

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1325 SCOMM 50: HOUSE SPECIAL COMMITTEE ON STATE LOANS 1985-86

In order to try to determine why a person would switch from attending in Alaska to attending out-of-state, the 624 respondents who did so were asked to list the top factors (up to four) influencing that decision. The results (based upon a weighted average giving more value to each person's primary reason for switching and correspondingly less for other reasons) are listed in Table 9. Program Availability was the most influential factor in the decision to switch to out-of-state attendance, followed by Closeness to Home and Low Tuition and Expenses. The high ranking of Closeness to Home is difficult to understand, unless persons were trying to indicate they were attending out-of-state so as not to be close to home.

TABLE 9
Reasons For Attending Out-Of-State After
Attending In Alaska Last Year

Reason (Descending Order)	Weighted Average
Availability of Program	442.3
Closeness to Home	333.7
Low Tuition and Expenses	321.0
Availability of Financial Aid	239.2
Geographic Location/Weather/Climate	176.5
School Reputation/Prestige	159.0
Ability to Work While Attending	137.3
Encouragement of Parents/Friend	83.1
Availability of Campus Housing	57.0
Encouragement of Teachers/Counselors	41.3
Friends Are There	36.3
Athletics/Recreational Activities	32.4
Religious Atmosphere	26.2
Sororities/Fraternities/Organizations	5.4

Next, those 624 persons switching from Alaska attendance to out-of-state were asked what factor could have encouraged them to continue their Alaska attendance rather than switching. The top factor was again Program Availability, and it was the top factor regardless of what type of institution was being attended out-of-state. The other factors which seemed to have a strong influence on the decision to switch to out-of-state attendance were: Quality, Campus Housing, Lower Costs, and Better Weather. (See Table 10.)

TABLE 10

For Those Attending Out-Of-State After
Attending In Alaska Last Year, What
Would Have Kept Them In Alaska?
By Type Of Institution

Vocational School	Community College	Private Coll/Univ.	Public Coll/Univ.
Program Availability Better Quality Lower Costs	Program Availability Campus Housing Better Quality Better Weather Lower Costs	Program Availability Better Quality Campus Housing Religious Atmosphere Lower Costs	Program Availability Better Quality Campus Housing Better Weather Lower Costs

Reasons For Selecting Current Institution. All respondents were asked why they chose their particular institution for pursuing their education, and as can be seen in Table 11, Program Availability was a very important factor for all students regardless of whether they were attending in Alaska or out-of-state and regardless of the type of school attended. The top three factors for each classification are presented in Table 11, and there is a difference between the responses of those attending in Alaska compared to those attending out-of-state. While the most important factor for out-of-state attendance at community colleges and public colleges or universities is Program Availability, the most important factor for Alaskan attendance at community colleges and public colleges and universities is Closeness to Home. It should also be noted that School Reputation, while an important factor for persons attending out-of-state, was not one of the top three factors for those attending in Alaska.

TABLE 11

Top Three Reasons For Selecting Current
Institution Of Attendance,
By Type Of Institution

Type of Institution	Most Important Factor	Second Factor	Third Factor
Vocational (Alaska) (Out-of-State)	Program Availability Program Availability	Ability to Work School Reputation	Financial Aid Financial Aid
Community College (Alaska) (Out-of-State)	Closeness to Home Program Availability	Program Availability Low Cost	Low Cost School Reputation
Private College/University (Alaska) (Out-of-State)	Program Availability Program Availability	Ability to Work School Reputation	Financial Aid Religious Atmosphere
Public College/University (Alaska) (Out-of-State)	Closeness to Home Program Availability	Program Availability School Reputation	Low Cost Climate/Weather

For Those Attending Out-of-State, What Could Have Encouraged Alaska Attendance? The 4,132 respondents attending school out-of-state were asked what factor could have encouraged them to attend in Alaska. As with those students who switched attendance from in-state to out-of-state, the single most important factor which could have encouraged Alaska attendance was Program Availability. When the respondents were classified by type of institution (Table 12), the results were surprisingly homogenous. Program Availability and Better Quality were the two top factors for all students, regardless of institutional type. For collegiate students, Campus Housing was also an important factor.

TABLE 12

For Those Attending Out-Of-State, What
Could Have Encouraged Alaska
Attendance? (By Type Of
Institution)

Vocational School	Community College	Private Coll/Univ.	Public Coll/Univ.
Program Availability Better Quality Nothing Lower Costs Better Weather	Program Availability Better Quality Campus Housing Nothing Better Weather	Program Availability Better Quality Campus Housing Nothing Religious Atmosphere	Program Availability Better Quality Campus Housing Better Weather Nothing

Similarly, when the respondents were classified by student level, the same pattern emerged (Table 13). The top five factors for all undergraduate out-of-state borrowers were Program Availability, Better Quality, Campus Housing, Better Reputation, and Nothing (meaning nothing could have encouraged them to attend in Alaska).

TABLE 13

For Those Attending Out-Of-State, What
Could Have Encouraged Alaska Attendance?
(By Student Level)

Freshman	Sophomore	Junior	Senior	Graduate
Program Avail. Better Quality Campus Housing Nothing Better Reputation	Program Avail. Better Quality Campus Housing Better Reputation Nothing	Program Avail. Better Quality Campus Housing Better Reputation Nothing	Program Avail. Better Quality Campus Housing Better Reputation Nothing	Program Avail. Better Quality Nothing Better Reputation Lower Costs

Major Course of Study of Borrowers. All loan recipients were asked to indicate the degree being sought and their major course of study. The top ten majors are summarized by degree level and by in-state or out-of-state attendance in Table 14. Once again, one sees a surprising similarity in responses, particularly at the bachelor's and master's levels, regardless of whether the student is attending in Alaska or out-of-state. Out-of-state doctoral students are largely representative of persons pursuing degrees unavailable in Alaska.

TABLE 14

Top Ten Majors By Degree Level

<u>Associate</u>		<u>Bachelors</u>	
Alaska	Out-of-State	Alaska	Out-of-State
Business Health Care Electronics Computer Science Oil Tech Engineering Social Science Office Skills Education Arts	Business Computer Science Arts Engineering Education Electronics Health Care Aviation Auto/Diesel Travel	Business Education Engineering Health Care Social Science Biology Communications Arts Computer Science Pre-Law	Business Education Engineering Biology Arts Computer Science Health Care Social Science Communications Physical Science
<u>Masters</u>		<u>Doctorate</u>	
Alaska	Out-of-State	Alaska	Out-of-State
Education Business Engineering Biology Psychology Social Science Physical Science Arts Communications Health Care	Education Business Engineering Health Care Social Science Arts Biology Communications Computer Science Theology	Education Physical Science Biology Engineering	Law Education Medicine Psychology Business Chiropractic Social Science Engineering Vet. Medicine Biology
<u>Vocational</u>			
Alaska	Out-of-State		
Aviation Cosmetology Office Skills Welding Auto/Diesel Hairdressing Building Maint. Culinary Arts Travel Carpentry	Aviation Auto/Diesel Travel Health Care Office Skills Electronics Marine Technology Welding Heating/Air Conditioning Culinary Arts		

Residency Plans After Graduation. Once these Alaskan students complete their programs of study, where do they plan to live? The vast majority (97.0%) say Alaska. Regardless of whether or not they are attending school in-state, nearly all respondents indicate plans of residing in Alaska after schooling. (See Table 15.)

TABLE 15

Location Plans After Completion
Of Program Of Study

Plans After Program Completion	Attending in Alaska		Attending Out-of-State		Total	
	Number	Percent	Number	Percent	Number	Percent
Reside in Alaska	3,274	97.9	3,976	96.2	7,250	97.0
Reside Out-of-State	70	2.1	156	3.8	226	3.0
Total	3,344	100.0	4,132	100.0	7,476	100.0

Why these students plan to return to Alaska is another question asked of the respondents. As can be seen in Table 16, the top reason for those students planning to live in Alaska after degree completion, regardless of whether or not they are currently attending in Alaska or out-of-state, is "Alaska is my home." The second most important reason for those planning Alaska residence is the top reason for those planning out-of-state residence, and that is "Job Availability." Other factors influencing location decisions include loan forgiveness, geographic location/weather/climate, availability of continuing education, and location of friends.

TABLE 16

Top Five Reasons For Location Plans After
Completion Of Program Of Study

Attending in Alaska		Attending Out-of-State	
Alaska Residency	Out-of-State	Alaska Residency	Out-of-State
Alaska is Home Job Availability Loan Forgiveness Friends Geog/Weather/Clim.	Job Availability Geog/Weather/Climate Cont. Educ. Avail. Friends Parents/Relatives	Alaska is Home Job Availability Loan Forgiveness Friends Geog/Weath./Clim.	Job Availability Geog/Weather/Climate Cont. Educ. Avail. Friends Recreation Avail.

SUMMARY/CONCLUSIONS

1. One of the principal reasons for conducting this survey was to discover if there was an explanation for the reversal of the eight-year trend toward in-state attendance. From the data collected it is a little difficult to single out exactly what caused this phenomena. However, when coupled with knowledge of the Alaska system a hypothesis may be offered.

Three factors probably have impacted the in-state/out-of-state attendance pattern. First, the state loan program imposed new "good standing" requirements. These were enforced for the first time in 1982-83 and resulted in a large number of students becoming ineligible for continued borrowing. The majority of these ineligible students were students attending in-state, so the pool of in-state students for the current year, 1983-84, was reduced.

Second, the only public university in the state with campus housing is the University of Alaska, Fairbanks (UAF). Over six months before the current school year began, UAF had filled all its campus housing. More than 300 students who wished campus housing for the 1984-84 year had to be denied.

Third, the University of Alaska, Anchorage (UAA) has been heavily over-subscribed in a number of classes both this year and last. Many students have indicated that they simply could not get into all the UAA classes they wished for pursuit of their programs.

2. Students believe 5% is an appropriate interest rate for the student loan program.
3. Students believe the \$6,000 and \$7,000 borrowing maximums are appropriate for the student loan program. However, there is some evidence that graduate students, particularly those attending out-of-state, may be requesting a higher maximum in the near future.
4. Students believe loan forgiveness should be retained at 50%. When asked directly if loan forgiveness influences their decision on where to reside after graduation, only 57.1% indicate that it is. Also, when asked which factors are most important in this determination of where to live after graduation, loan forgiveness falls far behind "Alaska is My Home" and "Job Availability." The argument that forgiveness seems to reward students for what they would do anyway seems to be supported by this survey.

APPENDIX A

Student Loan Questionnaire

ALASKA STUDENT LOAN QUESTIONNAIRE

The Alaska Commission on Postsecondary Education has not surveyed loan recipients in the past, but due to the increased level of proposed program changes, we feel some information from you, the recipients of this program, would be most useful as we enter a new Legislative Session. Please complete this brief questionnaire and return it to us in the envelope provided. All responses are completely anonymous.

1. Check those school years in which you received an Alaska Student Loan

1975-76	_____	1978-79	_____	1981-82	_____
1976-77	_____	1979-80	_____	1982-83	_____
1977-78	_____	1980-81	_____	1983-84	_____

2. Current student level (please check)

Freshman	_____	Junior	_____	Graduate	_____
Sophomore	_____	Senior	_____	Vocational	_____

3. Current attendance (please check)

	<u>In Alaska</u>	<u>Out-of-State</u>
Vocational School	_____	_____
Community College	_____	_____
Private College/University	_____	_____
Public College/University	_____	_____

4. What interest level do you feel is appropriate for these loans?

5%	_____	7%	_____	9%	_____	(indicate)
6%	_____	8%	_____	Other	_____	

5. What loan level do you feel is appropriate for these loans?

\$6,000 and \$7,000 loan levels should be retained	_____
Loan levels should be reduced	_____
Loan levels should be raised	_____

6. Why did you decide to attend your current institution? (Please number your reasons, with "1" being most important, and limit your choices to no more than four.)

Athletics/recreational activities	_____	Availability of program	_____
Sororities/fraternities/campus organization	_____	Availability of financial aid	_____
Geographic location/weather/climate	_____	Closeness to home	_____
Encouragement of parents/relatives	_____	Religious atmosphere	_____
Encouragement of teachers/counselors	_____	Friends are there	_____
Ability to work while attending school	_____	School reputation/prestige	_____
Availability of campus housing	_____	Low tuition/expenses	_____

7. If you are attending out-of-state, what single factor could encourage you to attend in-state (what could be changed, if anything)? _____

(Please continue on reverse side)

8. Did you attend a postsecondary education institution in Alaska last year (1982-83)?

Yes _____ No _____

9. What degree or certificate are you seeking and what is your major program of study?

Associate Degree (Major?)	_____
Bachelors Degree (Major?)	_____
Masters Degree (Major?)	_____
Specialist Degree (Major?)	_____
Doctorate Degree (Major?)	_____
Diploma (Course of Study?)	_____
Certificate (Course of Study?)	_____

10. Do you plan to live in Alaska when your education is finished?

Yes _____ No _____

11. What factors influenced your response in question 10? (Please number your reasons with "1" being most important, and limit your choices to no more than four.)

