

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 86/2

1390 HHESS HB 700 - HB 709

INTRODUCTION

The information contained in this report is excerpted from material which will be submitted in a Certificate of Need application to the State of Alaska early in 1982. Detailed information regarding Fairbanks Memorial Hospital's proposed expansion plans and justification for the project will be available for review once the Certificate of Need has been submitted.

DESCRIPTION OF FACILITIES AND SERVICES

Fairbanks Memorial Hospital is located in Fairbanks, the major population and distribution center of northern Alaska. The hospital is the only non-federal, acute care facility within the boundary of the northern Alaska health service area as established by the Northern Alaska Health Resources Association, Inc. Covering 320,996 square miles, this area makes up over one-half of the total size of the State of Alaska. The population of this region is 76,656, according to the 1980 U.S. Census of Population and Housing. The size of the service area and the isolation of northern Alaska residents from access to large cities has an impact on health care services and delivery in the region. The isolation of the area's population has contributed to the development of specialized services at Fairbanks Memorial Hospital.

Hospital History

In 1968, the Sisters of Providence who operated the old St. Joseph's Hospital left the Fairbanks community. The operation of the hospital was contracted out to the nonprofit, nonsecretarian Lutheran Hospitals and Homes Society of America to manage the facility. An organization called the Greater Fairbanks Community Hospital Foundation was formed to look into the possibilities of building a new facility. The community raised over \$6 million and received another \$6 million in state and federal funds to construct a new hospital. The new Fairbanks Memorial Hospital opened its doors to the public in the spring of 1972 with 88 beds. In 1974, another 28 beds were opened, bringing the total bed number to 116.

In 1975 the hospital grew again when day rooms were converted to wards and the total number of beds was increased to 126. A second major expansion in 1978 added 29 beds, including a modern critical care unit with 14 beds, to bring the total bed complement of the hospital to 155 acute care beds.

The overall occupancy rate for the hospital the year after the new addition was completed was 63%. Occupancy increased to 66% for an annual average in 1980. During 1981 the hospital percent of occupancy has increased to over 80%.

There are several factors contributing to the increased utilization of the hospital. Among these and quite significant is a reduction in the number of beds which had been available prior to 1981. In January of 1981 ten patient beds were lost to a remodeling project which increased the space of the nursery and obstetrics department. This perinatal remodeling project was required since the hospital outgrew its ability to handle the number of deliveries for which the unit had been planned. Based on the new licensed capacity of 145 acute care beds, the average percent occupancy of Fairbanks Memorial Hospital during the first ten months of 1981 is 76%. Since June of 1981, the percent occupancy has been considerably higher than in the past. The following table gives a percent occupancy breakdown per month over the last three years.

TABLE I

FAIRBANKS MEMORIAL HOSPITAL

PERCENT OCCUPANCY BY MONTH

| | 1979 | 1980 | 1981 | |
|------------------|----------------------|----------------------|-----------------------|-----------------------|
| (Number of Beds) | <u>1979</u> (155) | <u>1980</u> (155) | <u>1981</u> (155)* | <u>1981</u> (145)* |
| <u>Month</u> | | | | |
| January | 64.97 | 71.51 | 70.39 | 75.24 |
| February | 64.24 | 72.79 | 70.60 | 75.47 |
| March | 56.09 | 70.82 | 68.74 | 73.48 |
| April | 65.81 | 71.81 | 68.82 | 73.57 |
| May | 53.29 | 62.83 | 66.06 | 70.61 |
| June | 64.00 | 69.38 | 72.30 | 77.29 |
| July | 60.27 | 66.31 | 72.53 | 77.53 |
| August | 64.25 | 61.21 | 73.03 | 78.06 |
| September | 63.81 | 64.60 | 72.82 | 77.84 |
| October | 64.14 | 60.29 | 74.90 | 80.07 |
| November | 60.39 | 61.87 | | |
| December | 59.65 | 60.71 | | |

*Due to remodeling of the obstetrics and nursery departments, Fairbanks Memorial Hospital was reduced to 145 beds in January of 1981. For comparative purposes, percent occupancy is reported on 155 beds during 1981 as if remodeling had not occurred.

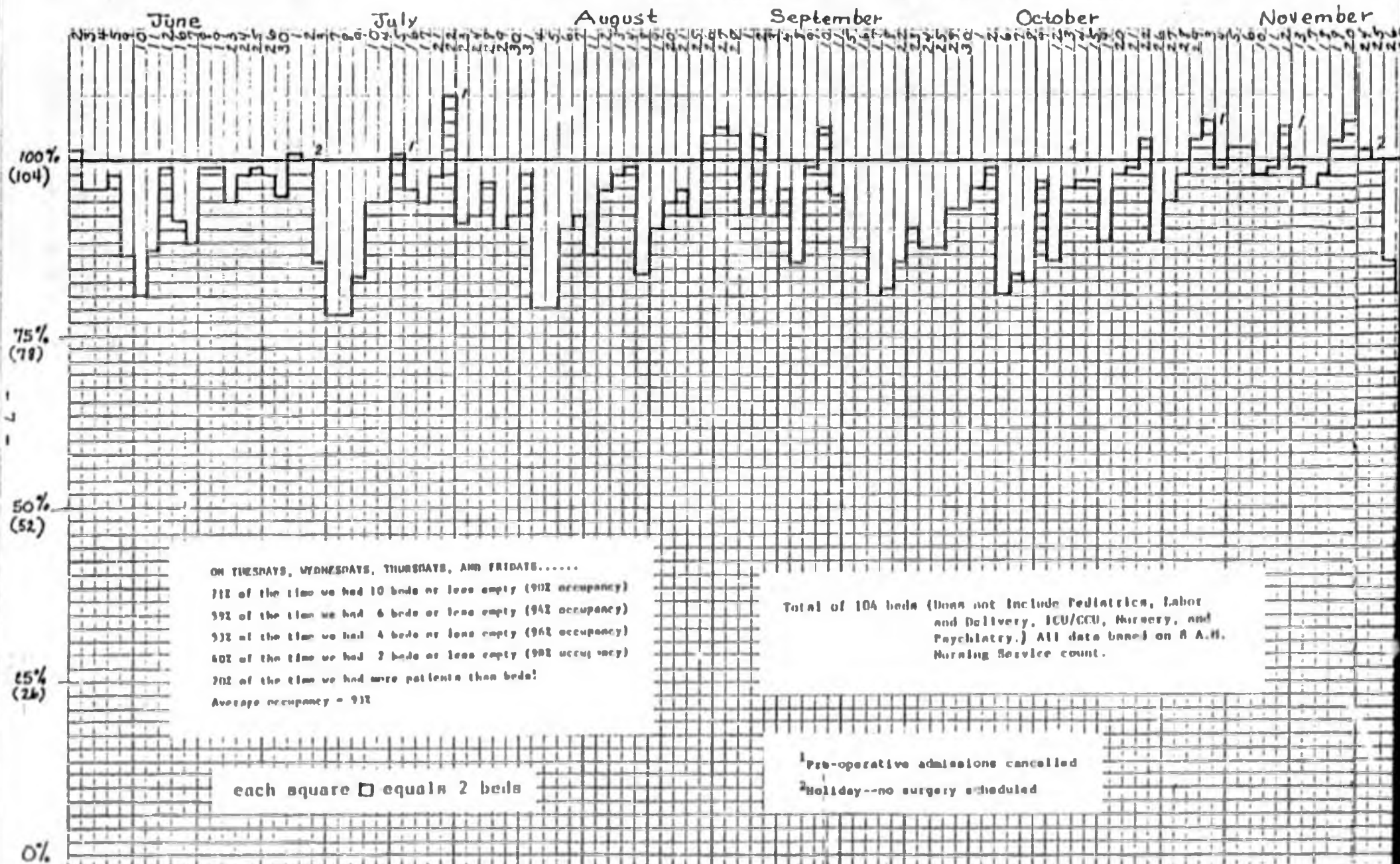
Source: Fairbanks Memorial Hospital

Normally, the hospital experiences a decline in occupancy after the summer months. This has not occurred in 1981. In fact, there has been a steady increase in occupancy rates through the fall. As shown in Table I, percent occupancy for October of 1981 was 80%, up 20% from the same time a year ago. October 1981 also marked the second busiest month in the hospital history. The only month for which more patient days have ever been recorded was during the peak of the oil pipeline impact, March 1977.

Even more significant than the overall occupancy rate of the hospital is the occupancy rate which has been experienced in certain units of the hospital. Since Fairbanks Memorial Hospital has beds set aside for specific uses, such as pediatrics, psychiatry and the critical care unit which normally experience greater fluctuation in utilization and lower overall occupancy rates, a total percent occupancy for the hospital is not a true reflection of the high rate of occupancy of certain services. Figure I demonstrates the occupancy rate of adult medical/surgical beds during the week days for the period June 1981 through November 1981. This particular time frame and days of the week were selected since June was the month in which utilization of hospital services began increasing dramatically and surgeries are not scheduled on weekends at Fairbanks Memorial Hospital. The alternative of weekend surgery at the hospital has been considered; however, this option has not been pursued as it was determined it would only lead to peak census periods earlier in the week and would not alleviate the situation of overcrowding.

Over 70% of the time, beginning in June of 1981, adult medical/surgical beds experienced at least 90% occupancy. The graph depicts times at which..

ADULT BEDS OCCUPANCY RATE ON TUESDAYS, WEDNESDAYS, THURSDAYS, AND FRIDAYS
 June 1, 1981 through November 30, 1981



Hospital Service Area

Fairbanks Memorial Hospital serves residents of the northern Alaska region. Charles Bailly and Company identified the primary service area of the hospital in a needs assessment study conducted for Fairbanks Memorial Hospital as the Fairbanks North Star Borough, minus the military bases. The Northern Alaska Health Resources Association references a slightly larger primary service area for the hospital in their Health Systems Plan: The Fairbanks North Star Borough and the Southeast Fairbanks Census Districts.¹ Both identify the service area stretching as far north as Prudhoe Bay and south to Northway and the Canadian border. The North Slope Borough and the Maniitiq regions are generally not considered a part of the primary or secondary service areas of the hospital. This is due to the fact that referrals from the Public Health Service Hospitals located in Barrow and Tanana most often are to the Alaska Native Medical Center in Anchorage rather than to the Fairbanks facility. The referral patterns are also based somewhat on existing flight schedules. A map of the service area of Fairbanks Memorial Hospital as defined by Charles Bailly and Company is included in this section. The Northern Alaska Health Resources Association has prepared preliminary population projections for the hospital's service area through 1990. Charles Bailly and Company also projected population for this same time frame. Both sets of population figures are projections excluding potential gasoline impact. Table II details the numbers.

¹Planning for Better Health, Health Systems Plan for Northern Alaska, 1980, page 198.

Figure II



MAP OF SERVICE AREA FAIRBANKS MEMORIAL HOSPITAL

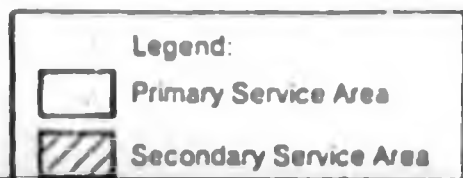


TABLE II

FAIRBANKS MEMORIAL HOSPITAL

SERVICE AREA POPULATION ESTIMATES AND PROJECTIONS EXCLUDING GASLINE IMPACT

| SOURCE | 1980 | | 1985 | | 1990 | |
|--|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
| | Fairbanks North Star Borough | Total Service Area | Fairbanks North Star Borough | Total Service Area | Fairbanks North Star Borough | Total Service Area |
| Charles Bailly and Company | 41,748 ¹ | 66,283 | 47,200 ¹ | 73,700 | 53,600 | 81,000 |
| Northern Alaska Health Resources Association | 53,983 ^{2,3} | 67,626 ^{3,4} | 58,760 ² | 73,842 ⁴ | 65,538 ² | 80,060 ^A |

¹Excludes military

²Includes military

³1980 U.S. Census

⁴Northern Alaska minus Maniilaq and North Slope Borough

Sources: Northern Alaska Health Resources Association, Unpublished statistics, November 1981.

U.S. 1980 Census of Population and Housing.

Charles Bailly and Company, report to Board of Directors, Greater Fairbanks Community Hospital Foundation, December 1981.

There has been considerable controversy regarding the population estimates from the 1980 census count. The City of Fairbanks conducted a door-to-door survey of residents in late 1981 and discovered 2,881 more residents than shown by the 1980 federal census. The City of North Pole also performed a door-to-door survey during July and August of 1981. This survey determined there were 928 residents living within the city limits compared to 724 counted by the census takers during 1980. A new census for the Fairbanks North Star Borough was not taken but the State Department of Community and Regional Affairs, through a formula, accepted the population figure at 51,659, excluding Eielson Air Force Base. This resulted in a total population for the Fairbanks North Star Borough and military bases of 58,313.²

There are several indicators within the community of Fairbanks and the North Star Borough that growth in population is occurring during 1981. Indicators of this growth include increases in the dollar value of building and zoning permits which have been issued. The value of the permits issued in the total Borough is up 60% during the second and third quarters over the same period during 1980. Results of an annual housing survey indicated that the vacancy rate during June of 1981 was 3.3%, compared to 9.1% during June of 1980. Numbers of commercial and residential electrical customers are up approximately 5% and average daily traffic counts in the Fairbanks metropolitan area have increased between 12% and 25% in most areas.³

²Conversation with Terrence May, Division of Local Government Assistance, Department of Community and Regional Affairs, State of Alaska, December 21, 1981.

³Unpublished statistics, Community Research Center, Fairbanks North Star Borough, December 1981.

Projected Utilization and Need

The Charles Bailly and Company needs assessment study currently has a bed shortage of approximately ten medical/surgical beds. They projected that bed need by 1990 would be 40 additional beds. This projection was made excluding impact the proposed natural gas pipeline could have on the population of the region.

Their estimates included increased utilization by Alaska Natives from the interior region of the state. This was based on the assumption that the proposed closure of Tanana Hospital would occur. This proposal, which has been endorsed by the Tanana Chiefs Regional Health Board and the Alaska Native Health Clinic in Fairbanks, proposes closure of the facility for inpatient acute care in October of 1982.

Other factors which could dramatically affect utilization of Fairbanks Memorial Hospital include changes in the composition of military population and/or military health care personnel and building of the proposed Alaska natural gas pipeline and associated petrochemical development.

Bassett Army Hospital provides services to military personnel and dependents in the region. Bassett currently has the capacity to operate at approximately 80 beds. There are 19 physicians assigned to the hospital. In the past, Bassett Army Hospital has experienced shutdown of certain services due to nonavailability of personnel. For the present, it is expected that the level of services which they currently have will be maintained. This would mean that Fairbanks Memorial Hospital is used by the military and dependents only on an emergency basis for specialized

care which cannot be provided at Bassett Army Hospital.

During late 1981, Eielson Air Force Base began to add personnel to the base associated with the A-10 close air support aircraft. It is expected that by mid-May of 1982 there will be a substantial increase in the base as well as the dependent population as a result of the arrival of these new aircraft. Information from the Commander's office of Eielson Air Force Base indicates that Eielson will add 600 military personnel as a direct result of this project. Their estimate is that approximately 1,300 new people will relocate in the Fairbanks North Star Borough by late spring.⁴

Although there is no guarantee at this date that the proposed Alaska gasline project will develop, it is expected that the project will begin at sometime within the next few years. The route for the gasline would be along the highway system. This would mean that Fairbanks Memorial Hospital would be required to provide services to people connected with this project. Table III reflects activity from 1973 through 1976 at Fairbanks Memorial Hospital. This was during the building of the Alaska oil pipeline. As statistics indicate, the impact on hospital services was significant. Emergency room visits more than doubled, while admissions and patient days increased almost 70% over this three-year period. While this building project is not a reaction to anticipation to the construction of the gasline project, consideration of the possible impact is relevant.

⁴Telephone conversation with Colonel Carl Granberry, Eielson Air Force Base, December 16, 1981

TABLE III
 FAIRBANKS MEMORIAL HOSPITAL
 HOSPITAL ACTIVITY
 1973-1976

| | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>% Change 1973-1976</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------------------------|
| Admissions | 4,959 | 6,139 | 7,397 | 8,266 | 67% |
| Patient Days | 23,541 | 28,682 | 36,789 | 39,839 | 69% |
| Average Daily Census | 65 | 78 | 101 | 109 | 68% |
| Percent of Occupancy | 56% | 68% | 87% | 91% | 63% |
| Average Length of Stay (days) | 4.8 | 4.7 | 5.0 | 4.8 | -- |
| Emergency Room Visits | 9,867 | 13,481 | 19,333 | 19,975 | 102% |

Source: Fairbanks Memorial Hospital

DESCRIPTION OF THE PROJECT

Fairbanks Memorial Hospital proposes to add a total of 38 acute care beds, thus bringing licensed occupancy of the hospital up to 183 beds. In addition to the 38 beds, the hospital is also proposing that additional ancillary and administrative services be added. These are required to accommodate the increased number of beds. The hospital also proposes to shell two additional floors so that in the future they might be completed at a lower cost and with less disturbance to the hospital.

