveness program and the percentage of the nominal amount forgiven that these savings represent.

Table 3

Actual Savings Realized From The Elimination of Forgiveness
 (Percentage of Nominal Amount Forgiven)

Loan	Amount of Loan Forgiven				
	10%	20%	30%	40%	50%
\$4,500 1-Year 5-Percent	\$97.97 (22%)	\$215.47 (24%)	\$354.53 (26%)	\$517.42 (29%)	\$706.60 (31%)
4/\$4,500 Loans (\$18,000) 5-Percent	\$563.19 (31%)	\$1,191.22 (33%)	\$1,894.05 (35%)	\$2,679.49 (37%)	\$3,556.09 (40%)

Tables 4 and 5 illustrate the degree to which the present value cost analysis is sensitive to a change in borrowers' interest rates. Table 4 shows the cost to the State of a one-time, one-year student loan of \$4,500 with borrowers being charged a 9 percent interest rate. The table indicates that raising the interest rate to 9 percent (an 80 percent increase) will reduce the cost to the State of a one-time one-year loan by 25 percent when comparing costs without forgiveness and 12 percent under a 50 percent forgiveness scenario. Table 5 illustrates similar cost reductions for four consecutive \$4,500 loans lent at 9 percent.

Table 4

Cost Breakdown Of A Single (1-Year) \$4,500 Loan At 9 Percent

Cost Component	No Forgiveness	Amount of Loan Forgiven				
		10%	20%	30%	40%	50%
Total	\$1,772.48 (100%)	\$1,906.41 (100%)	\$2,063.61 (100%)	\$2,246.53 (100%)	\$2,457.83 (100%)	\$2,700.48 (100%)
Admin. Costs	977.68 (55%)	888.34 (47%)	799.00 (39%)	709.66 (32%)	620.32 (25%)	530.98 (20%)
Interest Subsidy	179.51 (10%)	179.51 (9%)	179.51 (9%)	179.51 (8%)	179.51 (7%)	179.51 (6%)
Deferment Subsidy	615.29 (35%)	615.29 (32%)	615.29 (30%)	615.29 (27%)	615.29 (25%)	615.29 (23%)
Forgiveness Subsidy	0.00 (0%)	223.27 (12%)	469.81 (23%)	742.07 (33%)	1,042.71 (43%)	1,374.70 (51%)

Representative Niilo Koponen
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 Page Seven

Dropping the forgiveness program from the one-time \$4,500 loan at 9 percent interest could reduce the cost of the loan by up to \$928.00 or 34 percent. Eliminating the forgiveness program could also reduce the cost of four consecutive \$4,500 loans at 9 percent interest by up to \$4,321 or 41 percent.

Comparisons between Tables 1 and 2 and Tables 4 and 5 also indicate that if the interest rate is raised to 9 percent and the forgiveness provisions are eliminated, costs can be reduced by 42 percent from the most expensive cost of a one-time, one-year \$4,500 loan. Similarly, costs for four consecutive loans at \$4,500 can be reduced by up to 47 percent.

Table 5

Cost Breakdown Of Four Consecutive \$4,500 Loans At 9 Percent

Cost Component	No Forgiveness	Amount of Loan Forgiven				
		10%	20%	30%	40%	50%
Total	\$6,341.04 (100%)	\$7,026.04 (100%)	\$7,791.78 (100%)	\$8,646.70 (100%)	\$9,600.05 (100%)	\$10,662.16 (100%)
Admin. Costs	1,230.52 (20%)	1,141.18 (16%)	1,051.84 (14%)	962.50 (11%)	873.16 (9%)	783.82 (7%)
Interest Subsidy	718.04 (11%)	718.04 (10%)	718.04 (9%)	718.04 (8%)	718.04 (7%)	718.04 (7%)
Deferment Subsidy	4,392.48 (69%)	4,392.48 (63%)	4,392.48 (56%)	4,392.48 (51%)	4,392.48 (46%)	4,392.48 (41%)
Forgiveness Subsidy	0.00 (0%)	774.34 (11%)	1,629.42 (21%)	2,573.68 (30%)	3,616.37 (38%)	4,767.82 (45%)

