

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1392 HESS HB 709

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1392

UNDERGRADUATE STUDENT COST-OF-LIVING
Alaska

University	Room	Board	Books & Supplies	Transportation	Personal Expenses	Total Excluding Tuition & Fees	Tuition & Fees	TOTAL
ALASKA PACIFIC UNIVERSITY								
on-campus 80-81	\$1,200 A	\$1,400 A	\$250 E		\$680 E	\$3,530 E	\$2,350A	\$5,880 E
off-campus 80-81	\$1,800 E	\$1,350 E	\$250 E		\$680 E	\$4,080 E	\$2,350A	\$6,430 E
on-campus 81-82	\$1,300 A	\$1,500 A* \$1,750 A*	\$250 E	\$80 E** \$400 E**	\$720 E	\$3,850-\$4,420E		
off-campus 81-82	\$2,200 E	\$1,632 E	\$250 E	\$80 E** \$592 E**	\$720 E	\$4,882-\$5,114E		
SHELDON JACKSON								
on-campus 80-81	\$1,000 A	\$1,500 A	\$200 E	2round trips to Sitka from home	\$530 E	\$3,230+Trans E	\$2,650A	\$5,880 + Trans. E
off-campus 80-81		\$3,600 E	\$200	same as above	\$530 E	\$4,330+Trans E	\$2,650A	\$6,980 + Trans. E
on-campus 81-82		\$2,700	\$200	same as above	\$575 E			

A = Actual costs
E = Estimated costs

AK Pacific: Ellen Stiles, Financial Aid 276-8181. Estimates derived from surveys, various costs indexes, and Anchorage Association of Financial Advisors data.
Sheldon Jackson: Duke Gersema, Financial Aid Director 747-5220

- * There will be two meal options during the 81-82 school year. The \$1,500 option consists of 14 meals/week (no breakfast, with brunch and dinner on the weekends); the \$1,750 options consists of 19 meals/week (breakfast is included)
- **Transportation is broken down here with \$80 estimated for costs to and from school for off-campus commuting and \$400 estimated for airfare to and from their permanent place of residence.

UNDERGRADUATE STUDENT COST-OF-LIVING
Oregon

University	Room	Board	Books & Supplies	Transportation	Personal Expenses	Total excluding Tuition & Fees	Tuition & Fees	TOTAL
UNIVERSITY OF OREGON								
On-campus 80-81	\$1,749 E		\$255 E	\$310 E	\$900 E	\$3,214 E	\$3,214 A	\$6,496 E
On-campus 81-82	\$2,025 A		\$285 E	\$491 E	\$990 E	\$3,791 E		
Off-campus 81-82	\$2,475 A		\$285 E	\$491 E	\$990 E	\$4,241 E		
OREGON STATE								
On-campus 80-81	\$1,750 A		\$300 E	\$360 E	\$1,350E Rec. \$200 Clothes \$200 Insur. \$150 Personal \$800	\$3,760 E	\$3,327 A	\$7,087 E
PORTLAND STATE								
Off-Campus	\$2,662 E		\$279 E	\$504E	\$720 E	\$4,165	\$3,261 A	\$7,426 E

A = Actual costs
E = Estimated costs

University of Oregon: Terry Hofeld Church, Administrative Assistant, Financial Aid, 503/686-3221
Oregon State: Cheryl Judson, Assistant Director of Financial Aid 503/754-2241. Estimates are derived from campus surveys of costs, and comparisons with the consumer price index and other schools in the area.
Portland State: Corbitt Gottfield, Financial Aid 503/244-6711, Estimates are based on comparisons school budgets in the metropolitan area and surveys.

UNDERGRADUATE STUDENT COST-OF-LIVING
Washington

University	Room	Board	Books & Supplies	Transportation	Personal Expenses	Total Excluding Tuition & Fees	Tuition & Fees	TOTAL
UNIVERSITY OF WASHINGTON								
On-Campus 80-81	\$1,200 A	\$900 A	\$300 E	\$350 E	\$793 E	\$3,543 E	\$2,394 A	\$5,937 E
Off-Campus Apartment	\$1,575 E	\$900 E	\$300 E	\$375 E	\$1,228 E	\$4,378 E	\$2,394 A	\$6,772 E
CENTRAL WASHINGTON								
On-Campus 80-81	\$1,700 A		\$300 E	\$600	\$750 E	\$3,350 E	\$1,983 A	\$5,333 E
On-Campus 81-82	\$2,000 E*		\$300 E	\$600 E	\$750 E	\$3,650 E		
WESTERN WASHINGTON								
On-Campus 80-81	\$1,880 A		\$230 E	\$590 E	\$660 E	\$3,360 E	\$1,983 A	\$5,343 E
On Campus 81-82	\$2,110 E*		\$270 E	\$600 E	\$720 E	\$3,700 E		

A = Actual costs
E = Estimated costs

University of Washington: Michelle Handesty. Estimates derived from random surveys, financial advisors and averaging costs.

Central Washington: Kathy Armstrong, Financial Aid, 509/963-1611

Western Washington: Financial Aid 206/676-3470

* This is an estimated fee for room and board as the 81-82 budget has not yet been approved.

GRADUATE STUDENT COST-OF-LIVING
Alaska

University	Room	Board	Books & Supplies	Transportation	Personal Expenses	Total excluding Tuition & Fees	Tuition & Fees	TOTAL
UNIVERSITY OF ALASKA								
UAF--on-campus 80-81	\$560 A	\$1,430 A	\$250 E	\$480 E	\$530 E	\$3,250 E	\$640 A	\$3,890 E
off-campus 80-81	\$2,400 E	\$1,200 E	\$250 E	\$480 E	\$530 E	\$4,860 E	\$640 A	\$5,500 E
on-campus 81-82	\$630 A	\$1,470 A	\$250 E	\$800 E*	\$600 E	\$3,750 E		
off-campus 81-82	\$2,400 E	\$1,600 E	\$250 E	\$800 E*	\$600 E	\$5,650 E		
UAA--off-campus 80-81	\$2,475 E	\$1,575 E	\$250 E	\$495 E	\$675 E	\$5,470 E	\$640 A	\$6,110 E
off-campus 81-82	\$2,475 E	\$1,836 E	\$250 E	\$660 E	\$810 E	\$6,031 E		
UAJ--off-campus 80-81		\$4,100 E	\$250 E	\$500 E	\$675 E	\$5,525	\$640 A	\$6,165 E

A = Actual costs
E = Estimated costs

UAF: Ida Greiner, Financial Aid 479-7256
UAA: Eleanor Brown, Financial Aid 263-1586
UAJ: JoAnn Yamada, Financial Aid 789-2101

GRADUATE STUDENT COST-OF-LIVING
Alaska

University	Room	Board	Books & Supplies	Transportation	Personal Expenses	Total Excluding Tuition & Fees	Tuition & Fees	TOTAL
ALASKA PACIFIC UNIVERSITY								
on-campus 80-81	\$1,200 A	\$1,400 A	\$250 E		\$680 E	\$3,530 E	\$2,350A	\$5,880 E
off-campus 80-81	\$1,800 E	\$1,350 E	\$250 E		\$680 E	\$4,080 E	\$2,350A	\$6,430 E
on-campus 81-82	\$1,300 A	\$1,500 A* \$1,750 A*	\$250 E	\$80 E** \$400 E**	\$720 E	\$3,850-\$4,420E		
off-campus 81-82	\$2,200 E	\$1,637 E	\$250 E	\$80 E** \$592 E**	\$720 E	\$4,882-\$5,114E		

A = Actual costs
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AK Pacific: Ellen Stiles, Financial Aid 276-8181. Estimates derived from surveys, various costs indexes, and Anchorage Association of Financial Advisors data.

- * There will be two meal options during the 81-82 school year. The \$1,500 option consists of 14 meals/week (no breakfast, with brunch and dinner on the weekends); the \$1,750 option consists of 19 meals/week (breakfast is included)
- **Transportation is broken down here with \$80 estimated for costs to and from school for off-campus commuting and \$400 estimated for airfare to and from their permanent place of residence.

GRADUATE STUDENT COST-OF-LIVING
California

University	Room	Board	Books & Supplies	Transportation	Personal Expenses	Total excluding Tuition & Fees	Tuition & Fees	TOTAL
U.C. BERKELEY								
On-Campus 80-81	\$2,239 A		\$306 E		\$819 E	\$3,364 E	\$2,400 A	\$5,674 E
Off-Campus 80-81	\$3,060 E		\$306 E		\$819 E	\$4,185 E	\$2,400 A	\$6,585 E
SAN DIEGO STATE								
On-Campus 80-81	\$2,070 A		\$270 E	\$270 E	\$570 E	\$3,180 E	\$2,160 A	\$5,340 E
Off-Campus 80-81	\$2,700 E		\$270 E	\$540 E	\$690 E	\$4,200 E	\$2,160 A	\$6,360 E
On-Campus 81-82	\$2,250 A		\$270 E	\$310 E	\$720 E	\$3,550 E		
Off-Campus 81-82	\$3,150 E		\$270 E	\$540 E	\$810 E	\$4,770 E		
STANFORD (private)								
On-Campus 80-81	\$2,636 A		\$465 E		\$690 E	\$3,791 E	\$6,900 A	\$10,691 E
Off-Campus 80-81	\$4,510 (includes personal expenses)E		\$465 E	\$345 E		\$5,320 E	\$6,900 A	\$12,220 E
On-Campus 81-82	\$2,965 E		\$300 E		\$685 E	\$3,950 E		

A = Actual costs
E = Estimated costs

U.C. Berkeley: Christopher Castorena, Financial Aid 415/642-6000
San Diego State: Ruth Coffey, Financial Aid 714/265-6323
Stanford: Cindy Gifford, Financial Aid 415/497-2300

GRADUATE STUDENT COST-OF-LIVING
Oregon

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OREGON STATE								
On-campus 80-81	\$1,750 A		\$300 E	\$360 E	\$1,350E Rec. \$200 Clothes \$200 Insur. \$150 Personal \$800	\$3,760 E	\$2,388 A	\$6,148 E
PORTLAND STATE								
Off-Campus	\$2,662 E		\$279 E	\$504E	\$720 E	\$4,165	\$2,397 A	\$6,562 E

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CENTRAL WASHINGTON								
On-Campus 80-81	\$1,700 A		\$300 E	\$600 E	\$750 E	\$3,350 E	\$2,256 A	\$5,606 E
On-Campus 81-82	\$2,000 E*		\$300 E	\$600 E	\$750 E	\$3,650 E		
WESTERN WASHINGTON								
On-Campus 80-81	\$1,880 A		\$230 E	\$590 E	\$660 E	\$3,360 E	\$2,256 A	\$5,616 E
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University of Washington: Michelle Mandesty. Estimates derived from random surveys, financial advisors and averaging costs.

Central Washington: Kathy Armstrong, Financial Aid, 509/963-1611

Western Washington: Financial Aid 206/676-3470

* This is an estimated fee for room and board as the 81-82 budget has not yet been approved.

9700 Arlene
Anchorage, AK 99502
February 26, 1982

Dear Rep. Martin,

As parents of three children who will be attending college outside the state of Alaska next Fall, we urge you to support the present Student Loan Program.

We do not feel that transportation costs should be eliminated as part of the program since this amounts to several hundred dollars. It would limit a student's freedom of college choices and programs if eliminated from the costs.

We do not feel loans should be based on "need." This is discriminatory. The loans should be available to all Alaskan youth.

We still agree with the clause, "student in good standing" rather than a specific grade point average. There is inconsistency among grading at different universities and this would be unfair.

We would like to conclude this letter with a Chinese Proverb that was printed in a recent Reader's Digest:

If you are planning for a year, sow rice....

If you are planning for a decade, plant trees....

If you are planning for a lifetime, educate a person.

Maybe this Proverb could be considered when various programs are before the legislature this session. The future of Alaska depends on our youth.

Sincerely,

Donald Barta
Irma Jean Barta

Donald Barta
Irma Jean Barta

SECTIONAL ANALYSIS SS HB 709

Section 1

Sections 1 and 2

Lowers the maximum loan amount for an undergraduate student from the present \$6,000 to \$4,000 and from \$7,000 to \$6,000 for a graduate student.

Section 3

Current statutes having to do with Conditions of Loans is amended by adding a definition for "full-time" student. In this case, a student must take at least 26 credit hours or an equivalent amount per academic year to qualify for a student loan. In addition, the bill requires that a student maintain a grade point average of at least 2.0. This G.P.A. requirement may however be waived by the Postsecondary Education Commission for "disadvantaged persons".

per academic year

Section 4

Students would only be eligible for a student loan for 4 years of undergraduate work and 4 years of graduate work. Current law allows 5 years for each but for no more than a total of 8 years

Section 5

The interest rate on the student loan is increased to 6% and all interest charges accrue from the time the student receive the money. Current law stipulates a 5% rate of interest and all such charges are waived until the student either completes his education or drops out of school.

Section 6

In order to qualify for a loan, all applicants must have been physically present in the state at least 2 years immediately before the date of application.

Section 7

In order to qualify for the loan, a student must submit the application by May 15th. All others received after that date cannot be considered. The student must also submit 4 affidavits signed by individuals attesting to the fact that the applicant is a 2 year resident of the state.