During the last construction project in 1978, the departments of laboratory, radiology, operating room, recovery room and intensive care were addressed. At that time these services were oversized so that no major revisions and/or additions would be required during this phase of expansion. It is projected, however, that other services such as administration, medical records, business office, data processing and educational areas will require relocation to the new facility in order to accommodate expansion of the laundry, central supply and storage, operating room storage, pharmacy, admitting, occupational therapy and respiratory therapy.

In order to accomplish the expansion project it is proposed that a new five-story tower be added to the hospital which would run perpendicular to the original four-story building. This new tower will be located in what is now the front parking lot of the hospital. The new tower will consist of a full basement area for storage and data processing,

a first floor which will be utilized for the relocation of administrative, medical records, education and nursing offices, a second floor patient care wing which will house 40 acute care beds, plus two additional shelled floors which will not be completed at this time. An additional fifth floor will be added which will house all mechanical and electrical equipment required for the new tower. In addition, the hospital will be expanding its dietary and mechanical areas on the ground floor of the present building. These two areas have not been addressed since the hospital was constructed in 1972.

The new beds which will be designated medical/surgical will be located on the second floor of the tower. These beds will comprise a new 40-bed ward. Since a corridor will be required from the second floor of the present tower, this will mean that two beds will be lost in the present building, thus adjusting the net gain to 38 beds.

Listed below you will find a detailed explanation of the additions and/or alterations which will occur in the expansion of Fairbanks Memorial Hospital.

1. Respiratory Therapy

Respiratory therapy currently occupies space in the addition completed in 1978. Since the current location is relatively close to the intensive care unit, it is projected that no changes should take place in the relocation of this service. Additional space is required for this department. The only expansion possibility for respiratory therapy in its current

location is into the educational offices located proximal to the department. It is anticipated that this additional space will give respiratory therapy adequate room to service the expanded needs of the hospital.

2. Occupational Therapy

Occupational therapy is currently located in the physical therapy area. Since it is projected that physical therapy will need additional area in order to accommodate the increased workload, the best alternative is to relocate the occupational therapy department. Since both occupational and physical therapy work together on many patients, it would be difficult to locate the occupational therapy department a great distance from the current physical therapy department. It is recommended that the best location would be directly adjacent to the physical therapy department in an area which is currently a conference room and an administrative office. In addition to being in close proximity to physical therapy, very little physical modification will be required in order to make this area acceptable as an occupational therapy department.

3. Central Supply

Central supply will need additional area in the expansion in order to service the additional bed requirement. In addition, the current surgery area is lacking in terms of storage and service capabilities in regards to

processing instruments and supplies. It is the intention that in the expansion surgery and central supply should be connected in order to develop a centralized processing area for both departments. This will not only create efficiencies but possibly will save manpower in the future.

4. Laundry:

With the relocation and addition of surgery/central supply, the laundry will have to be relocated in addition to being expanded. This is required due to the fact that the capacity of the laundry is at approximately 95%. With the additional beds, this area will require expansion. It is projected the best possible expansion for the laundry is towards the rear of the building in the current area occupied by the laundry, auxiliary office and a multipurpose/educational room. It is imperative that the laundry maintain a close proximity to the boiler room because of utility connections.

5. Surgeons' Lounge

The current surgeons' lounge is totally inadequate in terms of the number of locker facilities available. Since the original hospital was built, no additions and/or modifications have occurred to the current surgeons' lounge. It is projected the best relocation would be towards the back of the facility, but still opening on to the surgery suite. These additional locker facilities are required due to the number of surgeons working in the hospital.

6. Pharmacy

Due to an increased area in central supply, it is projected that the pharmacy will have to be relocated. Since the pharmacy is a key service department and is required to service each floor, it is mandatory that the department maintain a centralized position in the core area of the hospital. This will not only create efficiencies from the service standpoint but will also allow the availability adding additional pharmacy services such as a 24-hour pharmacy in the future when required. It is projected that the pharmacy would be relocated to the current medical records department. With this relocation, very little remodeling will be required. In addition to receiving the medical records department area, the pharmacy will also receive the current gift shop and storage area. This area will be adequate in terms of square footage for the pharmacy department.

7. Admissions

Because of increased pressure on the admissions department due to the number of patients utilizing the hospital, it is projected that this area will need additional space. The current admissions department is divided into two areas -- one for people being admitted to the hospital and the other for emergency room patients. It is the objective in altering and remodeling this area to bring both of these areas into a centralized admitting area. This will be done to promote efficiency while at the same time increasing the service capacity of the department.

8. Food Service

The current dietary department was built in 1972 for a 116-bed hospital. Since that time no additions and/or remodeling activities have occurred in this area. Since the hospital has grown tremendously since that time, many inefficiencies have occurred in the area. In order to accommodate additional patient services, this department requires expansion. This expansion will consist not only of expanding the food preparation area but also an expansion on to the current cafeteria.

9. Boiler Room Expansion

It is expected the new tower will require an additional boiler, both for the current expansion and for future shelled-in floors. This boiler expansion will be an actual extension of the current boiler room. The current boiler room now has two large boilers which heat the total facility. The addition of a third boiler will bring the capacity of the heating plant up to meeting the needs of the new addition.

Because of the relocation, addition and modification of the ancillary services, the administrative areas will be relocated to the first floor of the new addition. These areas include medical records, nursing service administration, business office, library and educational facilities. These services will be sized in order for additional expansion in the future. In addition, the hospital will attempt to maintain efficiencies by combining office requirements so that such innovations as secretarial pools can be utilized. Again, the hospital is looking at the remodeling

and/or expansion from a standpoint of efficiency and utilization of personnel.

1. Medical Records

Medical records will be relocated to the first floor of the new addition. This area will not only include medical records and transcription but will also include a doctors' dictating area and lounge. It is imperative that these two be in close proximity in order to maintain efficiencies in the department.

2. Administrative

It is the proposal to combine all administrative offices into a suite in order to combine related functions in addition to utilizing central secretarial support. This area will include administration, nursing service administration, planning, public relations and educational offices. Since there is a close working relationship between these departments, it is not projected that additional secretarial manpower will be needed, even with additional workloads due to the relocation and revisions suggested above.

3. Data Processing

Data processing will be located in the basement of the new addition. This will provide flexibility for this department to expand in the future and will also give the area some amount of stability and assurance that it will not be relocated. Each relocation of data processing is very costly

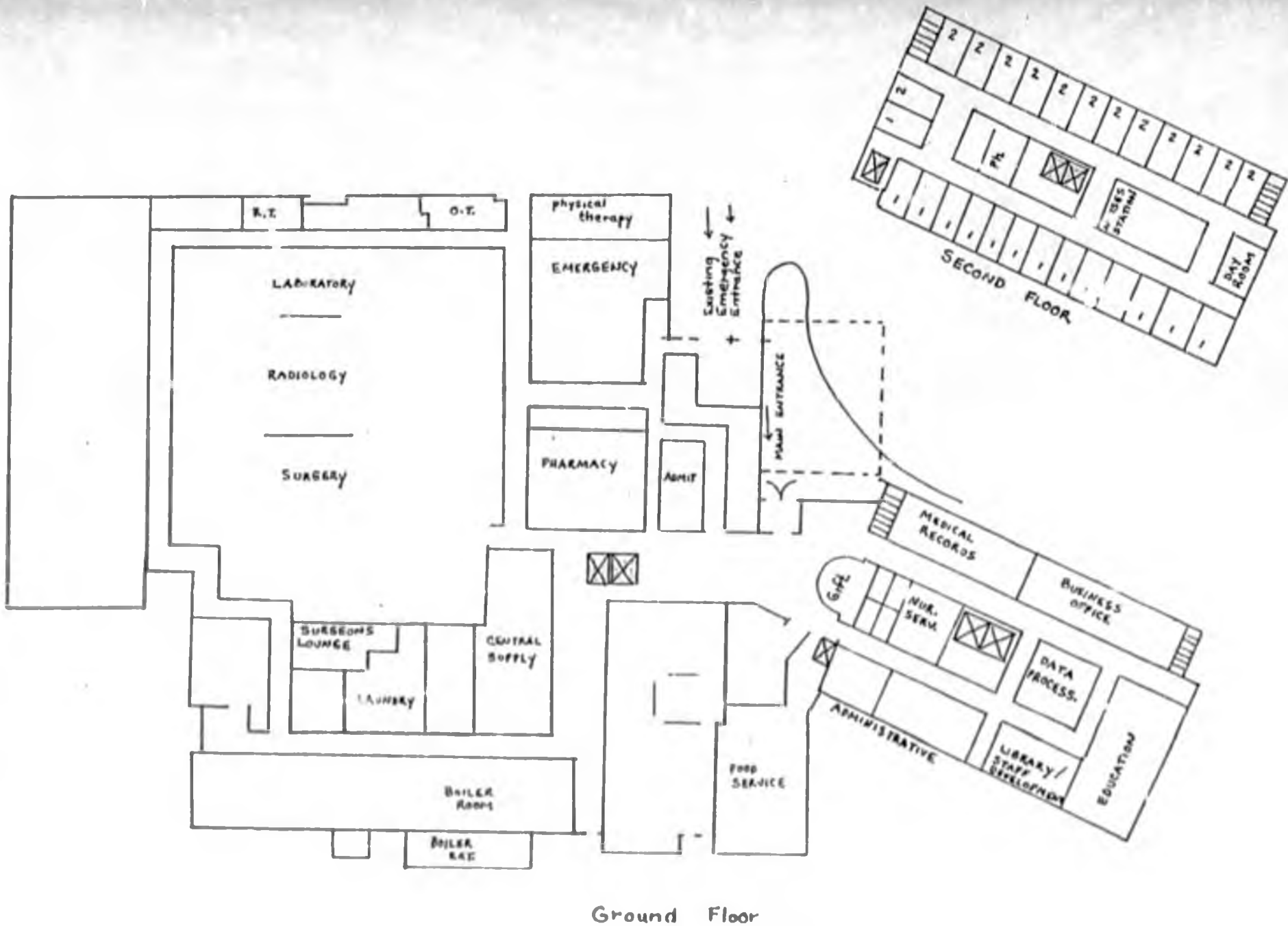
from the standpoint of repulling all cables to terminals throughout the hospital.

4. Educational Conference Room

One area which requires addressing in the new addition is that additional educational and meeting rooms be added. At the present time the hospital is very short of meeting rooms. In addition, the hospital has no conference room which will adequately seat more than 35 to 40 people. This is very difficult with a medical staff consisting of almost 100 members with frequent meetings. Other groups in the community and other hospital personnel also utilize these meeting areas. It is the intent to make these meeting rooms as flexible as possible thus utilizing the concept of movable walls to either create large or small meeting facilities.

The second floor of the new addition will contain 40 medical/surgical patient beds. This floor will be designed in the same context as the present facilities, thus utilizing both semi-private and private rooms. In addition, it is projected that a day room can be added so that ambulatory patients and families might utilize this area. The interior design of the nursing care unit will be approximately the same design as was used in the current hospital except that the nursing station will be sized larger. It is projected, however, that all the requirements of facilities will be met, including soiled and clean utility rooms, janitors closets and so forth.

It is the intention of the hospital that a third and fourth story be added to the project. These areas would not be finished at the present time but would be shelled in and indirectly heated. This proposal will make sense purely from an economic standpoint when reviewing the financial projections. In addition, there would be major problems from a construction standpoint when adding two additional floors to the tower. The fifth floor on the new hospital would be a penthouse which would house all of the utilities and maintenance facilities. In addition, this area would be sized to include space so that additional utilities could be located in this area when the third and fourth floors would be completed.



Ground Floor

FINANCING

Introduction

The hospital proposes to finance the construction of the new addition to Fairbanks Memorial Hospital through a direct grant from the State of Alaska. This grant would provide the opportunity for Fairbanks Memorial Hospital to maintain a quality medical center without adding additional costs to the patient. It is projected, however, that if a partial grant were received, then the hospital would be in a position to utilize the Medical Facility Authority to sell bonds in order to receive the financing necessary. As you can see from the article attached, Fairbanks Memorial Hospital has historically maintained the lowest rate structure in the state. In addition, Fairbanks Memorial Hospital can compete with many areas in the lower 48. This has been possible through the commitment of legislators, Foundation members and community citizens to maintain the hospital as debt free as possible.

It is projected that the total construction cost of the project described in the Fairbanks Memorial Hospital additions and alterations - 1982 will consist of \$20,000,087. This includes the shelling in of two additional floors for future expansion purposes. The project cost includes all equipment in addition to construction costs. These additions and alterations to our hospital will give Fairbanks Memorial Hospital the ability to meet the additional patient needs in our area in the future.

As you are well aware, the hospital is open and available to anyone in our community who requires medical care regardless of their ability to pay. Thus, all citizens of our community benefit by any help which you can lend towards the enactment of this project.

Financing Narrative

The Hospital Foundation is currently looking towards financing the new addition by applying to the State of Alaska for a 100% grant for the cost of the new addition.

The hospital originally utilized the Alaska Medical Facility Authority in 1978 when \$12 million worth of tax-exempt bonds were sold in order to provide the financing for the addition which was completed in November of 1978. Using the Authority for total bonding of the proposed addition would take into consideration that currently on the books through the state revenue sharing/construction funds is the possibility for the hospital to receive 25% of the total construction cost of the new addition. This total construction cost would not only include the cost of construction but also the interest which the hospital would be paying on the tax-exempt bonds. Because the 25% could be deposited with the bond trustee and earn interest while at the same time amortizing debt service, it was originally estimated that this would be the least expensive way to pay for the new addition. Because of the state injecting 25% of the cost up front in both construction and interest dollars, there is a problem with overissuance of the bonds. This would mean that the hospital would not be able to totally bond the project because the interest earned off the construction revenue sharing dollars deposited with the trustee

would be greater than that which would be paid on the bond issue. This could get the hospital into a position of arbitrage, thus jeopardizing the tax-exempt status of the bonds. In order to explain this further, it might possibly be helpful to quote a definition of arbitrage, which is "buying of bills of exchange, stocks, bonds, in one market and selling them at a profit in another market." In other words, the hospital would be earning more interest off of the funds deposited with the trustee than the hospital would actually be paying on the bond issue.

There are some possibilities to get around the overissuance and arbitrage problems, and these are being looked into at the present time. However, we are projecting this as a last alternative in financing of the new building. It is projected that if the hospital went by this method in issuing tax-exempt bonds for the total amount, the net debt service would amount to \$50.40 per patient day. This is fairly excessive considering other possibilities.

FAIRBANKS MEMORIAL HOSPITAL
PROJECTED COST OF ADDITION AND ALTERATIONS

New Construction

| | |
|------------------------------|--------------|
| Basement | \$ 2,746,125 |
| Ground Floor | 4,567,400 |
| Second Floor | 3,200,000 |
| Third and Fourth Floor Shell | 3,193,000 |
| Fifth Floor Mechanical | 1,600,000 |
| New Canopy | 225,000 |

✓ 3.2 M.

Total New Construction \$15,531,525

Alterations 1,752,000

Total Construction Cost \$17,283,625
(Includes architectural and engineering costs)

Equipment 1,200,000

Building permit, legal fees, development and landscaping costs, insurance 107,400

Contingency 1,409,062

Total Project Cost **\$20,000,087**

Total Square footage 107,607

Cost per square foot \$185.86

Cost / bed available 120 u. \$500,000 / bed

Position Paper
House Bill 700

"An act making a special appropriation for payment as a grant to the Fairbanks North Star Borough for Fairbanks Memorial Hospital expansion and improvement; and providing for an effective date."