Student loan costs to the State per dollar loaned decrease as the amount loaned increases. The cost to the State per dollar loaned also decreases as the number of loans granted to the same party increases. Last, the cost to the State per dollar loaned falls as interest rates rise. The first two trends can be explained by the relatively high and constant cost of loan administration. The third trend is solely a function of reducing the level of interest subsidy required.

As of March 3, 1983, 12,827 student loans averaging \$4,415 have been awarded in FY 83. Had these loans averaged \$4,500, and had all borrowers been one-time borrowers, the present value cost to the State of these loans would be \$30,238,755, not including the cost of forgiveness. If the loans averaged 20 percent forgiveness, then the present value cost to the State would rise to \$33,002,588. Had these loans been part of a multi-year lending package, the present value costs to the State would be less.

Alaska High School Senior/College Freshman Projections

As far as we have been able to determine, reliable projections of the number of Alaska high school seniors that will attend college in Alaska have not been made. Consequently, we made our own projections on the basis of the best available information. The accuracy of the data we used to make the estimates below is unknown, but we estimate only a 50 percent level of confidence in the accuracy of these projections. Nevertheless, we feel that the actual number of Alaska high school seniors that will attend college in Alaska lies somewhere in the range of estimates provided below.

Table 6

Estimated Number of Alaska High School Seniors Attending College in Alaska

Fiscal Year	Number of Students
84	1,434 - 1,589
85	1,461 - 1,800
86	1,515 - 2,052
87	1,489 - 2,200
88	1,525 - 2,442

The estimates in Table 6 were based upon two basic sources of information. First, the Department of Education's Office of Planning and Research has recently published a report entitled Enrollment Projections for Alaska Public Schools. The report provides two separate estimates of enrollments in grades K-12 through FY 1989; the first estimate is based on cohort enrollments and the second estimate is based on cohort enrollments and cohort births. Both estimates appear to be simple linear models which do not account for changes in economic conditions and changes in migration patterns. The Office of Planning and Research does not prepare these reports regularly and therefore does not have a history of making these types of projections. Furthermore, it is not possible to check earlier projections to determine whether or not the Office of Planning and Research has been accurate in the past; the Office has prepared only one other report of this type (during the pipeline period) and it was found to be highly inaccurate. The estimates in Table 6 are derived from the cohort enrollment based projections only.

The Alaska Commission on Postsecondary Education conducts a survey of Alaska high school seniors every year which asks, among other things, how many seniors plan to attend college and of those, how many plan to attend in Alaska. The Commission on Postsecondary Education has not conducted a follow-up survey to determine how often high school seniors actually do attend college in Alaska. Moreover, some of the findings of the survey cast doubt on the survey's accuracy. For example, the 1981-82 Survey Report stated that 1,849 seniors intended to attend college or a vocational-technical school after graduation, but 2,576 (727 more) seniors responded to questions about where they intended to attend college or a vocational-technical school.

According to the survey, the portion of high school seniors intending to seek postsecondary education has remained fairly constant at approximately 57 percent during the years 79-80, 80-81, and 81-82. However, the 1981-82 report found that 40.6 percent of high school seniors seeking postsecondary education would do so in Alaska; in 1980-81, 36.5 percent intended to stay in Alaska and in 1979-80, 31 percent had intended to stay in Alaska.

Our estimates in Table 6 are based on the assumption that 56.7 percent of high school seniors will attend postsecondary education after high school. The lower end of our estimate represents a projection based on the 1981-82 finding that 40.6 percent of Alaska high school seniors intended to seek postsecondary education in Alaska. The upper end of our estimate reflects the trend of an increasing percentage of Alaska high school seniors intending to seek postsecondary education in Alaska.