ALASKA STATEWIDE STUDENT ASSOCIATION POSITION PAPER

HB 683-- Even more important than shortening the term of office is limiting the number of terms a regent can serve. We favor a single, five-year term. We support the bill if thus amended.

HB 492-- Parttime student loans--support in principle, but the payback schedule is too short. We favor amending it so that a student would begin payback in one year, finish in two.

SSHB 709-- This substitute is totally different from the original bill on which hearings were held. This new bill cuts back an excellent program substantially. It should be held back for more public hearings or, even better, not passed out of committee at all.



4 February 1982

Representative Terry Martin
State Capitol
Pouch V, Mail Stop 3100
Juneau, AK 99811

Dear Representative Martin:

Thank you for giving me a chance to testify before the House Finance Subcommittee regarding the University of Alaska FY83 Budget Request, Increment Packages Priority Item 2, LANDSAT "QUICK-LOOK" PROJECT. I enclose a copy of my testimony.

As you are aware, Governor Hammond has recommended no increments in the budget for UAF for FY83. In addition to a disastrous impact generally on the academic programs and organized research on the Fairbanks campus, I wish to call your attention to the fact that the Governor is effectively calling for the termination of the LANDSAT QUICK-LOOK PROJECT, because this project was the #2 priority for research on the Fairbanks campus. In particular, please note on the last page of my enclosed testimony text, under the Budget paragraph that, over a period of several years, \$1-million has been invested in the development of a technology, and now just prior to its coming on line to provide some exciting benefits throughout Alaska, we essentially are being asked to turn the equipment off and walk away.

If you agree with me that this makes no sense, please redouble your efforts to provide a sensible level of support to the UAF budget. This is NOT an inflationary, high-cost capital project which would entail massive burdens on future budgets. Instead, it is a most cost-beneficial effort which could favorably impact property and lives in rural areas as well as aid in the management and extraction of our natural resources.

Please oppose this buzz-saw approach to the UAF budget in general and the LANDSAT QUICK LOOK PROJECT in particular.

Sincerely yours,

John M. Miller
Senior Applications Engineer

JM:hw

Enclosure
as stated

Geophysical Institute, University of Alaska, C.T. Elvey Building,
803 Nayukuk Ave. North, Fairbanks, Alaska 99701
PHONE 907-479-7282 TELEX 35414 GEOPH INST FBK

ALASKA STATEWIDE STUDENT ASSOCIATION POSITION PAPER

HB 683-- Even more important than shortening the term of office is limiting the number of terms a regent can serve. We favor a single, five-year term. We support the bill if thus amended.

HB 492-- Parttime student loans--support in principle, but the payback schedule is too short. We favor amending it so that a student would begin payback in one year, finish in two.

SSHB 709-- This substitute is totally different from the original bill on which hearings were held. This new bill cuts back an excellent program substantially. It should be held back for more public hearings or, even better, not passed out of committee at all.



Official Business

Alaska State Legislature

House of Representatives

Committee on

Health, Education & Social Services

Pouch V
State Capitol
Juneau, Alaska 99811

March 2, 1982

Sectional Analysis CSSSHB 709

Sections 1 and 2

Lowers the maximum loan amount for an undergraduate student from the present \$6,000 to \$4,000 and from \$7,000 to \$6,000 for a graduate student.

Section 3

Current statutes having to do with Conditions of Loans is amended by adding a definition of a student in "good standing". It requires that an undergraduate student maintain a G.P.A. of not less than 2.0 and a graduate must have at least a 3.0 G.P.A. In addition, the student shall submit proof at the end of each academic year of the number of credit hours completed and grades received. This requirement may be waived by the commission for a physically or mentally handicapped student.

Section 4

This section would limit the number of years a student could obtain a loan to 4 years of undergraduate study and 4 years of graduate study. However, if the particular area of study requires more than 4 years of attendance, the student could obtain an additional year of eligibility for both. In no case shall the total years of eligibility exceed 8 years.

Section 5

The interest rate on the student loan is increased to 6% and all interest charges accrue from the time the student receives the first installment. Current law stipulates a 5% rate and all such charges are waived until the student either completes his education or drops out of school.

Section 6

Current law allows a borrower to defer repayment of a loan if he is serving on active duty as a member of the armed forces. This section would limit that deferral period to a maximum of 4 years.

Section 7

Would disqualify a student from receiving a loan if he or she was in default or delinquent on a previously awarded scholarship loan.

Section 8

In order to qualify for a loan, a student must have been physically present in the state at least 2 years immediately before the date of application unless his absence was due to military service or attendance of a college/ university outside the state.

Section 9

Applications for a student loan must be received by the commission by the following dates:

- a) July 15 for a semester beginning July 1 to October 31 of that year;
- b) November 15 for a semester beginning November 1 of that year to February 29 of the following year;
- c) March 15 for a semester beginning March 1 to June 30 of that year.

In addition, the student must also submit 4 affidavits signed by individuals attesting to the fact that the applicant is a 2 year resident of the state.

Section 10

Current statute would remain the same except for the deletion of the May 15 application deadline.

Section 11

Repeals subsection (b) (2) which pertains to the May 15 application deadline.

Section 12

This act takes effect July 1, 1982.

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CSSSHB 709
 Title An Act Relating to Student Loans
 Requested by House HESS Date 3/2/82

II. FISCAL DETAIL
 Agency Affected Education
 Program Category Affected Postsecondary Education Commission
 BRU, Program, Or Subprogram(s) Affected Student Loan Program
 (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						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	N.A.	-0-	(4,684.0)	(19,576.0)	(34,580.4)	(40,440.0)
TOTAL	N.A.	-0-	(4,684.0)	(19,576.0)	(34,580.4)	(40,440.0)

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	N.A.	-0-	(4,684.0)	(19,576.0)	(34,580.4)	(40,440.0)
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

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

1. Assumptions for impact:

- a. student mix will remain 90% undergraduate, 10% graduate
- b. average loans will be:

	Undergraduate	Graduate	c. Cost Total	d. Savings (Difference)
1982-83	\$4,000	\$5,400	\$ 62,100,000	\$ -0-
1983-84	4,000	5,950	70,476,000	4,684,000
1984-85	4,000	6,000	77,616,000	19,176,000
1985-86	,000	6,000	85,377,600	33,540,400
1986-87	4,000	6,000	94,080,000	38,640,000
e. 6% interest, accrual immediately				
1982-83	-0-	1984-85 400,000	1986-87	1,800,000
1983-84	-0-	1985-86 1,040,000	1987-88	3,800,000

IV. DATE March 2, 1982 PREPARED BY Kerry [Signature]
 AGENCY Commission on Postsecondary Education
 Original: Legislative Finance PHONE 465, 2854
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

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 \$1,000 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 4.0 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

Representative Terry Martin
Pouch V, State Capitol
Juneau, Alaska 99801

Dear Mr. Martin,

Thank you for your letter requesting my input as a student concerning amendments to the ASLP. I have returned the list of alternatives with brief comments along the margins. In addition I would like to offer some general opinions and perceptions about the program.

First of all, I feel that the loan program is and should remain a loan program with qualifications for its use being based on credit worthiness and not financial need. If this means setting up a dual program, eliminating or establishing more stringent academic qualifications for high-risk groups such as entering freshmen then so ~~be~~ be it.

Second, I see the loan program as a long term developmental subsidy or investment in the future of the state. Hence, the loan program should target those students most likely to remain and make a contribution to the future of the state. In-state students should therefore receive priority in your considerations. The forgiveness provision, though perhaps carried to excess last year is a valuable and attractive incentive, especially for students going to school out of state. Further, while the direct costs to the state

may be much lower for out of state students, the future costs ~~in state~~ ~~of~~ ~~not~~ having a strong in-state system of higher education, training and preparing people committed to the future of Alaska, could be awesome. The ASLP has been vital to many in-state students in order to meet the higher living expenses associated with living & studying in Alaska. As you are probably aware, students at UAA have no dormitories or student housing, there are no low rent areas within walking distance of school, and further, students lack the benefit of group health insurance.

Third I would urge some caution in increasing academic requirements for loan qualification purposes.

Although I am an honor student myself, I have observed ^{no.} many of the most dedicated students are in a no-man's land & not for the ASLP. They do not qualify as financially needy (especially when national formulas are used) and cannot avail themselves of academic scholarships.

~~Fourth~~ ^{Also}, I would urge that undue emphasis is not placed on the graduating high school student in setting loan or grant priorities. There are many mature adults who have come to work in Alaska with various industries, have committed their future to this great land, and have returned to school to better enable themselves to participate in its development.

In general, I think that scholarship grants, loan programs, and financial need grants/loans should be ~~operated~~ kept as separate and distinct functions. I realize that severe fiscal pressures require a fairly radical amendments

to the ASLP and would personally favor the following actions

1. Enforce the loan application deadline -- student loans should not be an expeditious addition to unemployment.
2. More careful scrutiny of student credit worthiness given the increasing popularity of personal bankruptcy.
3. Require residency verification and impose penalties for perjury.
4. Deny needs for foreign study.
5. Deny loans for freshmen & veterans or other high risk groups, or increase academic qualifications for such groups.
6. Roll back the borrowing maximums to \$4000 per year for Undergraduates, \$6000 for graduates.
7. Give priority to in-state students.
8. Improve administrative efficiencies where cost effective.
9. Set up separate distinct programs for scholarship grants, financial need grants/loans, and straight low interest student loans based on credit worthiness of the student.

Finally, whatever is done, I sincerely hope that you and your fellow legislators do not lose sight of the importance of educating comm. Mod Alaskans, young and old alike, for a more productive role in the future.

Your constituent,
Richard Fenchel
Michael L Fenchel
3927 East 6th
Anchorage, AK 99504

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH FP
JUNEAU, ALASKA 99811
PHONE 71465-2854

February 3, 1982

The Honorable Mike Beirne
Chairman, House HESS
Pouch V, State Capitol
Juneau, Alaska 99811

Dear Representative Beirne:

Thank you for the opportunity of commenting upon the draft of your bill relating to the scholarship loan program. Since the bill contains three changes, I shall address each in order and by reference to line numbers within draft.

1. Redefine full-time student. The bill defines full-time undergraduate attendance as 26 semester credit hours, or the equivalent, per year of study. Currently, full-time undergraduate study is completion of 12 semester credit hours, or the equivalent, per semester (that is, 24 semester credit hours per year). This full-time definition (12 hours) is in keeping with federal programs and is the commonly accepted standard for full-time undergraduate attendance. Placing the restriction upon an annual basis would allow a student to enroll for any combination of hours, such as, 8 hours-Fall and 18 hours-Spring, 10 hours-Fall and 16 hours-Spring, or 13 hours Fall and Spring.

I do not believe this change would achieve the purpose for which it is intended, and I would encourage retention of the 12-hour minimum per semester.

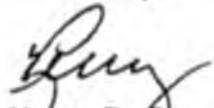
2. Establish 2.0 minimum annual GPA and require transcripts. The 2.0 minimum annual GPA already exists. This is how we defined "good standing" for an undergraduate student. The school is asked, in fact required, to enforce this "good standing" requirement. Placing that responsibility in our offices will greatly increase the flow of documents and correspondence through our agency and could create some administrative difficulties. We prefer having the school sign off on the student status before releasing loan funds. Having this sign-off on file constitutes proof of the student's attendance and academic performance.

The Honorable Mike Beirne
February 3, 1982
Page 2

3. Proof of residency. We currently do not require proof of residency, but rather have initiated a random audit approach to residency verification. In cooperation with the State Troopers, we are now piloting this verification approach, but have yet to receive results. The Commission agrees that proof or some type of verification is needed. Whether or not the audit approach will suffice is undetermined at present.

A fiscal note is attached, and I would be happy to testify upon the bill when it comes up for hearing.

Sincerely,



Kerry D. Bomesburg
Executive Director

Enclosure

I. REQUEST

Bill/Resolution No. HB 709
 Title Act relating to Scholarship Loans
 Requested by House HESS Date 2/4/82

II. FISCAL DETAIL

Agency Affected Education
 Program Category Affected Commission on Postsecondary Education
 BRU, Program, Or Subprogram(s) Affected Student Loan Program
 (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		25.8	27.6	29.5	31.6	33.8
200 TRAVEL		-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL		3.7	3.9	4.2	4.4	4.7
400 COMMODITIES		.3	.3	.3	.4	.4
500 EQUIPMENT		4.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	N.A.	33.8	31.8	34.0	36.4	38.9

FUNDING (Thousands of Dollars)

	N.A.	33.8	31.8	34.0	36.4	38.9
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	N.A.	1.0	1.0	1.0	1.0	1.0
FULL TIME						
PART TIME						
TEMPORARY						

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

1. Personal Services: Range 10 - Awards Clerk, inflation at 7% for 84-87 (including benefits)
2. Contractual and commodities at inflation of 6%.

