

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1470 SHESS SB 120

(7) "consortium" means a cooperative arrangement between two or more public or private institutions of higher education specified in agreements or memoranda of understanding to permit sharing of facilities, instructional opportunities, and other educational services in such a way that the integrity of each institution party to the consortium is preserved while at the same time the institutions cooperatively plan the academic calendar, scheduling, use of personnel and facilities, and educational programs and offerings to the maximum advantage of the students and faculties of the institutions that are parties to a consortium. (§ 5 ch 156 SLA 1972; am § 8 ch 78 SLA 1974; am §§ 18 — 20 ch 136 SLA 1974; am § 5 ch 136 SLA 1975)

**Effect of amendments.** — The first 1974 amendment added paragraph (6).

The second 1974 amendment added the language beginning "any combination of 12 or more semester hours of credit" to the end of paragraph (2), substituted "six" for

"two" in paragraph (8) and added paragraph (7).

The 1975 amendment, effective July 1, 1975, substituted "three" for "six" in paragraph (8).

**Article 10. Memorial Scholarship Revolving Loan Fund.**

- Section
- § 10. Declaration of purpose
- § 15. Fund created
- § 20. Limits on conditions of loans
- § 25. Repayment of loans

- Section
- § 30. Selection
- § 35. Discrimination prohibited
- § 40. Administering authority
- § 45. Funding

**Repeal of former article.** — Section 22, ch 136 SLA 1974, repealed former Article entitled "Michael Murphy Scholarship

Loan and Grant Fund." The former article consisted of §§ 14.40.820 — 14.40.899, and was set from § 1 ch 33 SLA 1969.

**Sec. 14.40.810. Declaration of purpose.** (a) The legislature may pay tribute to the memory of Alaskans who, by the example of their lives, or by their distinguished contribution and service to this state, their community or their profession, exemplified the best that is the challenge of "The Great Land" by the creation of memorial scholarships as a part of a general memorial scholarship revolving loan fund, setting out the purpose for which each is created, and the conditions applicable to each scholarship.

(b) The purposes of the several memorial scholarship accounts in the memorial scholarship revolving loan fund are as follows:

(1) the Michael Murphy memorial scholarship perpetuates the memory of Michael Murphy, a member of the Alaska State Troopers, who, while on leave from that division, gave his life for his adopted country in Vietnam on May 22, 1968;

(2) the Carroll L. "Butch" Swartz memorial scholarship perpetuates the memory of Carroll L. "Butch" Swartz, of Juneau, who was a student intern with the Criminal Justice Planning Agency and the Governor's Commission on the Administration of Justice during the summer months of 1972 and 1973 and whose accidental and untimely death in November 1973, occurred while he was completing his undergraduate education at Yale University, thus never realizing his educational goals or career objective;

(3) the Harvey Golub memorial scholarship perpetuates the memory of Harvey Golub, of Juneau, who was chief engineer of the bridge design section of the Department of Highways of the State of Alaska and whose accidental and untimely death September 13, 1971, cut short a widely-respected career in civil engineering; and

(4) the Robert L. Thomas memorial scholarship perpetuates the memory of Robert L. Thomas, of Juneau, who as Deputy Commissioner of Education, and for 13 years as a member of the professional staff of that department contributed significantly to the creation, operation and administration of a sound system of public education in Alaska and whose tragic and untimely death March 12, 1974, terminated a distinguished career in education and public administration that long will be exemplary for those who aspire to service in that profession. (§ 21 ch 136 SLA 1974)

**Sec. 14.40.815. Fund created.** (a) There is created a memorial scholarship revolving loan fund. The fund shall be used to provide educational scholarship loans to students selected under §§ 810 — 845 of this chapter. All repayments of principal shall be paid into the memorial scholarship revolving loan fund and shall be used to make new scholarship loans.

(b) Each memorial scholarship, the purpose of which is set out in § 810(b) of this chapter, is a separate account in the memorial scholarship revolving loan fund created under (a) of this section. (§ 21 ch 136 SLA 1974)

**Editor's note.** — Section 24, ch. 136, SLA 1974, provides "On the effective date of this Act, the balance in the Michael Murphy scholarship, loan and grant fund created under AS 14.40.855 is transferred to the

Michael Murphy memorial scholarship account in the memorial scholarship revolving loan fund created under AS 14.40.815 as added by sec. 21 of this Act."

**Sec. 14.40.820. Limits on, conditions of loans.** (a) A scholarship loan to a recipient under §§ 810 — 845 of this chapter, may not exceed \$2,500 a school year for an undergraduate student or \$5,000 a school year for a graduate student. Loans may not be made to a student for more than six years.

(b) A loan made under §§ 810 — 845 of this chapter may be used only as follows:

(1) a Michael pursue a degree enforcement, law fields;

(2) a Carroll used only to pursue university in criminal administration, justice;

(3) a Harvey pursue a degree mechanical, electrical transportation, engineering; and

(4) a Robert L. to pursue a degree will lead to a career closely related field

(c) The recipient

(1) enrolled as a student to an Associate, listed in (b) of this loan received;

(2) a graduate high school within admitted to a college leading to a degree is appropriate to the

(3) an officer or the state who interested leading to a degree appropriate to the

(d) The recipient student in good standing

(e) In any year in created under § 810 loan in one of the no loan in that school shall be added to succeeding year.

(f) The administrator signed by the recipient will help it carry on 21 ch 136 SLA 1974

**Sec. 14.40.825.** It shall be noninterest

**ARTICLE VIII. CONSTRUCTION AND SEVERABILITY.**

This compact shall be liberally construed so as to effectuate the purposes thereof. The provisions of this compact shall be severable and if any phrase, clause, sentence or provision of this compact is declared to be contrary to the constitution of any state or of the United States, or the applicability thereof to any government, agency, person or circumstance is held invalid, the validity of the remainder of this compact and the applicability thereof to any government, agency, person, or circumstance shall not be affected thereby. If this compact shall be held contrary to the constitution of any state participating therein, the compact shall remain in full force and effect as to the state affected as to all severable matters.

**ARTICLE XI. STATE DEFINED.**

As used in this compact, "state," means a state, territory, or possession of the United States, the District of Columbia or the Commonwealth of Puerto Rico. (§ 1 ch 168 SLA 1980)

**Sec. 14.40.720. Members of the commission.** (a) One of the commission members shall be the governor; one shall be the state commissioner of education; two shall be members of the state legislature selected by its respective houses and serving in the manner the legislature may determine; one shall be the president of the state Board of Education; and two shall be appointed at large by and serve at the pleasure of the governor.

(b) The terms of office of the at-large members shall be four years; however, the first members shall be appointed as follows: one for two years, and one for four years. Each member shall hold office until his successor is appointed and qualified.

(c) The legislative and at-large members of the commission serve without compensation but are entitled to per diem and travel expenses provided by law for other state boards and commissions. (§ 1 ch 168 SLA 1980)

**Article 9. Scholarship Loans and Tuition Grants.**

**Section**  
 759. Undergraduate loans  
 763. Conditions of loans  
 767. Selection criteria

**Section**  
 776 — 801. [Repealed]  
 806. Definitions

**Sec. 14.40.759. Undergraduate loans.** The committee may make a loan, not to exceed \$3,000 in any one school year, to an undergraduate student eligible under AS 14.40.765. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974; am § 1 ch 153 SLA 1978)

Effect of amendment. maximum amount of the loan from  
The 1978 amendment increased the \$2,500.00 to \$3,000.00.

Sec. 14.40.763. Conditions of loans.

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

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

(g) The required repayment of the principal amount of the loan and any interest on the loan begins no earlier than nine months nor later than one year after the student terminates his studies. The loan shall provide for repayment of the total amount owed in periodic installments in not less than five nor more than 10 years from the commencement of repayment or more than 15 years from the date of execution of the original promissory note evidencing the disbursement of the loan, except as provided for in (k) and (m) of this section. Notwithstanding the provisions of this subsection, a student may at his option make payments earlier than this subsection requires.

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower spends at least three years employed in the state. The portion of the loan which shall be paid by the state shall be the following percentages of the total loan received plus interest for up to a total of 40 per cent:

- (1) two — three years residency, 10 per cent;
- (2) three — four years residency, an additional 10 per cent;
- (3) four — five years residency, an additional 10 per cent;
- (4) over five years residency, an additional 10 per cent.

(k) Periodic installments of principal shall be deferred, but interest shall accrue and be paid unless the student is eligible for interest payment benefits under (1) of this section during any of the following:

- (1) return to student status as provided in (c) of this section;
- (2) serving on active duty as a member of the armed forces of the United States;
- (3) serving, for up to three years, as a full-time volunteer under the Peace Corps Act;
- (4) serving, for up to three years, as a full-time volunteer under the Domestic Volunteer Service Act of 1973;
- (5) for a one-time period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or
- (6) if the borrower becomes 50 per cent or more disabled as certified by competent medical authority.

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(l) The federally insured loan; and  
(2) deferred loan for not more than six months.  
(n) Each applicant, if completing an Alaskan (am § 1

Effect of The 1978 amendment "commissioner of Education" "receiving a deferment of payments under (k) of this section" (e), rewritten subsection (j) by the commission of language accreditation which the "non-English language" shall be (e), rewritten subsection of the "considered" "granted" year" in "paid by

Sec. 1 shall go subject point applicant awarded Alaskan (1) st

(f) The state will pay the interest on that portion of a loan that is not federally insured during

(1) the period before the beginning of the repayment period of the loan; and

(2) deferments under (k) of this section.

(m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than six months each, within the 15-year requirement of (g) of this section.

(n) Each year spent attending a college or university in Alaska qualifies as a year of employment and residency under (j) of this section, if the borrower resides no less than three years in Alaska after completion of the course for which the loan was granted, and has a total Alaskan residency of 10 years time.

(am §§ 1 — 4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979)

#### Effect of amendments.

The 1979 amendment substituted "commission" for "Department of Education" in subsection (b), substituted "receiving of deferment of payments under (k) of this section" for "fulfilling required military service" at the end of subsection (e), rewrote subsection (g), and added subsection (k).

The 1979 amendment deleted "approved by the commission" following "career education program" and substituted the language beginning "approved by the commission" for "accredited by the accreditation association for the region in which the college or university is located" in subsection (b), substituted "interest" for "non-interest" in subsection (e), added the language beginning "however, a student shall be entitled" to the end of subsection (e), rewrote subsection (g), and in subsection (j), substituted "paid on behalf of the borrower by the state" for "considered a grant," "borrower" for "grantee," and "three years" for "two years" in the first sentence, substituted "paid by the state" for "regarded as a

grant" and "interest" for up to a total of 40 per cent" for "accrued interest" in the introductory language of the second sentence, and substituted "an additional 10 per cent" for "20 per cent" in paragraph (2), for "30 per cent" in paragraph (3), and for "40 per cent" in paragraph (4). The amendment also rewrote subsection (k) and added subsections (l), (m), and (n).

As the rest of the section was not affected by the amendments, it is not set out.

Editor's note. — Section 8, ch 99, SLA 1977 provides "The change in the repayment period of student loans set out in AS 14 40 763(g) as amended by sec 3 of this Act and the additional bases for granting a deferment of repayment of a student loan set out in AS 14 40 763(k) as enacted by sec 4 of this Act shall, upon request of the loan recipient, be applied retroactively to the outstanding balance of principal of and accrued interest on loans made under AS 14 40 751 — 14 40 806 as they read before the effective date of this Act."

**Sec. 14.40.767. Selection criteria.** (a) The selection committee shall grant loans based on total point accumulations under this subsection with priority going to those applicants with the highest point accumulations, except as provided in (b) of this section for loan applications completed before May 15 of each year. Points shall be awarded to applicants based upon student status and continuous Alaskan residency, according to the following schedule:

(1) student status:

- (A) continuing undergraduate and graduate students with existing Alaska scholarship loans . . . . . 4 points
- (B) continuing undergraduate and graduate students without existing Alaska scholarship loans . . . . . 3 points
- (C) freshmen . . . . . 2 points
- (D) new graduate students without existing Alaska scholarship loans . . . . . 1 point
- (2) continuous Alaskan residency:
  - (A) students with continuous Alaskan residency of 10 years or more . . . . . 3 points
  - (B) students with continuous Alaskan residency of at least 5 years and less than 10 years . . . . . 2 points
  - (C) students with continuous Alaskan residency of more than 2 years and less than 5 years . . . . . 1 point
  - (3) students attending Alaska colleges or universities . . . 1 point
  - (b) In awarding loans the selection committee shall award loans to applicants based upon the earliest date of completed applications if
    - (1) the applicant has accumulated at least 5 points under (a) of this section; and
    - (2) the applicant has filed a completed application not later than May 15 of the year for which the loan is requested. (§ 1 ch 98 SLA 1971; am § 2 ch 87 SLA 1979)

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

Editor's note. — Section 1, ch. 87, SLA 1979 provides: "The legislature determines that

"(1) there are no incentives in the student loan program for residents of Alaska to attend colleges and universities in Alaska as compared with colleges and universities outside Alaska.

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

"(3) the amount of the average loan to

undergraduate students attending colleges and universities in Alaska is lower than the average of similar loans in all but one of the 10 western states and the amount of the average loan for graduate students is the lowest in the West.

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

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

Secs. 14.40.776 — 14.40.796.

Repealed by § 15 ch 94 SLA 1980.

Editor's note. — The repealed sections — 15 ch 136 SLA 1974, §§ 2 — 4, ch 136, SLA 1975, §§ 1 — 7, ch 246, SLA 1976.

Sec. 14.40.801. Fiscal and business management practices.

Repealed by § 7 ch 246 SLA 1976 and § 15 ch 94 SLA 1980.

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Editor's note. — The repealed section ch. 78, SLA 1974; §§ 16, 17, ch. 136, SLA derived from § 5, ch. 156, SLA 1972; § 7, 1974.

**Sec. 14.40.806. Definitions.** In AS 14.40.751 — 14.40.806

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

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

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

(7) Repealed by § 7 ch 246 SLA 1976.

(8) "federally insured" means a loan covered by the provisions of the Guaranteed Student Loan Program of Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329), as amended.

(am § 7 ch 246 SLA 1976; am §§ 5 — 7 ch 99 SLA 1977; am § 9 ch 87 SLA 1979)

**Effect of amendments.**

The 1976 amendment repealed paragraph (7), which defined "consortium."

The 1977 amendment substituted "commission" for "Department of Education" in paragraph (1), substituted "an undergraduate or career education student" for "a student" and the language beginning "or a graduate student who is enrolled" and ending "requisite number of semester hours and" for "any combination of 12 or more semester hours of credit" in

paragraph (2), inserted "or the equivalent" preceding "during the semester" in paragraph (2), and substituted "the semester hours of credit required for full-time student status under (2) of this section" for "12 semester hours of credit" in paragraph (3).

The 1979 amendment added paragraph (8).

As the rest of the section was not affected by the amendments, it is not set out.