An evaluation of the accuracy of the high school survey in the Anchorage area has been prepared by the Anchorage School District and their information will be forwarded to you as soon as we receive it. Additionally, the University of Alaska is sending information about past enrollments and how many freshmen attended high school in Alaska; this information will also be forwarded to you when it is received.

Student Beneficiaries

The largest single group benefiting from student loans are undergraduates studying in Alaska (about 40 percent). As of January 1983, undergraduates studying in Alaska were expected to receive 54 percent of all undergraduate student loans and 49 percent of all student loans. By the end of the year, these numbers will drop a few percentage points because Alaska students are more likely to drop out of school in mid-year than out-of-state students, but undergraduates in Alaska will remain the single largest group of borrowers. Additionally, the Commission's January data shows that 73 percent of all vocational students with student loans attend school in Alaska, and 26 percent of all graduate students with student loans attend school in Alaska. A copy of the Commission on Postsecondary Education's most recent annual report on student financial aid programs, which contains additional statistical information, is enclosed for your review. Table 7 below describes the beneficiaries by student group as of March 3, 1983.

Table 7

Distribution of 1983 Student Loans by Group
(as of March 3, 1983)

Group	Number	Amount	Average Amount per Loan
Undergraduates	10,125 (79%)	\$42,607,931 (75%)	\$4,208
Vocational	1,560 (12%)	\$7,878,118 (14%)	\$5,050
Graduate	1,142 (9%)	\$6,149,590 (11%)	\$5,384
Total	12,827	\$56,635,639	\$4,415

Representative Niilo Koponen
March 25, 1983
Page Eleven

The trend during recent years has been for an increasing number of student loan borrowers to attend school in Alaska. Table 8 below illustrates the percentage of undergraduate and graduate student loan borrowers who attended colleges in Alaska during the last five fiscal years.

Table 8

Percentage of Student Loan Borrowers Attending in Alaska Schools

Fiscal Year	Undergraduates	Graduates
1979	35%	12%
1980	36%	12%
1981	45%	18%
1982	47%	24%
1983	54%	26%

Student Loan Demand

The Commission on Postsecondary Education projects future student loan demand by correlating the historical demand for student loans with the number of high school seniors and the number of individuals in the 18-45 year age group, and projecting forward on the basis of the expected size of these two groups. The Commission uses the projections of the number of high school seniors developed by the Department of Education in Enrollment Projections for Alaska Public Schools. Similarly, the Commission obtains estimates of expected size of the 18-45 year old age group from the Department of Labor's Alaska Population Overview and Alaska Annual Planning Information.

Representative Niilo Koponen
March 25, 1983
Page Twelve

The Commission's system for projecting demand does not account for changes in economic conditions, the trend toward increasingly older postsecondary students, changes in migration patterns, or changes in the laws and regulations concerning the student loan program. The Commission's demand projections for student loans exceeded actual demand by 33 percent in FY82 and underestimated actual demand by 17 percent in FY83. Attached as Appendix B is a memorandum from Commission Executive Director Dr. Kerry Romesburg comparing the projected demand with actual demand for fiscal years 1971-1984.

* * * * *

We hope this information has been helpful to you. Please let us know if you would like additional information.

LS/sj

Attachments

BILL SHEFFIELD, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

M E M O R A N D U M

TO: Representative Mae Tischer
Co-chairman, House HESS

FROM: Kerry D. Romesburg, Executive Director
Alaska Commission on Postsecondary Education

DATE: March 10, 1983

At the recent HESS Committee hearing on HB 56, you requested information on administration costs of student loans. Listed below are the actual costs for FY82 and the budgeted costs for FY83.