Availability of jobs	_____	Encouragement of parents/relatives	_____
Alaska is my home	_____	Availability of continuing education	_____
Friends are there	_____	Recreational activity availability	_____
Student loan forgiveness	_____	Geographic location/weather/climate	_____

12. Does the student loan forgiveness feature influence your decisions on:

a. Whether or not you live in Alaska after schooling? Yes _____ No _____

b. How much you borrow? Yes _____ No _____

13. Should the student loan forgiveness feature be:

a. Discontinued?	Yes _____	No _____
b. Reduced?	Yes _____	No _____
c. Retained as is?	Yes _____	No _____

14. If there were no Alaska State Student Loan Program, would you (check as many as applicable)?

a. Delay your education	_____
b. Not attend school at all	_____
c. Borrow under a federal loan program	_____
d. None of the above	_____

Please return to: Alaska Commission on Postsecondary Education
Pouch FP
Juneau, Alaska 99811



Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

February 1, 1985

TO: Rep. John Sund
Chairman
Special Committees on Loans

FROM: Rep. John Binkley

Re: House Bill 161 "An Act relating to student loans; and providing for an effective date."

Today I have introduced a bill that will amend certain portions of the Post Secondary Commission program that deals with student loans.

The Alaska Student Loan program established in 1971 to provide aid to Alaska residents in the form of low interest loans, is undeniably the most generous such program in the nation. It has provided loans to over 50,000 Alaskans since the inception of the program. It was intended to allow students to leave Alaska to secure an education, and encourage them to return by providing that a portion of the loan would be forgiven for returning and working in the state, which needed trained people in many areas of expertise. Many students in the early days of the program, once they left the state would not return because of lack of opportunities for suitable employment when they returned.

Conditions have changed substantially since then. In a survey done by the Post Secondary Commission of the grant recipients of 1983-84, most students, regardless of whether they had attended school "outside" or not, intended to return to Alaska to live and work for various reasons. Those reasons most often cited by both groups of students were that Alaska was their home and that it provided economic opportunity. Loan forgiveness was not considered a major factor.

The financial climate of the state has changed also. In 1971, Alaskans' incomes ranked fourth in the nation, twenty percent above the per capita national average. Now we rank number one, and our income, per capita, is forty-seven percent above the national average.

There are and will continue to be students in Alaska who will need as much help as we as a state can provide them. In order to help as

many of those needy students as possible, I feel some changes are mandated in the student loan program as it is now constituted.

In this bill, the interest rate on student loans will be raised from its present five percent to eight percent. The rate on defaulted loans will remain the same.

If a student has not applied for admission to the student loan program within six months prior to graduation, or within one year after graduation from high school, the student must show financial need as established by regulation of the Post Secondary Commission. Once a student has applied for a loan, he/she may defer going to school for a cumulative of two years. This allows a student to travel, work one semester while attending school the other, or to respond to some emergency situation that might arise.

Once students have applied for, and been accepted into the program, they may continue to apply for and receive the loan as long as they remain a full-time student in a career education, associate, baccalaureate or graduate degree program, and will not have to demonstrate need unless they interrupt their studies for more than two cumulative years.

The intent of the change in the statutes is to limit the program to those who are newly graduated as these students usually have not had the opportunity to establish themselves in the work force. It does not seem to be the function of the state to guarantee an education to persons who are financially able to bear the cost of educating themselves.

Eliminating the "forgiveness" portion of the present loan program would allow the Commission to recover more funds that would then be available to provide loans for more Alaskan students, thus assuring that this will truly be a revolving loan program.

I appreciate your consideration of this bill and I will be available to answer questions on it.

Sincerely,



John Binkley
Representative
District 25

Attachments

1. Sectional Analysis House Bill 161
2. Survey of 1983-84 Alaska Student Loan Recipients

SECTIONAL ANALYSIS HOUSE BILL 161

Mary Beth Hilburn

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

Section 1. AS 14.43.120(f) is amended to increase the interest rate on a student loan from five (5) percent to eight (8) percent.

Section 2. AS 14.43.125 (a) is repealed and reenacted changing the eligibility requirements by requiring a student who meets the established criteria for qualifying and desiring a state loan to apply within six months of graduation, or within a year after graduation, or to establish financial need as determined by regulations to be promulgated by the Post Secondary Commission.

Section 3. AS 14.43.125 adds a new subsection (c) which states that a recipient of a loan under (A) may continue without demonstrating need if the recipient does not interrupt the course of study for more than a cumulative of two years.

Section 4. AS 14.43.640(b) inserts some technical changes that clarify the intent of the section.

Section 5. AS 14.43.640 adds a new subsection that keeps the rate of interest on teachers loans at five (5) percent unless that loan is in default, then the interest is ten (10) percent.

Section 6. AS 14.43.120: (j), (o) and (p) of this section are repealed.

(j) is the portion of the statute that "forgives" up to 50% of the loan if the borrower returns to the state as a resident for varying periods of time.

(o) is the portion of the statute that nullifies the "forgiveness" clause if the loan is in default since it will no longer be needed.

(p) sets out the requirements of residency to qualify for "forgiveness" since it will no longer be applicable.

Section 7. Requires students presently receiving a student loan to meet the new qualification standards of initial application, or financial need.



UNIVERSITY OF ALASKA, FAIRBANKS

Fairbanks, Alaska 99701

A POSITION PAPER: HOUSE BILL NO. 161

As student representatives of the University of Alaska, Fairbanks, the Legislative Council is responsible for bringing the needs of the student body to the state Legislature. An issue of the utmost importance to the students of this university is the introduction of House Bill No. 161, relating to the Alaska Student Loan program. The continuation of the current loan regulations is the primary objective of the Legislative Council this year. We feel we must adamantly oppose this bill for the following reasons:

1. Section (1) of this bill would increase the interest rate of student loans from five to eight percent per year. This in itself is not highly objectionable to the student body, although we are not pleased with the prospect. We do, however, believe that the increased interest rate, when combined with the other proposed changes in this legislation, will place serious financial burdens on many students attending this university. We have no strong objections to the increase in the interest rate to ten percent for defaulters either, but do feel that students intentionally defaulting payment on their student loans will continue to do so, and students in default for financial reasons will only plummet further into debt. We on the Legislative Council do share with the Alaska State Legislature their concerns regarding the default rate of the loan program. We have in the past consistently supported legislation designed to increase the fiscal responsibility of the borrower.

2. Section (2) of this bill would make it mandatory that all loan applicants show financial need to be eligible for an initial student loan. ASUA objects to this because most loan programs base financial need solely upon parental income. Many students with financially secure parents would prefer to put themselves through school, as opposed to having their parents pay their way. These students would be rendered ineligible.

3. Section (5) sets a different rate of interest for rural education loans than for other student loans. This would discriminate against all students not wishing to pursue a career in rural education. We find this unacceptable.

4. Section (6) of this bill repeals the forgiveness clause in the current student loan program. It is this section to which we most strongly object. If passed, this would place a much heavier financial burden upon many students needing the loan to

attend school. The forgiveness clause is the one thing that separates the Alaska program from similar student loan programs in other states. It has attracted many Alaskan students back to the state after graduation. The sponsor's statement that this is indeed occurring is the very reason to maintain the status quo and not abolish this most important clause.

It is our opinion that the rural education loan was created to supplement the current student loan program, not replace it. We simply do not see the advantage in sacrificing the benefits of one loan program for another. The Legislative Council and the student body of the University Alaska, Fairbanks, strongly urge Alaska legislators to seriously consider the objections raised in this document. Again, the continuation of the current student loan program is the primary concern of the council, and most definitely, of students all across the great state of Alaska.

A Position Paper: House
Bill No. 161

A Statement to the
Fourteenth Legislature

By

Legislative Council,
Associated Students of the University of Alaska

February 4, 1985

A Position Paper: House Bill No. 161

As student representatives of the University of Alaska, Fairbanks, the Legislative Council is responsible for bringing the needs of the students body to the State Legislature. An issue of the utmost importance to the students of this university is the introduction of House Bill No. 161, relating to the Alaska Student Loan Program. The continuation of the current loan regulations is the primary objective of the Legislative Council this year. We feel we must adamantly oppose this bill for the following reasons:

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2. Section (2) of this bill seems to be ambiguous and is very confusing. Any student able to meet the requirement of (2) in this section would also meet the (B) subsection of (3). Therefore, it would seem that (3A), as well as (3B), of this section are unnecessary.

3. Section (5) sets different rates of interests for students pursuing different careers. This section would discriminate against all students not seeking a career in rural education. We find this unacceptable.

4. Section (6) of this bill repeals the forgiveness clause in the current loan program. It is this section which we most strongly object to. If passed, this would place a much heavier financial burden upon students needing the loan to attend school. The forgiveness clause is the one thing that sets the Alaska loan program apart from the loan programs of other states. It has attracted many Alaska residents back to the state after graduation. The sponsor's statement that this is occurring is the very reason to maintain the status quo and not abolish this most important clause.

It is our opinion that the rural education loan was created to supplement the current student loan program, not to replace it. We simply do not see the advantage in sacrificing the benefits of one loan program for another. The Legislative Council and the

student body of the University of Alaska, Fairbanks, strongly urge Alaska legislators to seriously consider the objections raised in this document. Again, the continuation of the current student loan program is the primary concern of the council, and most definately, of students all across the great state of Alaska.



UNIVERSITY OF ALASKA, FAIRBANKS

Fairbanks, Alaska 99701

February 11, 1985

John Hartle
C/O Representative John Sund
Pouch V
Juneau, AK 99811

Dear Mr. Hartle:

Thank you for taking the time to discuss the Alaska Student Loan Program with me. I am currently making the final revisions on the ASUA Alaska Student Loan Position Paper, and will either send you a copy through the mail, or have Ken Knox, my legislative assistant, drop one off to you when he is in Juneau the 12th, 13th and 14th of this month.

I am enclosing a copy of an article taken from The Chronicle of Higher Education as it may be of interest to you. The article discusses the default rates of various loan programs for students.

Once again, thank you for discussing the Alaska Student Loan Program with me.

Sincerely yours,

Darin Hargraves

ASUA Legislative Coordinator

Enclosure

Rate of Default Declines on Loans to Students, Varies Widely Among States

WASHINGTON

Default rates under the Guaranteed Student Loan program vary dramatically from state to state—from a high of 12.8 per cent in the District of Columbia to zero in North Dakota in fiscal 1983. Rates rose in 31 states from 1981 to 1983, but dropped in 17 others, a survey has found.

The default rate is the amount of money owed on delinquent loans divided by the total amount of money loaned.

The overall national default rate decreased from 10.17 per cent in 1981 to 9.16 per cent in 1983, while the dollar volume of loans in default grew 77 per cent, from \$867-million in 1981 to \$1.33-billion in 1983, according to a report by Jerry S. Davis, director of research and policy analysis at the Pennsylvania Higher Education Assistance Agency.

"This increasing default volume was expected, as huge volumes of Guaranteed Student Loans made in fiscal 1979, 1980, and 1981 reached maturity," Mr. Davis said.

Alaska Posts Biggest Decrease

The biggest drop occurred in Alaska, where the default rate went down 5.03 percentage points from 1981 to 1983. States where default rates rose the most in the three-year period include Arizona, California, the District of Columbia, Hawaii, Nebraska, Texas, and West Virginia, with increases ranging from 4 to nearly 13 percentage points.

The survey, which was based on data gathered by the Education Department, is of particular interest because paying off defaults in the Guaranteed Student Loan program costs the government about \$800-million a year.

Budget pressures are forcing increased scrutiny of the causes of, and possible solutions to, the problems of student-loan defaults.

But the survey indicates that the default problem is not as bad as many people believe it to be, said Mr. Davis.

"Discussions of default rates and soaring default volumes and their costs to the Guaranteed Student Loan Program all too often treat these problems as if they were monolithic among all states," he said.

"The default problem is not the same for all states. These differences suggest that remedies for the problem cannot be couched in terms of national or program-wide solutions, but must recognize the different situations among the states," he continued.

States with long-established student-loan-guarantee agencies generally have better default rates than states with newer agencies. Mr. Davis called agencies "established" if they guaranteed at least 40 per cent of their total loans before fiscal 1981; "new" states guaranteed over 40 per cent since that year.

Default rates dropped in 17 of the 23 states that have "established" guarantee agencies.

Increases in 31 States

State guarantee agencies insure lenders who make Guaranteed Student Loans against default, and the federal government in turn insures state agencies for the loans they back.

Default rates increased in 31 states, largely because they had new

2-Year Change in Student-Loan Default Rates



Default rates by state for fiscal 1983

Alabama	2.2%	Kentucky	4.1%	North Dakota	0.0%
Alaska	1.4%	Louisiana	5.1%	Ohio	0.7%
Arizona	8.9%	Maine	2.9%	Oklahoma	0.5%
Arkansas	1.3%	Maryland	5.2%	Oregon	2.1%
California	9.2%	Massachusetts	2.4%	Pennsylvania	5.0%
Colorado	2.3%	Michigan	2.7%	Rhode Island	5.7%
Connecticut	4.8%	Minnesota	5.2%	South Carolina	0.8%
Delaware	2.0%	Mississippi	3.8%	South Dakota	2.6%
District of Columbia	12.8%	Missouri	6.4%	Tennessee	3.2%
Florida	2.0%	Montana	3.1%	Texas	4.5%
Georgia	4.4%	Nebraska	8.2%	Utah	2.8%
Hawaii	8.0%	Nevada	8.2%	Vermont	2.8%
Idaho	4.8%	New Hampshire	1.5%	Virginia	0.0%
Illinois	2.4%	New Jersey	4.7%	Washington	1.5%
Indiana	2.1%	New Mexico	0.3%	West Virginia	8.3%
Iowa	3.2%	New York	0.4%	Wisconsin	5.4%
Kansas	7.3%	North Carolina	3.5%	Wyoming	3.1%

Note: "Established" states guaranteed at least 40 per cent of their total student loans before fiscal 1981. "New" states guaranteed over 40 per cent of their student loans after that year.