**Article 11. Alaska Commission on Postsecondary Education.**

**Section**

909. Functions of the commission

917. Legal counsel

919. Consortia

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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

### M E M O R A N D U M

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

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

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

DATE: February 11, 1981

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

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

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

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

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

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

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



Official Business

# Alaska State Legislature

## Senate

### Committee on

### Health, Education & Social Services

Charlie Parr, Chairman  
Terry Stimson, Vice-Chairman  
Vic Fischer  
Tim Kelly  
Mike Colletta

Pouch V  
State Capitol  
Juneau, Alaska 99811  
465-4907  
465-4908

#### MEMORANDUM

TO: Senate HESS Committee Members  
FROM: Rocky  
RE: Student Loan Program

Here is a check list of policy decisions the Committee may need to make regarding the Student Loan Program:

- 1) Eligibility
  - a. residency
  - b. full-time attendance
  - c. part-time attendance
  
- 2) Loan Amount

a. undergraduates	3,000 (now)
	3,500
	5,000
	6,000
b. graduates	5,000 (now)
	6,000
	7,000
	8,500
  
- 3) Maximum Amount of Loans
  - a. 6 years (now)
  - b. 8 years
  
- 4) Loan Forgiveness
  - a. Alaskan residency after graduation (now)
  - b. grade point average
  - c. In-state school attendance
  
- 5) Loan Repayment
  - a. graduated payment schedule
  - b. percentage of income
  
- 6) Bankruptcy

For an Act entitled: "An Act creating the Alaska State Scholarship Program, and providing for an effective date."

Section 1. PURPOSE. The Legislature finds and declares that the provision of higher education for all residents of Alaska who desire such education and are properly qualified therefore is important to the welfare and security of this State and Nation. Many highly qualified high school graduates are deterred by financial considerations from completing their education in Alaska and represent a potential irreparable loss to the State. A strong investment has been made to assure that quality education is available for Alaskans, but the increasing costs of obtaining this education, along with the increasing competitiveness of schools from outside the State to recruit the most highly qualified of Alaska's high school graduates, makes it imperative that a system of State scholarships be established.

Section 2. ADMINISTRATION. The Alaska State Scholarship Program shall be administered by the Alaska Commission on Postsecondary Education. The commission, in accordance with this chapter, shall prepare and supervise the issuance of public information concerning this program; prescribe the form and regulate the submission of applications for scholarships; conduct any conferences and interviews with applicants which may be appropriate; determine the eligibility of applicants; provide for and conduct, or cause to be conducted, all examinations of applicants; select the best qualified applicants, award the appropriate scholarships; and determine eligibility for, and award annual renewals of, scholarships. The commission may promulgate such regulations, not inconsistent with this chapter, as may be necessary to administer this program.

Section 3. ELIGIBILITY. An applicant is eligible to apply for a scholarship if the applicant is:

- (1) at least a two-year resident of Alaska;
- (2) is either
  - (A) eligible to be admitted to an eligible Alaska postsecondary education institution within one year of application date; or
  - (B) enrolled as a full-time undergraduate student in an eligible Alaska postsecondary education institution.

Section 4. AWARD AMOUNT. Each scholarship award shall be in the amount of \$4,000 annually, for a maximum of four undergraduate years.

Section 5. USE OF AWARD. A scholarship may be used:

- (1) at a degree granting institution of postsecondary education within the state which is approved by the commission for this purpose; and
- (2) for educational expenses, including:
  - (a) tuition and fees
  - (b) room and board,
  - (c) transportation,
  - (d) books, and
  - (e) personal expenses.

Section 6. RENEWAL. A scholarship recipient shall have the scholarship renewed annually, for up to three times, provided that the recipient:

- (1) maintain full-time student status at an eligible institution; and
- (2) maintain a grade-point-average equivalent to 3.25.

Section 7. SELECTION CRITERIA. The commission shall annually determine eligible candidates and make awards to the most qualified of these candidates, based upon the following criteria:

- (1) acceptance for admission in a regular undergraduate program at an eligible institution;
- (2) score on the competitive examination; *SAT*
- (3) potential scholastic success, based upon previous grade-point-average; and
- (4) wide geographic distribution of awards throughout the State.

Section 8. NUMBER OF SCHOLARSHIPS. The State shall annually provide for scholarships in a number equal to:

- (1) one for each high school with at least twenty graduates per year;
- (2) one, additional, for each high school with over one hundred graduates per year; and
- (3) one for each eligible scholarship renewal.

Section 9. OTHER SCHOLARSHIPS AND AWARDS. A scholarship recipient under this program may not receive an Alaska Private/Public Cooperative scholarship for the same academic year as covered by this program.

Section 10. DEFINITIONS.

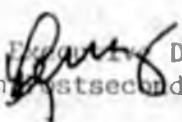
- (1) "commission" means the Alaska Commission on Postsecondary Education;
- (2) "resident" means a person who, except for brief intervals, military service, attendance at an educational or training institution, or for absences for good cause shown, has resided in Alaska and who has maintained his domicile in Alaska, domicile is the true and permanent home of a person from which he has no present intention of moving and to which he intends to return whenever he is away;
- (3) "undergraduate" means a student who has not completed a baccalaureate, graduate, or professional degree.
- (4) "full-time student" means a student enrolled and in regular attendance at classes for at least 12 semester hours of credit or the equivalent during the semester or term.

**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

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

M E M O R A N D U M

TO: Representative Don Clocksin  
Chairman, House HESS Committee

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

DATE: February 24, 1981

At the last hearing on bills relating to the student loan program, you requested written positions of the Postsecondary Commission on two suggested changes to the program. A subcommittee of the Commission met Saturday, February 21, 1981, and the following are the responses on behalf of the Commission.

Loan Cancellation (Forgiveness)

The provision of partial cancellation of student loans for living and working in Alaska is one of the most attractive features of the student loan program. It addresses and achieves two concerns which the Legislature has historically recognized. After a student completes study, a year of deferment (a grace year) is given. This allows the borrower to find employment and to get established, at least initially. Then if the borrower resides and works in Alaska, a 10% per year cancellation of indebtedness is awarded for each year, up to four years. Hence, the borrower may have as much as 40% of the loan cancelled.

Through the provision of this economic benefit and incentive, the Legislature is encouraging our educated residents to remain in Alaska and utilize their educational skills within the State. At the same time, the Legislature is giving formal recognition to the burden of the cost of education and providing relief for up to 40% from part of that burden. The Commission agrees with this partnership between student and State and strongly encourages its continuation.

The Commission recommends that the partnership be enhanced to a 50-50 arrangement by adding a fifth year of 10% cancellation. It is opposed to suggestions exceeding a 50-50 partnership.

Cancellation for In-State Attendance

The Commission recognizes that the Alaska Student Loan Program is the best student loan program in the Nation. The program is, and should remain, a neutral program. Through the provision of low-interest student loans, Alaskans are provided with a free choice of postsecondary attendance. The program neither encourages persons to attend particular types of institutions, nor does it encourage persons to attend institutions in a particular geographic location. Specifically, the program does not encourage attendance either in-state or out-of-state.

Representative Don Clocksin  
February 24, 1981  
Page 2

Utilizing the loan program as a means for influencing the educational choice of a student is inappropriate. The Commission is opposed to providing additional cancellation benefits for in-state attendance. It feels there are better methods for making in-state attendance more attractive to students and strongly discourages the use of the loan program to achieve this purpose.

cc: Members, House HESS Committee  
Members, Senate HESS Committee

Section 14.40.806. (7) "resident" means 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 sections 751-806 of this chapter;

(6) "resided in Alaska" means being physically present in Alaska for an independent student, and means parent's or guardian physical presence for a dependent student.

(2) "dependent" means a person who does not qualify as an independent.

(4) "independent" means a person who has not:

(a) lived with his/her parents for more than six weeks in the prior calendar year,

(b) been claimed on his/her parents Federal tax return in the prior calendar year, or

(c) received more than \$1,000 worth of support from his/her parents in the prior calendar year.

Sec. 14.40.763 (j) is amended to read:

A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower spends at least [THREE] two years employed in the state. The portion of the loan which shall be paid by the state shall be in the form of annual payment refunds and shall be the following percentages of the total loan received plus interest for up to [40] 50 percent:

- (1) two - three years residency, 10 percent;
- (2) three - four years residency, an additional 10 percent;
- (3) four - five years residency, an additional 10 percent;
- (4) five - six years residency, an additional 10 percent;
- (5) over [FIVE] six years residency, an additional 10 percent.

Chenoweth ✓

Original sponsors: Sturgulewski, Kerttula,  
Stimson and Dankworth

1 IN THE SENATE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2 CS FOR SENATE BILL NO. 120 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "A Act amending the undergraduate and graduate schol-  
7 arship loan program; and providing for an effective  
8 date."

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

10 \* Section 1. AS 14.40.759 is amended to read:

11 Sec. 14.40.759. UNDERGRADUATE LOANS. The committee may make a  
12 loan, not to exceed \$5,000 [\$3,000] in any one school year, to an  
13 undergraduate student eligible under AS 14.40.765.

14 \* Sec. 2. AS 14.40.761 is amended to read:

15 Sec. 14.40.761. GRADUATE LOANS. The committee may make a loan,  
16 not to exceed \$7,000 [\$5,000] in any one school year, to a graduate  
17 student who is eligible under AS 14.40.765 and is pursuing an advanced  
18 degree.

19 \* Sec. 3. AS 14.40.763(d) is amended to read:

20 (d) Scholarship loans may not be made to a student for more than  
21 eight [SIX] years.

22 \* Sec. 4. AS 14.40.763(j) is repealed and reenacted to read:

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

29 (1) two - three years residence in the state, 10 percent;

1 (2) three - four years residence in the state, an additional  
2 10 percent;

3 (3) four - five years residence in the state, an additional  
4 10 percent;

5 (4) five - six years residence in the state, an additional  
6 10 percent;

7 (5) over six years residence in the state, an additional 10  
8 percent.

9 \* Sec. 5. AS 14.40.765 is repealed and reenacted to read:

10 Sec. 14.40.765. ELIGIBILITY OF STUDENTS. (a) A person may apply  
11 for and obtain a scholarship loan if the person

12 (1) is a resident of the state at the time ~~he~~ <sup>of</sup> ~~applies~~ <sup>applies</sup> for a  
13 scholarship loan;

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

15 (3) is

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

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

22 (b) In addition to the requirements of (a) of this section, to  
23 obtain a scholarship loan a person must have been a resident of the  
24 state for at least two years at the time ~~he~~ <sup>he</sup> applies for the loan. For  
25 purposes of this subsection, a person qualifies as a resident of the  
26 state if at the time ~~he~~ <sup>he</sup> applies for the loan

27 (1) ~~he~~ <sup>he</sup> has been present in the state for at least two years  
28 unless ~~his~~ <sup>his</sup> absence from the state during any part of the two years was  
29 due to military service; or

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(2) he is a person who is dependent on a parent or guardian for his care, and the parent or guardian has been present in the state for at least two years.

Sec. 6. The reenactment of AS 14.40.763(j) in sec. 4 of this Act applies to any student who has obtained a scholarship loan under AS 14.40.751 - 14.40.806 since July 1, 1971.

\* Sec. 7. This Act takes effect July 1, 1981.

Draft letter of intent for CS SB 120 - Student Loans

The HESS Committee formally recognizes the value of education and educated citizenry for the State of Alaska and endorses the continued investment in the futures of the people of the State through the provision of State student loans.

Under the amendments to the loan program, which CSSB 120 proposes, the State is entering into an equal partnership with the students in pursuing postsecondary education and training. The program provides low interest loans to students and increases maximum borrowing levels and carries an increased incentive for the student to utilize an education by training within the State.

It is the intention of the Committee that this increased spending in the form of grants for up to fifty percent of the total borrowed be provided to the students in a more timely fashion.

Under current administrative practice, the borrower may not realize the grant benefits for having made loan payments for as long as six years. For the incentive to be truly effective, these benefits must be realized as they are earned. Therefore, through this letter the Committee issues its intentions that grant benefits be provided to the borrower in the form of annual refunds as eligibility is established rather than crediting the grants at the end of the repayment cycle as is currently the practice.

Under this refund policy, the borrower will continue to make timely repayments ~~the~~ of the loan but after remaining and working in the State the required period of time, refunds in incremental amounts equal to ten percent of the total loan will be annually provided to the borrower.

The amendments included in CSSB 120 and the new method of administratively handling the grant provisions, the Committee strongly endorses legislative support for Alaska's student loan program.



Official Business

# Alaska State Legislature

## Senate

### Committee on

### Health, Education & Social Services

March 13, 1981

Charlie Parr, Chairman  
Terry Stimson, Vice-Chairman  
Vic Fischer  
Tim Kelly  
Mike Colletta

Pouch V  
State Capitol  
Juneau, Alaska 99811

465-4907  
465-4929

LETTER OF INTENT  
ON  
CS FOR SENATE BILL NO. 120

CSSB 120 amends the Student Loan Program by increasing the maximum amount which can be borrowed and the number of years in which loans may be paid. It increases the incentive for the student to remain in the State after graduation (so that the State may profit by its investment) by increasing the loan forgiveness from 40 percent to 50 percent.

It is the intent of the Committee that the loan forgiveness not wait until the end of the repayment cycle, as is currently the practice, since students cannot perceive these benefits during the first several years. For the loan forgiveness to be a truly effective incentive, benefits should be realized as they are earned.

It is the intent of the Committee that forgiveness benefits be provided to the borrower in the form of annual refunds as eligibility is established. Under this policy the borrower remaining in the State will get 10 percent loan forgiveness at the end of each year.

The above loan forgiveness policy can be handled by administrative action, and no legislation is required.

A handwritten signature in cursive script, appearing to read "Charles H. Parr".