	<u>FY82-Actual</u>	<u>FY83 Budgeted</u>
100	\$ 835,400	\$1,467,900
200	11,800	7,800
300	438,500	667,200
400	17,100	19,800
500	<u>80,800</u>	<u>153,000</u>
TOTAL	\$1,383,600	\$2,315,700

In FY82 we made 9,898 finalized loans, and in FY83 we estimate 12,500. At mid-year FY82 we had 8,718 loan accounts in repayment, and at mid-year FY83, we had 14,128 accounts in repayment. Therefore, in FY82 we handled (either in awards or repayment and collections) 18,616 loan accounts, and in FY83, we handled 26,628 loan accounts. Dividing this into the administrative expense, one finds a straight administrative cost in FY82 of \$74.32 per loan account handled, and \$86.96 per loan account handled in FY83.

Pro-rating our administrative expenses between loan awards and loan collections, we can get a better estimate of costs to make loans and costs to collect loans. This break-out includes a lot of estimates and assumptions, but at least it can serve as a guide.

	<u>Awards-82</u>	<u>Repayment-82</u>	<u>Awards-83</u>	<u>Repayment-83</u>
100	\$389,389	\$446,011	\$ 667,842	\$ 800,058
200	5,497	6,303	3,548	4,252
300	244,170	194,330	303,552	363,648
400	7,971	9,129	9,008	10,792
500	<u>37,662</u>	<u>43,138</u>	<u>69,609</u>	<u>83,391</u>
TOTAL	\$684,689	\$698,911	\$1,053,559	\$1,262,141

Memorandum to Representative Mae Tischer
March 9, 1983
Page 2

Again, simply dividing by the number of accounts handled, one gets an administrative cost in FY82 of \$69.17 per loan award finalized and \$80.17 per loan account in repayment, and \$84.28 per loan award finalized and \$89.34 per loan account in repayment in FY83.

A third way of looking at administrative cost is to compare it as a percentage of loan volume. Using this approach, in FY82 we find that award administration cost 1.69% of loan award volume, and repayment administration cost 15.31% of loan funds collected and/or forgiven. In FY83, award administration costs 1.87% of loan award volume, and repayment administration cost 17.60% of loan funds collected and/or forgiven. (It should be noted that these percentages already have default totals factored out.)

I am not certain that this is exactly what you were asking for in terms of administrative costs per loan. If not, please let me know and I will re-work the figures.

cc: Representative Terry Martin
Representative Rick Uehling
Representative Walt Furnace

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH FP
JUNEAU, ALASKA 99811
PHONE: (907) 465-2854

MEMORANDUM

TO: Leonard Steinberg
House Research Agency

FROM: Kerry D. Romesburg, Executive Director
Alaska Commission on Postsecondary Education

DATE: March 21, 1983

When we last met, you asked for a five-year history of the "fit" of our projections. I went back through old budget documents and have developed a twelve-year "fit." The two tables enclosed with this memorandum contain the data for number of loans, average loan amounts, and total program cost. Prior to FY77, the estimates were based upon a linear regression model utilizing state population estimates. From FY78 through the present, the estimates are based upon a linear regression model utilizing the state population estimates and the projected high school seniors.

You will note that the newer regression missed pretty badly in FY79 and again in FY81 & 82. In FY79, borrowing amounts were raised from \$2,500 to \$3,000; in FY81, we simply missed (we received an additional \$3,000,000 in a supplemental, which is not reflected in the estimate); and in FY82, borrowing amounts were raised from \$3,000 and \$5,000 to \$6,000 and \$7,000.