IV. DATE February 4, 1982 PREPARED BY Kerry D. Romeshung

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 AGENCY Commission on Postsecondary Education
 PHONE 465-2854
 33-001 (Rev. 12/81)

PART I

COOPERATIVE OPERATIONAL PLAN FOR EDUCATION

Board of Education
Board of Regents
Postsecondary Commission

In this post-industrial age, education is perhaps the most important commitment of State and public resources we can make. The survival of our democracy depends on an informed electorate, and the survival of our economy depends upon knowledgeable people. The development of Alaska depends upon the highest of technologies, therefore, the highest levels of education.

The attainment of quality education for Alaskans is the common agenda of the Board of Education and the Board of Regents. Aided by the Postsecondary Commission, our charge is to develop cooperative programs that will most effectively provide Alaskans with education of the highest quality and as accessible as our resources permit. Together we must develop strategies which improve educational services to Alaskan citizens, and more specifically to rural areas. In order to achieve that goal, it will take the combined efforts of the University of Alaska, the Department of Education, local school systems, and the Postsecondary Commission. This involves coordinated local, regional and statewide planning, educationally sound cooperative agreements, and probably changes in current State statutes. There is a need to involve, as fully as possible, not only educators and the boards, but local community advisory groups. A strong statewide plan can then be developed through the involvement of these persons.

The primary purposes of our cooperative agreement are to distinguish the missions and responsibilities of the Board of Education from those of the Board of Regents and to identify areas of shared responsibility. The agreement will then provide for the development of cooperative and coordinated planning procedures for comprehensive management of the areas of shared responsibility; assign authority for determining delivery systems to that board having primary responsibility for a given area of education; and develop formal mechanisms for insuring continued cooperation between the two educational agencies in the State. The agreement also contemplates certain statutory changes that

will clarify the individual and mutual responsibilities of the two boards.

This is a perspective for the development of a cooperative adult and postsecondary plan for Alaska. It is important to understand that specific details concerned with the nature of the delivery system are not a major point of this plan.

GLOSSARY OF TERMS

In order for all to hold common understandings of the terms used in this agreement, the following glossary of terms has been agreed to by the principals.

Academic - Pertaining to or characteristic of courses for which some type of credit is awarded and which can be applied to meet the requirements for achieving a degree or certificate.

Adult Basic Education - Remedial non-credit coursework for adults having less than equivalent high school skills. Three types of educational activities are included:

1. Activities that provide the basic skills for an adult to function in society;
2. Activities that enable adults to continue their education to at least the equivalent of a secondary school education; and
3. Activities that enable adults to secure training necessary for employment.

Adult Preparatory Education - Courses or programs of non-credit instruction which do not necessarily lead to a high school diploma nor to a postsecondary degree. Instruction can include basic academic skills, occupational preparation, upgrading of existing skills, and instruction of special interest.

Certificate - A written assurance, or official representation, that some act has been done, or some event occurred, or some legal formality has been complied with. A document certifying that one has fulfilled the requirements of a program/course.

Community College - An institution of postsecondary education whose mission is to provide education for adults that is consistent with the needs of the community in which the college is a part. By offering the first two years of collegiate work, the institution provides five interrelated activities to its constituency:

1. Transfer curricula
2. Vocational and technical programs
3. Adult education programs (credit and non-credit)
4. Individual supportive services to students
5. Programs and services for cultural, civic, recreational, and other community projects and programs.

Community School Program - The composite of those non-credit educational, cultural, social and recreational services provided the citizens of a community, both children and adults, by a school district, before and after school hours and not provided through the regular instructional program.

Community Interest - Those non-credit activities and courses offered by a postsecondary institution that address the educational, cultural, social and recreational needs of its constituency.

Continuing Education - This term is often used as a synonym for both adult education and lifelong learning. A process of formal or informal learning for adults who have completed or interrupted their schooling and are returning after an interval away from the classroom. Usually refers to those who are building on previous training or education.

Course - A sequence of studies with prescribed objectives. Successful completion may result in awarding of credit.

Credit Course - Courses for which a quantitative measure is assigned, generally stated in semester hours or quarter hours. The measure can be applied to meet the requirements for achieving a degree or certificate at a given institution.

Diploma - An academic award granted for the successful completion of a high school program.

Degree - An academic title awarded by a college or university for the successful completion of a program of study.

General Education Development - A program directed specifically at enabling adults to obtain, by the means of a high school equivalency test, secondary school certificates of completion or diplomas.

Higher Education - Courses or programs of instruction for persons who have completed or left high school and who are enrolled in education activities for which "credit" is given toward an associate or higher degree. The degree program must be recognized by a bona fide State, regional or national professional accrediting association.

Non-credit Course - Those courses that do not carry college credit and, therefore, may not be used as fulfilling requirements for a degree.

Postsecondary Education - Courses or programs of instructional or educational services primarily for persons who have terminated their secondary education or who are beyond the age of compulsory school attendance.

Program - An interrelated sequence of courses for which, upon successful completion, a certificate or degree is awarded.

Vocational Education - Programs which are directly related to the preparation of individuals for paid or unpaid employment or for additional preparation for a career requiring other than a baccalaureate or advanced degree.

AGREEMENTS

1. Agreement on Responsibility for Areas of Education

We agree that the Board of Education with the cooperation of the local boards has primary

responsibility for the following area of education and services: grades kindergarten through twelfth; General Educational Development (GED) testing activities; Community Schools funding program; and Adult Basic Education (ABE) funding program.

We agree that the Board of Regents has primary responsibility for the following areas of education and services: academic education beyond the secondary level; community interest courses and activities; and professional adult continuing education.

We further agree that both the Board of Regents and the Board of Education share responsibility for: vocational education and adult basic education. In many of these areas, the agencies have mutually supportive roles. The matrix on the following page indicates these relationships.

II. Agreement on Cooperative Planning for Areas of Shared Responsibility

In the interests of better education for the people of Alaska and more effective use of our resources, the Board of Regents and the Board of Education will develop a planning process with the following characteristics:

- (1) Cooperative local, regional and statewide planning will be recognized as the essential instrument for developing coordinated educational programs between the public school system, institutions of higher education, local councils, and other agencies.
- (2) Local and regional operational plans must describe the process whereby coordination is being developed or taking place between agencies capable of delivering similar educational services.
- (3) Local and regional planning will encompass the broad spectrum of

AREAS OF RESPONSIBILITY

<u>PROGRAM</u>	<u>PRIMARY</u>	<u>SHARED</u>
1. Community Schools (Funding Program)	Department of Education	
2. Adult Basic Education - ABE (Funding Program)	Department of Education	
3. General Education Development - GED Testing	Department of Education	
4. Vocational Education		University of Alaska (Credit & Noncredit) Department of Education (Noncredit)
5. Academic Courses & Degrees	University of Alaska	
6. Community Services	University of Alaska	
7. Adult Basic Education		University of Alaska Department of Education
8. Professional Adult Continuing Education	University of Alaska	

adult preparatory education, community and individual enrichment activities, and postsecondary academic and vocational education services.

- (4) Educational plans will be developed under the auspices of local and regional units and development councils, the membership of which would be local option. However, the membership of the development council must include one person from the University of Alaska and local school board or their appointed representative. These local planning groups should utilize or be comprised of existing groups and councils whenever feasible. In a number of areas of the State good cooperation already exists between school districts and University of Alaska centers or colleges. This cooperation should be expanded upon and emphasized whenever possible.
- (5) Plans of work will be funneled back through the normal operating agencies for incorporation into budget submissions and program requests.
- (6) In the absence of an educational plan, co-signed by local school district representatives and representatives from the University of Alaska, non-formula funding based within the discretionary authority of the Department of Education and certain University of Alaska funding may be withheld.

Though requirements may be added to meet local situations, cooperative plans are to contain at least the following components: program or activity need statements, staffing, budget, accountability, delivery

methods, facilities, equipment and material use.

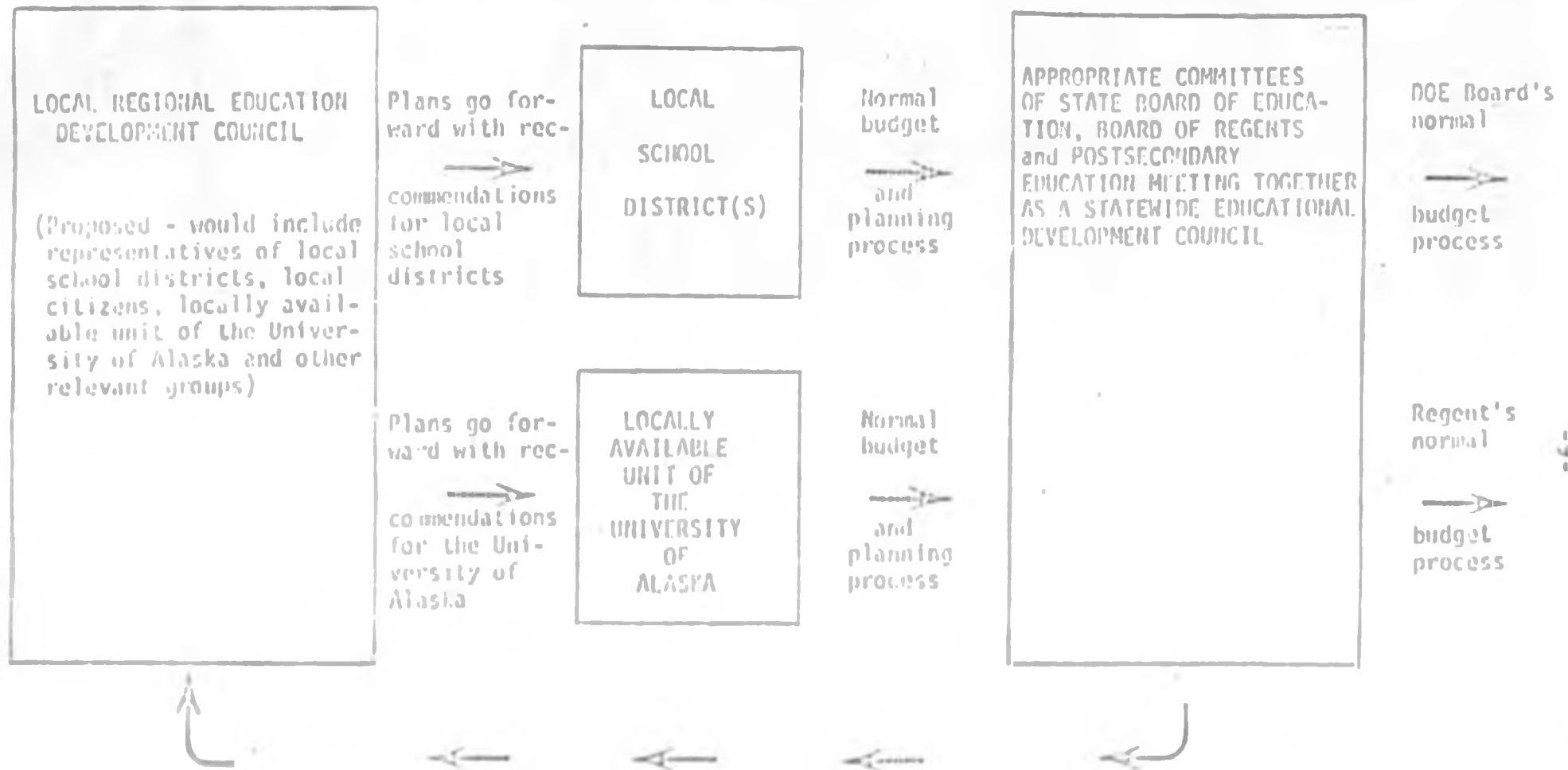
Although some on-going educational programs and courses may not be included in the initial cooperative planning activities, every effort should be made to integrate such programs and courses into future plans.

- (7) At the statewide level, the Commissioner of Education and the President of the University of Alaska will, with their staffs, present such plans to their respective boards in normal budget and planning processes.
- (8) The Board of Regents and the Board of Education, through working committees, will review the final plans covering the areas of shared responsibility and make recommendations to their boards for final recommendation to the Governor.
- (9) The working committees of the Board of Education and the Board of Regents, with representation of the Postsecondary Commission as appropriate, will meet together regularly to develop cooperative plans for quality education - one common agenda. This group will be known as the Educational Development Council. It will give formality to the developing cooperation between the two institutions responsible for excellence in the schools and colleges of Alaska.

The diagrams on the following pages indicate the procedures outlined above.

The described plan is a major step forward in demonstrating a consensus of educational needs

Cooperative Operational Planning for Education (COPE)



The strength of the proposed cooperative planning process (COPE) is that it (1) would take place at the local level, (2) it would involve both the school districts and the University, and (3) it would dovetail and not interfere with existing budget development processes.

Local/Regional Education
Development Council

Membership

1. One representative from each University of Alaska unit.
2. One representative from each school district/REAA.
3. Other members selected by University of Alaska and school district/REAA members, and planning groups whenever feasible.