Charles H. Parr, Chairman

*Rocky*

Alaska Student Loan Program

Fact Sheet

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

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

*loans*

2. Current Year

(1980-81, as of 1/14/81): 5,880 loans \$ 16.0 million

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

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

4. Loan Collections (per month average):

1974-75	19,623
1975-76	38,704
1976-77	95,122
1977-78	99,321
1978-79	115,970
1979-80	133,620
1980-81 (est.)	170,000

5. Loan Cancellations (per month average):

*Forgiveness*

1974-75	59
1975-76	3,606
1976-77	5,396
1977-78	26,192
1978-79	37,165
1979-80	44,125
1980-81 (est.)	45,000

6. Past Due and Default Loans

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

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

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

8. Raising Loan Limits

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

*Additional*

9. Other Issues:

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

10. Sample Costs:

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

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

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

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

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 120  
 Title Amending Scholarship Loan Program  
 Requested by Senate Hess Date 1/30/81

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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	N.A.	4,041.7	5,010.5	5,814.1	6,953.0	8,455.3
<b>TOTAL</b>	N.A.	4,041.7	5,010.5	5,814.1	6,953.0	8,455.3

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	N.A.	4,041.7	5,010.5	5,814.1	6,953.0	8,455.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

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

Fiscal impact of raising limits is based upon the following assumptions:

- current mix of 11% graduate, 89% undergraduate will continue
- current borrowing pattern will continue with slight increase upward, i.e.,
 

Undergraduate:	27.5%	\$50-\$1,950	Graduate:	46.5%	\$50-\$4,950
	24.3%	\$2,000-\$2,950		53.5%	\$5,000
	41.2%	\$3,000			
- at state borrowing the maximum, if maximums are increased,
 

Undergraduate:	50%	\$5,000	Graduate:	55%	\$7,000
	40%	\$3,500-\$4,950		20%	\$6,000-\$4,950
	10%	\$3,000-\$3,450			

IV. DATE February 3, 1981 PREPARED BY Kenneth D. [Signature]  
 AGENCY Commission on Postsecondary Education  
 PHONE 465-2500  
 Original: Legislative Finance  
 cc: Budget and Management  
 Print Sponsor: (First Legislator Named)

Furn

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## ALASKA COMMISSION ON POSTSECONDARY EDUCATION

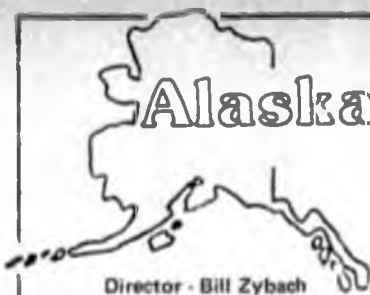
POUCH F - STATE OFFICE BUILDING  
JUNEAU, ALASKA 99811  
(907) 465-2854

### The Alaska Commission on Postsecondary Education

The basic purpose of the Alaska Commission on Postsecondary Education is to provide for the coordinated efficient use of Alaska's financial resources in providing postsecondary educational services to the citizens of the state. The Commission is charged with coordinating the development of comprehensive plans for the systematic growth of postsecondary education in Alaska, advising as to functions and purposes of colleges and universities operating in the state, reviewing annual budget requests from colleges and universities in the state, serving as the consumer protection agency for the citizens of the state in obtaining postsecondary education, and advising the Governor's Office, the Legislature, and other appropriate federal and state agencies and institutional boards on postsecondary education issues and concerns in and for Alaska.

Through a 13-member public board and a series of advisory councils, the Commission serves as the impartial coordinating board for all Alaskan postsecondary education. Specific programs and services provided through the Commission include:

1. authorization of postsecondary education institutions to operate in Alaska
2. serving as consumer complaint agency for postsecondary education services
3. serving as Alaska's state approval agency for veteran's educational benefits and program approval
4. administration of the federal Continuing Education and Community Service Program (Title I, HEA)
5. administration of the federal Guaranteed Student Loan Program (Title IV, HEA)
6. administration of the federal Postsecondary Education Planning Grants Program (Title XII, HEA)
7. administration of the Alaska State Student Loan Program
8. administration of the combined federal/state State Education Incentive Grant Program SEIG (Title IV, HEA)
9. administration of the State Memorial Scholarship Loan Programs
10. serving as Alaska's agency for coordinating activities in the 13-state Western Interstate Commission on Higher Education (WICHE)
11. administration of the WICHE Student Exchange Program for Alaska
12. administration of the WICHE Fellows Program for Alaska
13. coordination of federal reporting for the Higher Education General Information Survey (HEGIS)
14. serving as the State EEO agency for postsecondary education
15. administration of the federal Higher Education Facilities Grant Program (Title VII, HEA)
16. administration of Alaska's participation in the Federal Education Information Centers, EIC Program (Title IV, HEA)
17. providing oversight and arbiter services for consortia agreements between and among public and private institutions.



# Alaska Statewide Student Association

P.O. BOX 548  
DOUGLAS, ALASKA 99824

REPRESENTING STUDENTS OF THE UNIVERSITY OF ALASKA STATEWIDE SYSTEM

## Senate Bill 120

Senator Charlie Parr, Chairman  
Senate HESS Committee  
Alaska State Legislature

Feb. 9, 1981

Mr. Chairman,

The Alaska Statewide Student Association is concerned with the committee action on SB120. The Student Loan Program has been an area of concern for the statewide student association for the past four years.

The legislation before you, we believe, will have a positive effect in keeping the program up to date in terms of the dollar amounts and the period under which the loan is extended. We believe that for the loan to keep pace with the escalating costs of education then the annual amounts must be increased. These increases will more realistically offset the costs of tuition for many students who are participating in the program out of state, but more importantly, it will better provide the funds which are necessary to attend higher education institutions in the state of Alaska for those students who are married, those who are returning to education, and those who are not participating in residence campus housing programs.

The extension of the period of eligibility, we believe is most needed and more realistic. The current period does not take into consideration those students who are in undergraduate work for more than 4 years in cases of the pursuit of double majors or more than one degree, and who will need assistance in graduate school. The current program would logically afford assistance to a student who would take a four year undergraduate program and a two years graduate program. Many graduate programs are for longer periods than two years, and assistance is needed for a three or four year period.

We would also like to suggest, as we have in the past, incentives be added to the State Loan Program which would help keep University Graduates in Alaska after they obtain their degree. At the same time we would like to promote academic excellence, and as such we would like to suggest amending SB120 to include the forgiveness clauses and academic incentives which are contained in Representative Richholdt's pre-filed House Bill 42.

With Respect,

*Bill Zybach*  
Bill Zybach, Director ASSA

**ASSA**

# STATE OF ALASKA

JAY S. HAMMOND, Governor

**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

**DIVISION OF STUDENT FINANCIAL AID**

POUCH F - STATE OFFICE BUILDING  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2962

*Rocky*

## MEMORANDUM

TO: Senator Charles H. Parr

FROM: Billie Jean Hall  
Loan Award Officer  
Alaska Student Loan Program

DATE: January 22, 1981

The 1981-82 Alaska State Student Loan applications are now available for distribution.

If you would like a supply of applications for your office, please contact us by calling 465-2962.



Official Business

# Alaska State Legislature

## Senate

### Committee on

### Health, Education & Social Services

Charlie Parr, Chairman  
Terry Stimson, Vice-Chairman  
Vic Fischer  
Tim Kelly  
Mike Colletta

Pouch V  
State Capitol  
Juneau, Alaska 99811

465-4907  
465-4908

#### MEMORANDUM

TO: Senate HESS Committee Members  
FROM: Rocky  
RE: Student Loan Program

Here is a check list of policy decisions the Committee may need to make regarding the Student Loan Program:

- 1) Eligibility
    - a. residency - *no loopholes - school attendance cannot count towards residency*
    - b. full-time attendance *(now)*
    - c. part-time attendance *NO*
  - 2) Loan Amount
    - a. undergraduates 3,000 (now)  
3,500  
5,000  
6,000
    - b. graduates 5,000 (now)  
6,000  
7,000  
8,500
  - 3) Maximum Amount of Loans
    - a. 6 years (now)
    - b. 8 years
  - 4) Loan Forgiveness *40% (now) [unclear]*
    - a. Alaskan residency after graduation (now)
    - b. grade point average *NO*
    - c. In-state school attendance *NO*
  - 5) Loan Repayment
    - a. graduated payment schedule
    - b. percentage of income
- for @ 4 yr in state 2 more months free*
- "pay 2, skip 1" for 33 1/3% for everybody in or out of Alaska*

Bankruptcy

3  
25  
40  

---

65%

if is state,  
don't pay on  
loan for first

4 years = 40% forgiveness



Official Business

# Alaska State Legislature

## Senate

### Committee on

### Health, Education & Social Services

Charlie Parr, Chairman  
Terry Stimson, Vice-Chairman  
Vic. Fischer  
Tim Kelly  
Mike Colletta

Pouch V  
State Capitol  
Juneau, Alaska 99811

465-7907  
465-4908

#### MEMORANDUM

TO: Senate HESS Committee Members  
FROM: Rocky  
RE: Student Loan Program

Here is a check list of policy decisions the Committee may need to make regarding the Student Loan Program:

- 1) Eligibility
  - a. residency — 2 yrs, actual
  - b. full-time attendance
  - c. part-time attendance
- 2) Loan Amount
  - a. undergraduates 3,000 (now)  
3,500  
~~5,000~~  
6,000
  - b. graduates 5,000 (now)  
~~6,000~~  
~~7,000~~  
8,500
- 3) Maximum Amount of Loans
  - a. 6 years (now)
  - b. 8 years
- 4) Loan Forgiveness
  - a. Alaska residency after graduation (now)
  - b. grade point average
  - c. In-state school attendance
- 5) Loan Repayment
  - a. graduated payment schedule
  - b. percentage of income
- 6) Bankruptcy

Pay 2, skip 1 + 40%

**FORGIVENESS IN FRONT**

SB 132

February 2, 1981

The Honorable Jalmar Kerttula  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which would centralize collection of state claims in the Department of Revenue. This bill, based on Oregon law, provides for the Department of Revenue to withhold refunds and any other payments from the state and credit those payments to a debtor's account with a state agency.

State agencies, under this bill, will submit a list of debtors having liquidated debts with the agency to the Department of Revenue which will determine whether those debtors are entitled to a tax refund or other payment. If it is determined that enough money is available for setoff, the claimant agency will notify the debtor of its intent to set off the debt and provide the debtor with an opportunity to request a hearing. After a hearing, or after the expiration of time for a hearing, the Department of Revenue will divert part or all of the payment to the agency, which in turn will credit the debtor's account in the amount of the setoff. This bill will provide an efficient method of collecting debts owed to the state.

Sincerely,

S/JSH

Jay S. Hammond  
Governor

SB 120 Feb

5

MSG 81-00005874 PRTY 1 02/25/81 11:27:10 ORIG: LA00 IN= 0006 OUT= 0022  
FROM: ROBERTA TO: JUNO INFO  
TARGET: LJH2 SUBJ: POM PAGE 0001

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TO: SENATE HESS COMMITTEE--SENATORS PARR, STIMSON, COLLETTA, FISCHER, KELLY  
FROM: BETH CROW, 7400 PETERSBURG DRIVE, #2, ANC. 99507; 344-8179

I SUPPORT THE FOLLOWING CHANGES IN THE STATE STUDENT LOAN PROGRAM:  
ACADEMIC AND IN STATE SCHOOL INCENTIVES IN THE FORM OF ADDITIONAL  
FORGIVENESS OF LONGER GRADUATED FORGIVENESS PERIOD AND AN INCREASE IN THE  
AMOUNT OF THE LOAN TO \$6000 A YEAR FOR UNDERGRADUATES AND \$8500 FOR GRADS.  
I FEEL THAT THIS IS A GOOD INVESTMENT IN ALASKA'S FUTURE.

March 11, 1981 ..

Charlie:

Here is the draft for a letter of intent for SB 120 - the student loan bill. So far I have got the "okay" from Fischer and Colletta on the committee substitute. Maybe Kelly or Stimson said something to you. (?)

Rocky

Draft letter of intent for CS SB 120 - Student Loans

The HESS Committee formally recognizes the value of education and educated citizenry for the State of Alaska and endorses the continued investment in the futures of the people of the State through the provision of State student loans.

Under the amendments to the loan program, which CSSB 120 proposes, the State is entering into an equal partnership with the students in pursuing postsecondary education and training. The ~~program provides low interest loans to students and~~ increases maximum borrowing levels and carries an increased incentive for the student to utilize an education by training within the State.

It is the intention of the Committee that this increased spending in the form of grants for up to fifty percent of the total borrowed be provided to the students in a more timely fashion.

Under current administrative practice, the borrower may not realize the grant benefits for having made loan payments for as long as six years. For the incentive to be truly effective, these benefits must be realized as they are earned. ~~Therefore, through this letter~~ *It is the intent* the Committee ~~issues its intentions~~ that grant benefits be provided to the borrower in the form of annual refunds as eligibility is established rather than crediting the grants at the end of the repayment cycle as is currently the practice.

Under this refund policy, the borrower will continue to make timely repayments ~~this~~ of the loan but after remaining and working in the State the required period of time, refunds in incremental amounts equal to ten percent of the total loan will be annually provided to the borrower.

The amendments included in CSSB 120 and the new method of administratively handling the grant provisions, the Committee strongly endorses legislative support for Alaska's student loan program.



Copper River  
HB 51



Official Business

# Alaska State Legislature

## Senate

### Committee on

### Health, Education & Social Services

Charlie Parr, Chairman  
Terry Stimson, Vice-Chairman  
Vic Finche  
Tim Kelly  
Mike Colletta

Pouch V  
State Capitol  
Juneau, Alaska 99811

465-4907  
465-4908

#### MEMORANDUM

TO: Senate HESS Committee Members  
FROM: Rocky  
RE: Student Loan Program

Here is a check list of policy decisions the Committee may need to make regarding the Student Loan Program:

- 1) Eligibility
  - a. residency
  - b. full-time attendance
  - c. part-time attendance
  
- 2) Loan Amount

a. undergraduates	3,000 (now)
	3,500
	5,000
	6,000
b. graduates	5,000 (now)
	6,000
	7,000
	8,500
  
- 3) Maximum Amount of Loans
  - a. 6 years (now)
  - b. 8 years
  
- 4) Loan Forgiveness
  - a. Alaskan residency after graduation (now)
  - b. grade point average
  - c. In-state school attendance
  
- 5) Loan Repayment
  - a. graduated payment schedule
  - b. percentage of income
  
- 6) Bankruptcy

# MEMORANDUM

State of Alaska

TO: Peggy Shows  
Collections Specialist  
Alaska Commission on Postsecondary  
Education  
Division of Student Financial Aid

DATE: November 21, 1980

FILE NO: A66-049-81

TELEPHONE NO:

FROM: WILSON L. CONDON  
ATTORNEY GENERAL

SUBJECT: Student Loan Bankruptcy  
Procedures

By: Amy J. Stephson  
Assistant Attorney General  
Anchorage - AGO

You have asked several questions regarding the collectability of student loan payments when the debtor files for bankruptcy. These questions are (1) under what circumstances are student loan payments not dischargeable in bankruptcy and what action need the Division of Student Financial Aid take in this regard; (2) how does the filing of a bankruptcy petition affect any lawsuit the division may file or plan to file against the debtor; and (3) how do Chapter 13 cases come about and what is the division's role with regard to plans of arrangement submitted by the debtor. We will answer these questions in turn.

(1) Generally, a straight bankruptcy action (Chapter 7 of the Bankruptcy Code) serves to discharge the debtor from his debts. Certain exceptions, however, to discharge are set out in 11 U.S.C. 523. With regard to student loans, 11 U.S.C. 523(a)(8) provides that a discharge in a straight bankruptcy does not discharge an individual debtor from any debt

(B) for an educational loan made, insured, or guaranteed by a governmental unit, or made under any program funded in whole or in part by a governmental unit or a nonprofit institution of higher education, unless-

(A) such loan first became due before five years (exclusive of any applicable suspension of the repayment period) before the date of the filing of the petition; or

(B) excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

Under this provision, student loan debts to the division are not dischargeable if the date the first payment on the loan was due in within 5 years, exclusive of repayment suspension periods, of the date the bankruptcy petition is filed. If

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November 21, 1980

the first payment was due before 5 years before the date of filing, exclusive of repayment suspension, the loan debt is dischargeable.