House Bill 700 and Senate Bill 691 make special appropriations of \$20,000,000 in the form of a grant to the Fairbanks North Star Borough for expansion and improvement of the Fairbanks Memorial Hospital. The Department of Health and Social Services has received an application for a certificate of need from Fairbanks Memorial Hospital (submitted 1-18-82) which proposes remodeling of portions of the existing facility and a 107,607 square foot addition at a projected cost of \$20,000,087. The proposed addition is to include five floors, two of which are shelled-in space for future use. Approximately \$3,000,000 of the total projected cost is attributed to the shelled-in space. ✓

The certificate of need (review), which is expected to be completed by mid-April, 1982, will address the following aspects of the proposed project which are pertinent to a consideration of state financial assistance: ✓

- the need for additional acute care beds in the Fairbanks Memorial Hospital service area;
- the relationship of the project to other health care providers in the area;
- the anticipated impact of the project on hospital operating costs, revenues, and patient charges;
- the financial feasibility of the project;
- the cost-effectiveness of constructing shelled-in space for future use

In the certificate of need application Fairbanks Memorial Hospital has considered several alternative financing methods ranging from total State funding by means of a grant to total self-financing by means of tax-exempt bonding. The application states the facility's desired financing method as follows:

The Hospital Foundation is currently looking towards financing the new addition by applying to the State of Alaska for a 50% grant for the cost of the new addition. This grant would exclude the third and fourth floors for future expansion. The Foundation is requesting that the State of Alaska fund the third and fourth floors or \$3.1 million at 100%. The remaining 50% of the addition would be bonded through the Alaska Medical Facilities Authority using the mechanisms which are currently in place.*

* Fairbanks Memorial Hospital Certificate of Need Application, January 1982, page 104.

Other possible funding sources for hospital and nursing home construction are limited. Under AS 29.90 municipalities or other hospital or health facilities sponsors may receive reimbursement for up to 25% of total project costs. This partial reimbursement is available only to those facilities which have successfully secured financing and have completed a health facility construction project. Most rural facilities do not have the capacity for debt required for securing financing.

Under AS 18.26 medical facilities may apply to the Alaska Medical Facility Authority for State backing relative to the sale of tax-exempt bonds for the purpose of financing medical facility construction. One project has been financed through this program to date -- a 1978 Fairbanks Memorial Hospital expansion project in the amount of approximately \$12 million. Alaska Hospital and Medical Center, Anchorage, is presently working with the Authority to determine the viability of this funding approach for refinancing that facility and the acquisition of the adjacent professional office building.

One determination which the Authority must make before bonds may be issued under this statute is that the lease or operator agreement for the medical facility being financed by that issue is at least sufficient to meet all obligations in connection with the lease or operator agreement, including all costs necessary to service the bonds. This prerequisite essentially disallows use of the program by rural facilities, most of which do not have more than a minimal capability to service bonds.

The Department is conducting an inventory and condition survey of rural Alaskan hospitals and nursing homes to determine physical condition and functional adequacy and to identify means for upgrading facilities and correcting deficiencies. The inventory was focused on rural facilities because of the Department's awareness of insufficient tax bases in the smaller communities to correct recurring problems identified through the Department's regular licensing and certification processes and architectural reviews. Fairbanks Memorial Hospital, in one of the state's more urban settings, was not included in this inventory.

Recommended by: Phoebe A. Lindsey
Phoebe A. Lindsey, Director
Division of State Health
Planning & Development

Date: February 16, 1982

Approved by: Helen D. Beirne
Helen D. Beirne
Commissioner

Date: 2-16-82

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 700
 Title An Act making a special appropriation for payment as a grant...
 Requested by Department of Health & Social Services Date 2-8-82

II. FISCAL DETAIL

Agency Affected Health and Social Services
 Program Category Affected Health
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | -0- | | | | |
| 200 TRAVEL | | -0- | | | | |
| 300 CONTRACTUAL | | -0- | | | | |
| 400 COMMODITIES | | -0- | | | | |
| 500 EQUIPMENT | | -0- | | | | |
| 600 LAND & STRUCTURES | | -0- | | | | |
| 700 GRANTS, CLAIMS, ETC. | | -0- | | | | |
| TOTAL | | -0- | | | | |

FUNDING (Thousands of Dollars)

| | | | | | | |
|------------------------|--|-----|--|--|--|--|
| GENERAL FUND | | -0- | | | | |
| FEDERAL FUNDS | | -0- | | | | |
| OTHER (Specify Source) | | -0- | | | | |
| | | | | | | |

POSITIONS

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

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This bill does not directly impact the Division of State Health Planning and Development. The amendments proposed do not change the original fiscal note which projected a -0- impact.

IV. DATE February 2, 1982 PREPARED BY Dave H. Williams *Phoebe Lindsay* *JCC*
 AGENCY DHSS - State Health Planning & Development
 Original: Legislative Finance PHONE 465-3038
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/61)

3/3/82 Better than 17
- CON

- SHELL - competition?

Costa MS 365

10 beds

maxima -

Population served?

NO well 29.90

HB - 846

HB
201

COMMITTEE REPORT

HOUSE

FURTHER: *Judiciary*
3/20 10:00 AM

(5)

1/29/82

Date: 3/1/79

Mr. Speaker:

The Committee on HEALTH, EDUCATION & SOCIAL SERVICES has had HB 701

"An Act relating to the award of damages by the Human Rights Commission."

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

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation (x) Zero fiscal note attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

H Malone

L Smith

John S...

John S...

CHAIRMAN

A M E N D M E N T

OFFERED IN THE HOUSE:

By: HESS

To: _____ HOUSE BILL No. 701

SENATE BILL No. _____

PAGE: 1

LINE: 19

Delete "reasonable" and "."

Add after "suffering"? "...in an amount not to exceed

\$1,000 for each unlawful practice or violation."



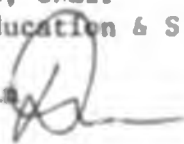
Alaska State Legislature

House of Representatives

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Rep. Mike Birne, Chair
House Health, Education & Social Services Committee

FROM: Rep. Don Clocksin 

SUBJECT: HB 701--Relating to the award of damages by the Human Rights Commission

DATE: March 16, 1982

I. Introduction

House Bill 701, which I introduced, has been referred to your committee. The bill is intended to provide meaningful relief for all victims of unlawful discrimination who file a complaint with the Human Rights Commission (HRC). HB 701 authorizes the Human Rights Commission to award actual and compensatory damages in all cases of unlawful discrimination.

II. Background/Need for Bill

The bill corrects the inequitable outcome of McDaniel v. Cory, 631 P2d 82 (1981), decided by the Alaska Supreme Court. A copy of the opinion is attached. In that case, the HRC found that an Anchorage nightclub had engaged in unlawful discrimination in public accommodations by verbally and physically abusing a Black patron and by using racially discriminatory admission prices. The conduct was particularly outrageous in this case, and I recommend your reading about it in footnotes 3 and 5 to the court opinion.

In addition to enjoining the club from future racial discrimination, the HRC awarded "compensatory and punitive" damages of \$600 to the victim. The Alaska Supreme Court, although agreeing that unlawful discrimination had taken place, ruled that the HRC could not award such damages because it did not have express statutory authority to do so.

III. Current Law

Current law gives the HRC authority to award actual damages and other relief in cases of housing and employment discrimination. However, the statutes are silent on awarding damages in cases of discrimination involving public accommodations, financing practices and state practices. The statutes are also silent on whether the HRC can award damages to a person who has suffered humiliation and embarrassment as a result of discriminatory practices, but who cannot show a direct, calculable loss.

IV. Support

HB 701 will assist the HRC in effectively deterring discriminatory practices as well as provide fair compensation for victims of discrimination. The changes proposed by the bill were unanimously endorsed by the Human Rights Commission on January 9, 1982.

I encourage your support and favorable action on this bill.

Don I. McDANIEL, Larry Lewis, Northern Lights Cocktail Lounge, Inc., d/b/a Northern Lights Disco, Appellants/Cross-Appellants,

v.

Karen W. CORY, Marian Berry, Doreed Schwartz, Michael Rogers, Niel Thomas, LaVon Williams, and the Alaska State Commission for Human Rights, State of Alaska, Appellees/Cross-Appellants.

No. 4793, 4794.

Supreme Court of Alaska.

July 10, 1981.

Management of cocktail lounge appealed from Commission for Human Rights decision requiring that certain person be paid compensatory and punitive damages and that owner and lounge refrain from racially motivated discriminatory treatment of patrons and eliminate their admission policy which discriminated among customers on basis of race and sex. The Superior Court, Third Judicial District, Anchorage, Peter J. Kalamarian and Victor D. Carlson, JJ., reversed award of \$400, upheld the rest of the Commission's decision and awarded Commission costs and attorney fees, and cross appeals were taken. The Supreme Court, Burke, J., held that: (1) Commission did not have power to award compensatory and punitive damages; (2) Commission was not precluded from holding hearing in the case on theory that the dispute had been settled by conciliation, in light of fact that no settlement had been achieved; (3) Commission's finding that lounge's treatment of certain persons had been racially motivated was supported by substantial evidence; (4) Commission's refusal to award attorney fees to lounge's management was not abuse of discretion; and (5) awarding Commission its costs and attorney fees in the Superior Court appeal was abuse of discretion.

Affirmed in part, reversed in part and remanded.

Rabinowitz, C. J., dissented in part and concurred in part and filed opinion.

1. Civil Rights — 62, 65

Power of Commission for Human Rights was limited to those remedial actions specifically provided by statute; Commission did not have power to award compensatory and punitive damages in case involving discrimination in a place of public accommodation. AS 18.80.010 et seq.

2. Civil Rights — 65

Commission for Human Rights was not precluded from holding hearing in case involving discrimination in cocktail lounge on theory that the dispute was settled by conciliation, in light of fact that no settlement had been achieved under circumstances under which no other party signed proposed settlement agreement after management of lounge in effect proposed a counteroffer by changing terms of such agreement by substituting a \$25 award for a proposed award of \$2,000 to certain party. AS 18.80.110, 18.80.120.

3. Civil Rights — 65

Only limitation on Commission for Human Rights, in regard to its findings, is that they be supported by substantial evidence.

4. Civil Rights — 64

Commission for Human Rights' finding, which was contrary to hearing examiner's determination and which was to effect that cocktail lounge's treatment of certain persons had been racially motivated, was supported by substantial evidence. AS 18.80.230(1).

5. Civil Rights — 65

Commission for Human Rights' refusal to award attorney fees to cocktail lounge's management, which was losing party of administrative hearing stage in discrimination case, was not abuse of discretion, particularly in light of fact that, contrary to management's contention that the case had been settled by conciliation prior to the hearing, no settlement had been reached. AS 18.80.120(e).

6. Administrative Law and Procedure — 62, 65

An award of attorney fees, in an appeal to superior court from determination

of an administrative agency, is governed by provisions of the appellate rules, rather than the civil rules.

7. Civil Rights — 64

Awarding costs and attorney fees to Commission for Human Rights in superior court appeal from decision of Commission in a discrimination case was abuse of discretion, in light of fact that management prevailed on the central issue of whether Commission had power to award damages. Rules of Appellate Procedure, Rule 29(d).

8. Civil Rights — 66

State was a party and a proper party to appeal from Commission for Human Rights' decision in discrimination case, though state was not specifically named as a party. AS 44.80.010.

9. States — 215

Where one of the named parties to suit is a state agency, state is also a party to the action and may be awarded attorney fees if such an award is otherwise proper. Rules of Appellate Procedure, Rule 29(d); AS 44.80.010.

Lawrence W. Erwin, Anchorage, for appellants/cross-appellants.

Ivan Lawner, Asst. Atty. Gen., Anchorage, Avrum M. Gross, Atty. Gen., Juneau, for appellees/cross-appellants.

1. During the four year period of this litigation, the Northern Lights Disco closed.

2. Larry Lewis, manager of Northern Lights Cocktail Lounge, Inc., was later also made a respondent in the administrative proceedings. As of November 22, 1977, Larry Lewis was no longer employed at the Northern Lights Disco. The record does not disclose whether he has rejoined the Northern Lights Cocktail Lounge, Inc., organization in the intervening two years.

3. Her complaint alleged that on November 8, 1976, she and her date, Eric Lawrence, went to the Northern Lights Disco. Both Williams and Lawrence are black. As she was leaving, McDaniel pushed her and said, "Well, what about the niggers?" When her date, Lawrence, criticized McDaniel's treatment of Ms. Williams, McDaniel said, "I don't like any of you, and I don't want any of you in this club anyway." An altercation ensued between the two

Before RABINOWITZ, C. J., and CONNOR, BURKE and MATTHEWS, JJ.

OPINION

BURKE, Justice.

This appeal involves questions of administrative remedies and procedure under AS 18.80, the statutory enactment which created and defines the authority of the State Commission for Human Rights.

On November 10, 1976, LaVon Williams filed a complaint with the Alaska State Commission for Human Rights (hereinafter referred to as Commission) charging the Northern Lights Cocktail Lounge, Inc., d/b/a Northern Lights Disco, and its owner, Don McDaniel, (hereinafter collectively referred to, along with Larry Levin, as Disco Management)² with racial discrimination in a place of public accommodation.³ Pursuant to the administrative procedures set forth in AS 18.80.110,⁴ her complaint was investigated by Karen Cory and Doreed Schwartz, Commission investigators. They went to the Northern Lights Disco on the evening of November 12, 1976 and were also subjected to acts of race and sex discrimination at the establishment. The disco apparently charged different admission fees depending upon the race and sex of the individual seeking entry.⁵ Cory and

men resulting in McDaniel being arrested for assaulting Mr. Lawrence.

4. AS 18.80.110 states:

Investigation and remediation.
The executive director or a member of the commission's staff designated by the executive director shall informally investigate the matters set out in a filed complaint, promptly and impartially. If the investigator determines that the allegations are supported by substantial evidence, he shall immediately try to eliminate the discrimination complained of, by conference, conciliation, and persuasion.

5. When viewed together, all the complaints and affidavits filed in this case evidence the following admission policy. All persons except unescorted white females were charged \$1.50 admission at the disco. As a further condition of admission, each patron (except unescorted

Schwartz thereafter filed a separate complaint along with two other individuals, Marian Berry and Michael Rogers, who were present at the disco that evening and also subject to the discriminatory admission price structure. The LaVon Williams complaint was later consolidated with the complaints of Cory, Schwartz, Berry and Rogers.

Pursuant to AS 18.80.110, the normal procedure for settling these complaints of discrimination informally through conference, conciliation and persuasion was attempted. On December 2, 1976, a pre-decision settlement agreement was proposed which essentially evidenced an agreement between the parties that the Disco Management would eliminate the complained-of discriminatory admission price scheme. The pre-decision settlement also contained several clauses providing monetary compensation "in consideration of [his or her] termination of these proceedings" for several of the complainants in the action. The Disco Management agreed to pay compensation in the

white females) was required to buy a ticket for \$2.50 which would then be redeemable for a drink (the price of which could not exceed \$2.50). Blacks were required to buy two tickets per person and whites, one per person. The price structure of the disco was as follows:

| | |
|--|---------|
| 1) White, unaccompanied females / no tickets | \$ 0 |
| 2) Males (black or white) / two tickets | \$ 5.00 |
| 3) White couples / two tickets | \$ 7.00 |
| 4) Black female (alone) / two tickets | \$ 6.00 |
| 5) Black couples / four tickets | \$12.00 |

This admission policy was apparently not strictly enforced; when Ms. Williams and her date went to the disco, they were only charged \$2.00 to enter.

6. McDaniel's addition of "case # 76-7176" was in reference to a criminal action for assault and battery filed by Ms. Williams against McDaniel. Although the record on appeal does not contain any details about this case, it was apparently subsequently dismissed.

7. 6 AAC 30.050(b) provides the procedure for appointment of hearing commissioners and hearing examiners:

The chairperson shall appoint at least three hearing commissioners to conduct the hearing or to appoint a hearing examiner pursuant to sec. 55 of this chapter.

6 AAC 30.050(a) further sets out the method for appointment of a hearing examiner by the hearing commissioner:

amount of \$25.00 to Marian Berry and Michael Rogers. However, the clause awarding LaVon Williams \$2,000.00 met with considerable opposition from the Disco Management. Consequently, before Don McDaniel signed his name on the settlement agreement, the \$2,000.00 figure was scratched out and was replaced with \$25.00, and a new clause added to the terms of the agreement so that it read: "\$25 in consideration of her termination of these proceedings and her agreement to a civil compromise of case # 76-7176." As a result, the pre-decision settlement was never signed by all parties.

Because the settlement procedure failed to produce a settlement which all parties could agree to, the Commission proceeded with formal hearing procedures. On November 24, 1976, the chairperson of the Commission appointed three hearing commissioners who in turn appointed a hearing examiner on December 14, 1976.⁹ On December 17, 1976, the hearing examiner held a hearing pursuant to AS 18.80.120.⁹

If the hearing commissioners appointed by the chairperson determine that delay may be avoided or special expertise in the subject matter is required, they will appoint a qualified, unbiased, and impartial hearing examiner with experience in the general practice of law, to take evidence at a hearing and to rule on its admissibility.