Functions

- I. Identify Shared Areas of Planning
 - A. Duplication and overlap
 - B. Areas for shared delivery
 1. Adult Basic Education
 2. Community Schools/Community Interest Courses
 3. Secondary/Postsecondary Vocational Education
 4. Secondary/Postsecondary Continuing Education
- II. Identify Methodology for Shared Delivery
- III. Prepare a Goal-Oriented 3-5 Year Plan which Outlines these Shared Areas with Respect to the Following Items:
 - A. Program or activity need statements
 - B. Staffing, budget, accountability, delivery methodology, facilities, equipment, and material use
- IV. Prepare Budget Implications of this Plan Specifically for the Next Legislative Budget

Local/Regional Education Development Council (LREDC)

Planning Timelines*

SUMMER, 1982

FALL, 1982

SPRING, 1983

1. Each University of Alaska unit and School District/REAA appoints a member to the LREDC.
2. First meeting of the LREDC scheduled.
1. Chairman elected.
1. Other members of group proposed, contacted and voted on by original LREDC members.
2. Begin identifying shared areas of planning.

September '82

1. Receive statewide program and activity emphases areas from the Statewide Education Development Council (SEDC).
2. Receive anticipated occupational and professional job needs through the next 3 - 5 year period.

Oct. - Dec. '82

3. Each School District/REAA and University of Alaska unit prepares its 3 - 5 year period.

January '83

1. LREDC meets to merge unit plans into regional plan; could include:
 - a. Reduction of duplication;
 - b. Efficient use of shared expertise and resources possibly delivered on a joint or extension basis;
 - c. Contractual/Memorandums of Agreement regarding joint region-wide programs.

February '83

2. Preparation and specification of the areas of emphasis to be stressed for each region in a 3 - 5 year plan.
3. FY '85 implications of this plan for each unit within the region:
 - a. Operating
 1. New increments
 2. Shared appointments
 3. Shared equipment
 - b. Capital
 1. Shared facilities (new)
 2. Facilities modifications

March '83

4. Proposed plan circulated to local units for review and eventual endorsement by each unit head.
5. Plans submitted to SEDC, University MAU's Postsecondary Commission, and Governor's Office for use in later budget preparation.

April '83

6. Normal budget process for '85 begun. Increments addressing joint plan emphases will be given increased consideration in budget priority assignments.

*Guidelines for process necessary to meet '85 legislative budget submission.

STATEWIDE EDUCATION PLAN

STATE EDUCATION DEVELOPMENT COUNCIL

STATE ADVISORY & PLANNING GROUPS

1 Regents and Board set requirements for local planning & State priorities

Staffing Function

Community or area plan for joint local education agency & postsecondary sign-off

Staffing Function

4 Regents/State Board mechanism for assuring planning requirements compliance

Regents' Budget

State Board Budget

5 Governor's Program Budget

6 Legislative Appropriation

7 Implementation of local plans

8 Evaluation

Local/Regional Education Development Councils

of the State as they move forward through the system. This process should provide a solution to the need to plan cooperatively in order to coordinate the offering of services in adult and vocational education and to strengthen joint course and curriculum articulation between secondary and postsecondary institutions. The State will be able to gain a picture of statewide educational needs, a composite of long-range plans, and a commonality of a statewide direction. This demonstration of combined programming could come together in a joint budget highlight document developed between the University of Alaska and the Commissioner of Education, and adopted by both boards.

The chart on the following page indicates a recommended composition of contiguous local and regional planning units.

III. Agreement on Authority for Establishing Delivery Mechanisms and Agencies

Based upon the principle that with responsibility goes proportionate authority and with given primary responsibility for certain areas, each board thereby has the authority to determine the proper ways to deliver such educational programs.

A key to good decision making in educational programming lies in maximizing local involvement so that the services offered are appropriate. This is especially clear in the case of academic programs the University of Alaska may offer in various parts of the State. The program offerings must be planned in cooperation with local participants and with local agencies.

A variety of delivery vehicles are now available ranging from correspondence courses, telecommunications, mobile learning centers, audio conferencing, tutorial work, community colleges' and rural education centers' course work, computer-assisted instruction, itinerant

LOCAL PLANNING UNITS

Local School Districts

Locally Available
University Units

- | | |
|---|---|
| 1. North Slope Borough School District | Rural Education Dean's Office
(services available upon
request) |
| 2. Northwest Arctic REAA
Nome City School District
Bering Strait REAA | Northwest Community College |
| 3. Lower Yukon REAA
Lower Kuskokwim REAA
Kuspuk REAA
St. Mary's City School District | Kuskokwim Community College |
| 4. Iditarod REAA | McGrath Rural Education Center |
| 5. Galena City School District
Yukon-Koyukuk REAA
Yukon Flats | Galena Rural Education Center
Nenana Rural Education Center
Ft. Yukon Rural Education
Center |
| 6. Fairbanks North Star Borough
School District | University of Alaska Fairbanks
Tanana Valley Community
College |
| 7. Delta/Greely REAA

Nenana City School
Railbelt

Alaska Gateway REAA | Delta/Greely Rural Education
Center

Nenana Rural Education Center

Tok Rural Education Center |
| 8. Valdez City Schools
Cordova City Schools
Copper River REAA
Chugach REAA | Prince William Sound
Community College |
| 9. Pribilof REAA
Adak Region Schools

Aleutian Chain REAA | Adak Rural Education Center

King Cove Rural Education
Center
Cold Bay Rural Education
Center |

9. (cont'd.)
King Cove City School District
King Cove Rural Education Center
Cold Bay Rural Education Center
- Sand Point City School District
Sand Point Rural Education Center
- Unalaska City School District
Unalaska Rural Education Center
- Dillingham City Schools
Southwest REAA
Bristol Bay Borough School District
Lake and Peninsula REAA
Bristol Bay Rural Education Center
10. Kodiak Island Borough School District
Kodiak Community College
11. Kenai Borough School District
Kenai Peninsula Community College
12. Anchorage Municipality School District
Anchorage Community College
University of Alaska, Anchorage
13. Mat-Su Borough School District
Mat-Su Community College
14. Juneau Borough School District
Haines Borough School District
Skagway City School District
Yakutat City School District
Pelican City School District
Hoonah City School District
Chatham REAA
University of Alaska, Juneau
15. Sitka Borough School District
Petersburg City School District
Kake City School District
Wrangell City School
Sitka Community College
16. Ketchikan Borough School District
Annette Island School District
Craig City School District
Hydaburg City School District
Klawock City School District
Southeast Island REAA
Ketchikan Community College

instructors, computer management, self-paced instruction, etc. The high technology areas offer an opportunity to extend the range of offerings of academic programs in Alaska. Today, access to higher education can be maximized more effectively than by traditional teaching strategies.

There are also options on the agency actually delivering the educational programs. The University of Alaska's agreement with the Northwest Association of Colleges and Schools (the regional accrediting agency) on contracting for educational services provides sound guidelines regarding the need for the University of Alaska to certify the instructor involved, the course content, etc. Under this arrangement, the University of Alaska may grant credit awarded for successful completion of course requirements. Given good faith negotiations, these criteria are not hard to meet, and agreements with local schools for offering certain courses or for coordinating and facilitating the high technology of delivery of courses is certainly feasible.

The Department of Education has the authority to evaluate and determine which agencies will offer certain funded adult basic education programs, conduct GED testing, and community schools activities through grant awards.

In areas where a branch of the University of Alaska is located within a school district, that district should contract with the University of Alaska to provide the needed postsecondary services.

Any educational institution or agency may offer "non-credit" courses in the broad field of adult preparatory education. However, only degree granting institutions of higher education may award "credit". If a local board of education desires to contract with outside postsecondary institutions for educational services, it must be reviewed and approved by the Postsecondary Commission. (Sec. 14.48.070 - Authorization to Operate - Alaska Statutes)

In areas where the University of Alaska is operating a facility or a program of study, articulation and coordination (scope and sequence) of appropriate courses of high school and college study is encouraged.

Although the Department of Education is empowered by existing statutory authority to operate certain programs and facilities related to adult preparatory and vocational education, the Department of Education will not deliberately create or cause to create new centers of adult preparatory education or vocational education under the jurisdiction of the State Board of Education. The Department of Education will, with the assistance of the Alaska State Advisory Council on Vocational & Career Education, further develop appropriate criteria for the acceptance of additional responsibilities related to adult, preparatory and continuing education which may be imposed by legislative intent.

A vocational/technical center will not be established within the State unless it meets the requirements established by the State Board of Education. These requirements and criteria for the establishment of a vocational/technical center will then parallel the policy adopted by the Board of Regents regarding criteria for the establishment of a community college.

IV. Agreement on Clarifying Certain Statutes

The two boards agree that the statute authorizing one or two grades beyond the twelfth grade do not automatically give the schools authority to enter postsecondary education on the community college or academic level. The boards agree that those areas of postsecondary education in which the schools should and must be involved can be served better by programmatic approaches rather than by structural grade approaches.

At present, the Compiled School Laws of Alaska, Title 14 Section 14.03.060 reads, "...the establishment of one or two grades beyond the twelfth grade is optional with the governing body of the school district".

The Board of Education, the Board of Regents, and the Postsecondary Commission agree to recommend that AS 14.03.060 be amended to read:

AS 14.03.060 (6) A "secondary school consists of grades 7 through 12 or any appropriate combination of grades within this range. The (ESTABLISHMENT OF ONE OR TWO GRADES BEYOND THE TWELFTH GRADE IS OPTIONAL WITH THE GOVERNING BODY OF THE SCHOOL DISTRICT) governing body of a school district may offer 'non-credit' adult preparatory education courses, programs or activities of a non-academic/vocational nature".

STATEMENT TO HOUSE FINANCE SUBCOMMITTEE
REGARDING UA FY83 BUDGET REQUEST, INCREMENT PACKAGES
PRIORITY ITEM 2, LANDSAT "QUICK-LOOK" PROJECT

January 26, 1982

I am the Principal Investigator of the Landsat Quick-Look Project. This project is an outgrowth of experiments started in 1978 to evaluate the application of real-time satellite data for the detection and mitigation of various kinds of geophysical hazards.

I. BACKGROUND OF THE PROJECT

More than any other State, Alaska is subject to many geophysical hazards which pose threats of damage or loss to property and lives as well as hinder the development of resources. Such episodic events include earthquakes, volcanic eruptions, forest and agricultural wildfires, floods, river ice-jams, avalanches, outbursting of glacier-dammed lakes, storm and sea-ice surges, shoal migration in estuaries, glacial surges, and navigation in ice-infested waters. Our experiments have shown that the risks from many of these events can be mitigated by means of routine surveillance by Landsat, provided that immediate access to the satellite images is available.

In FY 1980 the Legislature funded a pilot project in the amount of \$214K to define goals, benefits, and options for further exploitation of space technology applied to the management of natural resources. This effort included workshops for State agency personnel in the techniques of applying remote-sensing data to the operational needs in various professional disciplines. The results from the pilot program justified additional work, and in FY 1981 the Legislature provided \$800K for the design and development of a quick-look system which would accelerate the delivery of high-quality Landsat images of Alaska. The equipment developed with these funds is being installed now and will be ready to operate next month.

II. APPLICATIONS AND BENEFITS

Wildfire Surveillance

An obvious application for real-time Landsat imagery, with its inherent capability to resolve targets as small as a football field, is to monitor the extent and growth of forest fires and agricultural fires. The near-visual infrared sensor of Landsat is capable of "seeing through" the thinner layers of smoke and haze that ordinarily obscure visual perception by aerial observers. Landsat is ideally suited to map the boundaries of burned areas because in this infrared data there is very great contrast between vigorous, nonburned vegetation and even slightly scorched vegetation.

Suppression or management of wildfires in Alaska typically cost from \$20-million to \$30-million annually, with an increasing proportion of these costs accruing to the State as it assumes greater control of its land selections. Because we have lacked an operational Landsat system capable of delivering full-resolution images, the State fire control personnel have made merely token use Landsat to date. However, Forestry Division personnel have continued to ask for Landsat data and support the continuation of the quick-look concept.

We are not inclined to estimate a dollar value of the benefits to the State of quick-look Landsat images to date, but we note that a single fire on state-managed land can occupy an entire summer and run up a bill of \$5-million to \$10-million.

Flood Surveillance

=====

The breakup of major river watersheds is an annual event of risk for communities located along the rivers of the Interior, and the Yukon and Kuskokwim Rivers can be monitored for ice jams by Landsat. On May 13, 1981, an ice jam 15-miles downstream from Galena threatened to create flood levels until the jam broke free. The River Forecast Center in Anchorage relied heavily on Landsat quick-look images in preparing their breakup forecasts. Information from daily Landsat coverage of the Yukon during the 1981 breakup also was provided to the villages by radio stations and newspapers in Fairbanks.

Navigation Hazards

=====

Quick-look images are planned this spring to support the mission of the icebreaker "Polar Sea" in the North Bering Strait. There is some concern of an expected retreat of Columbia Glacier within the next decade. We expect that enhanced Landsat images could aid in evaluating navigation risks to tanker traffic. We are negotiating with Sohio Research Laboratory to commence surveillance of Columbia Glacier, possibly starting this summer if operating funds permit.

III. PROJECT MANAGEMENT

The long-range objective of this project is to effect the transfer of a new technology into the operational environment of a State agency suited to manage it. It would be naive to imagine that a laboratory-based, experimental technique can be immediately embraced and operated successfully by the existing staff of a line agency. It may require another year or two to refine the project's operation to the degree that the service it provides outweighs the developmental activities associated with providing the service.