Enclosure

YEAR		NUMBER OF LOANS		AVERAGE AMOUNT		TOTAL AMOUNT	
		ESTIMATE	ACTUAL	ESTIMATE	ACTUAL	ESTIMATE	ACTUAL
FY 71							
FY 72		1,060	1,081	1,500	1,483	1,582,300	1,603,158
FY 73		1,575	1,742	1,850	1,642	2,710,000	2,870,384
FY 74		1,640	1,665	1,800	1,793	2,952,000	2,986,176
FY 75		1,750	1,457	1,900	1,826	3,322,000	2,659,807
FY 76		1,975	1,719	1,950	1,968	3,950,500	3,382,997
FY 77		2,050	1,921	2,000	2,004	4,100,000	3,850,507
FY 78		2,100	2,265	2,100	2,033	4,420,000	4,604,167
FY 79		2,200	2,795	2,200	2,296	4,840,000	6,416,402
FY 80		3,500	3,118	2,469	2,393	8,641,500	7,373,949
FY 81		4,800	4,160	2,500	2,475	12,000,000	15,957,717
FY 82		6,600	9,898	3,750	4,098	24,750,000	40,557,499
FY 83		15,000	12,834 *	4,250	4,357	13,750,000	55,926,813
FY 84		15,000	N.A.	4,900	N.A.	24,500,000	N.A.

* As of 3-18-83.

YEAR		NUMBER OF LOANS		AVERAGE AMOUNT		TOTAL AMOUNT	
		ERROR	%	ERROR	%	ERROR	%
FY 71							
FY 72		21	1.9	(17)	(1.1)	20,858	1.3
FY 73		173	10.0	(208)	(12.7)	(39,616)	(1.4)
FY 74		25	1.5	(7)	(0.4)	33,276	1.1
FY 75		(293)	(20.1)	(74)	(4.1)	(662,193)	(2.4)
FY 76		(256)	(14.9)	18	9.1	(467,503)	(1.3)
FY 77		(129)	(7.5)	4	0.2	(249,493)	(6.5)
FY 78		165	7.3	(67)	(3.3)	184,167	4.0
FY 79		595	21.3	96	4.2	1,576,402	24.6
FY 80		418	10.7	(76)	(3.2)	1,324,449	7.8
FY 81		1,660	25.7	25	1.0	3,957,717	24.8
FY 82		3,298	33.3	348	8.5	15,809,499	39.0
FY 83		(2,166)	(16.9)	107	2.5	(7,823,187)	(14.0)
FY 84		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Proposed Amendment Clarifying Residency For Student Loans

Purpose: Residency is referred to, in a definitional way, in three sections of the loan statutes, AS 14.43.120(p), AS 14.43.125(a), and AS 14.43.125(b). Quite often the three separate references have led to confusion when an individual refers to the statutes. This amendment would combine the references into one statement.

Amendment: AS 14.43.125 is repealed and reenacted to read:
Sec.14.43.125 ELIGIBILITY OF STUDENTS. A person may apply for and obtain a scholarship loan if the person
(1) is

(A) enrolled as a full-time student in a career education or associate, baccalaureate, or graduate degree program; or

(B) a graduate of a high school, or the equivalent, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university; and

(2) is a resident who has been physically present in the state for at least two years at the time of application for the loan. For the purposes of this section, a person qualifies as a resident of the state if at the time of application for the loan, the person

(A) has been physically present in the state for at least two years; or

(B) is a person who is dependent upon a parent or guardian for care, and the parent or guardian has been physically present in the state for at least two years; or

(C) has been physically present in the state for at least two years immediately before becoming absent from the state and the absence is due solely to

(1) military service;

(2) attending school as a full-time student; or

(3) full-time employment by the state or its congressional delegation; and has maintained residency during that absence.

FILE COPY

Introduced: 3/25/83
Referred: Health, Education and
Social Services and
Finance

Gov. Bill

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 209

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to scholarship loans; and providing
7 for 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 nine [FIVE] percent a year.

12 * Sec. 2. AS 14.43.125(a) is amended by adding a new paragraph to read:

13 (4) is not delinquent or in default on a previously awarded
14 scholarship loan.