8. AS 18.80.120 provides:

Hearing: If the informal efforts to eliminate the alleged discrimination are unsuccessful, the executive director shall inform the commission of the failure, and the commission shall serve written notice together with a copy of the complaint, requiring the person, employer, labor organization or employment agency, charged in the complaint to answer the allegations of the complaint at a hearing before the commission. The hearing shall be held by the commission at the place where the unlawful conduct is alleged to have occurred unless the person, employer, labor organization or employment agency requests a change of venue for good cause shown. The case in support of the complaint shall be presented before the commission by the executive director or his designee who shall be a bona fide resident of the state. The person charged in the complaint may file a written answer to the complaint and may appear at the hearing in person or otherwise, with or

Prior to the hearing, the Disco Management moved to dismiss the complaint on the ground that the Commission had no jurisdiction to hold a hearing since conciliation had been effected. Their motion stated:

On December 2, 1976, respondent Don L. McDaniel on behalf of all respondents executed a Pre-Decision Settlement Agreement ... prepared by the Alaska State Commission for Human Rights agreeing to "eliminate the discriminations complained of" (A.S. 18.80.110) and respondents have agreed to "eliminate the alleged unlawful discriminatory practices by conference, conciliation, and persuasion," (6 A.A.C. 30.040), with the only amendment by the respondents being that they would not pay LaVon Williams the sum of Two Thousand Dollars (\$2,000.00) in consideration of her terminating the proceedings.

The hearing examiner denied the motion and the hearing took place as scheduled.

On January 17, 1977, the hearing examiner issued his proposed memorandum of deci-

without counsel, and submit testimony. The executive director has the power reasonably and fairly to amend the complaint, and the person charged has the power reasonably and fairly to amend his answer. The commission is not bound by the strict rules of evidence prevailing in courts of law or equity. The testimony taken at the hearing shall be under oath and shall be transcribed at the request of any party to the hearing.

9. The role of the hearing examiner is simply to recommend a decision to the hearing commissioners appointed for the case. 6 AAC 30.050(b) and (c) provide:

(b) On any question which would be determinative of the jurisdiction of the commission or of the culpability of any party, the hearing examiner may only make recommendations to the hearing commissioners.

(c) The hearing examiner shall in due course recommend findings of fact, conclusions of law and a proposed order to the hearing commissioners. The commission attorney, and all parties to the hearing shall be served with copies of the recommendations.

10. AS 18.80.230(i) provides:

It is unlawful for the owner, lessee, manager, agent or employee of a public accommodation

(1) to refuse, withhold from or deny to a person any of its services, goods, facilities, advantages or privileges because of race, mar-

ital status, changes in marital status, pregnancy, parenthood, race, religion, color or national origin[.]

tion with proposed findings of facts and conclusions of law.⁹ He concluded that the admission policies of the disco constituted discrimination based on sex and race in violation of AS 18.80.230(1),¹⁰ but that neither Don McDaniel nor Larry Lewis, as individual respondents, violated AS 18.80.230(1). He also found no violation of that statute with respect to the treatment of LaVon Williams.

On August 11, 1977, the Commission's Executive Director Niel Thomas filed his objections to the hearing examiner's proposed findings of fact and conclusions of law pursuant to 6 AAC 30.050(a).¹¹ In accordance with 6 AAC 30.050(b),¹² the three hearing commissioners reviewed the written record and the hearing examiner's proposed conclusions. On February 28, 1978, the commissioners issued their final findings of facts and conclusions of law. They agreed with the hearing examiner's conclusion that the admission policies of the disco violated AS 18.80.230(1), but did not follow the hearing examiner's recommended finding with

ital status, changes in marital status, pregnancy, parenthood, race, religion, color or national origin[.]

11. Section 6 AAC 30.050(a) states:

(a) After a party, intervenor or the attorney for the commission receives the proposed findings of fact, conclusions of law and proposed order recommended by the hearing examiner, that person or his or her representative may, within 10 days thereafter, or within the time fixed by the hearing commissioners, present written objections to the hearing commissioners.

12. Section 6 AAC 30.050(b) sets out the duties of the hearing commissioners:

The hearing commissioners shall then review the written record, proposed findings, conclusions, and objections, and shall issue a final order determining the controversy, making such corrections, amendments or changes in the proposed findings of fact, conclusions of law and proposed order as they consider necessary; or the hearing commissioners may remand the matter to the hearing examiner with directions to take additional evidence, rewrite the proposed findings, conclusions and proposed order, or take any other action they consider appropriate.

respect to LaVon Williams' complaint. They concluded that her treatment at the disco was racially motivated and that Don McDaniel did in fact violate AS 18.80.22X(1). The commissioners issued their final order in late summer, 1978 requiring Don McDaniel and Northern Lights Disco to pay LaVon Williams \$600.00 as compensatory and punitive damages in addition to refraining from racially motivated discriminatory treatment of patrons and eliminating their admission policy which discriminated among customers on the basis of race and sex.

This decision was appealed to the superior court by the Disco Management pursuant to AS 18.80.135¹ to his decision dated April 19, 1979, Judge Victor Kalamarides reversed the Commission's award of \$600.00 to LaVon Williams finding no authority under Alaska law which gave the Commission the ability to award damages to complainants in public accommodation discrimination cases. He upheld the rest of the Commission's decision, finding no error in their proceedings. On May 15, 1979, after the

untimely death of Judge Kalamarides, Judge Victor D. Carlson signed the order and judgment reversing the Commission's \$600.00 damage award to LaVon Williams, dismissing the complaints against Larry Lewis, and awarding the Commission \$1,000.00 in costs and attorney's fees. This decision is the subject of the appeal and cross-appeal now before this court.¹⁴

(1) The central issue in this case is whether the Commission has the power to award compensatory and punitive damages to complainants in cases of discrimination in places of public accommodation. The superior court held that the authority to do so did not exist, and the Commission appeals this decision.¹⁵

When AS 18.80 was originally enacted, no provisions were made giving the Commission the power to award damages, either compensatory or punitive, at the conclusion of an administrative hearing except for an award of back pay in employment discrimination cases. AS 18.80.130¹⁶ originally au-

(a) At the conclusion of the hearing, if the commission finds that a person against whom a complaint was filed has engaged in the discriminatory conduct alleged in the complaint, it shall order him to refrain from engaging in the discriminatory conduct. The order shall include findings of fact, and may prescribe conditions on the accused's future conduct relevant to the type of discrimination. In a case involving discrimination in

(1) employment, the commission may order any appropriate relief, including but not limited to, the hiring, reinstatement or upgrading of an employee with or without back pay, restoration to membership in a labor organization, or his admission to or participation in an apprenticeship training program, on-the-job training program, or other restraining program;

(2) housing, the commission may order the sale, lease or rental of the housing accommodation to the aggrieved person if it is still available, or the sale, lease, or rental of a like accommodation owned by the person against whom the complaint was filed if one is still available, or the sale, lease or rental of the next vacancy in a like accommodation, owned by the person against whom the complaint was filed; the commission may award ~~monetary~~ damages which shall include, but not be limited to, the expenses incurred by the complainant for obtaining alternative housing or space; for storage of goods and ef-

thorized the Commission to issue orders to enjoin prohibited discriminatory conduct, but it neither specifically provided for nor prohibited the awarding of damages with the exception of back pay. In 1975, the legislature amended AS 18.80.130 to provide monetary compensation for complainants in two particular situations. In cases of employment discrimination, the Commission was given the authority to "order any appropriate relief." AS 18.80.130(a)(1). In housing discrimination cases, the Commission was empowered to "award actual damages" which included, but was not limited to, "expenses incurred by the complainant for obtaining alternative housing or space; for storage of goods and effects; for moving and for other costs actually incurred as a result of such unlawful practice or violation." AS 18.80.130(a)(2). There was and is no specific provision for the awarding of monetary compensation to complainants in public accommodation discrimination cases. It is therefore the position of the Disco Management that this omission indicates a legislative intent to limit the remedies available in public accommodation discrimination complaints to only those in equity, i.e., orders enjoining the discriminatory conduct. See AS 18.80.130(a).

The Commission, on the other hand, argues that the mere omission of a damage provision does not indicate a legislative intent to completely bar that remedy. In support of this argument they rely on a prior decision of this court where we held that a court is authorized to award compensatory and punitive damages for employment discrimination even though the statute, AS 18.80.22X(a)(1), did not specifically so provide. *Loomis Electronic Protection, Inc. v. Schaefer*, 549 P.2d 1341, 1343 (Alaska 1975). We stated in *Loomis*:

facts; for moving and for other costs actually incurred as a result of such unlawful practice or violation.

(b) The order may require a report on the manner of compliance.

(c) If the commission finds that a person against whom a complaint was filed has not engaged in the discriminatory conduct alleged in the complaint, it shall issue and cause to be served on the complainant an order dismissing the complaint.

In view of the strong statement of purpose in enacting AS 18.80, and its avowed determination to protect the civil rights of all Alaska citizens, we believe the legislature intended to put as many "teeth" into this law as possible. We fail to see how, consistent with that purpose and intent, the legislature could have contemplated a statutory scheme that would not have included the right to recover damages.

Id. at 1343 (footnote omitted). The Commission therefore argues that on the basis of our language in *Loomis*, in order "to put as many 'teeth' into this law as possible" the legislature could not have intended to deny the remedy of compensatory and punitive damages to complainants in public accommodation discrimination cases. *Loomis*, however, is significantly different from the case at bar. The discrimination complaint in *Loomis* was brought as a civil action, and in reaching our decision we relied heavily on the broad language of AS 22.10.02X(c) which empowers the superior court to order "any other relief, including the payment of money." In contrast, the damages in this case were awarded by an administrative agency having no specific statutory authority to do so. We, therefore, refuse to rely on *Loomis* and will look only to the language of the statute to interpret the powers of the Commission.

Some states which have "human rights" provisions in their statutes specifically authorize the administrative body charged with enforcing and implementing the statute the power to award damages. For example, in New York, the statute allows awards for "compensatory damages." This has been interpreted to include recovery for

(d) A copy of the order shall be filed in all cases with the attorney general of Alaska.

(e) The commission may order payment of reasonable expenses, including reasonable attorney fees to any private party before the commission when the commission, in its discretion, determines the allowance is appropriate.

12. AS 18.80.129(a) provides for judicial review of administrative decisions:

A complainant, or person against whom a complaint is filed or other person aggrieved by an order of the commission, may obtain judicial review of the order in accordance with AS 44.62.560-44.62.570.

14. The Disco Management has appealed on the grounds that no hearing should have been held because a settlement was reached at the conciliation stage. They further argue that the Commission erred in reversing the decision of the hearing examiner, and that the award of attorney's fees was incorrect. The Commission has cross appealed on the issue regarding their power to grant compensatory and punitive damages to victims of discrimination in public accommodations.

15. The Commission attempted on two occasions to award compensatory and punitive damages to Ms. Williams. At the settlement discussions under conciliation and conciliation, a clause awarding \$2,000.00 to Williams was inserted in the agreement and arguably was the sole reason for the management's refusal to sign the agreement as written, thereby requiring the Commission to proceed to a hearing. The second commission was in the commissioners' final order which required the Disco Management to pay \$600.00 in damages.

16. The provisions of AS 18.80.130, as amended in 1975, are as follows:

mental pain and suffering. See N.Y. Exec. Law § 297(4)(iii) (McKinney 1972 and Supp. 1972-1979); *Chance v. Frank's Beauty Salon*, 35 A.D.2d 804, 316 N.Y.S.2d 258, 237-38 (1970).

As another example, the Massachusetts Anti-Discrimination Law explicitly authorizes the Massachusetts Commission Against Discrimination to award damages not exceeding \$1,000.00 in housing and real estate discrimination cases. Mass. Gen. Laws Ann. ch. 151B, § 8, para. 3 (West 1971). See *Massachusetts Comm'n Against Discrimination v. Franzaroli*, 357 Mass. 112, 256 N.E.2d 311, 313 (1970).

Where no specific provision exists, the availability of damages as a remedy has been resolved through statutory interpretation. Some jurisdictions broadly construe general language in the statutes to imply the legislative intent to grant such authority. See, e.g., *Jackson v. Concord Co.*, 54 N.J. 113, 253 A.2d 793, 800-01 (1970) (housing); *Williams v. Joyce*, 4 Or. App. 482, 479 P.2d 313, 330-34 (1971) (housing). Other states, however, apply a rule of strict construction and refuse to uphold administrative awards of compensatory or punitive damages absent specific statutory authority. *Iron Workers Local No. 67 v. Hart*, 191 N.W.2d 758, 767-68 (Iowa 1971) (employment); *Ohio Civil Rights Commission v. Lytt*, 28 Ohio St.3d 217, 313 N.E.2d 3, 7 (1974), cert. denied, 419 U.S. 1108, 95 S.Ct. 780, 42 L.Ed.2d 804 (1975) (housing); *Loyal Order of Moose Lodge No. 145 v. Pennsylvania Human Relations Commission*, 16 Pa. Cir. 433, 328 A.2d 180, 184 (1974) (public accommodation); *Straw v. Pennsylvania Human Relations Commission*, 10 Pa. Cir. 90, 337 A.2d 619, 621-22 (1975), aff'd on rehearing, 387 A.2d 75 (1978) (housing). We are in agreement with the latter jurisdictions.

Administrative agencies rest their power on affirmative legislative acts. They are creatures of statute and therefore must find within the statute the authority for the exercise of any power they claim. 1 Am. Jur.2d Administrative Law § 70, at 864 (1967). In the instant case, no statutory

authority exists which gives the Commission the power to award damages to complainants in public accommodation discrimination cases. When the statute was amended in 1975, such an omission could have been easily remedied as was the case in both employment and housing discrimination. The legislature chose not to take such action. We therefore hold that the power of the Commission is limited to those remedial actions specifically provided by statute.

The Commission argues that if a respondent, e.g., the Disco Management, is not forced to pay damages, the purpose of the statute cannot as a practical matter be effectuated. This would result in many situations where no meaningful relief would be available to injured parties such as LaVon Williams. If there is merit to this argument, the legislature, rather than this court, must remedy the defect. We are not convinced, however, that such is the case. The Commission has been given broad powers to enjoin and compel affirmative action to eliminate discriminatory practices and may construct an appropriate remedy without resort to damages. See AS 18.80.120. See also *Iron Workers Local No. 67 v. Hart*, 191 N.W.2d 758, 768-71 (Iowa 1971). And should the complainant wish to recover damages from the respondent, recourse to the courts is always available. *Id.* at 767. See also *Loonis Electronic Protection, Inc. v. Schaefer*, 549 P.2d 1341, 1343 (Alaska 1976).

Further, it should be noted that even though monetary compensation is available to complainants in employment and housing discrimination cases, it is clear that the Commission's power to award damages extends only to those situations where there is no direct, calculable pecuniary loss such as back pay or housing expense. There is no such power to award damages which would be limited where there is no evidence of any actual damages suffered by LaVon Williams the award in the instant case clearly exceeded the power of the Commission's remedial power.

In conclusion, we affirm the decision of the superior court in holding that the Commission does not have the authority under AS 18.80 to award compensatory and punitive damages to complainants in cases of public accommodation discrimination.

[3] In light of our decision that the Commission did not have the power to compel the Disco Management to pay damages to LaVon Williams, we must now consider whether the Commission's actions in proceeding to a hearing were proper under the statutory procedures set forth in AS 18.80-110-120.

It is the contention of the Disco Management that the Commission was precluded from holding a hearing because the dispute had already been settled by conciliation. When the settlement agreement was originally drafted and given to the Disco Management to sign, the discriminatory price structure apparently had been abandoned and the Disco Management fully agreed to comply with all other demands, except for the award of \$2,000.00 to LaVon Williams. As an indication of this disagreement, Northern Lights Disco owner Don McDaniel signed his name to the settlement agreement, but crossed out the provision awarding Williams \$2,000.00 and instead inserted \$25.00. They now argue that since McDaniel signed the settlement agreement and since the Commission had no authority to award damages, conciliation was reached and under the procedures set forth in the statute, no hearing should have been held. We disagree.

When the Commission drew up the settlement agreement, they in effect made an offer to settle. Even if the Disco Management had agreed to each and every clause, save the LaVon Williams clause, when Don McDaniel scratched out the award of \$2,000.00 and substituted \$25.00, he changed the terms of the offer so significantly that instead of accepting the Commission's offer to settle, he was in effect proposing a counter-offer. This counter-offer was never accepted by the Commission. After Don McDaniel signed and changed the damage provision to LaVon Williams, on other party

signed the settlement agreement. It would be stretching the facts of the case to state that a settlement was reached when only one individual signed the settlement agreement.