In those cases where the due date meets the 5 year requirement set forth above, the exception from discharge is self-executing, i.e., we are not required to file a complaint to determine the nondischargeability of the debt. Thus, if the Division's proof of claim establishes that the first loan payment was due within 5 years of the bankruptcy petition date, the loan debt is automatically nondischargeable unless and until the debtor comes forward and objects to the nondischarge for some reason. Although the "Discharge of Debtor" orders issued by the bankruptcy court may appear to state that our student loan debts have been discharged, that is not in fact what the order says or means. Rather, as you can see on the attached copy of one of these orders, the order only releases the debtor from "dischargeable debts," not from any and all debts.

To apply the above theory to practice, the proofs of claim which you are submitting in bankruptcy cases should set forth the date on which the first loan payment was due and owing and any suspension of repayment period so as to establish whether or not the 5 year requirement is met. You should also note the maturity date of the loan and of course include the amount owing and the other loan information you have been including. Upon receipt of the "Discharge of Debtor" order, you may then seek to collect the loan if the 5 year requirement is met. If the 5 year requirement is not met, that order acts to discharge the student's debt and you might as well write the loan off unless the debtor voluntarily agrees to pay it despite the discharge.

(2) With regard to lawsuits against borrowers who have filed in bankruptcy, the general rule is that the division cannot commence or continue any legal proceedings against the borrower who has filed in bankruptcy until the bankruptcy case is closed or dismissed or a discharge is granted or denied. 11 U.S.C. §362(c)(2). This is because an automatic "stay" is issued upon the filing of a bankruptcy petition which prohibits creditors in most circumstances from commencing or continuing collection actions against the debtor until the bankruptcy case has been resolved. Thus if the borrower's debt is nondischargeable as discussed above and you have received a "Discharge of Debtor" notice, or a

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notice that the bankruptcy case has been dismissed or closed, you may at that time institute suit against the debtor or continue with a suit that was filed before the bankruptcy petition was filed. You may not, however, do anything before the discharge order is entered by the court or the bankruptcy case is dismissed or closed.

(3) Chapter 13 of the new bankruptcy code (11 U.S.C. §§1301-1330) basically sets out a scheme whereby individuals with regular income set up a plan to pay all or part of their debts from future earnings while under the protection of the bankruptcy court. The plan must comply with a variety of requirements but for your purposes, the significant thing is that you need not and indeed cannot accept or reject the plan. Rather, it is the court that decides whether or not a particular plan will be accepted and confirmed. 11 U.S.C. §1324. What the division can do, however, is to object to a particular plan if it believes that the plan does not comply with the law. 11 U.S.C. §1324. Thus in chapter 13 cases, the division should receive a copy of the plan and notice of the date of the confirmation hearing and if it is not satisfied with the plan, it should contact our office to see if a valid objection can be made.

It should also be noted that in Chapter 13 cases, a student loan debt can be discharged if the debtor's plan makes some provision for payment of the loan and the debtor completes payment under the plan. 11 U.S.C. §1328(a). Under other circumstances, however, the loan debt may be non-dischargeable. 11 U.S.C. §1328(b) and (c). In Chapter 13 cases, therefore, an individual determination will have to be made as to whether the student loan debt is dischargeable or not and thus whether it is permissible for the division to sue the debtor in state court.

One other note concerning Chapter 13 cases: the division should file a proof of claim as it does in any bankruptcy case, including in it the information concerning date of first payment, maturity date and suspension period, if any. You may use the bankruptcy court chapter 13 forms or your own forms; if you use your own form, however, do not make reference to nondischargeability under 11 U.S.C. §523(a)(8) since that provision is not necessarily applicable in chapter 13 cases as was discussed above.

I hope that this memorandum answers your questions and that bankruptcy is a bit less of a puzzle to you. Please do not hesitate to contact us if you have any further questions or problems.

AJS/jmo  
Encl:

FEB 10 1980

**STATE OF ALASKA**

**STUDENT  
LOAN  
PROGRAM**

**ANNUAL REPORT  
1979-1980**

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



ALASKA COMMISSION ON POSTSECONDARY EDUCATION

Ms. Donnis Thompson, (Chairman, Kenai)  
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Representative Thelma Buchholdt (Anchorage)  
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Mr. Walter Ward (Soldotna)

COMMISSION OFFICE

Dr. Kerry D. Romesburg  
Executive Director  
Alaska Commission on Postsecondary  
Education  
Pouch F, State Office Building  
Juneau, Alaska 99811  
(907) 465-285"

DIVISION OF STUDENT FINANCIAL AID

Ms. Julie Bennett  
GSL Program Officer

Ms. Barbara Hanon  
Repayment Officer

Ms. Billie Jean Hall  
Loan Awards Officer

Division of Student Financial Aid  
Pouch F, State Office Building  
Juneau, Alaska 99811  
(907) 465-2962

PREFACE

The Annual Report of the Alaska Student Loan Program for 1979-80 is hereby transmitted to the Governor and the Legislature of the State of Alaska. The Student Loan Program is administered by the Alaska Commission on Postsecondary Education with advice and guidance of the Student Financial Aid Advisory Committee. Membership of this advisory committee for 1979-80 included:

Mrs. Mildred Barfield (Chairman, Juneau)  
Mr. Ron Castle (Wrangell)  
Mr. Walter Furnace (ex officio, Anchorage)  
Ms. Ida Greiner (Fairbanks)  
Mr. Darrell Moore (Sitka)

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

  
Kerry D. Homesburg  
Executive Director

July 1980  
(Date)

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### Introduction

The 1971 Alaska State Legislature established the Alaska Student Loan Program to provide low cost educational loans to Alaskan students enrolled in undergraduate, graduate, or career degree programs. In the nine years of operation, from 1971-72 through 1979-80, over 18,500 loans have been awarded to Alaskans pursuing education at the postsecondary level. These loans have a combined total over \$37 million in State financial assistance.

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

### Program Summary

1979-80 was the ninth year of operation for the Alaska State Student Loan Program. The program has now provided Alaskans 18,569 loans, totalling \$37,747,547. Of these loans, 64.5% have been loans for postsecondary attendance out-of-state, and 35.5% have been for attendance in Alaska.

Undergraduate loans still dominate the loan volume, with only 11.9% of the student loans going for graduate study over the past nine years. Freshmen continue to be the largest group of borrowers, representing 28.4% of the loan recipients for 1979-80.

Alaskans use these loans for study throughout the United States, and in a few cases, in foreign countries. In 1979-80, students used state loans for attendance in every state except Delaware and West Virginia. The most frequent choice remains to be Alaska by nearly a three-to-one margin over any other state.

### Loan Award Amounts

The average loan award continues to rise as the cost of postsecondary attendance increases. The over-all average loan in 1979-80 was \$2,393, a 4% increase over the \$2,296 average award for 1978-79, and a 61.4% increase over the \$1,483 average for 1971-72. This trend is graphically presented in Figure 1 for in-state, out-of-state and total loans of the program. All loans, whether in-state or out, have continued to rise in 1980-81. This is in part a reflection of the increased loan maximum for undergraduates, which in 1978-79 changed from \$2,500 to \$3,000.

Table 1 contains average loan amounts by student level for 1979-80. Since this is the first year for these kind of data no historical comparisons are available, however, it is readily seen that loan amounts are smaller for in-state than for out-of-state attendance in all cases except vocational. There is a large degree of consistency among undergraduate loans in-state for all four undergraduate collegiate levels (around \$1,900) and again for all out-of-state undergraduate collegiate levels (around \$2,300).

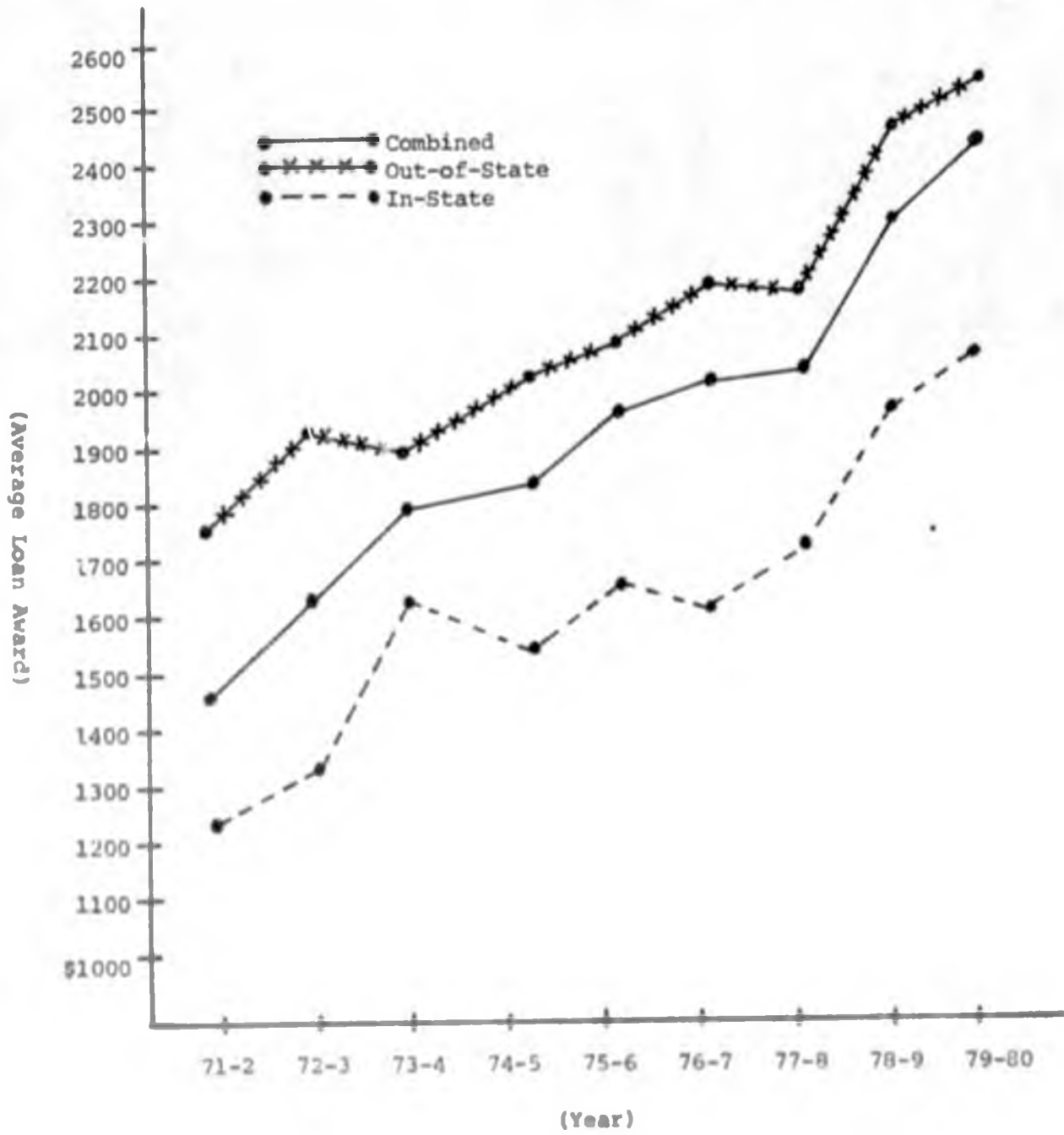


FIGURE 1

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

TABLE 1

MEAN LOAN AMOUNT PER RECIPIENT BY  
IN-STATE/OUT-OF-STATE AND STUDENT LEVEL  
1979-80

STUDENT LEVEL	IN ALASKA	OUT-OF-STATE	TOTAL
Freshman	\$1,879	\$2,298	\$2,143
Sophomore	1,913	2,388	2,222
Junior	2,027	2,341	2,227
Senior	1,905	2,375	2,192
Vocational	2,766	2,480	2,571
Undergraduate	1,983	2,356	2,222
Graduate	2,906	3,750	3,646
TOTAL	\$2,024	\$2,576	\$2,393

Undergraduate Loans

The number of undergraduate students securing loans under the state program has increased greatly over the past nine years. In 1971-72, 990 undergraduates received assistance, while in 1979-80, the number has grown to 3,448 (nearly a 250% increase). Of these 3,448 loan recipients, 63.9% used their loans for attendance out-of-state, and 36.1% used their loans within Alaska. The states most frequently chosen by undergraduates in 1979-80 are presented below in Table 2.

TABLE 2

TEN TOP STATES OF ATTENDANCE  
FOR ALASKANS WITH  
UNDERGRADUATE LOANS

STATE	NUMBER			AVERAGE LOAN		
	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80
Alaska	713	861	1,245	\$1,699	\$1,933	\$1,983
Washington	322	352	479	1,982	2,226	2,394
Oregon	220	285	372	2,021	2,297	2,360
California	136	192	191	2,000	2,271	2,517
Colorado	91	144	157	2,092	2,501	2,549
Arizona	49	61	104	1,859	2,163	2,261
Idaho	55	62	94	1,824	2,172	2,217
Hawaii	42	58	89	1,308	1,950	1,888
Utah	42	49	53	1,756	1,911	2,091
Montana	36	41	51	1,943	2,285	2,536
Remaining U.S.	279	347	613	N.A.	N.A.	N.A.
TOTAL	1,985	2,452	3,448	\$1,868	\$2,139	\$2,393

The consistency of student choice over the past few years is quite high. Alaska remains the most frequent choice for undergraduate attendance this year, as it has in the past. In fact, the number of undergraduates electing attendance in-state increased by 44.6% this year over last.

The average loan amount increased in almost every case, with the most pronounced increase in loans for attendance in Montana and California. Hawaii continues to be the state for which undergraduate loan amounts are the lowest (\$1,888).

The percent of undergraduates using their loans for attendance in Alaska increased this year. In fact, as can be seen in Figure 2, the 1979-80 rate of 36.1% is the highest rate since 1974-75.