The figures show the change in the default rate from fiscal 1981 to fiscal 1983.
N/A: Not available

SOURCE: JERRY S. DAVIS, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

agencies with limited experience insuring student loans, Mr. Davis said.

Mr. Davis said the decline in the overall national default rate was due primarily to lower rates in states that guarantee the largest volumes of loans, including Illinois, Massachu-

setts, New Jersey, New York, and Pennsylvania.

The number and dollar value of loans increased significantly from 1981 to 1983, with a total of \$11.7-billion in such loans made during 1982 and 1983, the report says.

"Thus the recent huge increases in numbers of loan dollars guaranteed and reaching maturity has generated a not unexpected large increase in default loan dollar volumes," Mr. Davis said in his report.

—DONNA ENGELGAW

Original sponsor: Binkley

IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE
ON STATE LOANS

CS FOR HOUSE BILL NO. 161 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

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

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

(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 (l) of this section during any of the following:

(1) return to student status as provided in (c) of this section;

(2) serving an initial period of up to six years 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

1 borrower is seeking and unable to find employment in the United
2 States; or

3 (6) if the borrower becomes 50 percent or more disabled as
4 certified by competent medical authority.

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

6 Sec. 14.43.125. ELIGIBILITY OF STUDENTS. (a) A person may
7 apply for and obtain a scholarship loan if the person

8 (1) is

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

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

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

17 (3) is a resident of the state at the time of application
18 for the loan; for purposes of this section, a person qualifies as a
19 resident of the state if at the time of application for the loan the
20 person

21 (A) has been physically present in the state for at
22 least two years immediately before the time of application for
23 the loan;

24 (B) is dependent on a parent or guardian for care, the
25 parent or guardian has been present in the state for at least two
26 years immediately before the time of application for the loan and
27 the person has been present in the state for at least one year of
28 the immediately preceding five years except that the commission
29 may by a two-thirds vote, acting upon a written appeal by the

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

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

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

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

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

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

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

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

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

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

1 (iii) full-time employment by the state;

2 (iv) being a member of or employed full-time by
3 the state's congressional delegation;

4 (v) being a person who otherwise qualifies as a
5 resident and is accompanying a spouse who qualifies as a
6 resident under (i) - (iv) of this paragraph.

7 (b) A person does not qualify as a resident of the state under
8 this section if the person declares or establishes residence in another
9 state during an absence from Alaska.

10 * Sec. 4. AS 14.43.120(j), (o), and (p) are repealed.

11 * Sec. 5. Section 4 of this Act takes effect September 1, 1990.

12 * Sec. 6. Section 1 of this Act takes effect July 1, 1985.

13 * Sec. 7. Sections 2 and 3 of this Act take effect immediately in
14 accordance with AS 01.10.070(c).

19/

3/4

COMMITTEE REPORT

HOUSE

HEALTH, EDUCATION &
SOCIAL SERVICES

(7)

FURTHER: FINANCE

2/1/85

Date: 3/1/85

The Committee on HOUSE SPECIAL COMMITTEE
ON STATE LOANS has had HB 161

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

under consideration and recommends:

- [] do pass [] do not pass
- [] do pass with attached amendments(s)
- [X] replace with CS for HB 161 (Loans) [] same title
[X] new title
- and recommends Recommendation
- [] AND attaches a "Letter of Intent" [X] New Fiscal Note for the year
indiv. school [] Zero Fiscal Note Attached
- [X] reports it back without recommendation
- [] referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

[Signature]

[Signature]

[Signature]
CHAIRMAN

HOUSE SPECIAL COMMITTEE
ON STATE LOANS
February 27, 1985
3:30 p.m.

Members Present: Representative John Sund, Chair
Representative Rick Uehling
Representative Jack Fuller
Representative Sam Cotten
Representative Jim Duncan

COMMITTEE CALENDAR

HB 161 "An Act relating to student loans; and
providing for an effective date".
HB 185 "An Act relating to student loans; and
providing for an effective date".
HB 197 "An Act relating to maximum loans under the
scholarship loan program; and providing for
an effective date".

WITNESS REGISTER

Marie Motschman
Government Relations Representative
UAA
3701 Eureka Sp B-1
Anchorage, AK
563-5462
Position Statement: Opposed HB 161, favored HB 185 and HB 197

Bob Menard, UAA student representative
3041 E 42nd St. # 505
Anchorage, AK
541-0804
Position Statement: Opposed HB 161, favored HB 185 and HB 197

Johne Binkley, Representative
Pouch V
Juneau, AK 99811
465-4985
Position Statement: Sponsor and supporter of HB 161

Niilo Koponen, Representative
Pouch V
Juneau, AK 99811
465-4992
Position Statement: Observer

Kerry Romesburg, Executive Director

Postsecondary Education Commission

Pouch FP

Juneau, AK 99811

465-2854

Position Statement: Testified in favor of HB 185, critical of HB 161

PREVIOUS ACTION

Please refer to House Special Committee on
State Loans, State-wide Teleconference
Minutes of Feb. 26, 1985.

ACTION NARRATIVE

TAPE #9, SIDE ONE

Recording

Number 001

The meeting was called to order by Chairman Sund at 3:35 p.m. Members present were Reps. Cotten, Fuller, Uehling, and Sund. Representative Duncan arrived at 4:15 p.m. Representatives Binkley and Koponen also attended.

Number 033

Marie Motschman, Government Relations Representative from UAA, testified against HB 161 and in support of HB 185 and HB 197. Speaking on behalf of UAA and ACC students, she objected particularly to the discrimination against non-traditional students inherent in the needs-based section of HB 161. She noted that the average student age at UAA is 26, and at Anchorage Community College it is 27. She said that the students at UAA would be willing to work with the legislature toward a solution to the problem.

Number 084

There was some discussion about whether all students who do not pass the needs test would be able to afford to pay for their own schooling.

Number 130

Representative Binkley said that the intent of HB 161 is merely that those students who can afford to pay their own way would be ineligible, and asked Ms. Motschman if she agreed.

Number 180

Ms. Motschman said that she agreed with Rep. Binkley, but that she was representing a lot of other students and could not speak for

them.

Number 209

Representative Uehling noted that HB 161 would save the state about \$14 million, and asked Ms. Motschman what her suggestions would be as to how to cut back and still offer a good loan program.

Number 230

Ms. Motschman responded that savings from eliminating the forgiveness clause would not be seen for several years, but added that the students of today don't want to lose their forgiveness, even though only 20% of the students actually use the forgiveness clause. She suggested a gradual elimination of forgiveness at the rate of 10% per year. She added that the lending cap could be lowered from \$6000 to \$4500 for a more immediate savings.

Number 292

Bob Menard, representing the Legislative Council from UAA, suggested some alternatives to HB 161. He noted that HB 161 would raise the interest rate for urban students but not for some rural students (Teacher Scholarship Loan Program.)

Number 361

There was some discussion about the Teacher Scholarship Loan Program for rural students, which offers 5% interest and 100% forgiveness for those students who qualify and who return to rural Alaska to teach.

Number 397

Chairman Sund pointed out that the only students that would pay back a Teacher Scholarship Loan would be those who do not return to rural Alaska to teach, and that they would still have the advantage of a 5% loan and a \$7,500/year loan amount.

Number 410

Representative Binkley explained that this loan program had been set up as separate and distinct from the Student Loan Program.

Number 420

Representative Fuller said that he does not favor raising the interest rate for the one loan program and not for the other.

Number 450

There was some discussion about whether there is a need to save money on the Student Loan Program this year and how to do it.

Number 480

Ms. Motschman read a resolution by the senate of the ASUAA which advocates

publishing in the local papers the names of individuals in default on student loans.

Number 519

Kerry Romesburg stated that the Postsecondary Education Commission endorses and recommends the continuation and full-funding of the Alaska Student Loan Program. He added that amendments which restrict access by denying loans to groups of Alaskans are vigorously opposed.

He said that nearly 17,000 people have borrowed money this year under the Student Loan Program. He said that \$78 million has been loaned out in 1985, and that more than \$286 million has been loaned total to date. \$20 million has been repayed.

Number 550

Representative Cotten asked Dr. Romesburg when interest starts to accumulate.

Number 560

Dr. Romesburg answered that the interest starts to accumulate one year from the first day of the month after a person ceases to be a full-time student. He added that clamping down on defaults would not add enough money to the program to make a very big difference. He stated that the Commission wants to see the interest rate increased from 5%, to a rate at least as high as the federal and higher than passbook savings. He said that increasing the rate from 5% to 8% would increase the payment by \$1.37 per month per \$1000 borrowed.

Number 623

Representative Uehling asked what the fiscal effect of such an increase would be.

Number 630

Dr. Romesburg that there would be no impact until 1988, which would increase gradually.

Number 646

Representative Binkley disagreed and expressed th opinion that raising interest and eliminating forgiveness would result in a decreased demand for student loans.

Number 670

Dr. Romesburg said that the Postsecondary Education Commission favors the elimination of forgiveness, since there is no evidence that a high proportion of students return to Alaska in order to get forgiveness. He added that this would result in a savings of \$6-\$8 million in six or eight years.

CHANGE TAPE #9, SIDE TWO

- Number 001 Dr. Romesburg spoke strongly in favor of HB 185 and said that the Commission has wanted to see such a bill passed for several years. He said that the bill would allow for deferral of student loans to veterans during the first enlistment term only. Another section would define the terms under which a person can be absent from the state and still be eligible for a loan. He said that technically, students attending an out of state institution must return to Alaska for 2 years before getting a student loan for their next year of college. Therefore, the Commission has been breaking the rules by giving loans for consecutive years to these students, and feels uneasy doing so. He said that there would be no fiscal impact. He added that there is also a provision that would give the Commission statutory power to deny a loan to an individual in default on another student loan.
- Number 072 There was committee discussion about the requirement for physical presence in Alaska and possible exceptions.
- Number 188 Dr. Romesburg spoke in favor of HB 197 and said that it would pose no problem in terms of administration. He noted that the purpose of the bill is to allow a senior to obtain a loan in order to complete his/her studies during summer session, rather than returning in the fall.
- Number 201 Rep. Uehling asked if this bill would result in students getting more money than the current maximum during a year.
- Number 210 Dr. Romesburg answered that it would be possible for a student to get \$8000 instead of \$6000 in a 12 month period, but this would only happen once, since the \$2000 for summer school would come out of the next year's loan amount if the student returned to school. He added that there would be no fiscal impact since the \$2000 for summer would be taken out of lapsed money from the year before.
- Number 288 Rep. Cotten asked Dr. Romesburg what the average length of residency is for individuals applying for student loans, and

what is the trend (increase or decrease) in the use of forgiveness.

Number 295

Dr. Romesburg answered that the trend is toward shorter residency, that 55% indicate 3-5 years and 22% indicate 2 years. He also said that there has been some decrease in the use of forgiveness (1/6 of loans get forgiveness,) because first a person must graduate and then must live in Alaska.

Number 340

Dr. Romesburg told the committee that, in the event of less money available for student loans, the Commission already has a method of prioritizing loans, besides first come first served. Preference is given to those who have borrowed before, to those who are borrowing for a shorter duration, and to in-state borrowers. The two classes of students on the bottom of the priority list are graduate students who have not borrowed before and are going outside Alaska to school, and freshmen students who have not borrowed before and are going outside Alaska to school. He added that there is no need to use this system when there is enough money. He also said that the Board does not favor across the board cuts, giving less money to more borrowers.

Number 370

Rep. Binkley expressed concern about the impact on rural students of the first come first served rule.

Number 375

Dr. Romesburg answered that traditionally, rural students tend to apply late and are therefore at a disadvantage.

Number 385

Rep. Fuller said that school counselors should see that students get their applications in on time.

Number 410

Rep. Fuller suggested giving the bill back to Rep. Binkley, so that he could work on some of the bill's provisions, and the committee agreed.

Number 450

Rep. Cotten said that he could go along with raising the interest rate and phasing out the forgiveness, but that he would not favor restricting access to the program.

Number 480

Chairman Sund said that he would prefer to pass one bill out of committee in place of

HB 161 and HB 185, since both bills address the same section of the statutes.

Number 500

Dr. Romesburg asked that HB 185 be allowed to go through without combining it with a controversial bill like HB 161, thereby decreasing its chances of passing.

Number 510

Chairman Sund said that he and Rep. Koponen had agreed that HB 197 could be amended into HB 185. He then announced that the committee would meet again on Friday, March 1. The meeting was adjourned at 4:50 p.m.

HOUSE SPECIAL COMMITTEE
ON STATE LOANS
February 26, 1985
3:30 p.m.

Members Present: Representative John Sund, Chair
Representative Rick Uehling
Representative Jack Fuller
Representative Sam Cotten
Representative Jim Duncan

COMMITTEE CALENDAR

Statewide teleconference on student loans bills:

HB 161 Amended Title: "An Act relating to Student Loans; and providing for an effective date".
HB 185 "An Act relating to Student Loans; and providing for an effective date".
HB 197 "An Act relating to maximum loan amounts under the Scholarship Loan Program; and providing for an effective date".