Although it is now decidedly clear that the Commission was without authority to award compensatory damages, at the time the settlement agreement was drawn up, they believed that they did have this power and made the demand under that assumption. Further, there is no evidence in the record to indicate that the demand was not made in good faith. To hold after the fact that this clause should be excised from the agreement and that the remaining clauses be enforced would be to force upon the Commission settlement terms that it never agreed to.

Finally, a further indication that no settlement was reached is the fact that none of the procedural notices upon which a settlement is finalized were complied with. For example, 6 AAC 30.020(d) states:

If the commission succeeds in its endeavors at the conference, conciliation and persuasion, it shall mark the case accordingly and notify the parties by certified mail, return receipt requested, of the terms of conciliation and of the complainant's right to apply to the chairperson for reconsideration of such terms of conciliation in accordance with sec. 30 of this chapter.

In light of the fact that no settlement was achieved, the Commission did not err in proceeding to a hearing pursuant to AS 18.80.120. Under the statute, the only bar to holding a hearing was if a final settlement had been entered. Since none existed, proceeding to a hearing was proper.

The Disco Management has also appealed the superior court's finding that the Commission's failure to adopt the proposed findings of the hearing examiner with respect to the LaVon Williams incident was proper. We affirm the superior court decision on this issue.

The duties of a hearing examiner are to recommend findings of fact, conclusions of

law, and a proposed order to the hearing commissioners. As such, the determinations of the hearing examiner are not binding on the Commission. Upon receipt of the hearing examiner's proposed findings, 6 AAC 30.035(b) states that the hearing commissioners shall review the conclusions of the hearing examiner and "shall issue a final order determining the controversy, making such corrections, amendment or changes in the proposed findings of fact, conclusions of law and proposed order as they consider necessary." (Emphasis added.) Thus, should the hearing commissioners disagree with the hearing examiner's findings they are free to substitute their judgment.

[3] The only limitation on the Commission is that the findings must be supported by substantial evidence. *Alaska Department of Labor v. Boucher*, 581 P.2d 660, 662 (Alaska 1978); *Interior Paint Co. v. Rodgers*, 522 P.2d 184, 189-70 (Alaska 1974). See also K. Davis, *Administrative Law Text* § 10.05, at 22-23 (1972). Substantial evidence has been defined as "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Keiner v. City of Anchorage*, 378 P.2d 400, 411 (Alaska 1963).

[4] Therefore, we must only determine whether there was substantial evidence to support the Commission's decision. We believe that there was and find no error in the Commission's failure to accept the hearing examiner's proposed conclusions.

[5] At the conclusion of the administrative proceedings, the Commission, in its discretion, refused to award attorney's fees to both parties. This decision was affirmed by the superior court. However, in the Amended Order and Judgment, entered August 24, 1979, Judge Carlson awarded the

state \$1,000.00 in costs and attorney's fees in the superior court appeal. The Disco Management argues both that the Commission abused its discretion in failing to award them attorney's fees after the administrative hearing and that the superior court erred in its award to the state.

On their first claim, the Disco Management argues that even though they were the losing party at the administrative hearing stage, attorney's fees should have been awarded to them because the actions of the Commission forced them to incur fees unnecessarily. The basis for this argument is that no hearing should have been held because the case was already settled by conciliation.

AS 18.90.130(e) states that the Commission "may order payment of reasonable expenses, including reasonable attorney fees to any private party before the commission when the commission, in its discretion, determines the allowance is appropriate." In this case, we are not convinced that the Commission abused its discretion in refusing to award attorney's fees.

[6] Regarding the award of costs and attorney's fees in the superior court appeal, we note that such an award, in an appeal to the superior court from the determination of an administrative agency, is governed by the provisions of the Appellate Rules, not the Civil Rules. *Kodiak Western Alaska Airlines v. Bob Harris Flying Serv.*, 592 P.2d 1200, 1204-06 (Alaska 1979). As stated in *Kodiak Western*, the applicable rule was former Appellate Rule 29(d),¹⁷ which gave the appellate court discretion in deciding whether to award attorney's fees. *Id.* at 1206. *Award, Conway, Inc. v. Cleopatra Rms.*, 627 P.2d 1029, 1032, (Alaska, 1981).

[7-9] In the present case, Disco Management prevailed in both the superior

court and this court on the central issue of whether the commission had the power to award damages, thereby requiring the reversal of the commission's decision. Therefore, Disco Management was the prevailing party, and we hold that the trial court abused its discretion in awarding costs and attorney fees to the state.¹⁸

In conclusion, we remand this case to the Commission for reconsideration of the appropriate remedy to be applied. We note that in light of the stated policy goal of AS 18.90 to settle all disputes possible through the informal means of conference, conciliation and persuasion, the Commission may wish to remand for further conciliation efforts.

AFFIRMED in part, REVERSED in part, and REMANDED for further proceedings in accordance with this decision.

RABINOWITZ, C. J., dissents in part, concurs in part.

COMPTON, J., not participating.

RABINOWITZ, Chief Justice, dissenting in part, concurring in part.

The majority notes that the central issue here concerns the Commission's authority to award damages in a case of discrimination in a public accommodation. It goes on to conclude that because the Disco Management prevailed on this issue, appellees were not the prevailing party for the purpose of an award of fees under the Appellate Rules. I disagree with this conclusion.

The court has found the damages issue to be sufficiently severable from the others to justify holding for the Disco Management on the issue of the damages award and for appellees on the other issues: The Commission's treatment of the hearing officer's recommendation, including the finding that McDaniel had discriminated against complainants, the Commission's jurisdiction to

hold hearings on the matter, and appellees' claim for attorney's fees incurred in the administrative hearing. In my view, these other issues were sufficiently significant to sustain the superior court's conclusion that appellees prevailed in this litigation, and I would therefore affirm the superior court's award of attorney's fees to the state.

I concur in the majority's resolution of all other issues raised in this appeal.



PATRICIA R., Individually, and Kristie R. by mother and next friend, Patricia R., Appellants,

v.

George SULLIVAN, Owen Bartlett, and James O. Campbell, d/b/a Casa Del Norte Apartments, and Raywall, a Division of Tennessee Plastics, Inc., Appellees.

No. 4120.

Supreme Court of Alaska.

July 10, 1981.

Mother individually, and as next friend of daughter, brought suit against landlords of apartment for injuries received by daughter apparently from electric baseboard heater in daughter's bedroom. Landlords named manufacturer of heater as third party defendant, and plaintiffs awarded their complaint to seek damages from manufacturer, as well as from landlords. The Superior Court, Third Judicial District, Anchorage, J. Justin Ripley, J.,

having it specifically designated as such. Where one of the named parties to the suit is a state agency, e. g. the Commission for Human Rights, the state is also a party in the action and may be awarded attorney's fees, if such an award is otherwise proper.

17. See also *Hotel and Restaurant Union v. Alaska State Commission for Human Rights*, 805 P.2d 623, 624-26 (Alaska 1978).

18. Former Appellate Rule 29(d) provided: Where costs are allowed in this court, attorney's fees may also be allowed in an amount to be determined by the court. If the court determines that an appeal or cross-



Official Business

Alaska State Legislature

House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Rep. Mike Beirne, Chair
House Health, Education and Social Services Committee

FROM: Rep. Don Clocksin 

SUBJECT: HB 701/Relating to the award of damages by the
Human Rights Commission

DATE: March 30, 1982

Enclosed is a proposed amendment to HB 701. If this amendment is adopted, HB 701 will have a -0- fiscal impact.

Also enclosed is a joint letter from the Department of Law and the Alaska State Commission for Human Rights which confirms this.

Please contact me if there are any further questions regarding this bill.

PROPOSED AMENDMENT/HB 701

Page 1, line 19:

Delete "reasonable" and "."

Page 1, line 19:

Add after "suffering":

"...in an amount not to exceed \$1,000 for each unlawful practice or violation."

STATE OF ALASKA

MAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
March 30, 1982

420 "L" STREET, SUITE 100
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

The Honorable Donald F. Clocksin
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Clocksin:

In response to your request for a fiscal note with House Bill 701, we have reviewed the Commission's past practices on the award of damages for pain and suffering. We found that occasionally the staff assessed damages for pain and suffering in cases where the peculiar circumstances warranted such award and most often when such damages were the only compensation available to the complainant. However, the staff has never examined every complaint for damages for pain and suffering and thus we have no way of estimating the additional cost of processing such cases.

We have now considered the practical implications of administering A.S. 18.80.130(f) and recommend that a limit of up to \$1,000 per injury be added to this section. This limitation seems reasonable and permits the Commission to compensate complainants for moderate claims with virtually no fiscal impact on the agency. Those individuals who believe that they are due large awards are still able to pursue their claims in the superior court under A.S. 22.10.020(c).

We believe that the Commission should have the authority to award damages to individuals who have suffered pain and humiliation as the result of unlawful discrimination. The limitation now proposed would simplify the assessment of such damages and enable the Commission to continue its rapid processing of individual complaints.

We hope that this satisfies your request, but do not hesitate to call upon us for further information.

Very truly yours,

ALASKA STATE COMMISSION FOR
HUMAN RIGHTS

Janet E. Bradley,

Acting Executive Director

and

Carolyn D. Jones
Assistant Attorney General

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. House Bill No. 701
 Title An Act relating to the award of damages by the Human Rights Commission
 Requested by Health, Education & Social Services Date 1/29/82

II. FISCAL DETAIL
 Agency Affected Office of the Governor
 Program Category Affected Due Process
 BRU, Program, or Subprogram(s) Affected Human Rights Commission
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

| | FY 81 | FY 82 | FY 83 | FY 84 | FY 85 | FY 86 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | 0 | | | | | |

FUNDING (Thousands of Dollars)

| | | | | | | |
|----------------------------|--|--|--|--|--|--|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTH. (Specify Fund Source) | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No fiscal impact

IV. DATE 3/26/82 PREPARED BY Michael A. Nizich
 AGENCY Office of the Governor/Executive Office
 PHONE 465-3616
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

3-24-82

3.08

Clocks in

Carol Smith - yes. But sent 3?

Cornelia Jones

↑ COSTS

MISS

Jan - Appel

Ed Wesley NAACP

H B

2009

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

(5)

2/22/82

Date: _____

Mr. Speaker:

HEALTH, EDUCATION
SOCIAL SERVICES

The Committee on _____ has had CS SSB 709

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

under consideration and ~~(a majority of the committee)~~ ~~(the committee)~~ -- reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____

AND attaches a "Letter of Intent" New Fiscal Note

reports it back without recommendation

referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Bette A. ...

Sally ...

Tere ...

...

MEMBERS HAVING
OTHER RECOMMENDATIONS:

...

 CHAIRMAN

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

FEB 12 1981
JAY S. HAMMOND, GOVERNOR

POUCH F - STATE OFFICE BUILDING
JUNEAU, ALASKA 99811
(907) 465-2854

MEMORANDUM

TO: Members of Senate Health, Education and Social Services
Committee

Senator Charles Parr, Chairman
Senator Terry Stimson, Vice Chairman
Senator Vic Fischer
Senator Tim Kelly
Senator Mike Colletta

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

DATE: February 11, 1981

A number of questions were raised during the recent Senate HESS hearing on SB 120, dealing with the student loan program. I believe I am addressing all of the questions with this memorandum and accompanying information sheets. In presenting these responses, I shall try to refer to them in reference to the question asked.

1. How many individuals are in the repayment cycle of student loans?
What is the default rate of individuals, as opposed to dollar amount?

Response. Item 6 on page 2 of the enclosed revised "Fact Sheet" lists the total number of individuals who are in repayment, including those current in payments, past due, and in default (120+ days). The default rate on an individual basis, for January, is 14.8%.

2. What is the average length of residency of our student loan borrowers?

Response. I have added another item to the "Fact Sheet." Under item 11(a), I have included data on residency. Two aspects of these data are interesting. One, 30% of the borrowers are lifelong Alaska residents, and two, the percentage of short-residency borrowers increases dramatically the junior, senior, and graduate years.

3. What is the age pattern of our student loan borrowers?

Response. Age data are now included in item 11(b) of the revised "Fact Sheet."

17,000
2,000
26,000

10. Sample Costs:

a. Single Student College-Approved Budgets (1980-81)

Student Housing is the difference

| | <u>Undergraduate</u> | <u>Graduate</u> |
|---------------------------------|----------------------|-----------------|
| University of Alaska, Anchorage | \$5,922 | \$8,500 |
| University of Alaska, Fairbanks | 3,814 | 5,684 |
| University of Washington | 5,654 | 7,120 |
| Gonzaga University | 7,010 | 7,940 |
| Western Washington University | 6,280 | 7,890 |
| University of Oregon | 6,940 | 8,120 |
| University of Colorado | 8,150 | 9,540 |
| Starford University | 9,800 | 11,250 |

b. Tuition and/or Required Fees (1980-81)

* Non-resident

| | <u>Undergraduate</u> | <u>Graduate</u> |
|---------------------------------|----------------------|-----------------|
| University of Alaska, Fairbanks | \$ 562 | \$ 792 |
| University of Arizona* | 2,500 | 2,500 |
| University of Colorado* | 3,584 | 3,752 |
| University of Hawaii | 480 | 582 |
| University of Idaho* | 1,990 | 2,000 |
| University of Oregon* | 3,431 | 2,433 |
| University of Washington* | 2,394 | 2,736 |

It would be most interesting to compare the college credits earned per dollars given in student loans to attend an out-of-state University. To begin with every student is full time taking 12 to 15 hrs per semester at a minimum. Taking the out of state loans granted for 1980-81 academic year $3,482 \times 24$ ^{credit hrs} ~~per~~ _{year equals} 90,532 true college credits. (58.2 of total state loans) at a cost of \$9,280,000 equal approx \$102 per credit hr.

The State of Alaska will pour over \$20 million into ^{non-residents} out of state Universities in direct student loans

6. Past Due and Default Loans

| Past Due | October | | November | | December | | January | |
|---------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| 31-60 days | 484 | 1,171,102 | 478 | 1,032,186 | 547 | 1,174,413 | 508 | 1,053,685 |
| 61-90 | 204 | 451,853 | 268 | 649,596 | 288 | 585,991 | 295 | 585,775 |
| 91-120 | 180 | 505,039 | 178 | 389,083 | 188 | 463,252 | 193 | 385,664 |
| 120+ | 878 | 1,981,084 | 909 | 2,038,126 | 954 | 2,096,983 | 927 | 2,154,220 |
| TOTAL | 1,746 | 4,109,078 | 1,833 | 4,108,991 | 1,977 | 4,320,639 | 1,923 | 4,179,344 |
| Default Rate | 11.2% | | 11.2% | | 11.3% | | 11.3% | |

7. Current Year (as of 1/14/81)

| | <u>In-State</u> | <u>Out-of-State</u> | <u>Total</u> |
|--------------|---------------------|---------------------|--------------|
| Freshman | 864 (46.0) | 1,014 (54.0) | 1,878 |
| Sophomore | 512 (41.1) | 734 (58.9) | 1,246 |
| Junior | 399 (41.0) | 575 (59.0) | 974 |
| Senior | 327 (46.0) | 384 (54.0) | 711 |
| Vocational | 173 (40.9) | 250 (59.1) | 423 |
| Sub-Total | 2,275 (43.5) | 2,957 (56.5) | 5,232 |
| Graduate | 123 (19.0) | 525 (81.0) | 648 |
| TOTAL | 2,398 (40.8) | 3,482 (58.2) | 5,880 |

*obviously
inflation
does not
equal
decrease
attendance*

8. Raising Loan Limits

| | | | |
|---------------|-------------|-------------|-------------|
| Undergraduate | \$2,500 | \$4,500 | \$5,000 |
| Graduate | \$6,000 | \$7,500 | \$7,000 |
| 1981-82 Cost | \$1,575,700 | \$3,619,600 | \$4,041,704 |

9. Other Issues

- ~~Adding a section which states that if a person allows the loan to become default (120+ days past due), all cancellation benefits are forfeited.~~
- ~~Providing additional cancellation for in-state attendance, for example, an additional 5% per year of attendance, for up to a maximum of 20%.~~
- Providing additional cancellation for maintaining a "B" grade average for undergraduates, for example, an additional 5% upon graduation.
- Providing grant provisions for Alaskan borrowers age 60 and over.