Budget

=====

The Landsat Quick-Look Project involves no new staff positions at the Geophysical Institute, and the requested level of funding, \$160K, is only about 60% of the full cost of operation for the coming year. Support in full for FY 1983 has not been requested in response to guidelines from the Governor's Office that a substantial part of the cost of operation should be generated from user fees. A shortfall of projected user fees would not be unlikely in view of the long budgeting process that prevails in all State agencies. A substantial economic base for Landsat quick-look products has yet to be generated. Therefore, a reduction of any amount from the \$160K requested would effectively cripple the project just as it makes initial attempts to become somewhat self-supporting. The long-range effect would be to terminate the program completely and thereby waste the accrued investment and turn away from a promising new technology with excellent promise of cost-beneficial results.

I earnestly solicit your support for the undiminished funding of the Landsat Quick-Look Project for FY 1983. Thank you.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K—STATE CAPITOL
JUNEAU, ALASKA 99811

465-3603

May 5, 1981

file
SB-20
or
HB 32

The Honorable Donald E. Clocksin
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Re: Constitutionality of
Durational Residency
Requirement for
Scholarship Loans
Our File: J-66-727-81

Dear Representative Clocksin:

You have asked the Department of Law to review the constitutionality of the durational residency requirement contained in Alaska's scholarship loan program.

AS 14.40.751 establishes a revolving loan fund in order to make scholarship loans to students in postsecondary programs. Under AS 14.40.765 only a student who is a resident of Alaska may apply for a scholarship loan. AS 14.40.806(4) defines "resident" as

. . . a person domiciled in Alaska who has resided in Alaska for at least two years before an application for a grant or loan is made under §§ 751 - 806 of this chapter.

It is our view that the two-year durational residency requirement could not withstand constitutional scrutiny under either state or federal standards.

The initial question is whether Alaska may impose any residency requirement at all for student scholarship loans. There is little doubt on that point. The Supreme Court held in Vlandis v. Kline, 412 U.S. 441, 37 L.Ed.2d 63 (1973), that, in providing education-related benefits, a

2-10-82

state could legitimately distinguish between residents and non-residents. There the Court was asked to rule on whether a Connecticut statute imposing a conclusive presumption that a non-resident student at the time of application remained so for the duration of his studies was constitutional. While striking the irrebuttable presumption, the Court held that a state may protect the right of its residents to attend educational institutions on a preferential tuition basis and can establish reasonable criteria for in-state status in order to make certain that students who are not in fact bonafide residents of the state cannot take advantage of in-state tuition rates.

A majority of the Alaska Supreme Court would not depart from this federal analysis. Williams v. Zobel, 619 P.2d 422 (Alaska 1980) (Zobel I) (concurring and dissenting opinions).

Given that a requirement of residency is permissible, the question is whether a two year durational residency requirement is constitutional. Even under the lower federal standard of scrutiny, it is unlikely that the requirement would be upheld. Under the federal standard, durational residency requirements are subjected to strict scrutiny only when they affect "basic necessities of life" or some "fundamental political right," Memorial Hospital v. Maricopa County, 415 U.S. 250, 39 L.Ed.2d 306 (1974) (one year residency requirement to vote), Shapiro v. Thompson, 394 U.S. 612, 89 S.Ct. 1322, 22 L.Ed.2d 600 (1969) (one year residency for welfare benefits).

In almost all cases, when the Court has applied the strict scrutiny standard, the durational residency requirement has been stricken. The Court did, however, uphold a one-year durational residency requirement as a condition of divorce in Sosna v. Iowa, 419 U.S. 393, 42 L.Ed.2d 532 (1975), and let stand a three-judge district court decision establishing a one-year durational residency requirement as a condition of in-state tuition. Starns v. Malkerson, 326 F.Supp. 234 (D.C. Minn. 1970), aff'd, 401 U.S. 985, 28 L.Ed.2d 527 (1971). In both cases, though, the respective statute imposed only a one-year requirement. In our view, application of the federal analysis would unlikely sustain Alaska's two-year requirement.

The Alaska test is established in State v. Erickson, 574 P.2d 1 (Alaska 1978):

Initially, we must look to the purpose of the statute, viewing the legislation as a whole, and the circumstances surrounding it. It must be determined that this purpose is legitimate, that it falls within the police power of the state. Examining the means used to accomplish the legislative objectives and the reasons advanced therefore, the court must then determine whether the means chosen substantially further the goals of the enactment. Finally, the state interest in the chosen means must be balanced against the nature of the constitutional right involved.

574 P.2d at 12 (footnotes omitted).

Explaining the test as it applies to durational residency, Chief Justice Rabinowitz speaking for the court in Williams v. Zobel, 619 P.2d 448 (Alaska 1980) (Zobel II), declared:

In our view the uniform balancing approach adopted in Erickson is much more appropriate in this context than the two-tier analysis used in our prior cases. Further, we will no longer regard all durational residency requirements as automatically triggering strict scrutiny and requiring a showing that such a classification is absolutely necessary to promote a compelling state interest. Instead, we will balance the nature and extent of the infringement on this right caused by the classification against the state's purpose in enacting the statute and the fairness and substantiality of the relationship between that purpose and the classification.

(footnote omitted). 619 P.2d at 453.

It is clear that a student loan does not constitute a benefit of the highest magnitude. We believe it equally clear that the legitimate government purpose embodied in AS 14.40.751 is to make a portion of Alaska's not-unlimited resources available to Alaskans who are students to further their educational development. Nevertheless, we are of the opinion that an Alaska court applying the Erickson test would strike the two-year bar.

Is there some lesser period of time that could withstand constitutional challenge? While we cannot speak with certainty on this point, a one-year residency requirement is almost certainly the upper limit. The chances of sustaining a durational residency requirement increase as the period of time is reduced.

Having concluded that the two-year requirement is constitutionally suspect does not in itself open the floodgates to any who wish to travel to Alaska merely to reap the benefits of the student loan program. The Alaska legislature may impose restraints as effective as the two-year requirement without the corresponding infirmities, simply by requiring that the student make a showing that he/she is indeed a bona fide resident. A recent federal court decision illustrates such a scheme.

In Michelson v. Cox, 476 F.Supp. 1315 (S.D. Iowa 1979), the court was asked to find that rules of the Iowa Board of Regents operated in a manner that created an irrebuttable presumption against residency. The pertinent rules provided:

A student 18 years of age or over and [a] married student under 18 years of age shall be classified as a resident if (1) the student's parents were residents of the state at the time such student reached majority or was married and the student is not domiciled in another state or (2) . . . after marriage or reaching majority [, the student] has established a bona fide residence in the state for at least 12 consecutive months immediately preceding the beginning of the semester. Bona fide residence in Iowa means that the student is not

in the state primarily to attend a college; that he is in the state for purposes other than to attempt to qualify for resident status.

* * *

Ownership of property in Iowa, or the payment of Iowa taxes, does not in itself establish residence.

* * *

A student from another state who has enrolled for a full program, or substantially a full program in any type of educational institution will be presumed to be in Iowa primarily for educational purposes, and will be considered not to have established residence in Iowa. Continued residence in Iowa during vacation periods . . . does not of itself overcome the presumption.

476 F.Supp. at 1319.

The district court refused to find that the rules had been unconstitutionally applied, noting that virtually identical rules had been previously upheld by a three-judge district court. Clarke v. Reuter, 59 F.Supp. 117 (S.D. Iowa 1966). ^{2/}

^{2/} The Redeker court, in upholding the regulation, noted its operative effect:

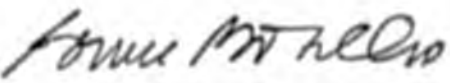
The Iowa tuition regulations are thus not set up in terms of an absolute classification. A student from another state is classified as a nonresident because he is presumed to be in Iowa primarily for educational purposes. If appropriate facts and circumstances arise subsequent to a student's classification as a nonresident, there is nothing in the regulations which would prevent his reclassification as a resident. The student is merely required to present sufficient evidence to overcome the presumption of non-residency.

250 F.Supp. at 122.

It is our view that the scheme set forth in Michelson, supra, would be upheld under the Alaska test. Chief Justice Rabinowitz in Zobel II, supra, tacitly acknowledged the right of a state to distinguish between residents and non-residents for tuition purposes, citing both Vlandis v. Kline, supra, and Starns v. Malkerson, supra. The scheme does not penalize the right of interstate migration. Finally, the scheme bears a fair and substantial relationship to legitimate and sufficiently weighty state purposes: to provide a means of financing higher education for Alaskans and to encourage persons to maintain their residence in Alaska.

Sincerely,

WILSON L. CONDON
ATTORNEY GENERAL

By: 
Bruce M. Botelho
Assistant Attorney General

BMB/jal

THE ALASKA STUDENT LOAN PROGRAM

Post
Zemba
Edy
2/22

Introduction

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a post-secondary level. The program has grown from serving just over 1,000 Alaskans in 1971-72, to the current 1981-82 level of serving over 11,000 Alaskans. The true impact of this program is considerable, that is, the financial assistance, not only to the individual, but to the individual's family; the expanded educational opportunities afforded the citizens of the state; the societal benefits of having a more highly trained and educated citizenry; and the benefits to the state and the local communities of having educational institutions and resources available to meet current and future demands. All of these are related, either directly or indirectly, to the availability of student loans. Alaska has chosen to invest in the education of its people. Through these loans, which are in large part repayable to the state, Alaska has committed itself to providing opportunities and access to all those residents seeking post secondary education. The value of this commitment is undeniable, but the time has now come to re-evaluate the state's commitment and the program itself. The program has expanded to the point of placing a significant annual demand upon the state treasury and to creating the need for greatly increased state staffing. The state must now explore options and alternatives related to the program. It must now decide directions for the future.

Legislative History

The current student loan program was created by the 1971 Alaska State Legislature, however, it was based upon a program which originated in 1968. The 1968 Alaska State Legislature established a program of Scholarship Loans (Senate Bill 378). These loans were for undergraduate students studying in Alaska at an accredited institution. The students could borrow up to \$500 per year for up to four years. The loans were non-interest-bearing and could be used only to meet the costs of books, tuition, and required fees (excluding room and board). If the student lived in Alaska after ceasing study, the loans were forgiven at a rate of \$500 of loan indebtedness for each six months spent in Alaska.

This program was amended by the 1970 Alaska State Legislature after a good deal of debate (based upon the bill number for the adopted legislation - FCCS SCS CSHB599). Loans now were for up to \$750; could be used at any accredited college or university, could be used for books, tuition, room and board, and required fees; and were eligible for forgiveness at a rate of \$750 of loan indebtedness for each full year spent in Alaska. The loans were still restricted to undergraduate students and were still non-interest-bearing.

In 1971, the Alaska State Legislature once again looked at student loans and passed CSHB415 (Finance) as S. This bill created the true framework for the present student loan program. Under the 1971 program, student loans could be obtained for undergraduate study, graduate study, and career education programs. Undergraduate students and career education

students could borrow up to \$2,500 per year and graduate students could borrow up to \$5,000 per year. Students could borrow for up to six years of study. Loans were to bear interest at a rate of 5 percent and could be used for books, tuition, room and board, and required fees. Forgiveness was limited to 40 percent of the total borrowed (plus interest), and was accrued in 10 percent increments for each year of employment in Alaska after the grace year.

The loan program experienced minor amendments on a number of occasions, but remained relatively unchanged until the 1976 Alaska State Legislative Session. During that session, FCCSS870 passed. Under this bill, the undergraduate and career education borrowing maximum was raised to \$3,000 per year, but the \$5,000 per year maximum for graduate students was maintained.

Subsequent legislatures continued to make relatively minor adjustments to the program, and then in 1981, the last major change occurred. The 1981 Legislature passed FCCS58120, which raised the borrowing maximums to \$6,000 per year for undergraduate and career education students and to \$7,000 per year for graduate students. The bill also raised the amount of loan forgiveness up to 50 percent of the total borrowed (including interest), and provided that this forgiveness be accrued in 10 percent increments for each year of residence in Alaska after the grace year. Loans under this program could be obtained for up to five years for either undergraduate or graduate study or up to eight years of combined study. This is the program currently being administered by the state.