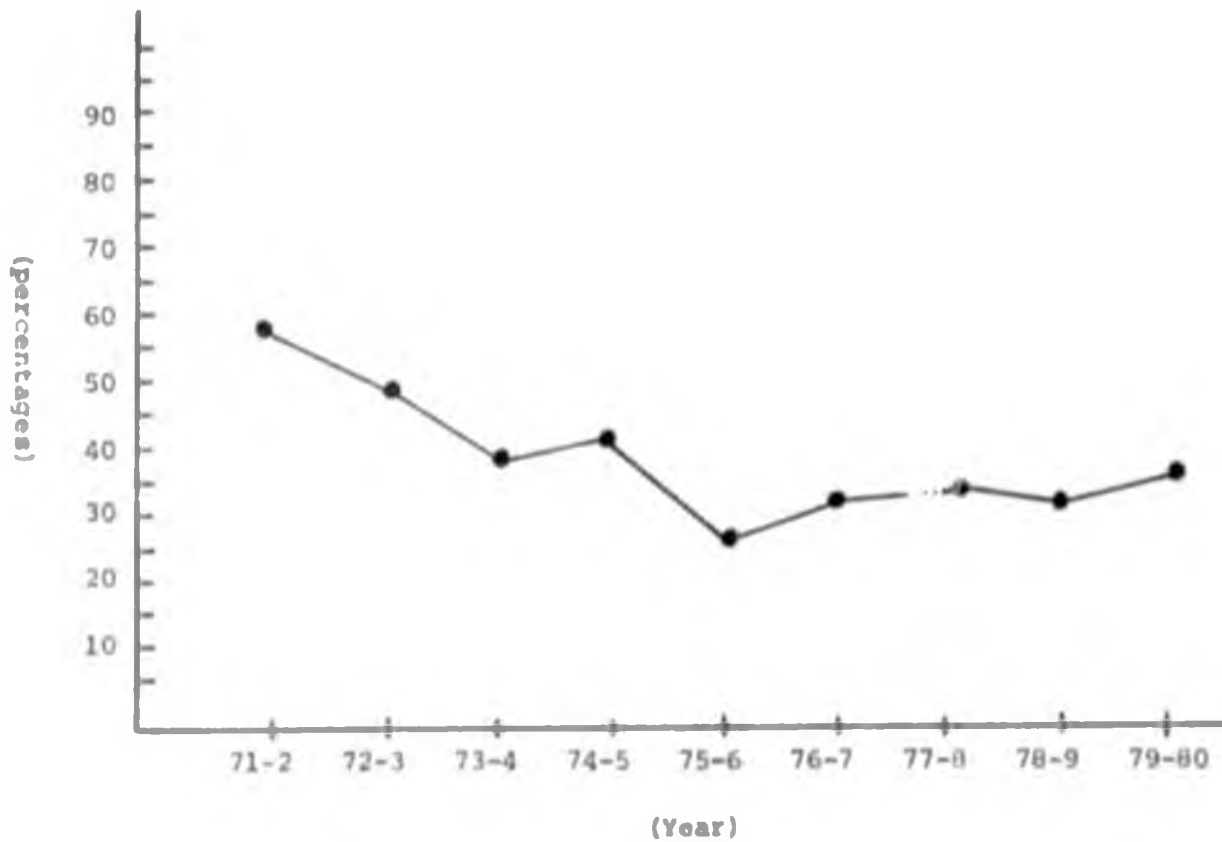


FIGURE 2

PERCENT OF UNDERGRADUATE LOANS  
USED IN ALASKA

The wide geographic distribution of Alaskans pursuing undergraduate education is shown most vividly in Figure 3, with Alaskan undergraduates attending institutions in every state except Delaware and West Virginia. The predominance of the West and the Northwest is quite evident; with only Alaska, Washington, Oregon, California, Colorado, and Arizona receiving over 100 Alaskan undergraduates on state loans. Of the thirteen western states comprising the WICHE Compact (Western Interstate Commission for Higher Education), only Wyoming, New Mexico, and Nevada receive fewer than 21 Alaskan undergraduates on state loans. In fact, the WICHE states account for 82.9% of these loan recipients.

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

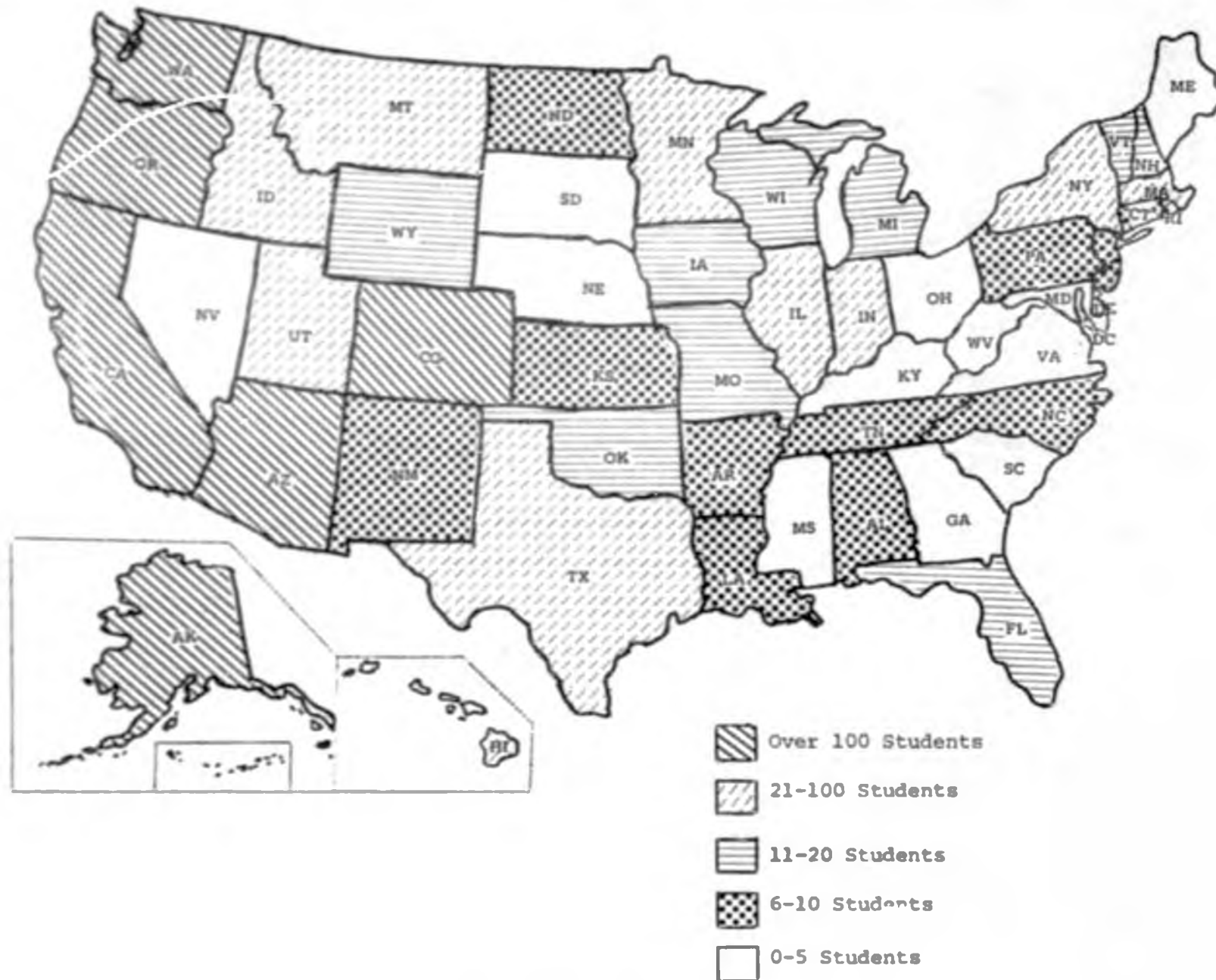


FIGURE 3

GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1979-80

Graduate Loans

The number of Alaskans receiving loans for graduate study has increased by over 500% since 1971-72, with 470 students receiving assistance in 1979-80. Of these 470, 87.7% used their loans for attendance outside of Alaska, while 12.3% used them for attendance in-state. The percentage of graduate loan recipients attending school in Alaska has increased both last year and again for 1979-80, after decreasing steadily from 1971-72 through 1977-78. This apparent reversal in trend is presented in Figure 4.

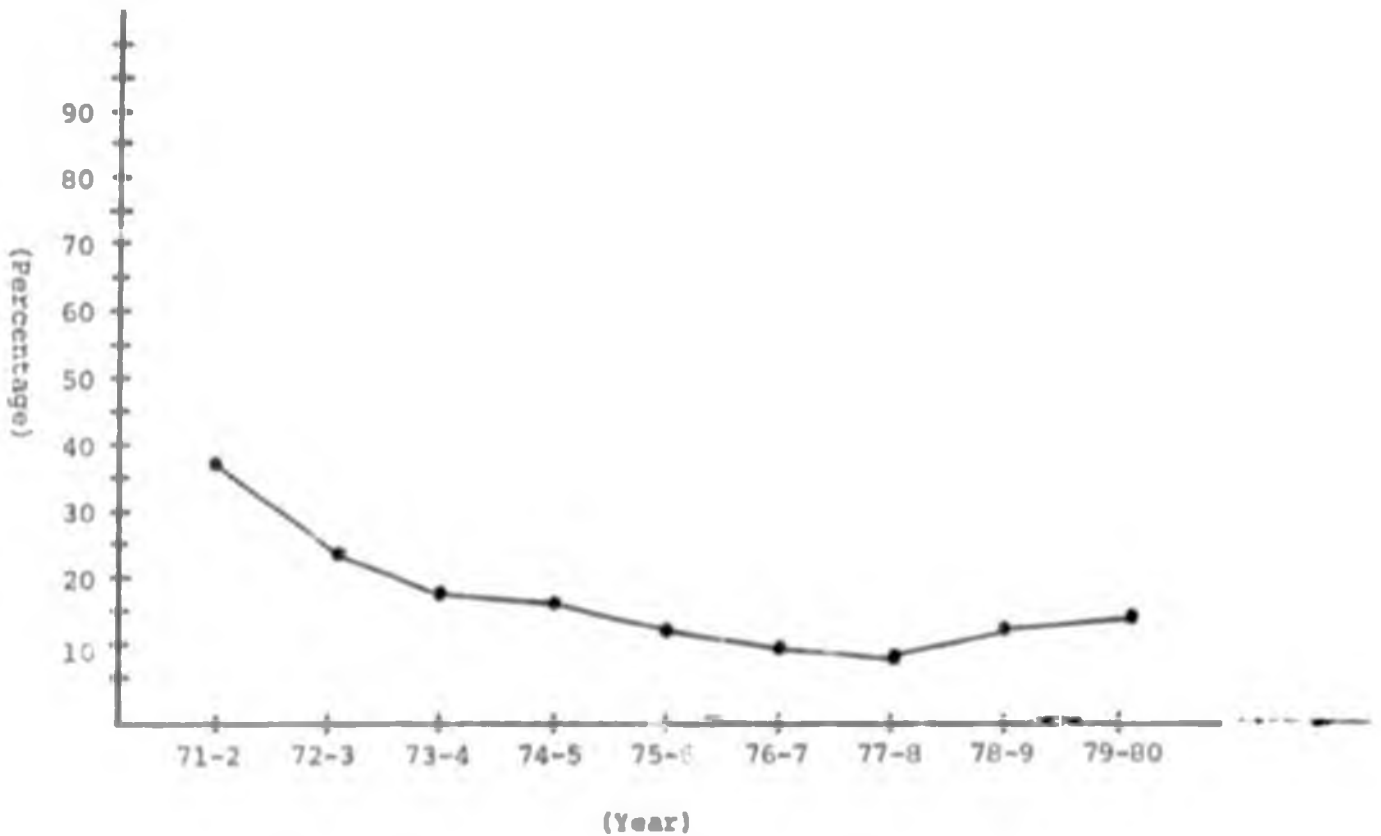


FIGURE 4

PERCENT OF GRADUATE LOANS  
USED IN ALASKA

The states most frequently chosen by graduate students from Alaska in 1979-80 are presented in Table 3. Again, as with undergraduates, the students' preference is quite stable. The most dramatic increase is certainly Alaska, with a 41.5% increase over last year.

The average loan award for 1979-80 increased in most cases from the 1978-79 average, with the largest increases for students attending graduate institutions in Washington.

TABLE 3  
TEN TOP STATES OF ATTENDANCE  
FOR ALASKANS WITH  
GRADUATE LOANS

STATE	NUMBER			AVERAGE LOAN		
	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80
Washington	56	2	77	\$3,743	\$3,542	\$3,847
California	42	75	73	3,150	3,650	3,441
Alaska	27	41	58	2,367	2,637	2,906
Oregon	34	42	49	3,125	3,287	3,526
Colorado	15	15	18	3,830	3,840	3,972
New York	7	8	13	2,214	4,375	3,781
Iowa	4	6	10	4,063	4,083	4,330
Massachusetts	11	9	9	3,900	4,389	3,911
Arizona	7	7	9	3,429	3,300	3,586
Hawaii	4	5	8	2,350	2,780	2,988
Remaining U.S.	74	62	146	N.A.	N.A.	N.A.
TOTAL	280	343	470	\$3,203	\$3,414	\$3,646

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

Only Alaska, Washington, Oregon, and California receive more than 40 Alaskan graduate students on state loans. The thirteen states comprising the WICHE compact account for 65.5% of all the graduate Alaskan loan recipients for 1979-80.

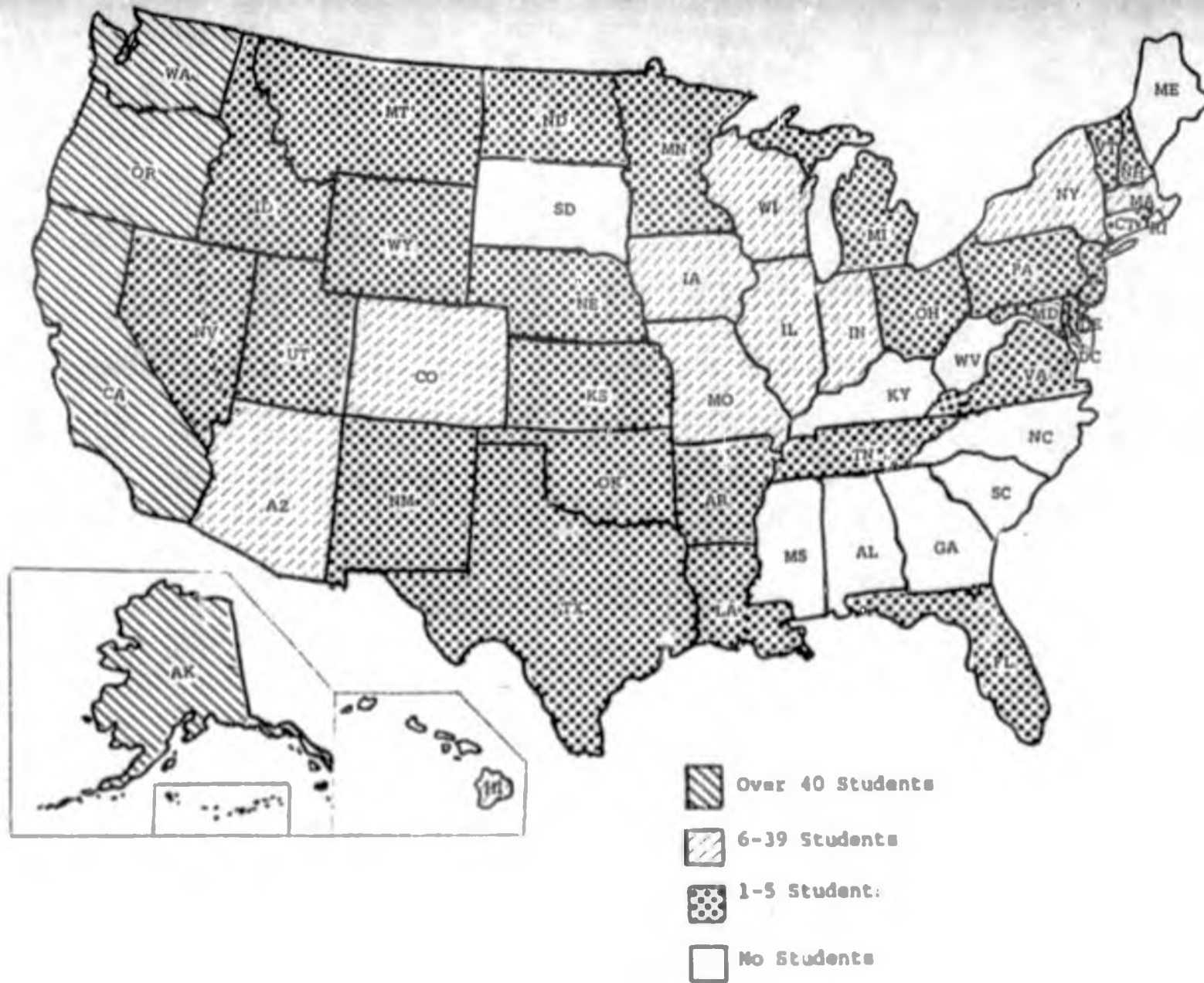


FIGURE 5

GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR GRADUATE EDUCATION IN 1979-80

### Loan Repayments

The student loan program is based upon a revolving fund with the students' loan repayments being re-utilized for future loans. Since 1971-72 (actually 1974-75, since that was the year payments were first received), Alaskans have repaid over \$6 million on their educational loans. The volume of these revolving funds now contribute a significant portion of the loan account, and as can be seen in Figure 6, these repayments are rapidly increasing each year.