WITNESS REGISTER

Johne Binkley, Representative
Pouch V
Juneau, AK 99811
465-4985
Position Statement: Sponsor of HB 161

Kerry Romesburg, Executive Director
Postsecondary Education Commission
Pouch FP
Juneau, AK 99811
465-2854
Position Statement: Testified in favor of HB 185, opposed parts of HB 161.

Lisa McClaren, aide to Representative Koponen
Pouch V
Juneau, AK 99811
465-4992
Position Statement: Spoke in favor of HB 185.

Don Patterson
General Delivery
Wasilla, Alaska 99687
376-0670

Position Statement: Against HB 161

Gretchen Mau

P.O. Box 943

Palmer, AK 99645

745-3849

Position Statement: Question re: HB 197

Frank Haas

P.O. Box 97

Haines, AK 99827

766-2349

Position Statement: Against HB 161

June Haas

P.O. Box 97

Haines, AK 99827

766-2349

Position Statement: Against HB 161

Tanja Lofftus

P.O. Box 2009

Wrangell, AK 99929

874-2116

Position Statement: Question re: income

Michelle Merritt

P.O. Box 912

Wrangell, AK 99929

874-3054

Position Statement: Question about HB 197

Lorna-Lee Arndt

Box 2069

Kodiak, AK 99615

486-6486

Position Statement: Against HB 161

Paul Stubbe

Box 946

Kodiak, AK 99615

486-4161

Position Statement: Against HB 161

Barbara Todd

Box 2235

Kodiak, AK 99615

486-5218

Position Statement: Against HB 161

Nathan Lewis

Box 1065

Kodiak, AK 99615

486-5284

Position Statement: Against HB 161

Peter Smith
Box 3308
Kodiak, AK 99615
486-3613
Position Statement: Against HB 161

Joyce Bergmann
Box 130
Petersburg, AK 99833
772-4525
Position Statement: Question re: income

Tyler Henshaw
Box 69
Petersburg, AK 99833
772-3571
Position Statement: Against HB 161, for HB 185 and HB 197

Darin Hargraves
204 Stevens, UAF
Fairbanks, AK 99701
474-7536
Position Statement: Against HB 161

Kathy Ward
P.O. Box 124
Dillingham, AK 99576
842-2264
Position Statement: Against HB 161

Tony Goforth
Box 486
Unalaska, AK 99692
581-1377
Position Statement: In favor of HB 161, HB 185, HB 197

Chris Tolladay
8944 Blackberry #606
Juneau, AK 99502
786-1205
Position Statement: Against HB 161, in favor of HB 185 and HB 197

Cecilia Meyer
Box 1557
Homer, AK 99603
235-8101 (message)
Position Statement: Against HB 161

Burton Augst
1101 KSawmill creek Road
Sitka, AK 99835
747-6653
Position Statement: Against HB 161

Ron Welsh
P.O. Box 1052
Sitka, AK 99835
747-3017

Position Statement: Against HB 161, in favor of HB 185 and HB 197

Linda Fossen
P.O. Box 97
Valdez, AK 99686
835-2678

Position Statement: Against HB 161, in favor of HB 185 and HB 197

PREVIOUS ACTION

HB 161: Read the first time 02/01/85 and referred to HESS, Finance and Rules. Today Loan reported out W/CS (New Title) IDP IDNP 3NR.

HB 185: Read the first time 02/08/85 and referred to HESS, Finance and Rules. Today Loan reported out W/CS (New Title) 5DP with zero fiscal note.

HB 197: Read the first time 02/13/85 and referred to State Loans, HESS, Finance and Rules.

ACTION NARRATIVE

TAPE #8, SIDE ONE
Recording
Number 001

The meeting was called to order by Chairman Sand at 3:35 p.m. Members present were Representatives Cotten, Fuller, Duncan and Sund. Representative Uehling arrived at 3:40 p.m. The teleconference was set up to include about twenty communities around the state.

Number 037

Representative Binkley, sponsor of HB 161, explained the three sections of the bill, which included

- (1) raising the interest rate on student loans from 5% to 8%,
- (2) eliminating the forgiveness clause, and
- (3) limiting the program to students who

apply within 6 months of graduation from high school and start college with 2 years. All other applicants would have to demonstrate financial need.

Number 090

Lisa McLaren, aide to Representative Koponen, sponsor of HB 185, explained that the bill allows for deferment of student loan payments for military service during the first enlistment term only. She said that HB 185 also clarifies the special conditions and length of time which a student could be out of state and still qualify for a student loan.

Number 145

Chairman Sund, sponsor of HB 197, explained that the bill makes it possible to apply for a loan for a 4th consecutive quarter which would then be taken out of the next year's loan amount. The purpose of the bill, he said, is to allow graduating seniors to finish school during the summer quarter, rather than having to return in the fall.

Number 176

Chairman Sund invited participants from around the state to share their views and questions with the committee members and bill sponsors.

Number 176

Don Patterson of Wasilla testified against HB 197 and against HB 161.

Number 255

Burt Augst, Director of Student Services at Islands Community College in Sitka, testified against HB 161.

Number 325

Frank Haas of Haines testified against HB 161.

Number 341

Tanja Lofftus of Wrangell asked if her parents' income would affect her eligibility for a loan.

Number 355

Representative Binkley answered no, she would have full access to the program, since she is still in high school.

Number 362

Lorna-Lee Arndt of Kodiak testified against raising the interest rate on student loans, and complained that her son's loan check had not arrived on time.

Number 425

Kerry Romesburg, Executive Director of Postsecondary Education, answered that all

students who filed their applications by the deadline had their money on time.

Number 440

Joyce Bergmann of Petersburg asked a question about the \$35,000 income limit.

Number 450

Dr. Romesburg answered that the income limit refers to federal student loans, and that few Alaskans would qualify under these limits.

Number 460

Tyler Henshaw of Petersburg testified against HB 161 and in favor of HB 185 and HB 197.

Number 497

Darin Hargraves of the University of Alaska Fairbanks testified against HB 161.

Number 520

Kathy Ward of Dillingham testified against HB 161 and asked why the bill provided for forgiveness for rural teachers only.

Number 545

Representative Binkley answered that the special loan program for rural students going into teaching as a profession was enacted by the legislature last year.

Number 556

Tony Goforth of Unalaska testified in favor of HB 161, HB 185 and HB 197.

Number 576

Paul Stubbe, Dean of Kodiak Community College, testified that almost all students there have been out of high school for more than 2 years.

Number 606

Chris Tolladay of Anchorage Community College testified in favor of HB 185 and 197, and against HB 161 on the grounds that it discriminates against non-traditional students. She also said that she favors a first come first served basis.

CHANGE TAPE #8, SIDE TWO

Number 001

Representative Uehling said that he favors an increase in the interest to 8%, but that he is not in favor of a needs-based program.

Number 025

Michelle Merritt of Wrangell testified in favor of an 8% interest rate and against the elimination of forgiveness.

Number 082

Barbara Todd testified against HB 161, and said that delinquent borrowers should be

charged a higher rate.

- Number 115 Dr. Romesburg answered that when loans are more than 120 days in default, the interest rate increases to 10%, all forgiveness is lost, the loan is turned over to a law firm, and the borrower is issued a summons to appear in court.
- Number 148 Cecilia Meyer of Homer testified against HB 161. She said that she is 36 years old, wants to go back to school, and does not want to sell her house in order to demonstrate need.
- Number 252 Gretchen Mau of Palmer asked if it would be necessary to take 12 credits in one 6-week summer session in order to qualify for a loan under HB 197.
- Number 283 Dr. Romesburg answered that 12 credits can be split between two summer sessions.
- Number 399 June Haas of Haines testified that forgiveness is an important feature of Alaska's student loans, because it encourages people to come back to Alaska to live.
- Number 450 Nathan Lewis of Kodiak testified against HB 161.
- Number 460 Ron Welsh of Sitka testified against HB 161 and in favor of HB 185 and HB 197.
- Number 531 Linda Fossen of Valdez testified against HB 161 and in favor of HB 197 and HB 185.
- Number 550 The teleconference ended and the meeting was adjourned at 5:00 p.m.

HOUSE SPECIAL COMMITTEE
ON STATE LOANS
March 1, 1985
3:30 p.m.

Members Present: Representative John Sund, Chair
Representative Rick Uehling
Representative Jack Fuller
Representative Jim Duncan

Members Absent: Representative Sam Cotten

COMMITTEE CALENDAR

Loan Capitalization: Presentation by Legislative Finance

HB 161 Amended Title: "An Act relating to student
loans; and providing for an effective date".

HB 185 "An Act relating to student loans; and
providing for an effective date".

HB 197 "An Act relating to maximum loan amounts
under the Scholarship Loan Program; and
providing for an effective date".

WITNESS REGISTER

P.S. Dhillon, Fiscal Analyst
Legislative Finance Division
Pouch WF
Juneau, AK 99811
465-3795

Position Statement: Overview of capitalization of DCED loan
programs

Mike Greany, Director
Legislative Finance Division
Pouch WF
Juneau, AK 99811
465-3795

Position Statement: Explanation of cash balances in loan funds.

John Hartle
Professional Assistant to Representative Sund
Pouch V
Juneau, AK 99811
465-4919

Position Statement: Explanation of current status of loan
programs.

Al Adams, Representative

Pouch V
Juneau, AK 99811
465-3706
Position Statement: Observer

Lisa McLaren
Aide to Representative Koponen
Pouch V
Juneau, AK 99811
465-4992
Position Statement: Explanation of CSHB 185

Johne Binkley, Representative
Pouch V
Juneau, AK 99811
465-4985
Position Statement: Explanation and support of CSHB 161

PREVIOUS ACTION

Please refer to House Special Committee on
State Loans, -State-wide Teleconference for
HB 161, HB 185 and HB 197 Minutes for
2/26/85 and 2/27/85.

HB 161 returned to sponsor for revisions
(see HSCSL minutes for 2/27/85.)

HB 197 and HB 185 combined to make CSHB 185
(see HSCSL minutes for 2/27/85.)

ACTION NARRATIVE

TAPE #10, SIDE ONE
Recording
Number 001

The meeting was called to order at 3:35
p.m. by Chairman Sund. Members present were
Representatives Uehling and Sund.
Representatives Duncan and Fuller arrived at
4:15 p.m.

Chairman Sund announced that P.S. Dhillon
and John Hartle were present to provide
information on the different loan accounts,
e.g. how much cash is in accounts, the
expected demand, etc.

Number 045

Mr. P.S. Dhillon, fiscal analyst for
Legislative Finance, discussed cash balances
in the various loan programs as of 6/30/84
and 1/31/85. He said that Legislative Audit
Division had identified some over-

capitalization of the loan funds, after which Legislative Finance followed up by looking at some of the demand projections and comparing their findings with those of DCED. They also looked at one loan program in the Dept. of Revenue, the Fisheries Products Revolving Loan Fund.

Number 090

Mr. Mike Greany, Director of Legislative Finance, explained that there are two reasons why there is a cash balance in some of the loan programs:

(1) Some of the programs are starting to see a significant payback; and

(2) Because interest rates are different now than they were when the programs were started, it is now more attractive for some borrowers to go to the commercial market. He added that the departments had verified the figures in the cases where there a cash surplus was found to exist.

Number 120

Chairman Sund asked if the Governor had any appropriation in his FY 86 budget for the Mining Loan Fund.

Number 125

Mr. Hartle answered that no, the governor had no appropriation for the Mining Loan Fund in the budget.

Number 130

Mr. Dhillon explained that the Small Business Loan Fund and Tourism Revolving Loan Fund are not applicable because the balance in those funds is automatically transferred into the general fund at the end of the fiscal year. He went on to explain that the Veteran's Loan Fund is no longer being used to make new loans, but there is \$8.8 million in the fund now that could be reappropriated. About \$5 million more will be added to the fund as the remaining loans are paid off.

Number 235

Mr. Dhillon went onto discuss the Residential Energy Loan Fund, which is expected to have a cash surplus of about \$7 million at the end of FY 86.

Number 250

Mr. Hartle made the point that none of the loan funds on the list (showing a surplus) are in the Governor's budget for this year.

- Number 255 Mr. Dhillon said that Commercial Fish, Fish Enhancement, and Alternative Technology show a deficit and are included in the Governor's budget.
- Number 320 Chairman Sund asked Mr. Dhillon to explain the fact that the Power Development Loan Fund shows a \$12 million surplus.
- Number 325 Mr. Dhillon explained that \$210 million was appropriated in 1984 for the Four Dam Pool. APA has a loan for \$198 million from the DCED. The balance is \$12 million, and to date there is no known use for the money. He added that future demand for the money would depend on the outcome of the Four Dam Pool negotiations.
- Number 380 Mr. Dhillon explained that \$4 million in the Power Projects Fund relates to an appropriation (1981) for a loan to the City of Fairbanks Municipal Utility, but that, since the utility is not authorized to incur any debt, there has been no loan application. The legislature would have to take action in order to lapse the money.
- Number 400 Mr. Dhillon discussed the fact that there is a \$38.5 million surplus in the Fish Product Revolving Loan Fund, with no new loan applications pending.
- Number 450 There was some discussion about taking a look at loan programs in the future.
- Number 565 Chairman Sund opened the meeting for consideration of student loan bills.
- Number 568 Representative Binkley explained the changes that had been made to HB 161 as follows: Sec. 1 remains the same, with interest rates going to 8%; Sec. 2 incorporates the language from HB 185, and the needs-based portion of the section has been deleted; and Sec. 3 phases out forgiveness over the next 5 years.
- Number 630 Representative Uehling suggested that it would be more fair to the current student loan recipients to eliminate forgiveness all at once at a future date (possibly 1989), since they started school with the belief that they would be able to get forgiveness.