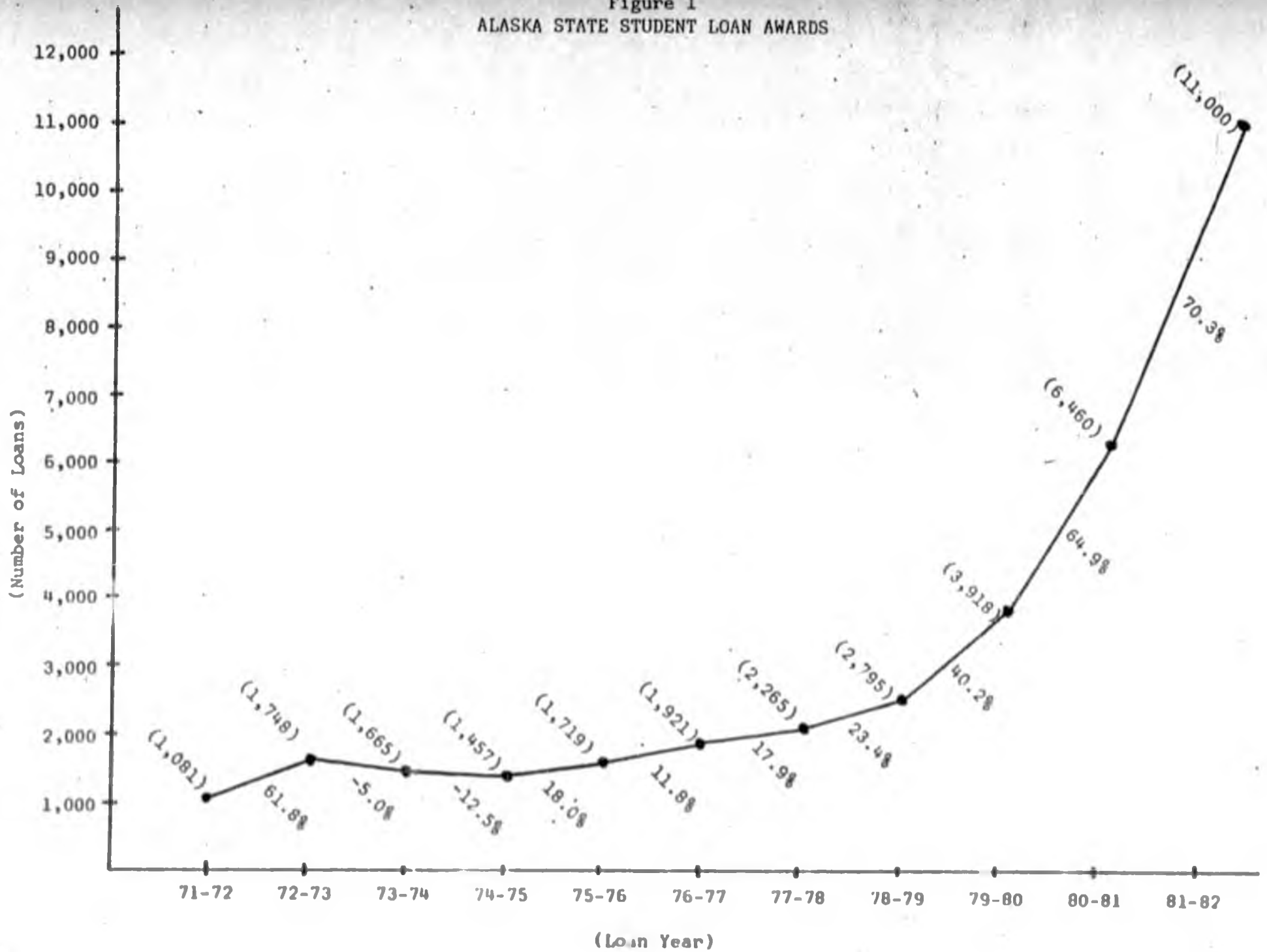
Student Loan Demand

The demand for state student loans has increased dramatically the last few years. This is the result of a number of inter-related factors, including: the rising cost of attending a postsecondary education institution, the worsening employment market and the accompanying rise in unemployment rates, the increased need for advanced training, particularly in the highly technical fields, the expansion and maturation of the state university and community college system, and the lessening of the availability of federal student financial assistance.

After a relatively stable growth pattern for the first seven years of the program (based upon a beginning date of 1971-72), loan demand has literally exploded the last three years. The number of Alaskans applying for attendance in 1979-80 represented a 40.2 percent increase over those applying in 1978-79, and the increases for 1980-81 and 1981-82 were 64.9 percent and 70.3 percent, respectively. In other words, using 1978-79 as a base, the loan program has experienced nearly 300 percent growth over the last three years. (See Figure 1.)

The dollar demand has risen even more quickly than the loan awards. This is particularly true for the 1981-82 year, due to the increased borrowing maximums. The dollar demand for 1981-82 loans is 196.4 percent higher than it was for 1980-81 loans, and the total amount loaned to students since the program began in 1971-72 will exceed \$100 million with the 1981-82 loans. During the program's first nine years, \$54 million in student loans was awarded, but for 1981-82 alone, the demand will exceed

Figure 1
ALASKA STATE STUDENT LOAN AWARDS



\$47 million, and for 1982-83, the volume is expected to reach nearly \$70 million. The popularity and need of this program is undeniable. The questions which must now be answered are whether or not the state wishes to continue investing these ever-increasing amounts in student loans, and if not, what alternatives are available for the state and for the students.

Position of Alaska Commission on Postsecondary Education

The Alaska Commission on Postsecondary Education is a thirteen-member statewide board which is responsible for the administration of the Alaska Student Loan Program. The Commission and its Student Financial Aid Advisory Committee have recognized the need for a complete loan program re-evaluation and have been exploring a variety of alternatives over the past twelve months.

In order to obtain much needed public input into this decision process, meetings have been held with members of the postsecondary education financial aid community and a statewide conference of high school guidance counselors has been hosted, in cooperation with the Alaska School Counselors Association. Based upon these efforts and the careful study of the financial aid needs of Alaska's students the Commission has adopted the following position which is to be presented the Governor and the 1982 Alaska State Legislature:

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

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

The Commission endorses and recommends the continuation and full-funding of the Alaska State Student Loan Program. Amendments which restrict access by denying loans to groups of Alaskans, either by design or by default, are vigorously opposed.

February, 1982

180500 Commission
Paul Seeger

Student Loan

Thornell call

How many ^{projects} ~~books~~ outside

reporting as opposed

to him. However Don't know

will find out \Rightarrow

? where loan requests
come from. Nohow & Wilgots.

~~3000~~ 3,300 students survey

2,800 going past accounting

*Terry,
AAA, Student loan
input*

MSG 82-00010679 PRY 1 02/26/82 15:01:25 ORIG: LA00 IN= 0014 OUT= 01
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SUBJ: POM PAGE 00

TO: SENATORS DANKWORTH, KELLY, KERTTULA AND RODEY
REPRESENTATIVES ADAMS, ANDERSON, BEIRNE, BETTISWORTH, CATO,
CHUCKWUK, COTTEN, CUDDY, FULLER, HAUGEI, HAYES, MALONE, MARTIN,
MEEKINS, MONTGOMERY AND SMITH

FROM: RICK PETERSEN
2807 VALLEYWOOD DRIVE
ANCHORAGE 99503 (H) 248-0672

RE STUDENT LOANS

TRY LIVING OFF \$2250 FOR 16 WEEKS (4 MONTHS). THIS COMES TO ABOUT
\$570 PER MONTH WHILE I AM ENROLLED AT UNIVERSITY OF ALASKA-ANCHORAGE.
I RENT AND COMMUTE. THIS IS SUBSISTANCE LIVING. ALTHOUGH I AM
GRATEFUL, IF YOU ELIMINATE PERSONAL AND MISCELLANEOUS YOU ARE
JEOPARDIZING MY PRIVILEGE TO OBTAIN AN EDUCATION.

61

MSG 81-00012596 PRTY 1 04/15/81 16:27:08 ORIG: LAGG IN= 0008 OUT= 0082
FROM: LOU TO: JNU INFO PAGE 0001
TARGET: L JH2 SUBJ: POM

Keep this for good suggestion

TO: ALL LEGISLATORS

FROM: MARY FROHNER, SR BOX 247X, ANCHORAGE, AK 99507 344-3826

RE: SENATE BILL 120

I THINK THIS BILL SHOULD BE AMENDED SO STUDENTS WHO PAY THEIR OWN WAY RATHER THAN BORROW MONEY FROM THE STATE CAN HAVE THE SAME BENEFITS AS THOSE WHO DO. IF THE IDEA BEHIND FORGIVING STUDENT LOANS IS TO ENCOURAGE STUDENTS TO REMAIN IN ALASKA AFTER COMPLETING THEIR EDUCATION, THEN HOW ABOUT SOME INCENTIVE FOR THE GOOD, HARDWORKING STUDENTS WHO PAY THEIR OWN WAY? I FEEL THIS IS THE TYPE OF PERSON THAT SHOULD BE ENCOURAGED TO STAY IN ALASKA.

MSG 82-00011186 PRY 1 03/02/82 14:05:18 ORIG: L000 IN= 0006 OUT= 00
FROM: KODIAK TO: JUNEAU
TARGET: LJM. SUBJ: PUBLIC OPINION MESSAGE PAGE 00

TO: HOUSE WESS COMMITTEE (MEETING TODAY AT 3:00)
BEIRNE, MARTIN, CATO, MALONE, SMITH
SENATOR MULCAHY REPRESENTATIVE ZHAROFF

FROM: GARY JOHNSON
REPRESENTING KODIAK HIGH SCHOOL SENIORS
P.O. BOX 886
KODIAK, ALASKA 99615 PHONE 436-3131

RE: HB 709

I REPRESENT THE SENIORS AT KODIAK HIGH SCHOOL. WE ARE OPPOSED TO HB 709.
THIS BILL SHOULD ENABLE NEEDY STUDENTS TO ATTEND COLLEGE. IF THE MAXIMUM
LOAN AVAILABLE IS REDUCED THIS WILL NOT BE ENOUGH FOR MANY STUDENTS TO
ATTEND COLLEGE. PLEASE AMEND OR DROP THIS SECTION.

Representative Terry Martin
 Pouch V, State Hospital
 Juneau, Alaska 99801

Dear Mr. Martin,

Thank you for your letter requesting my input as a student concerning amendments to the ASLP. I have returned the list of alternatives with direct comments along the margins. In addition I would like to offer some general opinions and perceptions about the program.

First of all, I feel that the loan program is and should remain a loan program with qualifications for its use being based on credit worthiness and not financial need. If this means setting up a dual program, eliminating or establishing more stringent academic qualifications for high-risk groups such as entering freshmen then so ~~be~~ be it.

Second I see the loan program as a long term developmental subsidy or investment in the future of the state. Hence, the loan program should target those students most likely to remain and make a contribution to the future of the state. In-state students should therefore receive priority in your considerations. The forgiveness program, though so far covered to excess last year is a valuable and attractive incentive, especially for students going to school out of state. Further, while the direct costs to the state

may be much lower for out of state students, the future costs ~~in terms of~~ ~~committed~~ of not having a strong in-state system of higher education, training and preparing people committed to the future of Alaska, could be awesome. The ASLP has been vital to many in-state students in order to meet the high living expenses associated with living & studying in Alaska. As you are probably aware, students at UAA have no dormitories or student housing, there are no low rent areas within walking distance of school, and further, students lack the benefit of group health insurance.

Third I would urge some caution in increasing academic requirements for loan qualification purposes.

Although I am an honor student myself, I know close & many of the most talented students are in a no man's land & not for the ASLP. They do not qualify as financially needy (especially when national formulas are used) and cannot avail themselves of academic scholarships.

~~Finally~~, I would urge that undue emphasis is not placed on the graduating high school student in setting loan or grant priorities. There are many mature adults who have come to work in Alaska with various industries, have committed their future to this great land, and have returned to school to better enable themselves to participate in its development.

In general, I think that scholarship grants, loan programs, and financial need grants/loans should be ~~separated~~ kept as separate and distinct functions. I realize that severe fiscal pressures require a fairly radical amendment

3
to the ASLP and would personally favor the following actions

1. Enforce the loan application deadline - student loans should not be an expedient addition to unemployment.
2. More careful scrutiny of student credit worthiness given the increasing popularity of personal bankruptcy
3. Require residency verification and impose penalties for perjury
4. Deny needs for foreign study
5. Deny loans for freshmen borrowers or other high risk groups, or increase academic qualifications for such groups
6. Roll back the borrowing maximums to \$4000 per year for undergraduates, \$6000 for graduates
7. Give priority to in-state students
8. Improve administrative efficiency where cost effective
9. Set up separate distinct programs for scholarship grants, financial need grants/loans, and straight low interest student loans based on credit worthiness of the student.

Finally, whatever is done, I sincerely hope that you and your fellow legislators do not lose sight of the importance of educating committed Alaskans, young and old alike, for a more productive role in the future.

Your respectful,
Michael L. Fincher
Michael L. Fincher
3427 E. 6th
Anchorage, AK 99504

Make Motion on HB 159 -

announce Comm Members →

FY83

HB 832 - Fiscal note \$179,000

Terry Dale - ant to Gov.

Connie Sipe - consumers protection Asst.
City of Ancl - New Board developing
Home builders of Ancl T

Joe Dentrice → Atty -

Open discussion Tele -

means it -

consider, to pool to save money,

Jim McConally - Pres. Jenness Home Builders

March 17

teleconference - set up.