Also presented in Figure 6 is a representation of the cancellation history of the student loan program. Students who work in Alaska after completion of their course of study are eligible to have up to 40% of their loans cancelled. Beginning with the first such cancellation in 1974-75, the total amount of loan funds (including interest) which the State of Alaska has cancelled has reached nearly \$1.3 million. The amount cancelled has increased rapidly the past few years and then essentially leveled this year, but this is expected to increase greatly over the next few years as larger numbers of students complete their educational programs.

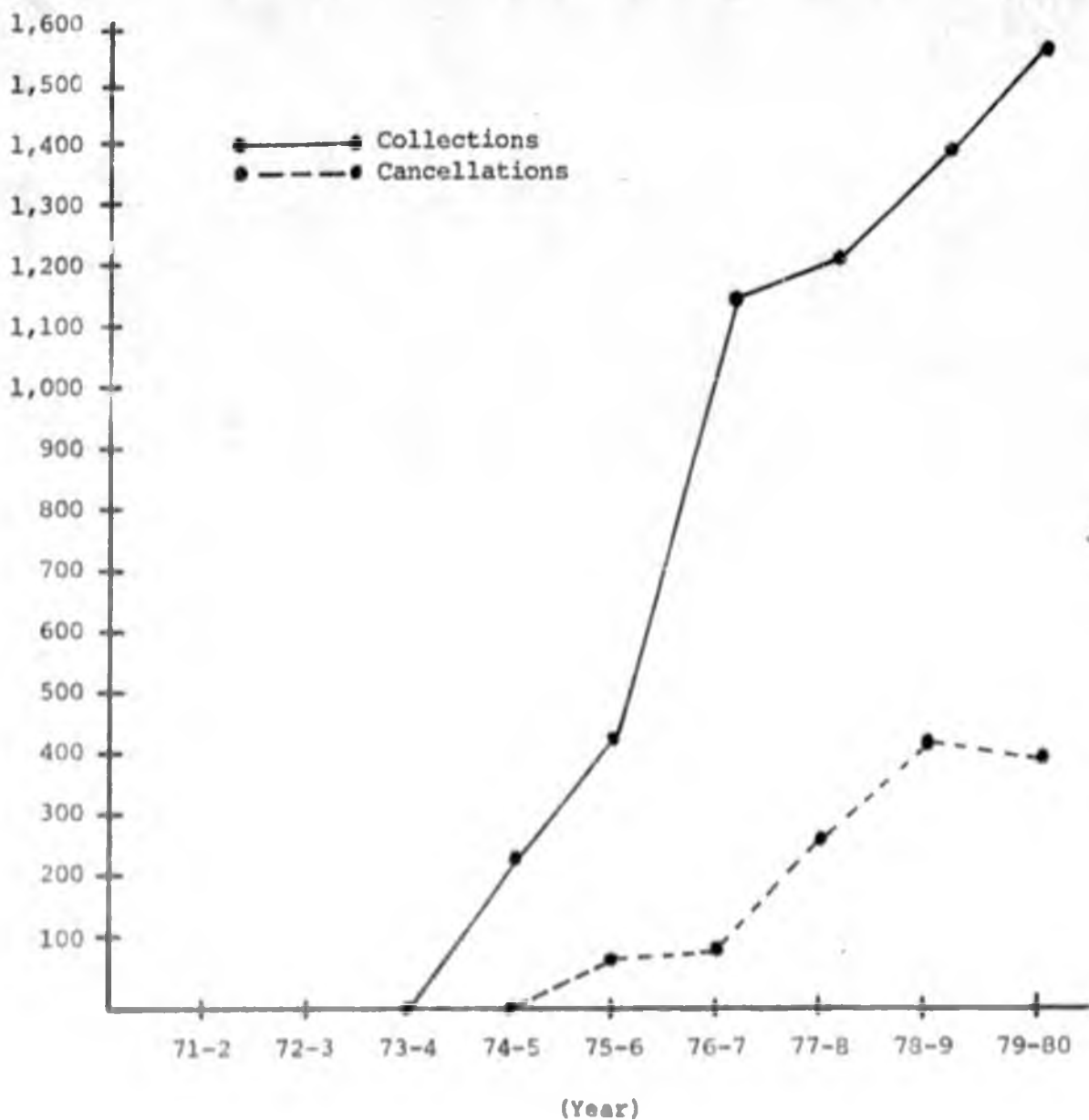


FIGURE 6

STUDENT LOAN COLLECTIONS  
and CANCELLATIONS

Statistical Data

Following are Tables 4-8 containing data on the Alaska Student Loan Program from 1971-72 through 1979-80. Information on the number and amount of loans made annually to undergraduate and graduate students attending in-state and out-of-state are presented in Tables 4-7. Table 8 contains summaries of the average size loan awarded each year.

ALASKA STUDENT LOAN PROGRAM

(1971-72 through 1979-80)

TABLE 4

NINE-YEAR SUMMARY

(1971-72 through 1979-80)

STUDENT LEVEL	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
Under-graduate	6,280	38.4	\$10,273,835	33.8	10,079	62.2	\$20,107,873	66.2	16,359	\$30,331,708
Graduate	321	14.5	\$854,682	11.6	1,889	85.5	\$6,511,157	88.4	2,210	\$7,365,839
TOTAL	6,601	35.5	\$11,128,517	29.5	11,968	64.5	\$26,619,030	70.5	18,569	\$37,747,547

TABLE 5

YEARLY SUMMARY  
OF  
UNDERGRADUATE STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	570	57.6	\$680,351	50.1	420	42.4	\$660,536	49.5	990	\$1,346,887
1972-73	761	48.7	965,274	42.1	801	51.3	1,326,975	57.9	1,562	2,292,249
1973-74	585	40.1	913,284	38.8	674	59.9	1,438,990	61.2	1,450	2,352,274
1974-75	528	41.5	764,872	36.4	745	58.5	1,336,279	63.6	1,273	2,101,151
1975-76	456	30.5	747,112	27.9	1,041	69.5	1,927,334	72.1	1,497	2,674,446
1976-77	561	33.1	858,139	28.6	1,132	66.9	2,143,458	71.4	1,693	3,001,597
1977-78	713	35.9	1,111,203	32.7	1,272	64.1	2,496,063	67.3	1,985	3,707,266
1978-79	861	35.1	1,664,246	31.7	1,591	64.9	3,581,002	68.3	2,452	5,245,248
1979-80	1,245	36.1	2,469,354	32.2	2,203	63.9	5,191,236	67.8	3,448	7,660,590
TOTAL	6,280	38.4	\$10,273,835	33.8	10,079	62.2	\$20,107,873	66.2	16,359	\$30,381,708

TABLE 6  
YEARLY SUMMARY  
OF  
GRADUATE STUDENT LOANS

ACADEMIC YEAR	STUDENT ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	31	34.1	\$74,613	29.1	60	70.9	\$181,658	70.9	91	\$256,271
1972-72	48	25.8	113,990	19.7	138	80.3	464,145	80.3	186	578,135
1973-74	37	18.0	107,988	17.0	169	82.0	525,914	83.0	206	633,902
1974-75	31	16.8	86,266	15.4	153	83.2	472,390	84.6	184	558,656
1975-76	25	11.3	61,424	8.7	197	88.7	647,127	91.3	222	708,551
1976-77	23	10.1	69,833	8.2	205	89.9	779,077	91.8	228	848,910
1977-78	27	9.6	53,919	7.1	253	90.4	832,982	92.9	280	896,901
1978-79	41	12.0	108,130	9.2	302	88.0	1,063,024	90.8	343	1,171,154
1979-80	58	12.3	168,519	9.8	412	87.7	1,544,840	90.2	470	1,713,359
TOTAL	321	14.5	\$854,682	11.6	1,889	85.5	\$6,511,157	88.4	2,210	\$7,365,839

TABLE 7  
YEARLY SUMMARY  
OF  
ALL STUDENT LOANS

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE				STUDENTS ATTENDING OUT-OF-STATE				TOTAL	
	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Percent of Total	Loan Amount	Percent of Total	Loan Recipients	Loan Amount
1971-72	601	55.6	\$754,964	47.1	480	44.4	\$848,194	52.9	1,081	\$1,603,158
1972-73	809	46.3	1,079,264	37.6	939	53.7	1,791,120	62.4	1,748	2,870,384
1973-74	622	37.4	1,021,272	34.2	1,043	62.6	1,964,904	65.8	1,665	2,986,176
1974-75	559	38.4	851,138	32.0	898	61.6	1,808,669	68.0	1,457	2,659,807
1975-76	481	28.0	808,536	23.9	1,238	72.0	2,574,461	76.1	1,719	3,382,997
1976-77	584	30.4	927,972	24.1	1,337	69.6	2,922,535	75.9	1,921	3,850,507
1977-78	740	32.7	1,275,122	27.7	1,525	67.3	3,329,045	72.3	2,265	4,604,167
1978-79	902	32.3	1,772,376	27.6	1,893	67.7	4,644,026	72.4	2,795	6,416,402
1979-80	1,303	33.3	2,637,873	28.1	2,615	66.7	6,736,076	71.9	3,918	9,373,949
<b>TOTAL</b>	<b>6,601</b>	<b>35.5</b>	<b>\$11,128,517</b>	<b>29.5</b>	<b>11,968</b>	<b>64.5</b>	<b>\$26,619,030</b>	<b>70.5</b>	<b>18,569</b>	<b>\$37,747,547</b>

TABLE 8

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

ACADEMIC YEAR	STUDENTS ATTENDING IN-STATE			STUDENTS ATTENDING OUT-OF-STATE			TOTAL		
	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient	Number of Loan Recipients	Total Amount Loaned	Mean Loan per Recipient
1971-72	601	\$754,964	\$1,256	480	\$848,194	\$1,767	1,081	\$1,603,158	\$1,483
1972-73	809	1,079,264	1,334	939	1,791,120	1,907	1,748	2,870,384	1,642
1973-74	622	1,021,272	1,642	1,043	1,964,904	1,884	1,665	2,986,176	1,793
1974-75	559	851,138	1,523	898	1,808,669	2,014	1,457	2,659,807	1,826
1975-76	481	808,536	1,681	1,238	2,574,461	2,080	1,719	3,382,997	1,968
1976-77	584	927,972	1,589	1,337	2,922,535	2,186	1,921	3,850,507	2,004
1977-78	740	1,275,122	1,723	1,525	3,329,045	2,183	2,265	4,604,167	2,033
1978-79	902	1,772,376	1,965	1,893	4,644,026	2,453	2,795	6,416,402	2,296
1979-80	1,303	2,637,873	2,024	2,615	6,736,076	2,576	3,918	9,373,949	2,393
TOTAL	6,601	\$11,128,517	\$1,686	11,968	\$26,619,030	\$2,224	18,569	\$37,747,547	\$2,033

USUAJ



*Copy members*  
United Students of  
University of Alaska,  
Juneau

11120 Glacier Highway  
Juneau, Alaska 99801

*Senate Bills 88 and 120*

*February 25, 1981*

*Senator Parr, Chairman  
Senate HESS Committee  
Alaska State Legislature*

*Mr. Chairman,*

*Representing the United Students of the University of Alaska, Juneau,  
I endorse the passage of House Bill 88 and 120. Many students are  
unable to make ends meet, due to the present cost of living, and thus  
can only attend school on a part-time basis. The passage of a bill  
increasing the loan amount will relieve a portion of this burden.*

*The passage of the above bills will create a better atmosphere for  
those attaining higher education by providing adequate funds while  
attending school and alleviating financial burden, through added  
forgiveness clauses, when one leaves school.*

*I thank you for your attention.*

*Sincerely,*

*Mary R. Liszak*

*Mary R. Liszak  
President USUAJ*



Senate Bills 88 & 120

Senator Charlie Parr, Chairman  
Senate HESS Committee  
Alaska State Legislature

Feb. 24, 1981

Mr. Chairman,

The United Students of the University of Alaska at Juneau heartily support passage of Senate Bill 88.

It is imperative that:

- 1) the Alaska Student Loan Program continue in order that all Alaskan may continue to enjoy the benefits of higher education, and that
- 2) the ceiling on State Loans be raised comensurate with current cost of living standards, thus alleviating the strain that most full-time students on financial aide experience in "making ends meet."

We further encourage amendment of SB 120 to include such incentives as those which currently exist. Alaska is a state rich in natural resources, but human potential will always be the most valuable of these. The current 40% max. forgiveness incentives encourage graduates to remain within the state thus converting raw potential to usable energy. Greater incentive measures can only promote greater response. The student loan program as envisioned under SB 88 and 120 (with suggested amendments) will prove to the benefit of all Alaska.

Sincerely,

*PS Matherly*  
Patricia S. Matherly  
University of Alaska  
at Juneau, Upper Division  
Student Representative to  
the Faculty Assembly

SB 120 Feb



Associated Students University of Alaska

(907) 479-7355

UNIVERSITY OF ALASKA, FAIRBANKS  
Fairbanks, Alaska 99701

Testimony

Alaska Student Loan Program / SSHB32-SSHB42

by

Jason Kuehn, President, Associated Students of the University of Alaska

on teleconference of the House Education Committee

February 25, 1981

Hi, I'm Jason Kuehn, President of the Associated Students of the University of Alaska, better known as ASUA. I appreciate this opportunity to present testimony before you on SSHB-32 and SSHB-42.