Alaska Student Loan Program

Fact Sheet

1. Total Loans 1971-72 through 1979-80:

| | | |
|---------------|--------|-----------------|
| Undergraduate | 16,359 | \$ 30.4 million |
| Graduate | 2,210 | 7.4 million |
| Total | 18,569 | \$ 37.8 million |

2. Current Year

(1980-81, as of 1/14/81):

5,880 loans \$ 11.4 million

1981-82 as of 9/5/81

10,500

\$ 26.0 million + approx 5 Mb needed for 4 yrs completion in supplemental 1982 request

3. Percent Loans In-State/Out-of-State (1979-80):

| | <u>In-State</u> | | <u>Out-of-State</u> |
|---------------|-----------------|------|---------------------|
| Undergraduate | 36.1 (43.5) | 63.9 | (56.5) |
| Graduate | 12.3 (19.0) | 87.7 | (81.0) |

4. Loan Collections (per month average):

| | |
|----------------|-----------|
| 1974-75 | \$ 19,623 |
| 1975-76 | 38,794 |
| 1976-77 | 95,122 |
| 1977-78 | 99,321 |
| 1978-79 | 115,970 |
| 1979-80 | 133,620 |
| 1980-81 (est.) | 170,000 |

5. Loan Cancellations (per month average):

| | |
|----------------|--------|
| 1974-75 | \$ 59 |
| 1975-76 | 3,686 |
| 1976-77 | 5,396 |
| 1977-78 | 26,192 |
| 1978-79 | 37,165 |
| 1979-80 | 34,125 |
| 1980-81 (est.) | 45,000 |

Passing the student loans will prove most detrimental to the ^{University} budget and system

1) More students will go out of state even if it cost them more. They borrow twice as much as and twice as much as foreign. A student literally

Alaska Student Loan Program

Fact Sheet

1. Total Loans 1971-72 through 1979-80:

| | | |
|---------------|--------------|------------------------|
| Undergraduate | 16,359 | \$ 30.4 million |
| Graduate | <u>2,210</u> | <u>7.4 million</u> |
| <u>Total</u> | 18,569 | <u>\$ 37.8 million</u> |

2. Current Year

(1980-81, as of 1/14/81):

5,880 loans \$ 16.0 million

average under \$ 3,000

3. Percent Loans In-State/Out-of-State (1979-80):

| | <u>In-State</u> | <u>Out-of-State</u> ✕ |
|---------------|-----------------|-----------------------|
| Undergraduate | 36.1 (43.5) | 63.9 (56.5) ✕ |
| Graduate | 12.3 (19.0) | 87.7 (81.0) ✕ |

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| | |
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| 1976-77 | 65,122 |
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| 1977-78 | 26,192 |
| 1978-79 | 37,165 |
| 1979-80 | 34,125 |
| 1980-81 (est.) | 45,000 |

6. Individuals in Repayment

| Account Status | October | | November | | December | | January | |
|----------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Current | 4,121 | 9,833,332 | 4,168 | 10,179,855 | 4,115 | 10,214,971 | 4,257 | 10,736,864 |
| 31-60 days | 484 | 1,171,102 | 478 | 1,032,186 | 547 | 1,174,413 | 508 | 1,053,685 |
| 61-90 | 204 | 451,853 | 268 | 649,596 | 288 | 585,991 | 295 | 585,775 |
| 91-120 | 180 | 505,039 | 178 | 389,083 | 188 | 463,252 | 193 | 385,664 |
| 120+ | 878 | 1,981,084 | 909 | 2,038,126 | 954 | 2,096,983 | 927 | 2,154,220 |
| TOTAL | 15,867 | 13,942,409 | 16,001 | 14,288,857 | 16,092 | 14,535,610 | 16,250 | 14,916,209 |
| Default Rate | 11.2% | | 11.2% | | 11.3% | | 11.3% | |

7. Current Year (as of 1/14/81)

| | In-State | Out-of-State | Total |
|--------------|---------------------|---------------------|--------------|
| Freshman | 864 (45.0) | 1,014 (54.0) | 1,878 |
| Sophomore | 512 (41.1) | 734 (58.9) | 1,246 |
| Junior | 399 (41.0) | 575 (59.0) | 974 |
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| Sub-Total | 2,275 (43.5) | 2,957 (56.5) | 5,232 |
| Graduate | 123 (19.0) | 525 (81.0) | 648 |
| TOTAL | 2,398 (40.8) | 3,482 (58.2) | 5,880 |

6.50 increase in avg.

8. Raising Loan Limits

Extremely low estimate to get approval. See reality today.

| | | | | |
|---------------|---------|---------|---------|--------------------|
| Undergraduate | \$3,500 | \$4,500 | \$5,000 | \$6,000 |
| Graduate | \$6,000 | \$7,500 | \$7,000 | \$7,500 |

1981-82 Cost \$1,575,700 \$3,619,600 \$4,041,704

Y 10,500 applicants

9. Other Issues

- Adding a section which states that if a person allows the loan to become default (120+ days past due), all cancellation benefits are forfeited.
- Providing additional cancellation for in-state attendance, for example, an additional 5% per year of attendance, for up to a maximum of 20%.
- Providing additional cancellation for maintaining a "B" grade average for undergraduates, for example, an additional 5% upon graduation.

d. Providing grant provisions for Alaskan borrowers age 60 and over.

What a way to "go" out of state for 4 or 5 yrs

while getting pensions, longevity, etc., etc.,

February 19, 1982

Representative Terry Martin
Pouch V
Juneau, Alaska 99811

Dear Representative Martin:

Thank you for asking students to respond to the possible changes in the student loan program. As a \$6,000 recipient this year, I could not have attended Tufts University without that assistance. I chose Tufts because it had a combined liberal arts and engineering program for the first two years, was in a different part of the country where I could get a different perspective on this country, had four seasons, and because it has a tennis team. I did have a full scholarship offer to go to UA Fairbanks if I would major in petroleum engineering, but most students aren't sure what their major will be until after a couple of years and besides it's too cold up there and they don't have many sports. If you stay in Alaska all the time, you don't really learn anything about the rest of the country, and I think college should be a broadening experience. I do plan to come back to Alaska upon graduation to work; and because there is the incentive of the loan program for forgiveness of some of the loan. Without that incentive, I doubt if many students would come back.

The following are my comments to the alternatives:

1. I approve of alternate one - application deadlines and strictly adhering to them. Although I think June 15 would be better, as most all students know by then where they are going in the fall, and it would give the state more time to get the loans to the schools - as schools bill for the first semester in August. July would be pushing it.
2. Loans and grade point average. I don't care if you raise the g.p.a. to 2.5 or 3.0 as I have a 3.75 average and am planning to study hard to maintain as high an average as possible. However, you must remember that differences between schools and grading has a very wide range - some schools even operate on a pass fail system with no letter grades. A 3.0 average at a school like Harvard, Bates, Amherst is accomplished by very few; while at Univ. of Alaska Fairbanks, Puget Sound, Univ. of Washington etc. there are majors where a 3.0 is not that hard to get. I would suggest that you not consider raising it higher than 2.5 - if that. I realize that the state is trying to save money, but I would remind you that the state's greatest resource is its people and future leaders - not oil, fishing or timber. They are worthless without the people to manage them.
3. If there really is potential abuse regarding residency, I have no problem with obtaining the four references, however, in most cases, documentation from a high school should help prove residency for the majority.
4. I oppose the needs test for the most part as it is too arbitrary. My brother and I are both going to be attending college this next fall and our total cost including transportation, expenses, etc. will be over \$20,000. Another student may attend U of A Fairbanks with expenses of less than \$5,000. How do you determine need fairly with this kind of difference? Some parents have big write offs, others do not - some people earning \$70,000 a year pay

no taxes while others have to go to the bank to borrow money to pay taxes. I don't feel this is the best way to cut back and save on the program, as there are too many variables.

5. Denying loans for foreign study makes no sense at all. The majority of students studying abroad are in bonafied programs where 1 year study abroad is part of their regular college's offering. For those who master a foreign language - the bonus to Alaska is greater as these young people may later represent Alaska in foreign trade or economic negotiations and will be able to speak that language - whether Japanese or French or German.
6. Denying loans to freshmen is not totally fair either, as the costs are just as high for them as they are to upper classmen. It is true, however, that some freshmen do have access to one year scholarships that are given locally by such organizations as ARCO, SOHIO etc., and I suppose a loan could be decreased by the amount a student might receive in a scholarship, but it would be very difficult to enforce and again would be arbitrary as some schools charge so much more than others, so I guess that wouldn't be such a hot idea. I do agree that the student must be enrolled in full time, and that loan could not exceed the costs of the school.
7. I have no problem with restricting the loan to room, books, board tuition and fees. This is fair -- although some students, like me have to pay a lot in air fare to get to school and we don't get home for vacations unless our parents are rich -- which ultimately discriminates against the middle and low income families whose children are far away.
8. Rolling back the minimums when college costs are rising fast would be to force students to attend schools who charge less, and perhaps deny them the best education possible. Again the rich don't need to worry, but the others would be forced to take a college where they might not want to go -- thus denying them freedom of choice.
9. Is the purpose of the loan program to earn money or make it possible for students to get a good education and be productive Alaskans when they graduate? Like home loans now, many of us - with a 5% loan - are going to be faced with huge repayments on graduation and with home prices out of site - the outlook will be dismal. Raising the loan amount will make it worse - although 6 or 7 % might be acceptable.
10. I have no problem with raising the residency requirement to 3 or 4 years, although - it might be unconstitutional and is discriminatory, but if you can do it - I have no problem.
11. Forgiveness - whether 40 or 50% is absolutely necessary if the intent of the program is to retain students in the Alaska work force on graduation. I think it is a necessary price for Alaska to pay. Businesses do things like pick up mortgages, pay COLA allowance, and give free trips outside each year to families because they are in Alaska -- that should tell you something about the problem of keeping people here. Not everyone likes the cold and dark, so some incentive is needed.

12. I have touched on the freedom of choice, experience in another part of the country etc. But, most of all the Universities, although good in Alaska, just do not offer the total college curriculum or well rounded campus experience that many students want. Univ. of Alaska Anchorage this year closed many of their classes before many students had a chance to register, are crowded and are not being allowed to grow equal to the demand in student enrollment..
13. If the intent is to earn a lot of money in interest and saddle new graduates with large monthly payments when they are just entering the job market - then this method would apply. If salaries are going to increase comparably and a new worker could afford the interest - maybe. But if increases in rent and housing keep increasing the way they are, students will have a hard enough time making with the current program.
14. This might be all right if 1. the forgiveness provisions were left in place and 2. the qualification for need included the cost of the college being attended and not totally based on the families income.
15. Staffing should be at a level whereby loans are paid to colleges so that they meet the college deadlines for payment at the bursar's office. When that payment doesn't come in, believe me, we have to go through all kinds of paper work and it is a pain.
16. The revolving base process makes a lot of sense and should help with the staffing work load.
17. Institutional sign off is the one way the State can be assured that the costs the student lists are accurate. Every college publishes costs before each new semester, and a copy of those published costs could be included as proof. Perhaps the state could send the loan forms directly - rather than have the student send them.
18. With a good computer system program, the state should be able to run the collection itself, and save money from hiring someone from outside. A good system should help keep staff at a reasonable level.
19. Agree
20. Scholarships - I was valedictorian of East High School my senior year with a 4. average. I am maintaining a 3.75 average in college taking courses like physics, calculus, French, English and Engineering design. Yet, although scholastic excellence is stressed by everyone, I did not receive any scholarship for doing well. If a scholarship were established it would be a real incentive for some young people -- some don't need the incentive, because they have pride in doing the best they can.

Thank you for offering me this opportunity. I'll be sending copies of this to Rep. Barnes and Rep. Anderson, my representatives, and I do hope you will pass my comments on to other members of your committee for their consideration. The question is, how much do you want your future leaders in debt when they start to make their contribution to the state. Is the program an investment in our state, or an income producer? I will gladly pay my debt, but an incentive will make it that much more palatable.

Tufts University
Miller Hall - Box 202
Medford, Massachusetts 02155

Sincerely,

Scott C. Beardsley
Scott Beardsley

STATE OF ALASKA

**STUDENT
LOAN
PROGRAM**

**ANNUAL REPORT
1980-1981**

**Alaska Commission on Postsecondary Education
Pouch F
Juneau, Alaska 99811**



DATE 2-12-82 HOUR 10:43m

TO Terry

WHILE YOU WERE OUT

BY "Pudge" Kleinkauf

OF _____

PHONE 913-263-1725 417-279-0256

AREA CODE PHONE NUMBER

| | | | | | |
|-----------------|-------------------------------------|---------------|--------------------------|---------------|--------------------------|
| TELEPHONED | <input checked="" type="checkbox"/> | RETURNED CALL | <input type="checkbox"/> | LEFT PACKAGE | <input type="checkbox"/> |
| PLEASE CALL | <input type="checkbox"/> | WAS IN | <input type="checkbox"/> | PLEASE SEE ME | <input type="checkbox"/> |
| WILL CALL AGAIN | <input type="checkbox"/> | WILL RETURN | <input type="checkbox"/> | IMPORTANT | <input type="checkbox"/> |

MESSAGE

Re: HB 699- Community meeting

Raleigh Hills Hospital Outpatient

for Alcoholism Home (Hospital) spread

She spread to me. get Carnegie House

if money not approp. by HB 699

SIGNED m.

STATE OF ALASKA

STUDENT
LOAN
PROGRAM

ANNUAL REPORT
1980-81

Alaska Commission on Postsecondary Education
Pouch F
Juneau, Alaska 99811

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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PREFACE

The Annual Report of the Alaska Student Loan Program for 1980-81 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 1980-81 included:

Mrs. Mildred Banfield (Chairman, Juneau)
Mr. Fred Baxter (Juneau)
Mr. Walter Furnace (ex officio, Anchorage)
Ms. Ida Greiner (Fairbanks)
Ms. Marie MacKenzie (Anchorage)

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


Kerry D. Konesburg
Executive Director

July 1981

(Date)

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Introduction

The 1971 Alaska State Legislature established the Alaska Student Loan Program to provide low cost educational loans to Alaskan students enrolled in undergraduate, graduate, or career degree programs. In the ten years of operation, from 1971-72 through 1980-81, over 25,000 loans have been awarded to Alaskans pursuing education at the postsecondary level. These loans have a combined total of over \$53 million in state financial assistance.

Educational loans of up to \$3,000* and \$5,000* per year for undergraduate and graduate study, respectively, are provided to eligible state residents. These need-based loans offer the borrower a ten-year repayment period at an annual interest rate of five percent. The loans may be used for attendance at any accredited or approved college, university, or vocational-technical program. An incentive, in the form of up to fifty percent cancellation, is offered to those borrowers who reside in Alaska after completion of their programs of study.

*The 1980 Alaska State Legislature has raised these maximums to \$6,000 and \$7,000 for the 1981-82 loan year.

Program Summary

1980-81 was the tenth year of operation for the Alaska State Student Loan Program. The program has now provided 25,029 loans, totalling \$53,738,827. During 1980-81, 6,460 loans were awarded (over one-third the number awarded during the previous nine years); of these, 57.7 percent were for loans for postsecondary attendance out-of-state, and 42.3 percent were for attendance in Alaska.

Undergraduate loans continue to dominate the loan volume, with only 11.0 percent of 1980-81 loans going for graduate study, and freshman loans also continue to be the largest loan group. In 1980-81, 31.0 percent of the loans were for freshman borrowers.

Alaskans use these loans for study throughout the United States, and in a few cases, in foreign countries. During the 1980-81 loan year, students used state loans for attendance in every state except Delaware. The most frequent choice continues to be Alaska by over a three-to-one margin over any other state.

Loan Award Amounts

The average loan award continues to rise as the cost of postsecondary attendance increases. The over-all average loan in 1980-81 was \$2,475, a 3.4 percent increase over the \$2,393 average award for 1979-80, and a 66.9 percent increase over the \$1,483 average for 1971-72. This trend is graphically presented in Figure 1 for in-state, out-of-state and total loans of the program. All loans, whether in-state or out, have continued to rise in 1980-81. This is in part a reflection of the increased loan maximum for undergraduates, which in 1978-79 changed from \$2,500 to \$3,000. Accordingly, with the increases for the 1981-82 loan year, the average loan awards will continue this upward trend in the years to come.

Table 1 contains average loan amounts by student level for the last two loan years, 1979-80 and 1980-81. In general all loans, regardless of level have increased from last year to this, and loans for students attending out-of-state are higher than those for attending in-state.