Number 645 Representative Fuller said that the Alaska Student Loan Program is one of the finest in the nation, and that it is time to stop rewarding people for coming back to Alaska.

CHANGE TAPE #10, SIDE TWO

Number 040 Representative Duncan said that he was not in favor of eliminating the forgiveness clause, because the problems would outweigh the cost savings. He said it would cause concern among students and parents.

Number 060 Representative Binkley said that the big savings would be that students would no longer have the idea that the more they borrow, the more the state will subsidize their education.

Number 083 Chairman Sund asked Representative Uehling to clarify his concerns regarding the elimination of forgiveness.

Number 090 Representative Uehling said that, although the state has no contract guaranteeing students forgiveness in upcoming years, he would prefer to see forgiveness eliminated after the students that are in school now have had a chance to finish.

Number 100 Representative Binkley said that student loans are made on a year to year basis, with no guarantee that the money will be available next year.

Number 127 Representative Duncan said that he agrees with Representative Uehling, and that it would be better administratively to eliminate forgiveness all at once in 1989 than to phase it out over several years.

Number 148 Representative Binkley said that Dr. Romesburg had indicated to him that a gradual phase-out of forgiveness would not be that difficult to do.

Number 200 Chairman Sund asked the committee to set aside CSHB 161 in order to act first on CSHB 185, for which an amendment had been written. He went on to explain that Sections 1 and 2 of CSHB 185 are the identical language that was in HB 197. Section 3 is the original HB 185, and the proposed amendment limits the time period

- after which a person leaves Alaska, that she/he can still apply for a loan.
- Number 290 Lisa McLaren explained some of the language in the amendment.
- Number 320 Representative Uehling moved and asked unanimous consent that the committee adopt CSHB 185. There were no objections and CSHB 185 was adopted.
- Number 330 Amendment number 1 for CSHB 185 was moved and adopted.
- Number 335 A motion was made to move CSHB 185 as amended, with individual recommendations. There were no objections.
- Number 340 Representative Uehling moved and asked unanimous consent that the committee adopt CSHB 161. There were no objections.
- Number 390 Representative Uehling moved and asked unanimous consent that amendment number 1 for CSHB 161 be adopted and inserted in Section 2, page 1. There were no objections.
- Number 400 Representative Duncan moved that Section 3 of CSHB 161 be eliminated, and in Section 6 change the reference to number 3 to number 2. which would have the effect of eliminating the forgiveness all at once in 1990.
- Number 410 There was some committee discussion regarding the motion.
- Number 415 The committee voted 3 to 1 to adopt amendment number 2.
- Number 460 Representative Uehling moved and asked unanimous consent the the committee pass out CSHB 161, as amended. There were several objections.
- Representative Uehling withdrew his motion.
- Number 480 Representative Duncan introduced an amendment that would keep the interest rate at 5% for the first three years of repayment and raise it to 8% for the remainder. The intent, he said, is to encourage people to repay their loans quickly.

Number 500 There was discussion regarding
Representative Duncan's amendment.

Number 530 Representative Duncan withdrew the
amendment.

Number 535 Representative Uehling moved and asked
unanimous consent that CSHB 161 be passed
out of committee, with amendments 1 and 2 as
adopted, with individual recommendations.

Number 538 Representative Duncan objected.

Number 540 The committee voted 3 to 1 in favor of the
motion.

Number 545 The meeting was adjourned at 5:00 p.m.

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STATE OF ALASKA

STUDENT

FINANCIAL AID

PROGRAMS

ANNUAL REPORT
1983-1984

Alaska Commission on Postsecondary Education
Pouch FP, 400 Willoughby Avenue
Juneau, Alaska 99811



STATE OF ALASKA

S T U D E N T
F I N A N C I A L A I D
P R O G R A M S
ANNUAL REPORT
1983-84

Document Number 85-1

Alaska Commission on Postsecondary Education
Pouch FP, 400 Willoughby Avenue
Juneau, Alaska 99811

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Mr. Walter Ward (Soldotna)

COMMISSION OFFICE

Dr. Kerry D. Romesburg
Executive Director
Alaska Commission on Postsecondary Education
Pouch FP, 400 Willoughby Avenue
Juneau, Alaska 99811
(907) 465-2854, 465-2962

ALASKA STUDENT LOAN PROGRAM

Ms. Billie Jean Hall Loan Awards Officer	Ms. Julie Bennett GSL/DP Liaison	Ms. Linda Landvik Repayment Officer
Ms. Carol Barril Collections Officer	Mr. Kevin Hanon Accounting Supervisor	Ms. Peggy Corazza Records Officer

WICHE STUDENT EXCHANGE AND STATE EDUCATIONAL INCENTIVE GRANT PROGRAMS

Ms. Jane Byers Maynard Director, Special Programs	Ms. Robin Stephens Program Assistant
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PREFACE

The Annual Report on Alaska Student Financial Aid Programs for 1983-84 is hereby transmitted to the Governor and the Legislature of the State of Alaska. The Student Loan Program is administered by the Alaska Commission on Postsecondary Education with advice and guidance of the Student Financial Aid Advisory Committee. Membership of this advisory committee for 1983-84 included:

Ms. Patricia Abney, Chairman (Anchorage)
Ms. Patricia Clark (Fairbanks)
Ms. Ida Greiner (Fairbanks)
Ms. Carol Johnsen (Sitka)
Ms. Marie MacKenzie (Anchorage)
Dr. Ed Nichols (Anchorage)

The Commission and staff wish to express their gratitude for the work of this advisory committee.


Kerry D. Romesburg
Executive Director

August 1984

(Date)

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INTRODUCTION

The State of Alaska provides student financial assistance for postsecondary study through three programs: the Alaska Student Loan Program, the WICHE Student Exchange Program, and the State Educational Incentive Grant (SEIG) Program. The three programs provide Alaskans with access to postsecondary education which otherwise might not be available. Through the loan and grant programs direct financial assistance is awarded to students in an effort to remove or lessen financial barriers to postsecondary education. Through the student exchange program, Alaskans have access to graduate, professional, and highly specialized fields which are unavailable in-state.

This report briefly summarizes each of these programs and the participation levels for 1983-84. The Student Loan Program will be discussed first, then the WICHE Student Exchange Program, and finally, the Incentive Grant Program.

ALASKA STUDENT LOAN PROGRAM

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a postsecondary level. The program has grown from serving just over 1,000 Alaskans, in 1971-72, to the current 1983-84 level of serving nearly 15,000 Alaskans.

The Alaska Student Loan Program had its origin in a program of scholarship loans established by the 1968 Alaska State Legislature. This program was amended in 1970 and completely restructured in 1971, when the Legislature established the loan program generally as it exists at present. In the twelve years of operation since then, nearly 63,000 student loans have been awarded to Alaskan residents, for a total of nearly \$150 million.

Educational loans of up to \$6,000 and \$7,000 per year for undergraduate and graduate study, respectively, are provided to eligible state residents. These loans, to be used only to offset the costs of tuition, room, board, and books, offer the borrower a ten-year repayment period at an annual interest rate of five percent. The loans may be used for full-time attendance at any accredited or approved college, university, or vocational-technical program. An incentive of up to fifty percent cancellation is offered to those borrowers who reside in Alaska after completion of their programs of study.

Program Summary

During the 1983-84 school year over 16,000 loans were awarded, and 14,785 were finalized and used for postsecondary attendance. Of these 14,785 loans, 50.5 percent were for attendance in Alaska, and 49.5 percent were for attendance out-of-state.

Undergraduate loans continue to dominate the loan volume, with only 13.2 percent of the 1983-84 loans going for graduate study. The largest single group of loans were for freshman borrowers, who accounted for 27.7 percent of all the 1983-84 loans.

Alaskans use these loans for study throughout the United States, and in a number of foreign countries. During the 1983-84 loan year, students from Alaska used state loans for attendance in every state in the Union and in seventeen foreign countries. The most frequent choice continues to be Alaska by more than a four-to-one margin over any other state.

Loan Award Amounts

The average loan award continued to rise slightly in 1983-84, following the dramatic rise in 1981-82 when the borrowing maximums were raised. For 1983-84, an undergraduate average loan was \$4,171 while the average graduate loan was \$5,097. Out-of-state student loans continue to be higher, on the average, than in-state loans, due largely to non-resident tuition fees. This is graphically presented in Figure 1. It is anticipated that the trend toward higher average loans will continue in the years ahead as tuition rates continue to increase.

Table 1 contains average loan amounts by student level for the last three years, 1981-82, 1982-83, and 1983-84. In general all loans, regardless of level, have steadily increased, for students attending in-state, and have leveled, or even dropped slightly, for those attending out-of-state. The out-of-state borrower averages a higher loan amount than the in-state borrower for every classification other than vocational.

FIGURE 1
MEAN LOAN AMOUNT FOR ALL LOANS
IN-STATE, OUT-OF-STATE, AND COMBINED

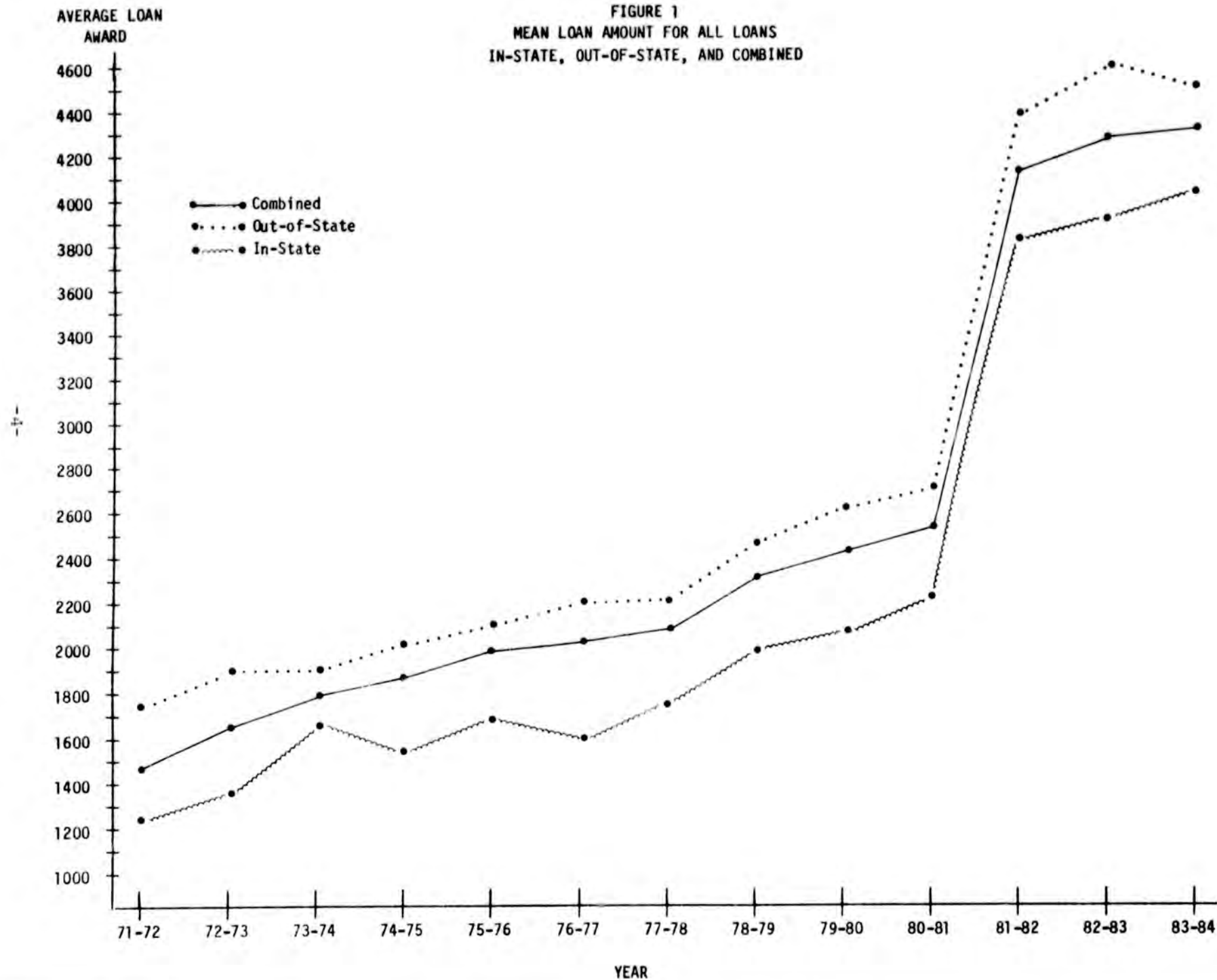


TABLE 1
MEAN LOAN AMOUNT PER RECIPIENT BY
IN-STATE/OUT-OF-STATE AND STUDENT LEVEL
1980-81 thru 1983-84

Student Level	In Alaska			Out-of-State			Combined		
	81-82	82-83	83-84	81-82	82-83	83-84	81-82	82-83	83-84
Freshman	\$3,485	\$3,236	\$3,275	\$3,985	\$4,322	\$4,166	\$3,727	\$3,739	\$3,681
Sophomore	3,782	3,693	3,687	4,056	4,371	4,377	3,925	4,046	4,045
Junior	3,758	3,705	3,889	4,200	4,503	4,541	4,000	4,143	4,249
Senior	3,722	3,745	3,920	4,041	4,480	4,450	3,897	4,140	4,180
Vocational	4,645	5,076	5,224	4,925	4,769	4,544	4,812	4,996	5,028
Undergraduate	3,751	3,847	3,992	4,180	4,432	4,377	3,977	4,122	4,171
Graduate	4,630	4,454	4,527	5,401	5,336	5,257	5,218	5,129	5,097
TOTAL	\$3,796	\$3,872	\$4,013	\$4,345	\$4,558	\$4,502	\$4,098	\$4,213	\$4,255

Undergraduate Loans

The number of undergraduate students receiving loans under the state program has increased greatly over the past twelve years. In 1971-72, 990 undergraduates received assistance, while in 1983-84, the number has grown to 13,449. Of these 13,449 loan recipients, 53.3 percent used their loans for attendance in Alaska, and 46.7 percent used their loans out-of-state. The states most frequently chosen by undergraduates in 1983-84 are presented in Table 2.