As a representative of the students here in Fairbanks I would like to speak in favor of these bills.

Increasing the amounts of a state loan. While the current maximum loan is adequate for a single student attending school at the University of Alaska in campus housing, it is not adequate for other students. Off campus students, married students that have families, and students who must transfer out of state to complete their programs, such as WAMI students, or get graduate degrees, often find the maximum loan insufficient to meet their needs. Therefore we support the proposed increase in the maximum loan from \$3,000 to \$6,000 for undergraduates and from \$5,000 to \$8,500 for graduate students.

Increasing the period of participation in the loan program. The current participation limit of six years is very restrictive to students. Students who want to participate in extracurricular activities such as music, student government, and athletics often require 5 years just to complete an undergraduate program. Such extracurricular activities can supplement the classroom experience very much and should be encouraged. Many students who are studying engineering or are pursuing double majors also find it difficult to complete an undergraduate program within four years. Expanding the participation limit to eight years would enable these people to obtain an undergraduate degree and still have enough participation time left to pursue a graduate degree. It is very important that the participation limit be increased to eight years and that five of the eight years be available for undergraduate work. In order not to restrict people who wish to advance to Ph.D. status, medical, or law school, it is important to have a six year maximum limit on graduate study.

Incentives to attend in state institutions. In order to attract more students to Alaskan schools which will strengthen those schools it is important to create an incentive to encourage Alaskans to attend school in state. A good way to accomplish this would be to offer an additional ten percent forgiveness of the original loan amount for attendance at Alaskan institutions. We propose that it be 2.5 percent per year for up to four years attendance.

Increasing incentives to return to the state after graduation. This loan program is investing lots of state money in human resources. To encourage these resources to remain in Alaska and thereby benefit the state who invested in them, we propose increasing incentives to live in this state after graduation. We propose that the forgiveness of the loan be increased to 60 percent. This would be based on 15 percent per year for each year from year two to year five after graduation.

Default on the state loan. To encourage the maintenance of the Alaska Student Loan Programs good collection rate, we feel that the forgiveness clauses should be forfeited if the loan goes into default.

Thank you for this opportunity to testify before you.

SB 120 Feb



Associated Students University of Alaska

(907) 479-7355

UNIVERSITY OF ALASKA, FAIRBANKS  
Fairbanks, Alaska 99701

TESTIMONY

Alaska Student Loan Program/ SSHB 32

by

Jo A. Kuchle

of the Associated Students University of Alaska

Teleconference of the House HESS Committee

February 25, 1981

Good afternoon, I am Jo Kuchle and I represent the students on the University of Alaska, Fairbanks, campus. I am the Legislative Coordinator for student government.

I would like to speak in favor of the passage of the Sponsor Substitute to House Bill 32. The following areas in this piece of legislation students feel are of great importance:

Increasing the level of Student Loans We support the increase in the amount of loan funding from the current \$3000 dollar limit to \$6000 dollars for undergraduates, and from \$5000 dollars to \$8500 dollars for graduates. These amounts are based on single students living in University provided housing. Yet a great number of students who live off campus are equally affected by the high cost of living which increases their educational costs.

Extending the Loan Period We also agree that the period for which a student may receive a loan should be increased to eight years from the current six year limit. Often the number of years a student requires to complete either a bachelor or graduate program is greater than the standard four years/ two years, respectively.

The Sponsor Substitute for House Bill 32 would help alleviate this problem for many students throughout the state, therefore we support its passage.

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

**I. REQUEST**

Bill/Resolution No. SB 120  
 Title Amending Scholarship Loan Program  
 Requested by Senate Hess Date 1/30/81

**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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	N.A.	4,041.7	5,010.5	5,814.1	6,953.0	8,455.3
<b>TOTAL</b>	N.A.	4,041.7	5,010.5	5,814.1	6,953.0	8,455.3

**FUNDING (Thousands of Dollars)**

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	N.A.	4,041.7	5,010.5	5,814.1	6,953.0	8,455.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

**POSITIONS**

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

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

Fiscal impact of relating limits is based upon the following assumptions:

- current mix of 11% graduate, 89% undergraduate will continue
- current borrowing pattern will continue with slight increase upward, i.e.,
 

Undergraduate:	27.5%	\$50-\$1,950	Graduate:	46.5%	\$50-\$4,700
	24.3%	\$2,000-\$2,950		53.5%	\$5,000
	41.2%	\$3,000			
- of those borrowing the maximum, if maximums are increased,
 

Undergraduate:	50%	\$5,000	Graduate:	55%	\$7,000
	40%	\$3,500-\$4,950		20%	\$6,000-\$6,950
	10%	\$3,000-\$3,450			

DATE January 30, 1981 PREPARED BY [Signature]  
 AGENCY [Signature]  
 Original: Legislative Finance PHONE [Signature]  
 Budget and Management  
 Prime Sponsor: (First Legislator Named)

Furr

*copies to members*

SR# 20691  
Fairbanks, 99701  
479-2978  
February 4, 1981

Mr. Charles Parr  
Fairbanks State Senator  
Chairman; Health, Education and Social Services

Charlie:

I've got a brain storm and (its only fair to disclose) I've got an ax to grind! I would like to see the breadth of the States' student loan program increased to allow for a greater percentage of forgiveness of debt.

Legislation could be passed to help mitigate the huge costs involved in pursuing a special degree which is not presently available in Alaska. I am speaking about any number of professional and other specialty programs which are not economically feasible for Alaska's Universitys to maintain.

Granted that there are WICHE type programs presently available; but I think that its important to note their specialized and rather narrow scope. My idea would be to stimulate and encourage Alaska residents to further their education in these specialized fields (areas which our State will have increased need of local expertise) by decreasing ~~will have increased need of local expertise~~ obligations. Presently there is a possibility of a 40% forgiveness of debt. I would encourage your committee to consider doubling that possibility to 80% or more, giving the increased advantage to long term residents (measured both before and after graduation).

As for my own personal 'ax', I would like to see the above implemented and made retroactively available to those of us in the State who are now paying the very costly price for having pursued those specialty degrees!

Many thanks for giving your measured consideration to my scheme. Please feel free to call upon me if I can be of any assistance with this or other matters.

Sincerely,  
STEVE PORTER



THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 120  
Title Amending Scholarship Loan Program  
Requested by Senate Hess Date 12/30/81

II. FISCAL DETAIL

Agency Affected Education  
Program Category Affected Commission on Postsecondary Education  
BRU, Program, or Subprograms 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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC	N.A.	4,041.7	5,010.5	5,814.1	6,441.0	8,455.3
<b>TOTAL</b>	N.A.	4,041.7	5,010.5	5,814.1	6,441.0	8,455.3

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	N.A.	4,041.7	5,010.5	5,814.1	6,441.0	8,455.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

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

Physical Impact of relating limits is based upon the following assumptions:

- current mix of 11% graduate, 8% undergraduate will continue
- current borrowing pattern will continue with slight increase
 

Undergraduate:	27.5%	\$50-\$51,950	Graduate:	46.5%	\$50-\$54,950
	24.2%	\$2,000-\$2,950		58.7%	\$25,210
	41.6%	\$9,000			
- if future borrowing the maximum, if maximums are increased,
 

Undergraduate:	50%	\$5,000	Graduate:	45%	\$23,000
	40%	\$2,500-\$4,950		20%	\$0-\$24,950
	10%	\$1,000-\$3,450			

IV. DATE 12/30/81 PREPARED BY [Signature]  
AGENCY Legislative Finance  
PHONE 457-4544  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)



# NEA - ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

**Robert C. Manners**  
Executive Secretary  
Juneau Office

**Robert C. Cooksey**  
Deputy Executive Secretary  
Juneau Office

**James D. Alter**  
Field Staff  
Juneau Office

**Charles L. O'Connell**  
Deputy Executive Secretary  
Anchorage Office

**Dianne Anderson**  
Field Staff  
Anchorage Office

**Steve Pulkkinen**  
Field Staff  
Anchorage Office

**Mary Ann Eininger**  
Deputy Executive Secretary  
Fairbanks Office

**JUNEAU OFFICE**  
147 SOUTH FRANKLIN #207  
JUNEAU, ALASKA 99801  
PHONE (907) 586 3080

**ANCHORAGE REGIONAL OFFICE**  
1411 WEST 33rd  
ANCHORAGE, ALASKA 99503  
PHONE (907) 274-0538

**FAIRBANKS REGIONAL OFFICE**  
825 COLLEGE ROAD  
FAIRBANKS, ALASKA 99701  
PHONE (907) 458-4428

February 9, 1981

**TO: Chairman Parr**  
**Members of the Senate HESS Committee**

**FROM: NEA-Alaska**

**RE: SB 88 - Special Appropriation to Scholarship**  
**Revolving Loan Fund**

**SB 120 - Amending the Graduate and Undergraduate**  
**Scholarship Loan Program**

### MEMORANDUM OF SUPPORT

NEA-Alaska strongly supports and urges passage of SB 88 and SB 120.

Inflation has probably adversely impacted the cost of a college education as severely, if not more so, as anything in the basic economy today.

It is incumbent on us to make the fullest opportunity for a comprehensive public and college education available to all youth in Alaska who possess the motivation, skills, and desires to do so. Our youth are our greatest asset and natural resource. Their access to a comprehensive education is our best hope for solutions to the problems of this and future generations.

It is our feeling that SB 88 and SB 120 greatly enhance this potential.

Respectfully submitted:

**Robert Manners**  
Executive Secretary

RM: jw

**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**POUCH F - STATE OFFICE BUILDING  
JUNEAU, ALASKA 99811  
(907) 465-2854The Alaska Commission on Postsecondary Education

The basic purpose of the Alaska Commission on Postsecondary Education is to provide for the coordinated efficient use of Alaska's financial resources in providing postsecondary educational services to the citizens of the state. The Commission is charged with coordinating the development of comprehensive plans for the systematic growth of postsecondary education in Alaska, advising as to functions and purposes of colleges and universities operating in the state, reviewing annual budget requests from colleges and universities in the state, serving as the consumer protection agency for the citizens of the state in obtaining postsecondary education, and advising the Governor's Office, the Legislature, and other appropriate federal and state agencies and institutional boards on postsecondary education issues and concerns in and for Alaska.

Through a 13-member public board and a series of advisory councils, the Commission serves as the impartial coordinating board for all Alaskan postsecondary education. Specific programs and services provided through the Commission include:

1. authorization of postsecondary education institutions to operate in Alaska
2. serving as consumer complaint agency for postsecondary education services
3. serving as Alaska's state approval agency for veteran's educational benefits and program approval
4. administration of the federal Continuing Education and Community Service Program (Title I, HEA)
5. administration of the federal Guaranteed Student Loan Program (Title IV, HEA)
6. administration of the federal Postsecondary Education Planning Grants Program (Title XII, HEA)
7. administration of the Alaska State Student Loan Program
8. administration of the combined federal/state State Education Incentive Grant Program SEIG (Title IV, HEA)
9. administration of the State Memorial Scholarship Loan Programs
10. serving as Alaska's agency for coordinating activities in the 11-state Western Interstate Commission on Higher Education (WICHE)
11. administration of the WICHE Student Exchange Program for Alaska
12. administration of the WICHE Fellows Program for Alaska
13. coordination of federal reporting for the Higher Education General Information Survey (HEGIS)
14. serving as the State EEO agency for postsecondary education
15. administration of the Federal Higher Education Facilities Grant Program (Title I, HEA)
16. administration of Alaska's participation in the Federal Education Information Centers, EIC Program (Title IV, HEA)
17. providing oversight and arbiter services for consortia agreements between and among public and private institutions.



# WORK ORDER REQUEST FORM

M2 - 0661

KEYWORDS: residency  
loan funds/loans  
education

ASSIGNED TO Asper

REQUEST FOR: BILL  RESOLUTION  RESEARCH  OTHER

SUBJECT Student Loan Program Residency Requirements

REQUESTED FOR Sen. Parr BY Rocky EXT. \_\_\_\_\_

\* DELIVER TO Senator Parr TAKEN BY Sovchorbe

INSTRUCTIONS, EXPLANATIONS Are there any constitutional problems with the  
residency requirements of the student loan program.

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED

AUTHORIZED TO CONFER WITH \_\_\_\_\_

RETURN \_\_\_\_\_

TO REQUESTER

APPROVED: BGS Director, Legal Services

REVIEWED \_\_\_\_\_

IN 2/11 DUE \_\_\_\_\_

TYPED - Draft \_\_\_\_\_ DATE \_\_\_\_\_

Final \_\_\_\_\_ DATE \_\_\_\_\_

PROOFED \_\_\_\_\_ DELIVERED \_\_\_\_\_

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

DRAFT

FINAL

# MEMORANDUM

State of Alaska

TO: Peggy Shows  
Collections Specialist  
Alaska Commission on Postsecondary  
Education  
Division of Student Financial Aid

DATE: November 21, 1980

FILE NO: A66-049-81

TELEPHONE NO:

FROM: WILSON L. CONDON  
ATTORNEY GENERAL

SUBJECT: Student Loan Bankruptcy  
Procedures

By: Amy J. Stephson  
Assistant Attorney General  
Anchorage - AGO

You have asked several questions regarding the collectability of student loan payments when the debtor files for bankruptcy. These questions are (1) under what circumstances are student loan payments not dischargeable in bankruptcy and what action need the Division of Student Financial Aid take in this regard; (2) how does the filing of a bankruptcy petition affect any lawsuit the division may file or plan to file against the debtor; and (3) how do Chapter 13 cases come about and what is the division's role with regard to plans of arrangement submitted by the debtor. We will answer these questions in turn.

(1) Generally, a straight bankruptcy action (Chapter 7 of the Bankruptcy Code) serves to discharge the debtor from his debts. Certain exceptions, however, to discharge are set out in 11 U.S.C. §523. With regard to student loans, 11 U.S.C. 523(a)(8) provides that a discharge in a straight bankruptcy does not discharge an individual debtor from any debt

(B) for an educational loan made, insured, or guaranteed by a governmental unit, or made under any program funded in whole or in part by a governmental unit or a nonprofit institution of higher education, unless-

(A) such loan first became due before five years (exclusive of any applicable suspension of the repayment period) before the date of the filing of the petition; or

(B) excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

Under this provision, student loan debts to the division are not dischargeable if the date the first payment on the loan was due in within 5 years, exclusive of repayment suspension periods, of the date the bankruptcy petition is filed. If

NOV 21 1980

the first payment was due before 5 years before the date of filing, exclusive of repayment suspension, the loan debt is dischargeable.

In those cases where the due date meets the 5 year requirement set forth above, the exception from discharge is self-executing, i.e., we are not required to file a complaint to determine the nondischargeability of the debt. Thus, if the Division's proof of claim establishes that the first loan payment was due within 5 years of the bankruptcy petition date, the loan debt is automatically nondischargeable unless and until the debtor comes forward and objects to the nondischarge for some reason. Although the "Discharge of Debtor" orders issued by the bankruptcy court may appear to state that our student loan debts have been discharged, that is not in fact what the order says or means. Rather, as you can see on the attached copy of one of these orders, the order only releases the debtor from "dischargeable debts," not from any and all debts.