Suggest night lesson -

Mary, & Jeff

Please call Joe Dentrice as a
atty consultant on work up of HB 832
Phn 586 - 6250 -

APPLICATION FOR ADMISSION



UNIVERSITY OF ALASKA ANCHORAGE

GRADUATE
UNDERGRADUATE

FULL LEGAL NAME			SOCIAL SECURITY NUMBER		
LAST	FIRST	MIDDLE (MADEN)			
OTHER NAMES (IF ANY) ON PREVIOUS SCHOOL RECORDS					
PLACE OF BIRTH			DATE OF BIRTH		
CITY	STATE		MONTH	DAY	YEAR
PERMANENT MAILING ADDRESS			PHONE & AREA CODE		
CITY	STATE	ZIP			
CURRENT MAILING ADDRESS			PHONE & AREA CODE		
CITY	STATE	ZIP			
RESIDENT OF WHAT STATE		SINCE	IF LESS THAN 1 YEAR GIVE DATE RESIDENCY BEGAN		
COUNTRY OF CITIZENSHIP			TYPE OF U.S.A. & NOT U.S.A.		
HIGH SCHOOL			DATE OF GRADUATION		
CITY	STATE				
NEXT OF KIN (NAME) FOR APPLICANT 18 YEARS OF AGE OR OLDER					
ADDRESS					
PARENT OR GUARDIAN (NAME) FOR APPLICANT UNDER 18 YEARS OF AGE					
ADDRESS					
PARENT'S RESIDENCY			IF LESS THAN 1 YEAR GIVE DATE RESIDENCY BEGAN		
STATE		SINCE			

PLEASE COMPLETE OTHER SIDE

APPLICATION FOR ADMISSION TO UAA IN THE SEMESTER OF _____
 A FULL-TIME STUDENT (12 OR MORE CREDITS) OR A PART-TIME STUDENT. IF PART-TIME, FOR HOW MANY CREDITS? _____

DEGREE DESIRED: MASTER'S BACHELOR'S NO DEGREE

MAJOR: _____

CURRENTLY ENROLLED IN HIGH SCHOOL? YES NO

CURRENTLY ENROLLED IN A COLLEGE OR UNIVERSITY? YES NO

IF YES, GIVE NAME OF SCHOOL _____

ENDING DATE OF LAST TERM (TO BE) ATTENDED BEFORE ENTERING UAA

ACT OR SAT TEST TAKEN? YES NO

APPLICATION IS FOR ADMISSION AS A REGULAR STUDENT A SPECIAL STUDENT *

* A SPECIAL STUDENT IS ONE WHO ENROLLS IN SIX OR FEWER CREDIT HOURS, HAS NO DEGREE GOAL OR HAS ACCUMULATED LESS THAN THIRTY SEMESTER HOURS OF COLLEGE CREDIT.

"If you have a disability which might hinder your performance or create a hazard for yourself or others in connection with your attendance at the University and would like the University to provide special accommodations, please describe the nature of the disability and the special accommodations requested." _____

LIST BELOW ALL COLLEGES & UNIVERSITIES ATTENDED INCLUDING U.A.A. /A.C.C.

NAME OF SCHOOL	CITY & STATE	DATES ATTENDED	CREDITS	DEGREE
----------------	--------------	----------------	---------	--------

APPLICANT'S SIGNATURE _____ DATE _____

PLEASE INCLUDE PAYMENT OF THE \$100 APPLICATION FEE AND SEND TO → UNIVERSITY OF ALASKA, ANCHORAGE
 OFFICE OF ADMISSIONS AND RECORDS
 821 PREPPERCE AVENUE
 ANCHORAGE, ALASKA 99508

THIS AREA FOR UNIVERSITY USE

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"It is the policy of the University of Alaska to provide equal educational and employment opportunities, to provide services and benefits to all students and employees without regard to race, color, religion, national origin, sex, or disability in accordance with the laws enforced by the Department of HEW/OCR and OEO/DOL, including Executive Order 11246 as amended, Title VI of the 1964 Civil Rights Act, Title IX of the Educational Amendment of 1972 and Title 41- Parts 60-1, 60-2, 60-3, 60-20, and 60-50 and Sections 799A and 845 of the Public Health Service Act of 1971."

"Optional: The following information on race/ethnicity and sex is requested in order for this Institution to demonstrate to the U.S. Department of Health, Education and Welfare compliance with Title VI of the 1964 Civil Rights Act and Title IX of the Educational Amendments of 1972." This information is to be used for statistical purposes only.

Race/Ethnicity (check one)

- | | |
|--|---|
| <input type="checkbox"/> Alaskan Indian | <input type="checkbox"/> White/Non-Hispanic |
| <input type="checkbox"/> Asian or Pacific Islander | <input type="checkbox"/> American Indian |
| <input type="checkbox"/> Hispanic | <input type="checkbox"/> Aleut |
| <input type="checkbox"/> Eskimo | <input type="checkbox"/> Black/Non-Hispanic |
| <input type="checkbox"/> Other | |

Sex (check one) Male Female

Alternatives for Amending the Student Loan Program

The following alternatives for amending the current Alaska Student Loan Program are not meant to be exclusive, nor are they being suggested for adoption. Rather, they are simply those alternatives which have arisen from initial staff and Commission study and discussion. A number will surely be discarded as being impractical or unsatisfactory, but for the present, all must at least receive consideration.

Prior to presentation to the Legislature, the Commission will be establishing positions on each of these alternatives and will be assigning priorities for those being recommended for possible adoption if and when circumstances so warrant.

The order of presentation will be: those alternatives requiring administrative action, usually through regulations; those alternatives requiring legislative actions; and those miscellaneous alternatives dealing with the general administration of the program.

Alternatives Accommodated Through Regulations

1. Enforce a loan application deadline. The current deadline for applying for a student loan is May 15 of each year (20 AAC 15.020 (a)). For most purposes this deadline date is ignored. Persons may apply for a loan at any time throughout the year, with the only restriction being that of 20 AAC 15.020 (d). Under that section of the regulations, a person may not apply for a school term which is one-half or more over.

yes

An alternative is to set new realistic deadlines and then strongly adhere to those dates. Suggested deadlines are:

For attendance

Application deadline

Beginning July 1 - October 31
Beginning November 1 - February 29
Beginning March 1 - June 30

July 15
November 15
March 15

2. Restrict continuing loans to students maintaining certain grade-point averages. In order to receive a student loan, the student must be attending school full-time and be in "good standing". Good standing is defined by the Commission (through regulations) as having a 2.0 cumulative grade point average (g.p.a.) for undergraduate students and a 3.0 cumulative grade point average for graduate students (20 AAC 15.040(j)).

An alternative could be to raise the requirement for maintenance of "good standing". Undergraduate good standing could be defined as a g.p.a. of 2.5 or ~~2.0~~ and graduate could be 3.5. This could greatly reduce the number of eligible borrowers.

It is estimated that raising the requirement to 3.0 and 3.5 would eliminate as many as 50% of the current borrow-ers. This would mean a savings of as much as \$31 million in 1982-83.

→ Consider this as many request a second student loan...
...
Commitments of

TERRY MARTIN

Yes

3. Require residency verification. Student loans are available to eligible borrowers who are at least two-year Alaska residents. There has been a good deal of hypothesizing as to the extent of persons willing to perjure themselves by falsely claiming Alaskan residency in order to obtain a student loan.

The Commission could, by regulation, require that a student obtain four references willing and able to attest to the student's residency claim. This verification would also be under personal oath.

The process could slow down processing somewhat, but it should not require increased staff, and it should eliminate some of the potential for abuse.

Alternatives requiring Legislative Changes

NO!

4. Employ a needs test. The imposition of a needs test is based upon the logic that if funds cannot be provided to fund all Alaskans wishing student loans, then those who are "most needy" are the ones who should receive support. A needs test can be handled in at least two ways. First, a level of available funds could be determined. Then, all applicants could be ranked, based upon need, and awards could be made until funds were exhausted. Second, a minimum level of "need" could be set. All persons meeting the need criteria would be funded, all others denied.

- Program has and should retain a loan rather than grant emphasis
A nationally-known needs test would be employed. The students would be required to fill out the needs analysis form, pay a fee for processing, and send the form to a processing center (probably in California). The center would report results to the student and the Commission.

This would not require increased staffing at the state level, but would slow processing considerably.

A needs test would require a parental contribution based upon family income levels and would penalize the dependent student, as opposed to the independent student.

A substantial amount could be saved annually, depending upon how restrictive either the funding level or the income levels were.

Yes

5. Deny loans for foreign study. Loans can currently be used for study at any approved institution. A small number of students, 20-25 in 1981-82, use these loans for study in foreign countries. These loans could be denied. The savings would amount to \$120,000 - \$165,000 annually.

- but, wouldn't this mean students need loans for domestic study

4. Deny loans to freshmen borrowers. Since freshmen tend to be the largest credit risk (after vocational students), the entire group of freshmen borrowers could be denied loans. This currently accounts for 31.8% of the student loans, so the savings for 1981-82 would be \$11.3 million, and for 1982-83, as much as \$21.3 million.

Yes

Any lending relationship should require some form of demonstrated commitment on part of borrower

NO!

7. Restrict loan use to only tuition, fees, and books, or tuition, fees, books, room, and board. The current practice is to loan for tuition, fees, books, room, board, and other educational expenses. These "other expenses" include personal expenses, child care, travel, etc. At the University of Alaska, these expenses account for 22 to 35% of the standard student budget. If room and board were also eliminated, the savings would be another 40 to 65%. Hence, the savings of eliminating all expenses other than tuition, fees, and books would be from 60 to 90% of the current loan levels.

- will discriminate unfairly against in-state students

In 1982-83, eliminating "other expenses" could save from \$15 to \$24 million. Eliminating all expenses but tuition, fees, and books, could save as much as \$40 to \$60 million. It should also be noted that such restrictions in borrowing eligibility would also result in forcing some students not to attend school. In fact, those that need the funds the most would be those most likely to be forced out of school.

Yes
(regrettably)

8. Roll back the borrowing maximums. The 1981 Legislature increased the undergraduate borrowing maximum from \$3,000 per year to \$6,000 per year, and the graduate maximum from \$5,000 to \$7,000 per year. The program then experienced a 70% increase in borrowers, and a 288% increase in funds requested. While other factors undoubtedly contribute to this increase, the principal element is the new borrowing limit.

Reducing the loan maximum could profoundly affect the cost of the program. Rolling back to \$3,000 and \$5,000 would save as much as \$30 million in 1982-83, but it would also mean some students could not attend school. If the large increase in borrowing is in part attributable to the increased maximums, a reduction would mean forcing some students back out of the educational system.

9. Raise the interest rate charged on loans. The current interest rate on Alaska student loans is 5%. Federal student loans are now at 9%. The interest rate charged to students could be raised to 7%, 8%, 9%, or even 10%. Raising the rate could make the loans less attractive and thereby discourage some borrowers, but probably very few. The effect would be negligible for the first few years, but raising the interest from 5% to 9%, for example, could result in as much as \$1.3 million in 1986-87.

NO - AK students need a large subsidy in form of low int rates than Fed rate provide

In order to prevent the necessity of legislative action every few years, the interest could also be based upon current interest rates for federal student loans. Therefore, when federal student loan interest rates change, the state's rates would also change.

10. Increase residency requirements for loans. To qualify for a student loan, a borrower must be at least a two-year Alaska resident. This could be increased to three, five, or ten years. All would save considerably over the present system; for example, raising to a five-year requirement would eliminate approximately 32% of the borrowers. In 1982-83, this could mean as much as \$20 million. However, it should be noted that the Attorney General has previously advised against such residency restrictions.

NO

No!

11. Eliminate forgiveness. If a borrower resides in Alaska after completion of study, up to 50% of the loan, including interest, may be forgiven (cancelled). This partial cancellation is earned at a rate of 10% per year of residence after completion of study, for up to five such cancellations.

If this provision were eliminated, a great deal of money would be saved eventually. It could not and would not affect the \$97 million already loaned under the program. Although the effect would be negligible for the next few years, there would be an increasing savings realized that would be at an annual level of \$2 to \$5 million by 1986-87.

There may be an impact which would not be desirable if this action were taken. The forgiveness, currently at 50%, is believed to be a significant inducement for persons to live in Alaska after completing study. Removal of that inducement would lessen the number of educated Alaskans remaining or returning to work in Alaska after schooling.

- would eliminate many of the longer term benefits to the state for which

A second point should be made, and that is that the 1981 Legislature just took action raising the forgiveness from 40% to 50%.

the program is purpose

Quoted

12. Restrict loans to in-state students. Student loans could be made available only to those persons attending in-state educational institutions. This would save a considerable amount, since about 60% of all student loans are for study out-of-state. Some of those students would be forced to attend in-state if the loan program were not available, others would go out anyway, and still others would not go to school at all. The savings could easily be 40% over current levels. For 1980-81, that would be \$18.8 million, and for 1981-82, as much as \$26.8 million.

would have to allow for time & expense to expand in-state facilities, curriculum, etc.

Previous legislative attempts at adopting this type of restriction were not very well received. Arguments against such a restriction included the absence of certain programs in Alaska, the issue of freedom of choice - particularly with a loan that had to be repaid, the issue of educational quality, the issue of educational diversity, and simply the issue of (being able to leave home and experience life in another part of the country.) - an educational luxury, not a necessity

No

13. Eliminate interest waivers during in-school and other deferment periods. Interest and payments are currently deferred while the borrower is a full-time student, in the military, in the peace corps, serving an internship, on medical hardship and disability, and during a one-time unemployment period. Interest could accumulate during these periods. This would greatly increase the amount of interest to be paid and would increase monthly payments when the borrower enters the repayment cycle. The burden of repayment would be increased since the accumulated interest would be disbursed over the normal ten-year repayment period.