The consistency of student choice over the past few years is quite high. Alaska remains the most frequent choice for undergraduate attendance this year, as it has been in the past, followed by Washington, Oregon and California.

The average loan amount increased in almost every case, with the most pronounced increase in loans for attendance in Arizona, Colorado, and Alaska. Hawaii continues to be one of the states for which undergraduate loan amounts are the lowest, (\$3,426), and two of the top ten states of attendance have lower average loans than does Alaska.

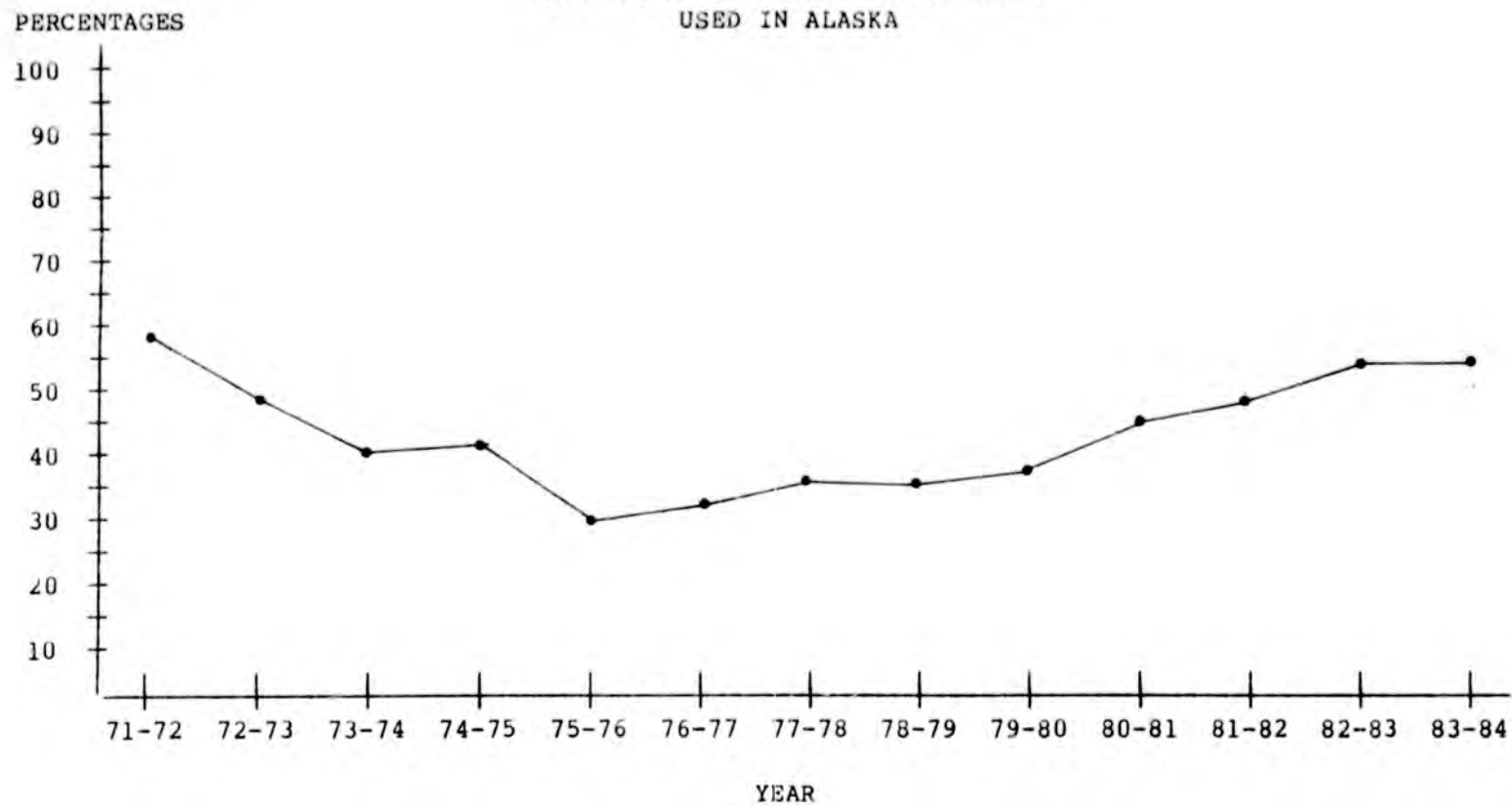
The percent of undergraduates using their loans for attendance in Alaska increased slightly this year. In fact, as can be seen in Figure 2, the 1983-84 rate of 53.3 percent is the highest in-state rate since 1971-72.

The increasing drawing power of Alaskan institutions is hypothesized to be the result of a number of factors including the maturation of Alaska's schools and the accompanying wider array of offerings, as well as the increased cost of attendance at schools outside of Alaska.

TABLE 2
TEN TOP STATES OF ATTENDANCE
FOR ALASKANS WITH
UNDERGRADUATE LOANS
1978-79 through 1983-84

STATE	NUMBER					AVERAGE LOAN				
	79-80	80-81	81-82	82-83	83-84	79-80	80-81	81-82	82-83	83-84
Alaska	1,245	2,606	4,225	6,305	7,175	\$1,983	\$2,137	\$3,751	\$3,847	\$3,992
Washington	479	700	1,045	1,314	1,549	2,394	2,495	4,091	4,610	4,511
Oregon	372	500	746	908	949	2,360	2,506	4,242	4,756	4,590
California	191	280	373	556	664	2,517	2,519	4,268	4,858	4,919
Colorado	157	151	280	372	408	2,549	2,502	4,584	5,050	5,233
Arizona	104	142	206	352	404	2,261	2,413	4,344	4,444	4,717
Idaho	94	125	199	265	253	2,217	2,407	3,826	3,866	4,002
Hawaii	89	79	160	258	248	1,888	2,076	3,463	3,514	3,426
Utah	53	85	153	202	209	2,091	2,029	3,564	3,664	3,763
Texas	45	93	114	153	187	2,219	2,331	4,003	4,189	4,227
Remaining										
U.S.	613	1,000	1,442	1,184	1,369	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign	N.A.	N.A.	N.A.	26	34	N.A.	N.A.	N.A.	4,101	4,234
TOTAL	3,448	5,751	8,935	11,879	13,449	\$2,393	\$2,319	\$3,977	\$4,139	\$4,171

FIGURE 2
PERCENTAGE OF UNDERGRADUATE LOANS
USED IN ALASKA



The wide geographic distribution of Alaskans pursuing undergraduate education is shown most vividly in Figure 3, with Alaskan undergraduates attending institutions in every state of the Union. The predominance of the West and Northwest is quite evident, with only Alaska, Washington, Oregon, California, Colorado, Arizona, Idaho, Hawaii and Utah, receiving over 200 Alaskan undergraduates on state loans. Of the thirteen western states comprising the WICHE compact (Western Interstate Commission for Higher Education), only Wyoming received fewer than 35 Alaska undergraduates on state loans. In fact, the WICHE states account for 90.1 percent of the undergraduate loan recipients.

Under the state loan program, Alaskans may pursue their educational goals in whatever setting seems most appropriate for them. The freedom of choice which this provides is quite evident by the wide geographic distribution of our students.

As can be seen in Table 3, Alaska attendance accounts for a very high percentage of vocational borrowers (71.2% in 1983-84). Also, more than half (54.4%) of the freshman borrowers elected to attend in Alaska in 1983-84. There seems to be an increased tendency toward attendance out-of-state as student level increases, however this could be due to a number of factors including the changing attendance patterns the last few years and the propensity to remain in school rather than stop-out or drop-out. Hence, caution should be used in drawing inferences from these data.

TABLE 3
IN-STATE/OUT-OF-STATE ATTENDANCE
BY STUDENT LEVEL
1982-83 through 1983-84

STUDENT LEVEL	1982-83				1983-84			
	Alaska		Out-of-State		Alaska		Out-of-State	
	No.	%	No.	%	No.	%	No.	%
Freshman	2,041	53.8	1,756	46.2	2,229	54.4	1,868	45.6
Sophomore	1,255	47.9	1,364	52.1	1,331	48.1	1,439	51.9
Junior	871	45.0	1,063	55.0	956	44.8	1,176	55.2
Senior	793	46.3	918	53.7	850	44.5	1,060	55.5
Vocational	1,334	74.0	468	26.0	1,809	71.2	731	28.8
TOTAL	6,294	53.1	5,569	46.9	7,175	53.3	6,274	46.7

Graduate Loans

The number of Alaskans receiving loans for graduate study has increased nearly twelve fold since the program began in 1971-72. This year 1,336 students received assistance for the pursuit of graduate study. Of these 1,336, 78.1 percent used their loans for attendance outside of Alaska, while 21.9 percent used them for attending school in-state. The percentage of graduate loan recipients attending school in Alaska has been relatively stable the last few years, after decreasing steadily from 1971-72 through 1977-78. This trend is presented in Figure 4, and is probably largely due to the increased availability of programs in Alaska.

The states most frequently chosen by graduate students from Alaska in 1983-84 are presented in Table 4. Again, as with undergraduates, the students' preference is quite stable.

The average loan award for 1983-84 increased for some states and decreased for others, with the largest increases for students attending graduate institutions in Hawaii and California.

Alaskans pursuing graduate educational goals are also distributed quite widely across the nation, with Alaskan graduate loan recipients attending institutions in all but four of the fifty states. The predominance of the West, and particularly the West Coast, is readily apparent in Figure 5.

Only Alaska, Washington, California, and Oregon received more than 100 Alaskan graduate students on state loans. The thirteen states comprising the WICHE compact account for 74.5 percent of all the graduate Alaskan loan recipients for 1983-84.