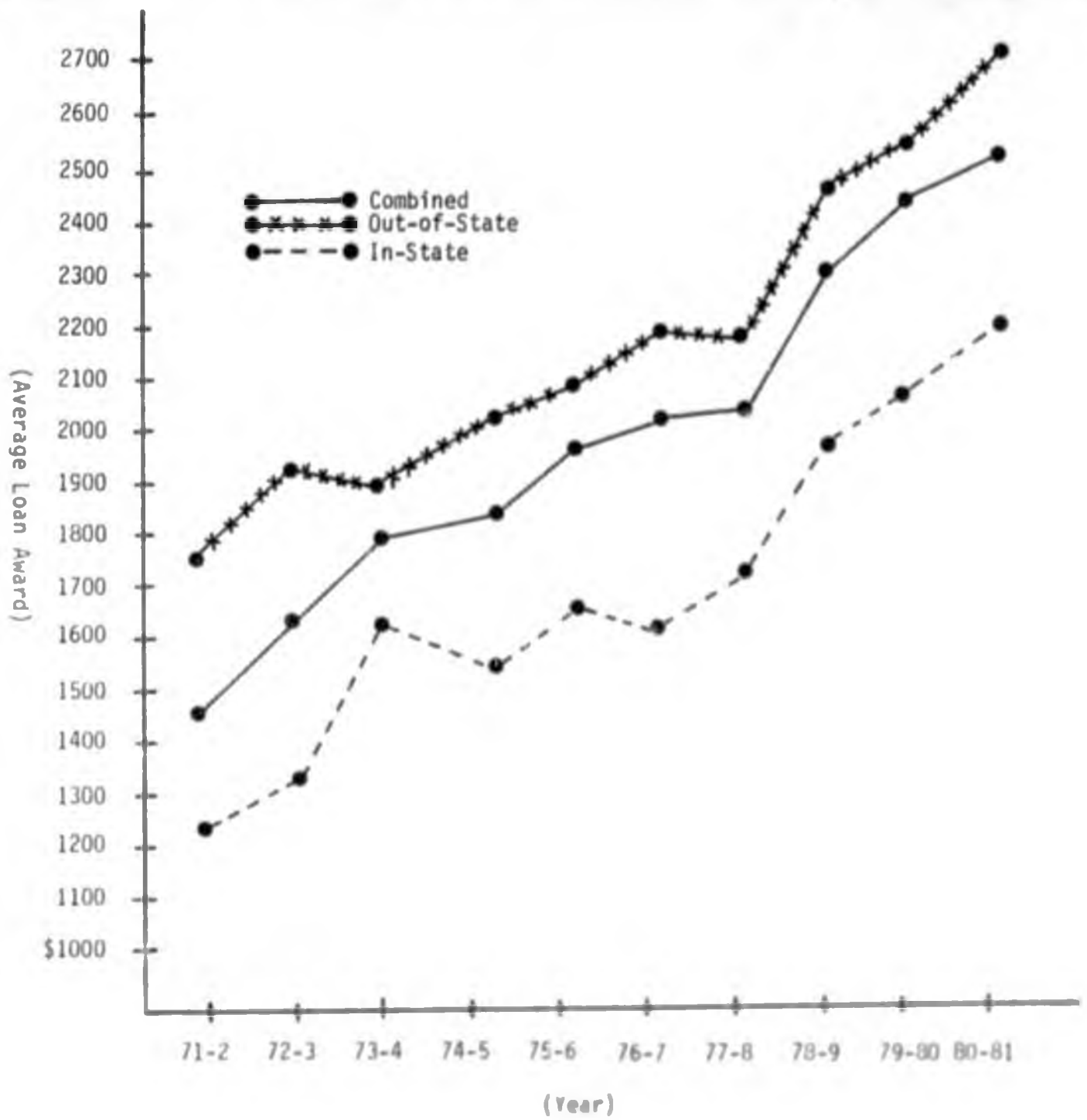


FIGURE 1

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
1979-80 and 1980-81

| Student Level | In Alaska | | Out-of-State | | Combined | |
|---------------|-----------|---------|--------------|---------|----------|---------|
| | 79-80 | 80-81 | 79-80 | 80-81 | 79-80 | 80-81 |
| Freshman | \$1,879 | \$2,025 | \$2,298 | \$2,456 | \$2,143 | \$2,250 |
| Sophomore | 1,913 | 2,102 | 2,388 | 2,482 | 2,222 | 2,320 |
| Junior | 2,027 | 2,179 | 2,341 | 2,459 | 2,227 | 2,343 |
| Senior | 1,905 | 2,080 | 2,375 | 2,364 | 2,192 | 2,258 |
| Vocational | 2,766 | 2,562 | 2,480 | 2,561 | 2,571 | 2,561 |
| Undergraduate | 1,983 | 2,137 | 2,356 | 2,470 | 2,222 | 2,319 |
| Graduate | 2,906 | 3,086 | 3,750 | 3,891 | 3,646 | 3,746 |
| TOTAL | \$2,024 | \$2,181 | \$2,576 | \$2,691 | \$2,393 | \$2,475 |

Undergraduate Loans

The number of undergraduate students receiving loans under the state program has increased greatly over the past ten years. In 1971-72, 990 undergraduates received assistance, while in 1980-81, the number has grown to 5,751 (nearly a 500 percent increase). Of these 5,751 loan recipients, 54.7 percent used their loans for attendance out-of-state, and 45.3 percent used their loans within Alaska. The state's most frequently chosen by undergraduates in 1980-81 are presented in Table 2.

TABLE 2
TEN TOP STATES OF ATTENDANCE
FOR ALASKANS WITH
UNDERGRADUATE LOANS
1977-78 through 1980-81

| STATE | NUMBER | | | | AVERAGE LOAN | | | |
|----------------|--------|-------|-------|-------|--------------|---------|---------|---------|
| | 77-78 | 78-79 | 79-80 | 80-81 | 77-78 | 78-79 | 79-80 | 80-81 |
| Alaska | 713 | 861 | 1,245 | 2,606 | \$1,699 | \$1,933 | \$1,983 | \$2,137 |
| Washington | 322 | 352 | 479 | 700 | 1,982 | 2,226 | 2,394 | 2,495 |
| Oregon | 220 | 285 | 372 | 500 | 2,021 | 2,297 | 2,360 | 2,506 |
| California | 136 | 192 | 191 | 280 | 2,000 | 2,271 | 2,517 | 2,519 |
| Colorado | 91 | 144 | 157 | 161 | 2,092 | 2,501 | 2,549 | 2,502 |
| Arizona | 49 | 61 | 104 | 142 | 1,859 | 2,163 | 2,261 | 2,413 |
| Idaho | 55 | 62 | 94 | 125 | 1,824 | 2,172 | 2,217 | 2,407 |
| Utah | 42 | 49 | 53 | 85 | 1,756 | 1,911 | 2,091 | 2,029 |
| Hawaii | 42 | 58 | 89 | 79 | 1,308 | 1,950 | 1,888 | 2,076 |
| Montana | 36 | 41 | 51 | 73 | 1,943 | 2,285 | 2,536 | 2,444 |
| Remaining U.S. | 279 | 347 | 613 | 1,000 | N.A. | N.A. | N.A. | N.A. |
| TOTAL | 1,985 | 2,452 | 3,448 | 5,751 | \$1,854 | \$2,139 | \$2,393 | \$2,319 |

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. In fact, the number of undergraduates electing attendance in-state increased by 109.4 percent this year over last.

The average loan amount increased in almost every case, with the most pronounced increase in loans for attendance in Idaho and Hawaii. However, Hawaii continues to be one of the states for which undergraduate loan amounts are the lowest (\$2,076, along with Utah at \$2,029).

The percent of undergraduates using their loans for attendance in Alaska increased rather dramatically this year. In fact, as can be seen in Figure 2, the 1980-81 rate of 45.3 percent is the highest in-state rate since 1972-73.

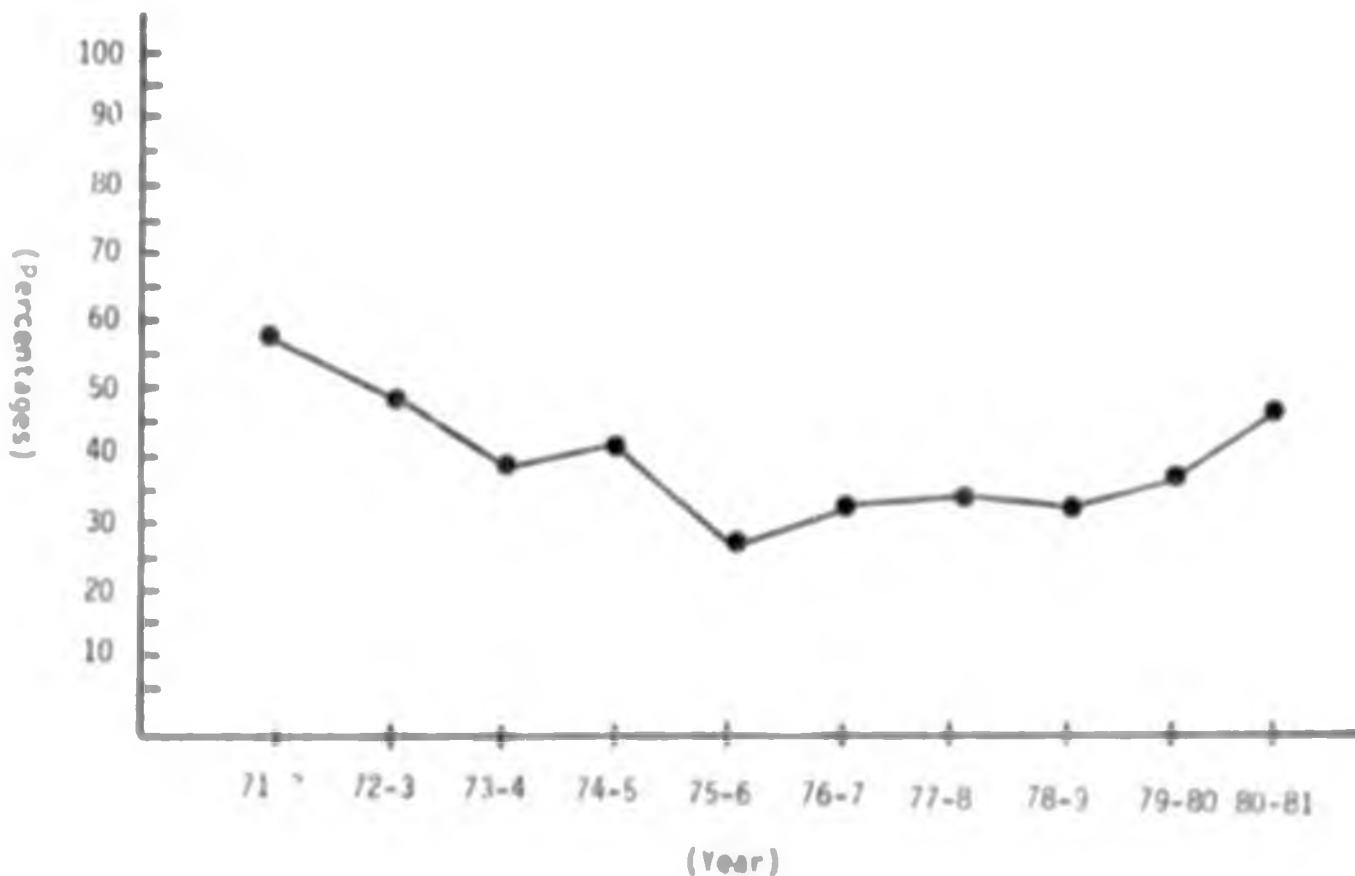


FIGURE 2
PERCENT OF UNDERGRADUATE LOANS
USED IN ALASKA

The wide geographic distribution of Alaskans pursuing undergraduate education is shown most vividly in Figure 3, with Alaskan undergraduates attending institutions in every state except Delaware. The predominance of the West and Northwest is quite evident, with only Alaska, Washington, Oregon, California, Colorado, Arizona, and Idaho receiving over 100 Alaskan undergraduates on state loans. Of the thirteen western states comprising the WICHE compact (Western Interstate Commission for Higher Education), only Wyoming, New Mexico, and Nevada received fewer than 21 Alaska undergraduates on state loans. In fact, the WICHE states account for 83.3 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.

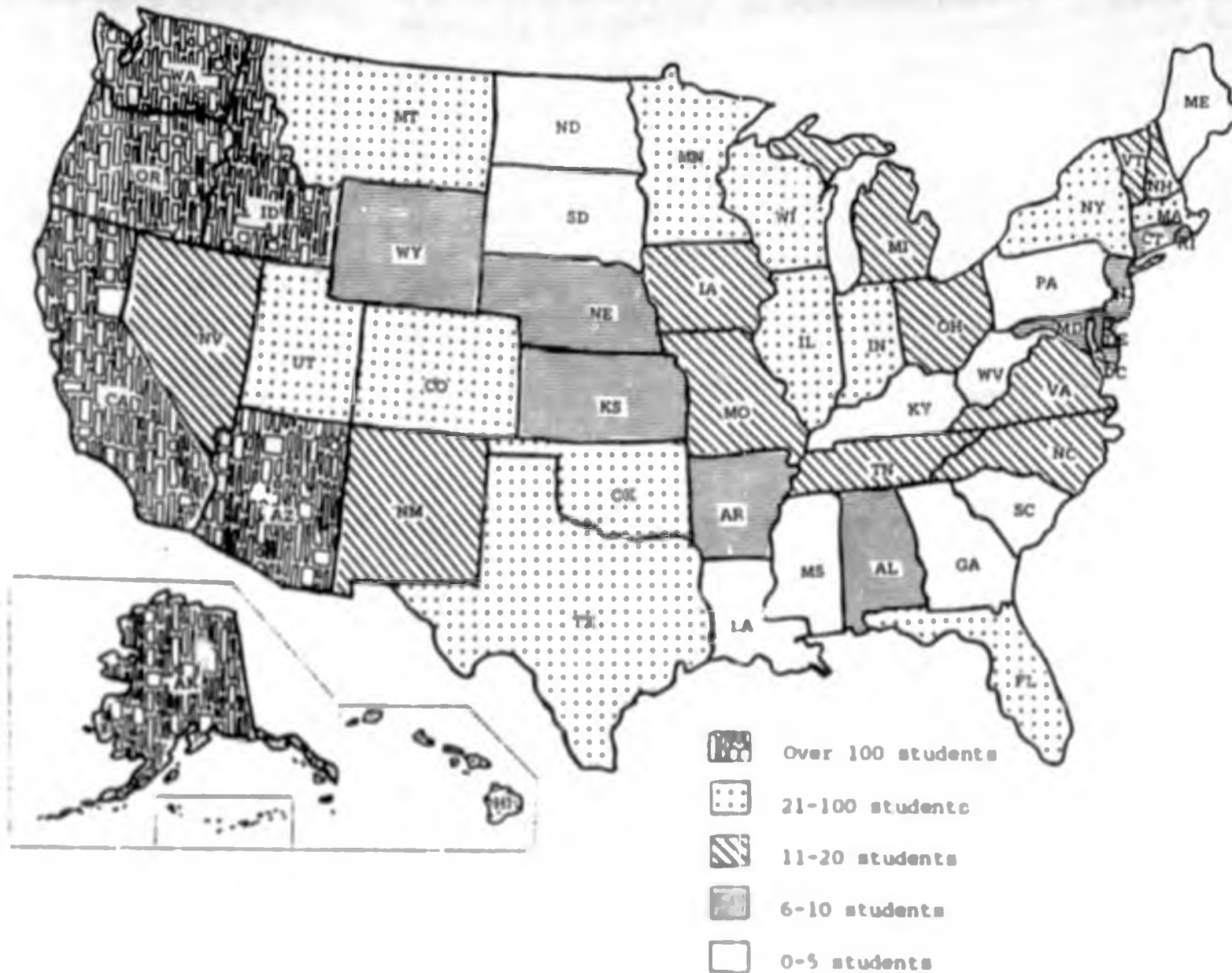


FIGURE 3

GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1980-81

Graduate Loans

The number of Alaskans receiving loans for graduate study has increased by nearly 700 percent since the program began in 1971-72. This year 709 students received assistance for the pursuit of graduate study. Of these 709, 82.1 percent used their loans for attendance outside of Alaska, while 17.9 percent used them for attending school in-state. The percentage of graduate loan recipients attending school in Alaska has increased for each of the last three loan years, after decreasing steadily from 1971-72 through 1977-78. This reversal in trend is presented in Figure 4.