15 * Sec. 3. AS 14.43.125(b) is amended to read:

16 (b) In addition to the requirements of (a) of this section, to
17 obtain a scholarship loan a person must have been a resident of the
18 state for at least one year [TWO YEARS] at the time of application for
19 the loan. For purposes of this subsection, a person qualifies as a
20 resident of the state if at the time of application for the loan the
21 person

22 (1) has been present in the state for at least one year
23 [TWO YEARS UNLESS AN ABSENCE FROM THE STATE DURING ANY PART OF THE TWO
24 YEARS WAS DUE TO MILITARY SERVICE]; or

25 (2) is a person who is dependent on a parent or guardian
26 for care, and the parent or guardian has been present in the state for
27 at least one year; or [TWO YEARS]

28 (3) has been physically present in the state for at least
29 one year immediately before being absent from the state and the

1 absence is due solely to

2 (A) military service;

3 (B) attending a school as a full-time student; or

4 (C) full-time employment by the state or its congres-
5 sional delegation.

6 * Sec. 4. AS 14.43 is amended by adding a new section to read:

7 Sec. 14.43.127. APPLICATION DEADLINE. An application for a
8 scholarship loan must be submitted by the January 1 immediately
9 preceding the school year for which the loan is requested.

10 * Sec. 5. AS 14.43.120(j), AS 14.43.120(o), and AS 14.43.130 are re-
11 pealed.

12 * Sec. 6. Sections 1 -- 3 and 5 of this Act take effect immediately in
13 accordance with AS 01.10.070(c).

14 * Sec. 7. Section 4 of this Act takes effect October 1, 1983.

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

CAMPUS



ANCHORAGE
COMMUNITY
COLLEGE
ACCent

"Voice for the Students"

Vol. 2, No. 3

Anchorage, Alaska

February 15, 1981

From the Top

Rep Hayes sends message to students

By Rep. Joe Hayes
Speaker of the House of Representatives
(Special to the Campus ACCent)

Meeting the increasing needs of Alaska's University students will prove to be a major challenge of this Legislature as we continue to work with

revenues which are not increasing. The ACC budget request is for \$2.5 million above last year's level, a 16% increase. But the revenues for the state are expected to remain relatively comparable to those of last year.

Representative Terry Martin is

chairing the House Finance subcommittee on the University system. He is a strong supporter of the ACC campus and the programs it provides as I am. I feel confident the Anchorage delegation will work together to acquire whatever funds are available. I would note that while many departments were held to minimal increases last year, the University system enjoyed one of the largest increases from the previous year's budget.

the Legislature to look at this policy question during its deliberations.

I also note that the top priority for the ACC capital budget is \$10.6 million for a classroom/administrative building. I support this request and I hope we can find the funding for this and other facilities that are needed at ACC.

Another major priority of students is, of course, the continuance of a strong student loan program. I support the program and wish to see it continue in a manner that will provide Alaskans with a higher education and encourage them to return to Alaska to share the benefits of that education. The problem facing us is the rapidly growing demand and the inability to fund that demand. The Governor's request for the loan program this year is \$65 million. The estimated need is about \$80 million.

Clearly students, legislators, and loan program administrators must address this problem to seek ways which will ensure the continued viability of this program. I encourage you to send

(Continued on Page 3)



"Preposterous"

NOT HAPPY -- Sen. Vic Fischer expressed his displeasure with Governor Sheffield's proposed changes in the Alaska State Student Loan Program during a recent committee hearing at the Campus Center with an only slightly controlled "This is preposterous!" More opinions on pages four and five, this issue. (Photo by Tom Leonard)

One of the major policy questions that needs to be addressed as we look at the system is whether ACC is receiving a legitimate proportion of funding based on the student demand for classes and facilities. More credit hours are taken at ACC than at any other campus including UAA, UAF and UAJ. The number of credit hours taken at ACC in 1981-82 was close to 119,000. I would note, however, that the number of degrees and certificates awarded is less than the number awarded at UAF though fewer credit hours are taken at UAF. Questions then arise regarding how much result we are getting for money. I expect