FIGURE 4
PERCENT OF GRADUATE LOANS
USED IN ALASKA

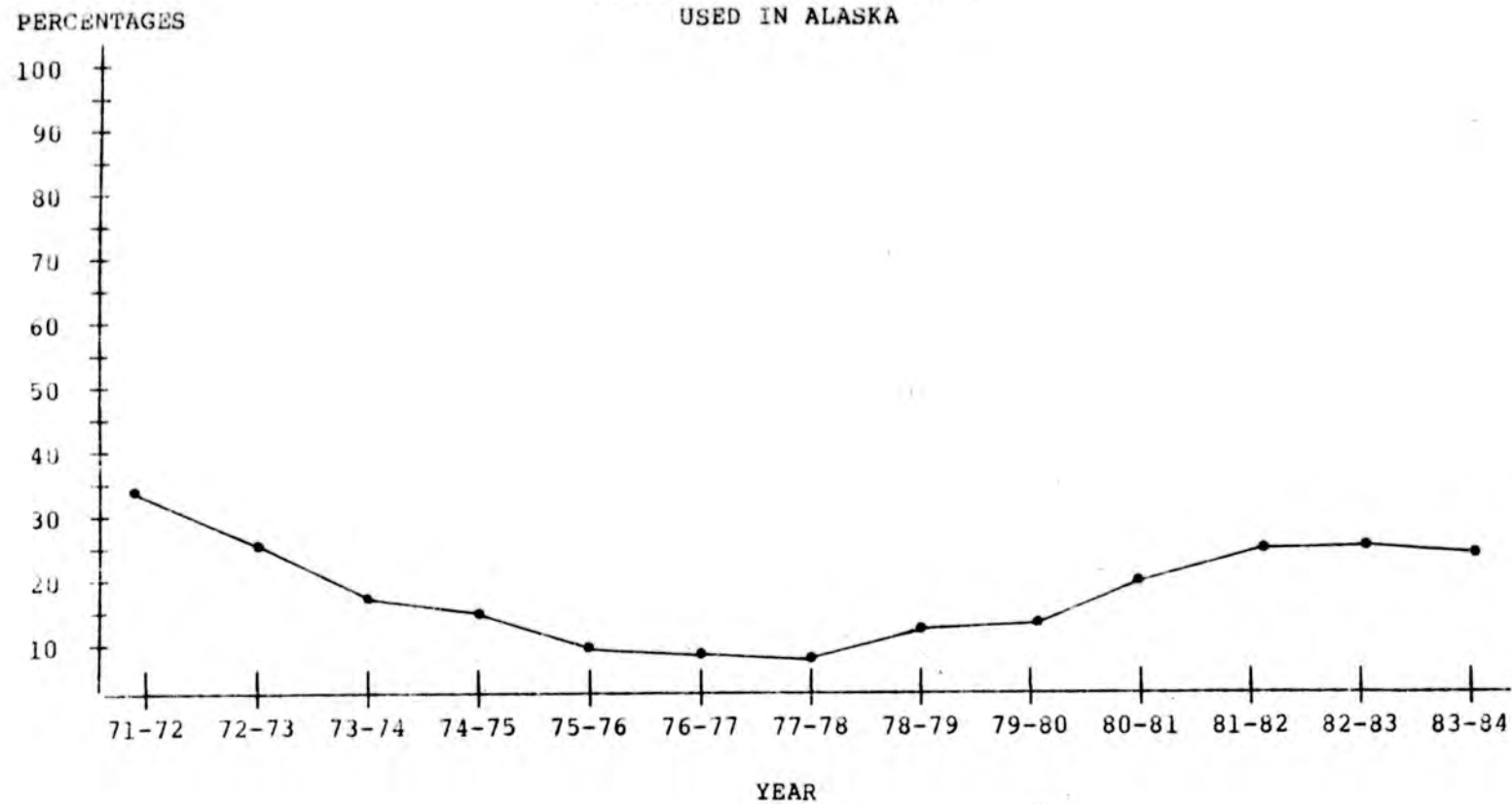


TABLE 4
TEN TOP STATES OF ATTENDANCE
FOR ALASKANS WITH
GRADUATE LOANS
1979-80 through 1983-84

STATE	NUMBER					AVERAGE LOAN				
	79-80	80-81	81-82	82-83	83-84	79-80	80-81	81-82	82-83	83-84
Alaska	58	127	229	276	292	\$2,906	\$3,086	\$4,630	\$4,454	\$4,527
California	73	90	113	183	237	3,441	3,937	5,693	5,599	5,783
Washington	77	129	148	161	164	3,847	3,848	5,740	5,447	5,535
Oregon	49	75	91	127	143	3,526	4,011	5,103	5,351	4,682
Colorado	18	19	27	35	42	3,972	4,149	5,303	5,369	5,210
Massachusetts	9	18	25	32	33	3,911	4,953	5,927	6,217	6,404
Arizona	9	17	18	29	32	3,586	3,041	4,408	4,822	4,950
Hawaii	8	19	21	26	30	2,988	3,393	5,079	3,909	4,457
Texas	3	10	20	23	28	3,600	3,204	4,445	4,830	4,971
Utah	4	7	10	22	28	3,200	3,426	4,858	4,710	4,644
Remaining										
U.S.	162	193	261	265	284	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign	N.A.	N.A.	N.A.	14	23	N.A.	N.A.	N.A.	5,084	4,410
TOTAL	470	709	963	1,179	1,336	\$3,646	\$3,746	\$5,218	\$5,151	\$5,097

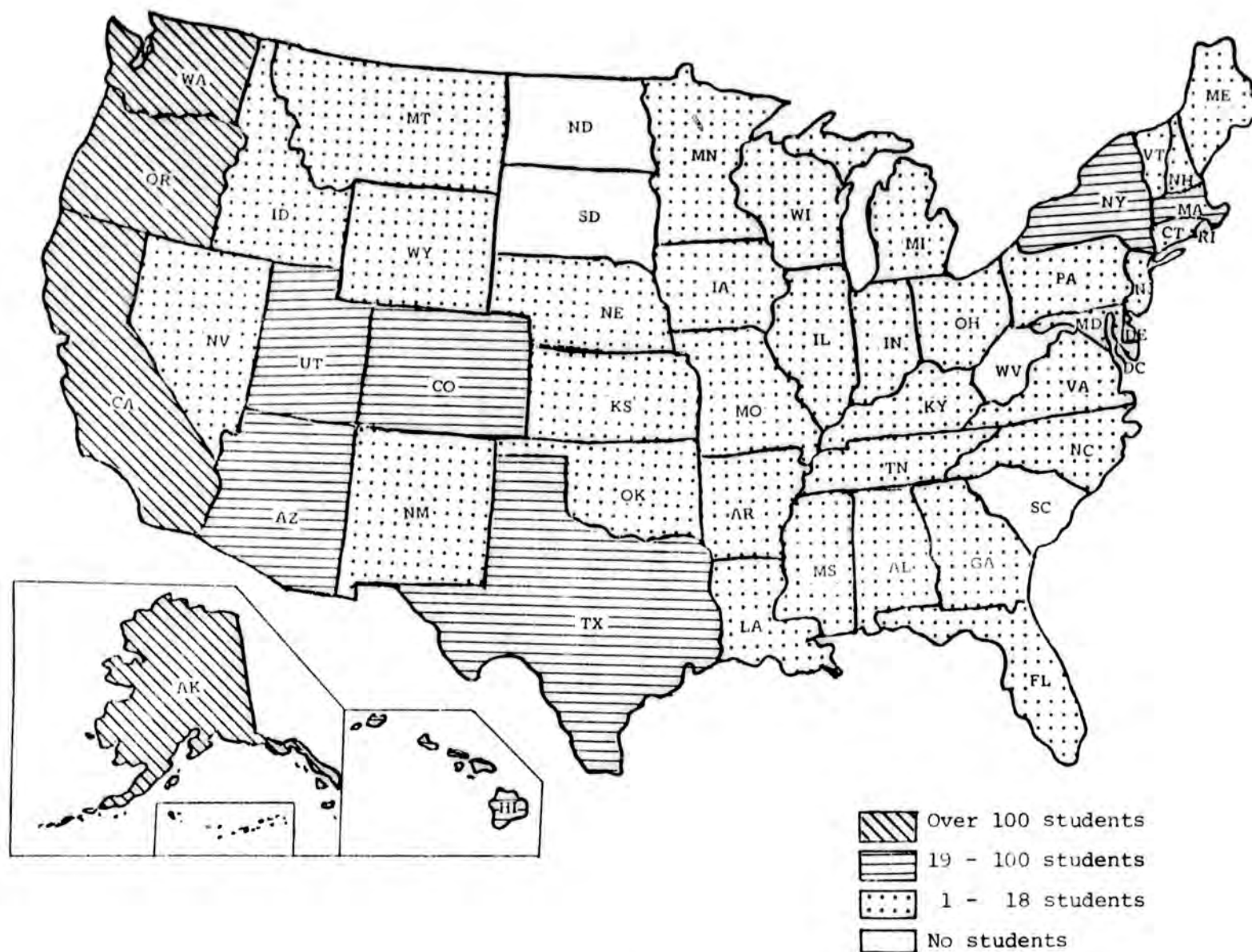


FIGURE 5
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING
STATE LOANS FOR GRADUATE EDUCATION IN 1983-84

Foreign Study

Alaskans used state loans for study in forty different institutions in seventeen foreign countries in 1983-84. The distribution of these students by country of attendance is presented in Table 5. Not too surprisingly, Canada is the most popular foreign country for attendance of Alaskan students.

TABLE 5
DISTRIBUTION OF BORROWERS
BY FOREIGN COUNTRY OF ATTENDANCE
1983-84

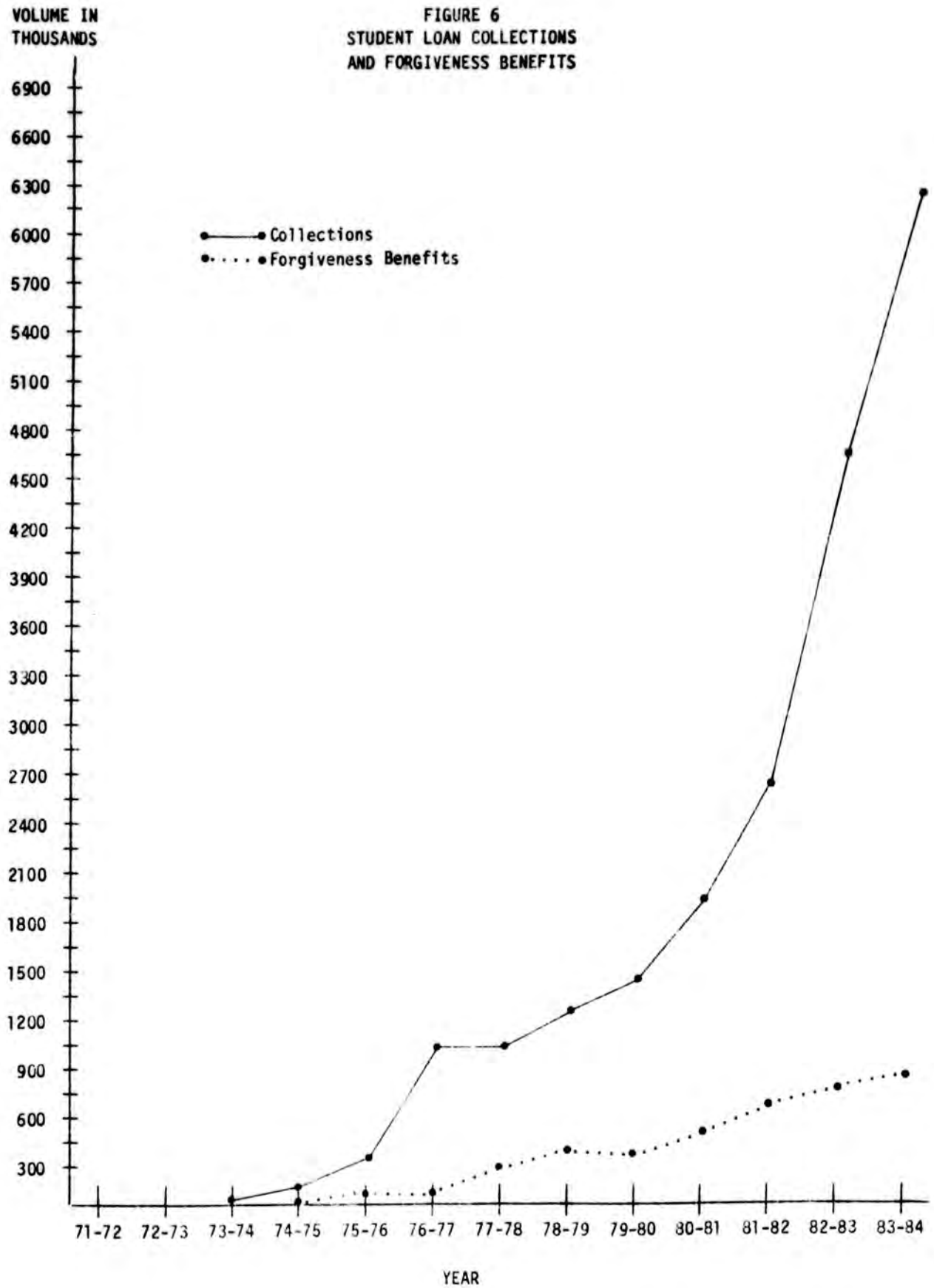
FOREIGN COUNTRY	UNDERGRADUATE		GRADUATE	
	Number	Average Loan	Number	Average Loan
Austria	1	\$3,000	--	\$ -0-
Australia	2	3,700	1	7,000
Belgium	--	-0-	1	2,100
Canada	12	4,980	12	4,250
Denmark	3	2,850	--	-0-
England	2	3,150	5	4,006
Finland	1	3,550	--	-0-
France	3	4,500	2	5,550
Ireland	1	4,400	--	-0-
Japan	2	6,000	2	5,100
Mexico	1	3,000	--	-0-
New Zealand	1	4,150	--	-0-
Norway	1	4,900	--	-0-
Philippines	1	1,050	--	-0-
Scotland	1	3,000	--	-0-
Spain	1	6,000	--	-0-
Sweden	1	1,700	--	-0-
TOTAL	34	\$4,402	23	\$4,410

Loan Repayments

The student loan program is based upon a revolving fund with the students' loan repayments being re-utilized for future student loans. Since 1971-72 (actually 1974-75, since there were no repayments received the first few years), Alaskans have repaid over \$22 million on their educational loans. The volume of these revolving funds now contribute a significant portion of the loan account, and as can be seen in Figure 6, these repayments are rapidly increasing each year.

Also presented in Figure 6 is a representation of the forgiveness history of the student loan program. Students who reside in Alaska after completion of their course of study are eligible to have up to 50 percent of their loans forgiven. Beginning with the first such forgiveness in 1974-75, the total amount of loan funds (including interest) which the State of Alaska has forgiven has generally shown large annual increases, with the exception of 1979-80 when forgiveness benefits temporarily leveled. During 1983-84 nearly 2,500 Alaskans received partial forgiveness of their student loans. Increases are projected to continue over the next few years as larger numbers of students complete their educational programs.

FIGURE 6
STUDENT LOAN COLLECTIONS
AND FORGIVENESS BENEFITS



Default

Nationally, student loans have a notoriously high default rate, and, unfortunately, Alaska's program also has experienced problems with loan collections. Although the Alaska program had been doing considerably better than the federal loan programs, the default rate has begun to rise during 1983-84. As can be seen in Table 6, the default rate had been steadily decreasing since the concerted effort began in 1975-76 to pursue these bad debts. However, during 1983-84 default volumes outstripped available manpower and the rate rose dramatically. It is anticipated that the use of private collection agencies during 1984-85 will bring the default rate back down.