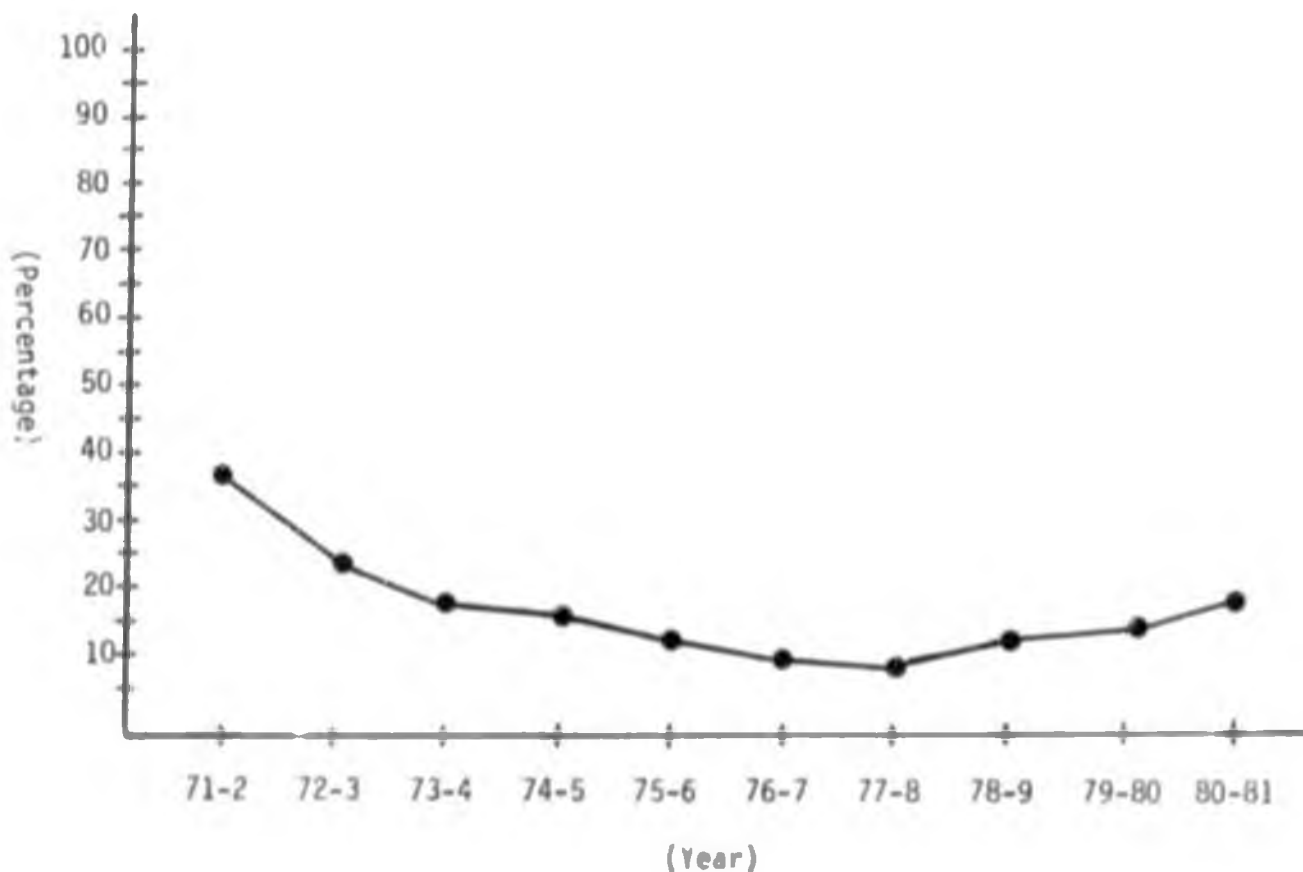


FIGURE 4
PERCENT OF GRADUATE LOANS
USED IN ALASKA

The states most frequently chosen by graduate students from Alaska in 1980-81 are presented in Table 3. Again, as with undergraduates, the students' preference is quite stable. The most dramatic increase is certainly Alaska, with a 119.0 percent increase over last year.

The average loan award for 1980-81 increased in most cases from the 1979-80 average, with the largest increases for students attending graduate institutions in Massachusetts, California, and Oregon.

TABLE 3
TEN TOP STATES OF ATTENDANCE
FOR ALASKANS WITH
GRADUATE LOANS
1977-78 through 1980-81

| STATE | NUMBER | | | | AVERAGE LOAN | | | |
|----------------|--------|-------|-------|-------|--------------|---------|---------|---------|
| | 77-78 | 78-79 | 79-80 | 80-81 | 77-78 | 78-79 | 79-80 | 80-81 |
| Washington | 56 | 72 | 77 | 129 | \$3,743 | \$3,542 | \$3,847 | \$3,848 |
| Alaska | 27 | 41 | 58 | 127 | 2,367 | 2,637 | 2,906 | 3,086 |
| California | 42 | 75 | 73 | 90 | 3,150 | 3,650 | 3,441 | 3,937 |
| Oregon | 34 | 42 | 49 | 75 | 3,125 | 3,287 | 3,526 | 4,011 |
| Colorado | 15 | 15 | 18 | 19 | 3,830 | 3,840 | 3,972 | 4,149 |
| Iowa | 4 | 6 | 10 | 19 | 4,063 | 4,083 | 4,330 | 4,037 |
| Hawaii | 4 | 5 | 8 | 19 | 2,350 | 2,780 | 2,988 | 3,393 |
| Massachusetts | 11 | 9 | 9 | 18 | 3,900 | 4,389 | 3,911 | 4,953 |
| New York | 7 | 8 | 13 | 17 | 2,214 | 4,375 | 3,781 | 4,159 |
| Arizona | 7 | 7 | 9 | 17 | 3,429 | 3,300 | 3,586 | 3,041 |
| Remaining U.S. | 74 | 62 | 146 | 179 | N.A. | N.A. | N.A. | N.A. |
| TOTAL | 280 | 343 | 470 | 709 | \$3,203 | \$3,414 | \$3,646 | \$3,746 |

Alaskans pursuing graduate educational goals are also disbursed quite widely across the nation, with Alaskan graduate loan recipients attending institutions in all but eight 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 40 Alaskan graduate students on state loans. The thirteen states comprising the WICHE compact account for 70.7 percent of all the graduate Alaskan loan recipients for 1980-81.

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 \$8 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 partial cancellation (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 cancelled. Beginning with the first such partial cancellation in 1974-75, the total amount of loan funds (including interest) which the State of Alaska has cancelled has generally shown large annual increases, with the exception of 1979-80 when partial cancellations temporarily leveled. Increases are projected to continue over the next few years as larger numbers of students complete their educational programs.

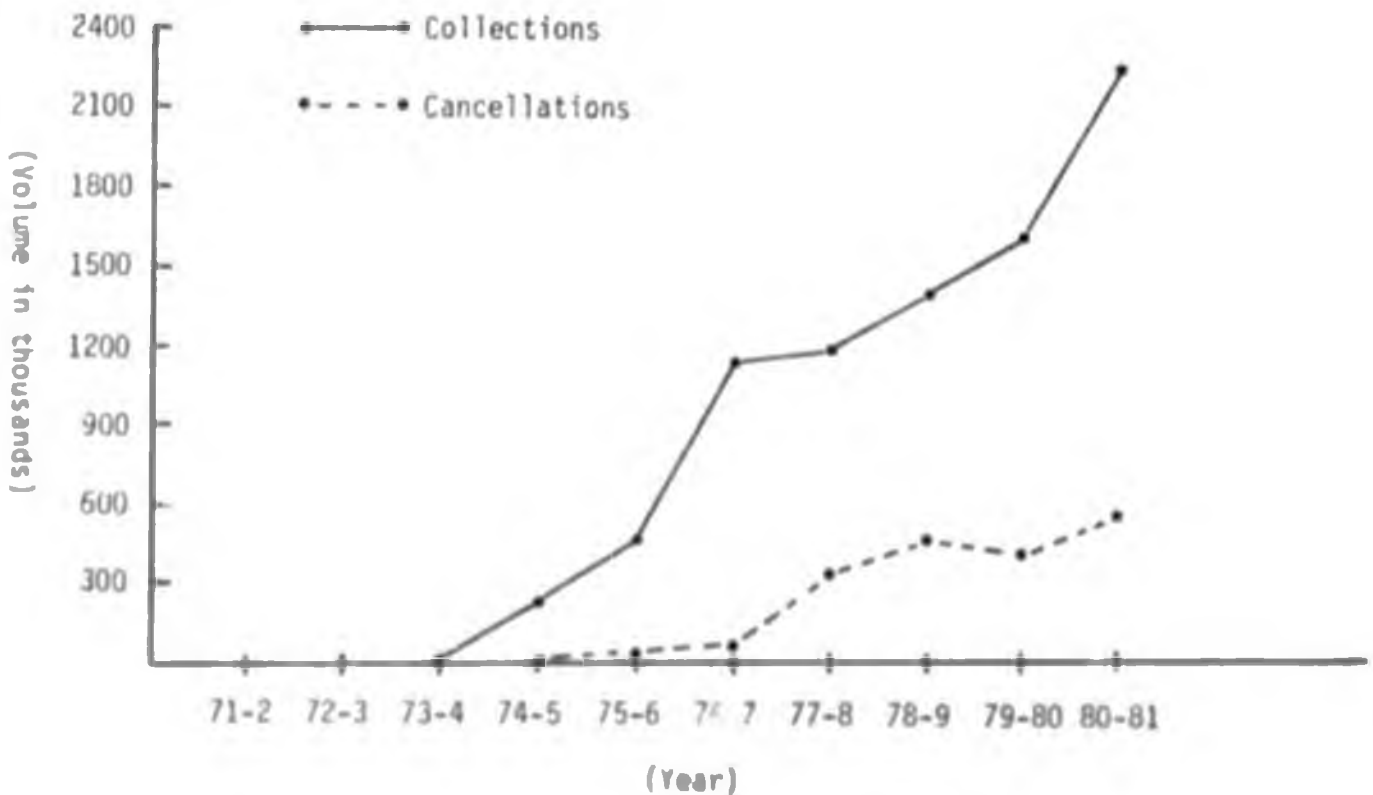


FIGURE 6

STUDENT LOAN COLLECTIONS
AND CANCELLATIONS

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 is now doing considerably better than the federal loan programs, the default rate still remains at an unacceptably high level. As can be seen in Table 4, the default rate has been steadily decreasing since the concerted effort began in 1975-76 to pursue these bad debts. During the 1980-81 loan year, the State of Alaska filed court action against 225 persons involving student loan default. To date, all judgments have been in the favor of the State.

TABLE 4
ANNUAL DEFAULT RATES OF
ALASKA STATE STUDENT LOANS
1971-72 through 1980-81

| 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% |

*Default is 120+ days past due.

Statistical Data

Following are Tables 5-9 containing data on the Alaska Student Loan Program from 1971-72 through 1980-81. 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 5-8. Table 9 contains summaries of the average size loan awarded each year.

ALASKA STUDENT LOAN PROGRAM

(1971-72 through 1980-81)

TABLE 5

TEN-YEAR SUMMARY

(1971-72 through 1980-81)

| STUDENT LEVEL | 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 |
| Under-graduate | 8,886 | 40.2 | \$15,842,415 | 36.2 | 13,224 | 59.8 | \$27,874,470 | 63.8 | 22,110 | \$43,716,885 |
| Graduate | 448 | 15.3 | \$ 1,246,560 | 12.4 | 2,471 | 84.7 | \$ 8,775,375 | 87.6 | 2,919 | \$10,021,942 |
| TOTAL | 9,334 | 37.3 | \$17,098,982 | 31.8 | 15,695 | 62.7 | \$36,649,845 | 68.2 | 25,029 | \$53,738,827 |

TABLE 6
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 | 965,274 | 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 |
| TOTAL | 8,886 | 40.2 | \$15,842,415 | 36.2 | 13,224 | 59.8 | \$27,874,470 | 63.8 | 22,110 | \$43,716,885 |

TABLE 7
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 | 69,833 | 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 |
| TOTAL | 448 | 15.3 | \$ 1,246,460 | 12.4 | 2,471 | 84.7 | \$ 8,775,375 | 87.6 | 2,919 | \$10,021,942 |

TABLE 8
YEARLY SUMMARY
OF
ALL 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 | 601 | 55.6 | \$ 754,964 | 47.1 | 480 | 44.4 | \$ 848,194 | 52.9 | 1,081 | \$ 1,603,158 |
| 1972-73 | 809 | 46.3 | 1,079,264 | 37.6 | 939 | 53.7 | 1,791,120 | 62.4 | 1,748 | 2,870,384 |
| 1973-74 | 622 | 37.4 | 1,021,272 | 34.2 | 1,043 | 62.6 | 1,964,904 | 65.8 | 1,665 | 2,986,176 |
| 1974-75 | 559 | 38.4 | 851,138 | 32.0 | 998 | 61.6 | 1,808,669 | 68.0 | 1,457 | 2,659,807 |
| 1975-76 | 481 | 28.0 | 808,536 | 23.9 | 1,238 | 72.0 | 2,574,461 | 76.1 | 1,719 | 3,382,997 |
| 1976-77 | 584 | 30.4 | 927,972 | 24.1 | 1,337 | 69.6 | 2,922,535 | 75.9 | 1,921 | 3,850,507 |
| 1977-78 | 740 | 32.7 | 1,270,122 | 27.7 | 1,525 | 67.3 | 3,329,045 | 72.3 | 2,265 | 4,604,167 |
| 1978-79 | 902 | 32.3 | 1,772,376 | 27.6 | 1,893 | 67.7 | 4,644,026 | 72.4 | 2,795 | 6,416,402 |
| 1979-80 | 1,303 | 33.3 | 2,637,973 | 28.1 | 2,615 | 66.7 | 6,736,076 | 71.9 | 3,918 | 9,373,949 |
| 1980-81 | 2,733 | 42.3 | 5,960,465 | 37.3 | 3,727 | 62.7 | 10,030,815 | 62.7 | 6,460 | 15,991,280 |
| TOTAL | 9,334 | 37.3 | \$17,098,982 | 31.8 | 15,695 | 62.7 | \$36,649,845 | 68.2 | 25,029 | \$53,728,827 |

TABLE 9
 MEAN LOAN AMOUNT PER RECIPIENT
 BY
 IN-STATE/OUT-OF-STATE INSTITUTIONAL ATTENDANCE

| ACADEMIC YEAR | STUDENTS ATTENDING IN-STATE | | | STUDENTS ATTENDING OUT-OF-STATE | | | TOTAL | | |
|---------------|-----------------------------|---------------------|-------------------------|---------------------------------|---------------------|-------------------------|---------------------------|---------------------|-------------------------|
| | Number of Loan Recipients | Total Amount Loaned | Mean Loan per Recipient | Number of Loan Recipients | Total Amount Loaned | Mean Loan per Recipient | Number of Loan Recipients | Total Amount Loaned | Mean Loan per Recipient |
| 1971-72 | 601 | \$ 754,964 | \$1,256 | 480 | \$ 848,194 | \$1,767 | 1,081 | \$ 1,603,158 | \$1,483 |
| 1972-73 | 809 | 1,079,264 | 1,334 | 939 | 1,791,120 | 1,907 | 1,748 | 2,870,384 | 1,642 |
| 1973-74 | 622 | 1,021,272 | 1,642 | 1,043 | 1,964,904 | 1,884 | 1,665 | 2,986,176 | 1,793 |
| 1974-75 | 559 | 851,138 | 1,523 | 898 | 1,808,669 | 2,014 | 1,457 | 2,659,807 | 1,826 |
| 1975-76 | 481 | 808,536 | 1,681 | 1,238 | 2,574,461 | 2,080 | 1,719 | 3,382,997 | 1,968 |
| 1976-77 | 584 | 927,972 | 1,589 | 1,337 | 2,922,535 | 2,186 | 1,921 | 3,850,507 | 2,004 |
| 1977-78 | 740 | 1,275,122 | 1,72 | 1,525 | 3,329,045 | 2,183 | 2,265 | 4,604,167 | 2,033 |
| 1978-79 | 902 | 1,772,376 | 1,965 | 1,893 | 4,644,026 | 2,453 | 2,795 | 6,416,402 | 2,296 |
| 1979-80 | 1,303 | 2,637,873 | 2,024 | 2,615 | 6,736,076 | 2,576 | 3,918 | 9,373,949 | 2,393 |
| 1980-81 | 2,733 | 5,960,465 | 2,181 | 3,727 | 10,030,815 | 2,691 | 6,460 | 15,991,280 | 2,475 |
| TOTAL | 9,334 | \$17,098,982 | \$1,832 | 15,695 | \$36,649,845 | \$2,335 | 25,029 | \$53,738,827 | \$2,111 |