14. Establish a two-tier or dual, loan program. The state could continue to emphasize loans as its principal means of providing student assistance, but it could have two programs available. One, called something like, the Alaska Basic Student Loan program, could be available only to those students able to demonstrate substantial "need". The loans could be varying amounts, dependent upon the level of need verified by a standard needs analysis, and should carry a low interest rate, such as 5%.

needs consideration, but would need more details to commit

The second loan program, called something like the State Standard Student Loan Program, the State Supplemental Student Loan Program, or simply the State Student Loan Program, could be available to all those unable or unwilling to demonstrate the need required to qualify for a "basic" loan. This program could carry high interest rates, such as 10% or 11%.

Costs to the state would be decreased under such a plan, because of the higher income generated from the second program and also because a number of persons currently borrowing might choose not to borrow if the terms are less attractive. Forgiveness features would be at the discretion of the Legislature, but if these were eliminated, even greater savings would be realized.

General Administration Alternatives

A. The Commission has been quite concerned about the timely handling and processing of loan awards. Some suggestions and alternatives have been identified which could improve this processing time.

15. Fully staff the awards division. The current awards staff consists of 7.0 full-time people. These include a division officer, an awards specialist, three awards clerks II, and two awards clerks I. Using the adopted staffing formula of 1.0 staff member per 1,000 loan awards, the division is understaffed by 36.4%, or 4.0 people. With the additional personnel, loan processing could continue and be kept current. The division was operating 30 days behind in loan processing as of November 1, 1981. Even working evenings and weekends, the current staff cannot service the loan applicants in an adequate and timely manner.

Yes - if admin. eff. and rental will be enhanced. It should not be expected to happen in a vacuum already known to be impossible.

16. Maintain a revolving base for loan processing. The 1981 Legislature created a \$10 million revolving base for the program. This was to enable the processing of loans during February, March, April, and May. Unfortunately this benefit of the base was negated by the delay in program start-up this past year, but the concept of a revolving base is sound and would greatly improve loan processing by leveling the work load. The base, with the increased borrowing limits and volume of applicants, would need to be about \$25 million to be effective.

17. Eliminate the institutional sign-off on educational cost of attendance. The current procedure requires the applicant to have the school of attendance review the application and certify that the costs listed by the loan applicant are reasonable and appropriate for that particular institution. This step can cause great delays in the loan process. At times applications are lost or simply held by the schools until such time that the student does not receive funds in time for the beginning of school. If this step is eliminated, the process would be greatly accelerated.

NO

The trade-off here is that the loan division would then have no check on the appropriateness of what the applicant says it will cost to attend a particular school. Budgets could be exaggerated to assure the qualification for a maximum loan.

at least in the student's opinion

B. The Commission has also expressed concern over administrative costs and growth of staff. Hence, a few alternatives to current practices have been explored.

18. Contract for loan collection with an outside agency. The current program only contracts out the basic receipt of payments. Coupon booklets are ordered and sent to loan recipients entering the repayment cycle. The monthly payments are then mailed to a "lock-box" contracted through a commercial bank. The bank receives the funds and transfers them to the state. The rest of the administration is handled in-house.

The increased loan volumes and the maturation of the program are creating large demands for increased staff. Using the adopted staffing formula, the current staff of 24.0 full-time persons will increase to 56.0 in 1982-83, 82.0 in 1983-84, and 106 in 1984-85. If state government is not to expand, alternatives need to be examined.

Loan collections actually consist of loan repayments and loan collections. Loan repayment is the routine repayment of loans, and loan collection is the collection of delinquent and default accounts. In exploring the use of an outside contractor, three approaches were explored: a nationwide loan management service, a commercial banking service, and a private collections agency.

(a) Loan management service. Three nationwide loan management services were contacted on behalf of the loan program. All three specialize in the collection of student loans and handle accounts for a number of institutions and states - usually federally guaranteed student loans. Since the Alaska program is so different from the federal program, one company would not submit a bid for servicing the Alaska loans, one did submit a bid, and a third has not responded definitively. The sound bid is from Wachovia Student Loan Management Services of Winston-Salem, North Carolina. Wachovia indicated a willingness to alter existing data processing software to handle Alaska's program. The costs, submitted October 27, 1981, are:

\$1.15 per borrower per month while in school
\$2.00 per borrower per month during deferments
\$2.85 per borrower per month during repayment

Wachovia will not be responsible for collection of delinquent or defaulted loans.

Based upon current figures and estimates, the following cost comparison is made:

<u>Year</u>	<u>Wachovia</u>	<u>State</u>	<u>Difference</u>
1981-82	\$ 895,453	\$ 497,502	\$ (397,951)
1982-83	\$1,461,150	\$ 938,222	\$ (522,928)
1983-84	\$2,036,263	\$1,498,480	\$ (537,783)
1984-85	\$2,552,537	\$2,117,724	\$ (434,813)

Therefore, the cost of contracting these services would be considerably higher than "in-house" processing.

then why consider it?

(b) Commercial banking services. Attempts to obtain sound bids from in-state banks have not been very successful. A few banks would be willing to administer all or parts of the loan program, but initial programming costs and staffing costs would be extremely high. Either the state or the borrower would have to absorb those costs and the result would again be increased cost to the state, when compared to maintaining the "in-house" servicing.

If there
are no cost
savings, then
why are these
considered as
options?

(c) Private collection agency. A number of private collection agencies will attempt to collect our "bad debts", i.e., the delinquent and defaulted loans; however, the charges all are around 50% to 65% of the amount recovered. This charge far exceeds that currently being paid the five persons handling these collections "in-house". The collection rate for the current staff for "bad debts" is averaging over \$200,000 per staff member per year.

19. Combine this loan program with other state loan programs. This alternative has been explored before and has been found to be not a workable alternative. The Legislature made this determination when all loan programs were being re-examined and re-vamped two sessions ago. They found that student loans should not be included in any type of large loan package portfolio, particularly if the bond market is to be involved.

No

Additionally, the transfer of the program to another state agency would not reduce administrative costs, rather it would simply transfer existing costs to another agency and would, in fact, result in increased costs to the state due to inefficiencies which would necessarily occur. The ability now exists to "package" a student's aid. The Commission administers three other programs (besides the loans) which affect a student's need for financial assistance. Currently all four programs are coordinated at the time of award and the problems of over-awarding are avoided. This would not be as easily accomplished with a second agency involved. A certain amount of staff over-lap would be necessary with another agency involved.

Additional Financial Assistance Concerns

Alaska currently has a large loan program, a small, nearly non-existent federally-matched grant program, and no state scholarship or state work-study program. Each of these programs, other than loans, will be briefly described or discussed below.

Grants. The state currently participates in the federal/state cooperative State Educational Incentive Grant Program (SEIG). This is a "need-based" grant which requires a needs analysis of all applicants. Grants of up to \$1,500 per year are awarded for undergraduate attendance. In 1981-82 over 2,000 Alaskans applied for these grants, but funds were available to award grants to only 162. This program requires a federal match and is being drastically reduced in the current federal budget cuts.

There is a bill, SB 234, currently in the Legislature which would establish this program as an Alaskan program and would provide grants of up to \$3,000 per year.

Scholarships. Alaska currently has no state-level scholarships for outstanding high school seniors. Two bills currently exist which would establish scholarship programs. SB 310 would establish the Alaska State Scholarship Program and would provide competitive scholarships for in-state attendance. The scholarships would provide \$4,000 per year, and the student would need to maintain a grade-point-average of 3.25 to keep the scholarship. *Av student Age at UAA \approx 27 yrs*

Yes
SB 301 would establish the Alaska Cooperative Scholarship Program which would provide matching funds for private sources of scholarships. The scholarships would be for up to \$5,000 (\$2,500 state) per year, and the student would need to maintain a 3.0 grade average to keep the scholarship. The scholarships would be available for undergraduates attending in-state.

Yes
State Work Study. College Work Study, a federally-funded program, exists in Alaska, but only on a very limited basis. Some states, most notably Washington, have created state work-study programs directly designed to provide assistance for their in-state students. Alaska has no such program, but it is a possibility for the future. Under such a program, a student would be eligible to work for up to an average of 20 hours per week with a cooperating employer. The state would pay 65% of the student's wage and the employer would pay the remaining 35% for up to a pre-determined "need" level.

- Good idea. Could possibly be combined with internships and practical experience programs providing not only financial assistance but valuable work experience and increased community/industry involvement in AK higher education as well.

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*From Mark F Carr
6369 Citadel Ln
Anch. - 99-04*

*Comments of
REP. TERRY MARTIN*

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NO 8. Roll back the borrowing maximums. The 1981 Legislature increased the undergraduate borrowing maximum from \$3,000 per year to \$6,000 per year, and the graduate maximum from \$5,000 to \$7,000 per year. The program then experienced a 70% increase in borrowers, and a 288% increase in funds requested. While other factors undoubtedly contribute to this increase, the principal element is the new borrowing limit.

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NO 9. Raise the interest rate charged on loans. The current interest rate on Alaska student loans is 5%. Federal student loans are now at 9%. The interest rate charged to students could be raised to 7%, 8%, 9%, or even 10%. Raising the rate could make the loans less attractive and thereby discourage some borrowers, but probably very few. The effect would be negligible for the first few years, but raising the interest from 5% to 9%, for example, could result in as much as \$1.3 million in 1986-87.

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A second point should be made, and that is that the 1981 Legislature just took action raising the forgiveness from 40% to 50%.

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General Administration Alternatives

A. The Commission has been quite concerned about the timely handling and processing of loan awards. Some suggestions and alternatives have been identified which could improve this processing time.

15. Fully staff the awards division. The current awards staff consists of 7.0 full-time people. These include a division officer, an awards specialist, three awards clerks II, and two awards clerks I. Using the adopted staffing formula of 1.0 staff member per 1,000 loan awards, the division is understaffed by 36.4%, or 4.0 people. With the additional personnel, loan processing could continue and be kept current. The division was operating 30 days behind in loan processing as of November 1, 1981. Even working evenings and weekends, the current staff cannot service the loan applicants in an adequate and timely manner.

16. Maintain a revolving base for loan processing. The 1981 Legislature created a \$10 million revolving base for the program. This was to enable the processing of loans during February, March, April, and May. Unfortunately the benefit of the base was negated by the delay in program start-up this past year, but the concept of a revolving base is sound and would greatly improve loan processing by leveling the work load. The base, with the increased borrowing limits and volume of applicants, would need to be about \$25 million to be effective.

17. Eliminate the institutional sign-off on educational cost of attendance. The current procedure requires the applicant to have the school of attendance review the application and certify that the costs listed by the loan applicant are reasonable and appropriate for that particular institution. This step can cause great delays in the loan process. At times applications are lost or simply held by the schools until such time that the student does not receive funds in time for the beginning of school. If this step is eliminated, the process would be greatly accelerated.

The trade-off here is that the loan division would then have no check on the appropriateness of what the applicant says it will cost to attend a particular school. Budgets could be exaggerated to assure the qualification for a maximum loan.

B. The Commission has also expressed concern over administrative costs and growth of staff. Hence, a few alternatives to current practices have been explored.

no

18. Contract for loan collection with an outside agency. The current program only contracts out the basic receipt of payments. Coupon booklets are ordered and sent to loan recipients entering the repayment cycle. The monthly payments are then mailed to a "lock-box" contracted through a commercial bank. The bank receives the funds and transfers them to the state. The rest of the administration is handled in-house.

The increased loan volumes and the maturation of the program are creating large demands for increased staff. Using the adopted staffing formula, the current staff of 24.0 full-time persons will increase to 56.0 in 1982-83, 82.0 in 1983-84, and 106 in 1984-85. If state government is not to expand, alternatives need to be examined.

Loan collections actually consist of loan repayments and loan collections. Loan repayment is the routine repayment of loans, and loan collection is the collection of delinquent and default accounts. In exploring the use of an outside contractor, three approaches were explored: a nationwide loan management service, a commercial banking service, and a private collections agency.

(a) Loan management service. Three nationwide loan management services were contacted on behalf of the loan program. All three specialize in the collection of student loans and handle accounts for a number of institutions and states - usually federally guaranteed student loans. Since the Alaska program is so different from the federal program, one company would not submit a bid for servicing the Alaska loans, one did submit a bid, and a third has not responded definitively. The sound bid is from Wachovia Student Loan Management Services of Winston-Salem, North Carolina. Wachovia indicated a willingness to alter existing data processing software to handle Alaska's program. The costs, submitted October 27, 1981, are:

\$1.15 per borrower per month while in school
\$2.00 per borrower per month during deferments
\$2.85 per borrower per month during repayment

Wachovia will not be responsible for collection of delinquent or defaulted loans.

Based upon current figures and estimates, the following cost comparison is made:

<u>Year</u>	<u>Wachovia</u>	<u>State</u>	<u>Difference</u>
1981-82	\$ 895,053	\$ 497,502	\$ (397,951)
1982-83	\$1,461,150	\$ 933,222	\$ (522,928)
1983-84	\$2,036,263	\$1,498,480	\$ (537,783)
1984-85	\$2,552,537	\$2,117,724	\$ (434,813)

Therefore, the cost of contracting these services would be considerably higher than "in-house" processing.