TABLE 6
ANNUAL DEFAULT RATES OF
ALASKA STATE STUDENT LOANS
1971-72 through 1983-84

LOAN YEAR	DEFAULT RATE* (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%
1982-83	9.1%
1983-84	13.5%

*Default is 120+ days past due.

Statistical Data

In the Appendix are Tables 11-17 containing data on the Alaska Student Loan Program from 1971-72 through 1983-84. Information on the number and amounts of loans made annually to undergraduate and graduate students attending in-state and out-of-state is presented in Tables 11-14. Table 15 contains summaries of the average size loan awarded each year, and Tables 16 and 17 contain data on institutions most frequently attended by Alaska Student Loan borrowers.

WICHE STUDENT EXCHANGE PROGRAM

Through its participation in the thirteen-state Western Interstate Commission for Higher Education (WICHE), Alaska provides residents with access to sixteen fields of professional education not available in-state. The WICHE Student Exchange Program provides access to these sixteen fields at participating institutions throughout the compact states, and makes these programs available at a reduced tuition rate to the out-of-state WICHE students. These reduced rates usually amount to the normal in-state tuition rate at public colleges and universities and one-third the regular tuition rate at private colleges and universities. Alaskans certified for participation in this exchange program may also expect preferential admissions consideration by the schools to which they apply. For this, Alaska pays the college or university in which the Alaskan exchange student enrolls a set fee for a particular field of study. This fee, the support fee, covers the non-resident portion of the tuition and a portion of the institution's operating costs. The student does not receive any direct payment under this program.

Exchange Fields

The WICHE exchange fields in which Alaska would support students for the 1983-84 year included:

Architecture	Occupational Therapy
Dentistry	Optometry
Forestry	Osteopathy
Graduate Library Studies	Pharmacy
Graduate Nursing	Physical Therapy
Law	Podiatry
Maritime Technology	Public Health
Medicine	Veterinary Medicine

A student eligible for state certification in any of these fields must apply for and gain admission to the program of study. The admission decision rests solely with the receiving institution.

Support Fees

The amount of the support fee to be paid for each field of study is set annually by the WICHE Commission, with membership from all thirteen member states. These fees have increased more or less steadily over the last six years, and at the same time, Alaska's participation level has also steadily increased. As can be seen in Table 7, the total support fees exceeded \$1.5 million.

TABLE 7
WICHE STUDENT EXCHANGE PROGRAM SUPPORT COSTS
1976-77 through 1983-84

Academic Year	Total Students	Total Fees
1976-77	114	\$ 368,473
1977-78	134	634,114
1978-79	171	639,244
1979-80	209	853,959
1980-81	232	956,509
1981-82	269	1,223,091
1982-83	300	1,498,232
1983-84	234	1,591,440
TOTAL	1,713	\$7,770,062

Participation Rates

Law continues to be the most popular field for Alaskan students. In 1982-83 Law students accounted for 60.0 percent of the students supported under the exchange program. In 1983-84, Law represented 58.1 percent of the exchange students. The growth fields for 1983-84 were Architecture, Graduate Nursing, Occupational Therapy, Veterinary Medicine, and Osteopathy. For the first time, Law experienced an appreciable decline. These data are listed in Table 8.

TABLE 8
WICHE EXCHANGE STUDENTS BY FIELD
1976-77 through 1983-84

Field of Study	77-78	78-79	79-80	80-81	81-82	82-83	83-84
Architecture	6	9	7	9	15	17	18
Dental Hygiene*	1	1	1	0	1	0	0
Dentistry	11	13	13	15	18	15	15
Forestry	4	10	9	7	6	6	6
Graduate Library	2	5	2	11	8	7	9
Graduate Nursing	1	1	2	6	3	4	7
Law	64	75	100	142	155	180	165
Maritime Technology	N.A.	N.A.	N.A.	N.A.	7	7	4
Medicine	12	11	8	6	11	11	11
Occupational Therapy	3	1	1	3	3	4	6
Optometry	4	7	7	5	5	4	3
Osteopathy	N.A.	N.A.	N.A.	N.A.	3	6	10
Pharmacy	3	4	3	5	3	5	3
Physical Therapy	4	3	2	2	6	9	4
Podiatry	0	2	2	3	4	2	1
Public Health	1	2	1	10	14	11	7
Veterinary Medicine	7	8	8	8	7	12	15
TOTAL	123	152	166	232	269	300	284

*Discontinued as an exchange field in 1981-82.

The cost of the student exchange for 1983-84 is detailed in Table 9. It can be seen that because of the relatively low support fee for Law, Law exchange students accounted for only 40.0 percent of the total exchange cost (as opposed to accounting for 58.1 percent of the students).

TABLE 9
WICHE SUPPORT COSTS BY FIELD OF STUDY
1983-84

Field of Study	Support Fee	Total Students	Total Costs
Architecture	\$ 3,200	18	\$ 57,600
Dentistry	10,500	15	185,500
Forestry	3,000	6	16,550
Graduate Library	4,000	9	42,600
Graduate Nursing	5,800	7	31,900
Law	3,800	165	619,030
Maritime Technology	7,300	4	24,334
Medicine	20,000	11	220,000
Occupational Therapy	3,500	6	19,250
Optometry	5,600	3	16,800
Osteopathy	9,000	10	90,000
Pharmacy	4,400	3	15,400
Physical Therapy	4,100	4	19,134
Podiatry	6,200	1	6,200
Public Health	4,900	7	30,626
Veterinary Medicine	13,100	15	196,500
TOTAL	N.A.	284	\$1,591,440

STATE EDUCATIONAL INCENTIVE GRANT (SEIG) PROGRAM

The State Educational Incentive Grant (SEIG) Program provides need-based grants to eligible Alaskans enrolled in undergraduate programs. Grant awards range from a minimum of \$100 to a maximum of \$1,500 each, depending upon demonstrated need. One-half of each grant is federally funded and one-half is provided by the State. Grants are awarded to eligible applicants in order of greatest financial need as measured by a standard need analysis.

Participation Rates

1983-84 was the sixth year of operation of the SEIG Program in Alaska. Over 2,000 Alaskans applied for grant funds in 1983-84, but because of fund limitations, only 126 grants were awarded. As can be seen in Table 10, this is a decrease from 1982-83 when 161 grants were awarded. The decline is the result of reductions in funds at the federal level. The grant funds available in 1983-84 were 13.0 percent less than the previous year.

Also listed in Table 10 are the awards for in-state and out-of-state attendance and an institutional listing of the in-state awards. As in the past, University of Alaska, Anchorage students received the most SEIG awards.

TABLE 10
DISTRIBUTION OF STUDENTS RECEIVING STATE
EDUCATIONAL INCENTIVE GRANTS
1978-79 through 1983-84

Institution	Number of Grants						Award Totals					
	78-79	79-80	80-81	81-82	82-83	83-84	78-79	79-80	80-81	81-82	82-83	83-84
U of Alaska, Anchorage	87	85	84	43	29	17	\$ 61,225	\$119,219	\$118,511	\$ 55,750	\$ 41,500	\$ 25,500
U of Alaska, Fairbanks	42	12	24	25	20	17	30,464	12,357	28,500	36,500	27,000	25,500
U of Alaska, Juneau	11	6	1	2	6	2	6,082	6,798	1,500	3,000	7,500	3,000
Anchorage CC	*	*	35	18	23	17	*	*	52,500	22,744	34,000	25,500
Kenai Peninsula CC	*	5	4	5	10	1	*	7,500	6,000	6,000	14,250	1,500
Mat-Su CC	*	*	3	1	3	2	*	*	4,500	1,500	4,500	3,000
Tanana Valley CC	**	**	0	1	0	0	**	**	0	2,250	0	0
Sheldon Jackson College	46	8	5	6	11	4	26,753	12,000	7,500	9,750	14,250	6,000
Alaska Pacific University	4	0	2	0	1	0	2,265	0	3,000	0	750	0
Alaska Business College	0	0	0	0	1	1	0	0	0	0	1,500	1,500
Kuskokwim Community College	0	0	0	0	1	0	0	0	0	0	1,500	0
Islands Community College	0	0	0	0	0	3	0	0	0	0	0	4,500
Ketchikan Community College	0	0	0	0	0	2	0	0	0	0	0	3,000
Prince William Sound	0	0	0	0	0	1	0	0	0	0	1,500	1,500
Gordon's Aviation	0	0	0	0	0	1	0	0	0	0	1,500	1,500
Total In-State	190	116	158	101	110	68	\$126,789	\$157,874	\$222,011	\$136,994	\$146,750	\$102,000
Total Out-of-State	3	61	80	73	51	58	\$ 2,323	\$ 82,731	\$116,909	\$102,030	\$ 70,500	\$ 87,000
TOTAL	193	177	238	174	161	126	\$129,112	\$240,605	\$338,920	\$239,024	\$217,250	\$189,000

*Reported in UAA totals.

**Reported in UAF totals.

APPENDIX

ALASKA STUDENT LOAN PROGRAM
ADDITIONAL DATA

ALASKA STUDENT LOAN PROGRAM
(1971-72 through 1983-84)

TABLE 11
THIRTEEN-YEAR SUMMARY
(1971-72 through 1983-84)

STUDENT LEVEL	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Number of Loans	Percent of Total	Loan Amount	Percent of Total	Number of Loans	Percent of Total	Loan Amount	Percent of Total	Number of Loans	Loan Amount
Under- graduate	26,951	47.2	\$84,586,275	45.9	29,782	52.8	\$ 99,728,023	54.1	56,373	\$184,314,298
Graduate	1,245	19.5	\$ 4,858,054	17.4	5,152	80.5	\$ 23,045,685	82.6	6,397	\$ 27,903,739
TOTAL	27,836	44.3	\$89,444,329	42.1	34,934	55.7	\$122,773,708	57.9	62,770	\$212,218,037

TABLE 12
YEARLY SUMMARY
OF
UNDERGRADUATE STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	570	57.6	\$ 680,351	50.1	470	42.4	\$ 666,536	49.5	990	\$ 1,346,887
1972-73	761	48.7	955,274	42.1	801	51.3	1,326,975	57.9	1,562	2,292,249
1973-74	585	40.1	913,284	38.8	874	59.9	1,438,990	61.2	1,459	2,352,274
1974-75	528	41.5	764,872	36.4	745	58.5	1,336,279	63.6	1,273	2,101,151
1975-76	456	30.5	747,112	27.9	1,041	69.5	1,927,334	72.1	1,497	2,674,446
1976-77	561	33.1	858,139	28.6	1,132	66.9	2,143,458	71.4	1,693	3,001,597
1977-78	713	35.9	1,211,203	32.7	1,272	64.1	2,496,063	67.3	1,985	3,707,266
1978-79	861	35.1	1,664,246	31.7	1,591	64.9	3,581,002	68.3	2,452	5,245,248
1979-80	1,245	36.1	2,469,354	32.2	2,203	63.9	5,191,236	67.8	3,448	7,660,590
1980-81	2,606	45.3	5,568,580	41.8	3,145	54.7	7,766,597	58.2	5,751	13,335,177
1981-82	4,225	47.3	15,846,331	44.6	4,710	52.7	19,688,486	55.4	8,935	35,534,817
1982-83	6,305	53.1	24,254,812	49.5	5,574	46.9	24,705,330	50.5	11,879	48,960,142
1983-84	7,175	53.3	28,642,717	51.1	6,274	46.7	27,459,737	48.9	13,449	56,102,454
TOTAL	26,591	47.2	\$84,586,275	45.9	29,782	52.8	\$99,728,023	54.1	56,373	\$184,314,298

TABLE 13
YEARLY SUMMARY
OF
GRADUATE STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	31	34.1	\$ 74,613	29.1	60	65.9	\$ 181,658	70.9	91	\$ 256,271
1972-73	48	25.8	113,990	19.7	138	74.2	464,145	80.3	186	578,135
1973-74	37	18.0	107,988	17.0	169	82.0	525,914	83.0	206	633,902
1974-75	31	16.8	86,266	15.4	153	83.2	472,390	84.6	184	558,656
1975-76	25	11.3	61,424	8.7	197	88.7	647,127	91.3	222	708,551
1976-77	23	10.1	69,853	8.2	205	89.9	779,077	91.8	228	848,910
1977-78	27	9.6	63,919	7.1	253	90.4	832,982	92.9	280	896,901
1978-79	41	12.0	108,130	9.2	302	88.0	1,063,024	90.8	343	1,171,154
1979-80	58	12.3	168,519	9.8	412	87.7	1,544,840	90.2	470	1,713,359
1980-81	127	17.9	391,885	14.8	582	82.1	2,264,218	85.2	709	2,656,103
1981-82	229	23.8	1,060,365	21.1	734	76.2	3,964,317	78.9	963	5,024,682
1982-83	276	23.4	1,229,172	20.3	903	76.6	4,818,081	79.7	1,179	6,047,253
1983-84	292	21.9	1,321,950	19.4	1,044	78.1	5,487,912	80.6	1,336	6,809,862
TOTAL	1,245	19.5	\$4,858,054	17.4	5,152	80.5	\$23,045,685	82.6	6,397	\$27,903,739