To apply the above theory to practice, the proofs of claim which you are submitting in bankruptcy cases should set forth the date on which the first loan payment was due and owing and any suspension of repayment period so as to establish whether or not the 5 year requirement is met. You should also note the maturity date of the loan and of course include the amount owing and the other loan information you have been including. Upon receipt of the "Discharge of Debtor" order, you may then seek to collect the loan if the 5 year requirement is met. If the 5 year requirement is not met, that order acts to discharge the student's debt and you might as well write the loan off unless the debtor voluntarily agrees to pay it despite the discharge.

(2) With regard to lawsuits against borrowers who have filed in bankruptcy, the general rule is that the division cannot commence or continue any legal proceedings against the borrower who has filed in bankruptcy until the bankruptcy case is closed or dismissed or a discharge is granted or denied. 11 U.S.C. §562(c)(2). This is because an automatic "stay" is issued upon the filing of a bankruptcy petition which prohibits creditors in most circumstances from commencing or continuing collection actions against the debtor until the bankruptcy case has been resolved. Thus if the borrower's debt is nondischargeable as discussed above and you have received a "Discharge of Debtor" notice, or a

FEB 10 1980

notice that the bankruptcy case has been dismissed or closed, you may at that time institute suit against the debtor or continue with a suit that was filed before the bankruptcy petition was filed. You may not, however, do anything before the discharge order is entered by the court or the bankruptcy case is dismissed or closed.

(3) Chapter 13 of the new bankruptcy code (11 U.S.C. §§1301-1330) basically sets out a scheme whereby individuals with regular income set up a plan to pay all or part of their debts from future earnings while under the protection of the bankruptcy court. The plan must comply with a variety of requirements but for your purposes, the significant thing is that you need not and indeed cannot accept or reject the plan. Rather, it is the court that decides whether or not a particular plan will be accepted and confirmed. 11 U.S.C. §1324. What the division can do, however, is to object to a particular plan if it believes that the plan does not comply with the law. 11 U.S.C. §1324. Thus in chapter 13 cases, the division should receive a copy of the plan and notice of the date of the confirmation hearing and if it is not satisfied with the plan, it should contact our office to see if a valid objection can be made.

It should also be noted that in Chapter 13 cases, a student loan debt can be discharged if the debtor's plan makes some provision for payment of the loan and the debtor completes payment under the plan. 11 U.S.C. §1320(a). Under other circumstances, however, the loan debt may be non-dischargeable. 11 U.S.C. §1320(b) and (c). In Chapter 13 cases, therefore, an individual determination will have to be made as to whether the student loan debt is dischargeable or not and thus whether it is permissible for the division to sue the debtor in state court.

One other note concerning Chapter 13 cases: the division should file a proof of claim as it does in any bankruptcy case, including in it the information concerning date of first payment, maturity date and suspension period, if any. You may use the bankruptcy court chapter 13 forms or your own forms; if you use your own form, however, do not make reference to nondischargeability under 11 U.S.C. §523(a)(8) since that provision is not necessarily applicable in chapter 13 cases as was discussed above.

I hope that this memorandum answers your questions and that bankruptcy is a bit less of a puzzle to you. Please do not hesitate to contact us if you have any further questions or problems.

AJS/jmo  
Encl:

FEB 10 1930



Testimony  
Alaska Student Loan Program / SSHB 32 - SSHB 42

SB 120(?)  
file

by  
Bill Zybach, Director of the Alaska Statewide Student Assoc.  
before the  
House HESS Committee  
Feb. 18, 1981

Good Afternoon. Let me introduce myself and explain who I represent. My name is Bill Zybach, I am a full time student at the University of Alaska and am currently enrolled at UAJ. I am the Director of the Alaska Statewide Student Association. The Association represents the interests of students in post-secondary education institutions in Alaska. I have just concluded statewide telephone conferences with the representatives of our members schools and would like to present to you our united positions on these bills and the Student Loan Program.

Regarding SSHB 42, I would like to reiterate the earlier testimony of Representative Bucholdt's legislative aid, Lou Ann Culter. The students we represent are in favor of coupling academic excellence to the forgiveness clause of the state loan program.

Default On The State Loan\* In relation to SSHB 42, we support the recommended changes concerning notification of students in default. ALSO we suggest that the forgiveness provisions of the program not be extended to those students who abuse the program through default. However, the idea suggested to give the borrower a second chance to return to a good paying status seems fair.

Increasing The Level Of State Loans We support provisions of SSHB 32 to increase the amount of the loans to \$6,000 and \$8,500 respectively for undergraduates and graduates. The reasons outlined in my testimony on SB 120 (which I have distributed) as well as the testimony and information you have received from Rep. Gardiner and Kerry Romesburg, clearly delineate the need for the increase. Let me stress, however, that the levels quoted are in reference to single students, not married, and to those who live on campuses where housing is provided. A great number of students are married and are not in student housing, both factors which increase the cost of education to them.

Extending the Period for Loan Participation Regarding the period for which the loans may be extended, we agree that it should be extended from the current six years to eight. Again, the reasons have been outlined. We would like to see the provision dealing specifically with the number of years of graduate work which is suggested in SSHB32 changed from five to six years if that clause is necessary. Such a change would allow those students who have sought two graduate degrees to pursue them under the state loan program, e.g., a student may take a Masters in Business Administration prior to entering Law School, or a student seeking entrance into a medical doctor's program may take an advanced degree in Biology in order to become a more attractive applicant.

Graduated Repayment Of Loan We strongly advocate a graduated repayment program for the student loan, one which acknowledges the increasing earning / income potential of students after receiving their degrees and participating in the job market over time. Often, when a student is just out of college, his earning ability is relatively low compared to his earning potential five or ten years later. We believe this must be recognized in the repayment schedule of the loan. It is much more realistic and better fiscal management, as many bankers have realized, to have graduated repayment which better suits the economic ability of the borrower and thus reducing the complications of collection and default. The payment schedule should start out at a low level and balloon towards the end of the period of loan repayment.

Increasing Incentives To Return To Alaska After Graduation\*\* Recognizing the ever increasing costs of an education and the continuing need for education as an investment in the states human resources, we would like to suggest that the forgiveness for the loan be increased from the current 40 percent to 60 percent. The additional 20 percent, we suggest should be distributed over the current formula in 5 percent increments. This would increase the incentives for students to return and contribute to the state and also keep their indebtedness at a reasonable level.

Incentives To Attend In-State Institutions\*\*\* We believe that there should be incentives to induce residents to attend in-state educational institutions. We contend that state citizens have valuable contributions to make while attending school, and these benefits can only be realized if the students remain in the state. The state gains economically and socially from its citizens who participate in Higher Education in Alaska. To encourage this, we suggest that a maximum of 10 percent of the State Loan be forgiven for attendance in Alaska. We suggest that it be administered on the basis of forgiving 2.5 percent per year for up to four years.

Encouragement Of Academic Excellence\*\*\*\* Despite the controversy which may surround a definition of quality education or a standard of academic excellence, we believe that there is great value in attempting to promote excellence in all that we do, especially in higher education. Therefore, we suggest that students who graduate with honors from post-secondary institutions be given a 10 percent reduction in their loan. Rather than debating the issue of how excellence is defined, "graduating with honors" and other such value judgements should be determined by the institution.

Default Rate I would like to bring to the committee's attention the excellent collection rate and payment rate which this program has. The default rate is 11 percent in Federally defined dollar terms, or 14 percent in terms of people. This rate, I am lead to believe from the Post-Secondary Education Commission, is lower than the federal rate of almost 28 percent on their state loans, and one of the best payment rates in the nation. The Alaskan Student's taking out the Loans are responsible and are, relatively speaking, out "repaying" their loans in comparison to students in other states.

Bankruptcy We believe that students should be responsible for paying back the loans they secure from the state. This is the best state loan program in the nation and we respect that fact, and do not believe that students will jeopardize the program by abusing bankruptcy. We believe that the loan should not be discharged due to bankruptcy except in hardship cases. This may be a moot point anyway due to the information I received from the Attorney General's Office. I was informed that bankruptcy was a federal act and that the student loans fell under section seven of that act. The act provides that students are not released from repaying their loans in a case of bankruptcy if the loan came from a government agency.

Attached are changes to the State Loan Program which are not mentioned in SSHB 32 or SSHB 42:

Alaska Statewide Student Assoc. (cont.)

Suggested Changes to the Alaska Student Loan Program which were not discussed in SSHB 32 / SSHB 42 / SB 120.

1. Amend AS 14.40.763 to add (p):
  - (p) Portions of the loan shall be paid by the state under sections (j), (n), or (o), only if the barrower has not defaulted on the loan. Default under this section shall be determined by the commission.
  
2. Amend AS 14.40.763 (j) to read:
  - (j) A portion of a loan shall be paid on behalf of the barrower by the state, if upon completion of the course of study for which the loan was granted, the barrower spends at least three years employed in the state. The portion of the Loan which shall be paid by the state shall be the following percentages of the total loan received plus interst up to 60 [40] percent:
    - (1) two-three years residency, 15 [10] percent
    - (2) three-four years residency, 15 [10] percent
    - (3) four-five years residency, 15 [10] percent
    - (4) over five years residency, an additional 15 [10] percent
  
3. Amend AS 14.40.763 to delete (n) and replace it with the following:
  - (n) A portion of the loan, in addition to allowances under (j) of this section and (o) of this section, shall be paid on behalf of this barrower by the state if the barrower attends a post-secondary institution in Alaska. The portion of the loan to be paid by the state shall be the following percentage of the total loan plus interest up to 10 percent:
    - (1) One year in-state attendance, 2.5 percent
    - (2) Two years in-state attendance, 5.0 percent
    - (3) Three years in-state attendance, 7.5 percent
    - (4) Four years instate attendance, 10 percent
  
4. Amend AS 14.40.763 to add (o):
  - (o) In addition to allowances under (j) and (n) of this section, the state shall pay 10 percent of the loan on behalf of the barrower if the barrower completes his course of study with honors. Graduating with honors or other measures of academic excellence are or shall be thoses established by the particular institution.

*Copied Member*

517 Sixth Street  
Juneau, Alaska 99801  
February 19, 1981

The Honorable Charles Parr  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Re: Alaska Student Loan Program

Dear Senator Parr:

Our son is in the process of applying for an Alaskan Student Loan as he will be attending college in the Fall of 1981. While he has not yet received a loan, we understand that if his application is submitted early enough, his chances for securing one are relatively good.

I am writing to say how much we appreciate this loan program and the fact that the application asks only what other loans, grants, etc. a student has been awarded and what amount the student and parents will provide towards his education, instead of asking for complete documentation of the family's income and then determining how much the State thinks the family should provide towards his education. We have found that for our son to attend a small private school in the Fall the costs will be anywhere from \$8,000-\$12,000 per year and for a state school (outside Alaska) anywhere from \$6,000-\$8,000. No matter what a family's income that amount of additional expense would surely be felt and the student loan program offers a reasonable way for a student and his family to meet these costs.

We would encourage your continued support of the student loan program making it available to all Alaska students who apply and are willing to meet the conditions of the contract in paying back the loan. Also, the fact that as much as 40% of the loan will be forgiven if a student returns to Alaska after graduation to work is a real incentive for our young people to come back to Alaska.

Sincerely,  
*Carolyn A. Baker*  
Carolyn A. Baker

provided by  
Kerry Romberg  
2/2/81

Alaska Student Loan Program

Fact Sheet

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

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

2. Current Year

(1980-81, as of 1/14/81): 5,880 loans \$ 16.0 million

3. Percent Loans In-State/Out-of-State (1971-80):

*? increasing  
steadily of those  
who don't default*

	<u>In-State</u>	<u>Out-of-State</u>
Undergraduate	36.1 (60.5)	63.9 (40.5)
Graduate	12.3 (19.0)	87.7 (81.0)

4. Loan Collections (per month average):

1974-75	80,828
1975-76	98,504
1976-77	95,122
1977-78	99,121
1978-79	111,970
1979-80	111,020
1980-81 (est.)	170,000

5. Loan Delinquencies (per month average):

1974-75	1,000
1975-76	1,000
1976-77	5,300
1977-78	20,100
1978-79	17,100
1979-80	14,100
1980-81 (est.)	6,000

\* no. of loans, not people

6. Past Due and Default Loans

Past Due	October		November		December		January	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
31-60 days	484	1,111,102	478	1,032,186	547	1,174,413	508	1,053,155
61-90	204	451,857	268	649,596	288	585,991	295	585,775
91-120	180	505,039	178	389,081	188	463,252	193	385,664
120+	878	1,981,084	909	2,038,126	954	2,046,983	927	2,154,220
TOTAL	1,746	4,103,078	1,833	4,108,991	1,977	4,320,639	1,923	4,179,344
Default Rate	11.2%		11.2%		11.3%		11.3%	

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

	In-State	Out-of-State	Total
Freshman	874 (40.0)	1,014 (54.0)	1,888
Sophomore	512 (41.1)	734 (58.9)	1,246
Junior	399 (41.0)	575 (59.0)	974
Senior	327 (46.0)	384 (54.0)	711
Vocational	173 (40.9)	250 (59.1)	423
Sub-Total	2,275 (43.5)	2,957 (56.5)	5,232
Graduate	123 (19.0)	235 (81.0)	358
TOTAL	2,398 (40.8)	3,192 (58.2)	5,590

*\* people - who have that loans who are 30 days or more past due*

8. Making Loan Disb...

Undergraduate	3,200	5,000	8,200
Graduate	1,000	1,000	2,000
DIFFERENTIAL	21,577,700	11,000,000	34,000,000

9. Other Issues

- Adding a section which states that if a person allows the loan to become in default (30 days past due), all cancellation benefits are nullified.
- Providing additional cancellation for in-state attendance, for example, an additional 5% per year of attendance, for up to a maximum of 10%.
- Providing additional cancellation for maintaining a "B" grade average for ongoing classes, for example, an additional 5% upon graduation.
- Providing grant cancellations for students 65 years of age and over.

*bringing up front - the older students will never pay the money back*

*(loans for part-time attend. was always brought up)*

10. Sample Costs:

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

	<u>Undergraduate</u>	<u>Graduate</u>
University of Alaska, Anchorage	55,922	58,500
University of Alaska, Fairbanks	3,814	5,684
University of Washington	5,654	7,120
Conzaga University	7,010	7,940
Western Washington University	6,280	7,890
University of Oregon	6,940	8,120
University of Colorado	8,150	9,540
Stanford University	9,800	11,250

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

	<u>Undergraduate</u>	<u>Graduate</u>
University of Alaska, Fairbanks	5,102	5,792
University of Arizona	2,500	2,500
University of Colorado	1,584	1,752
University of Hawaii	480	582
University of Idaho	1,942	2,000
University of Oregon	1,941	2,413
University of Washington	2,375	2,736

Admission Fee