

ALASKA LEGISLATURE COMMITTEE FILES 1900-1900 00/2

3985 SHES HB 161

(i) Upon receipt of the request for hearing, the chairman of the committee shall schedule a hearing and shall notify the institution of the time and place of the hearing and of its opportunity to present facts and argument on its alleged non-compliance. (Eff. 11/19/83, Reg. 88)

Authority: AS 14.43.105

20 AAC 15.085. DEFINITIONS. In this chapter and AS 14.43.090 – 14.43.140, unless the context requires otherwise

(1) repealed 11/19/83;

(2) "career education degree program" means a full-time course of study in a recognized occupation leading to a degree, diploma or comparable certificate of completion;

(3) "commission" means the Alaska Commission on Postsecondary Education;

(4) "committee" means the student financial aid committee of the commission;

(5) "director" means the director of student financial aid;

(6) repealed 7/9/82;

(7) repealed 7/9/82;

(8) "full-time course of study" means a course of study, at least six weeks in duration, which

(A) consists of the completion of a minimum of 24 semester or 36 quarter hours within one school year by an undergraduate student or, if enrollment commences after the first term, the completion of that portion of the hourly requirements which equals the remaining portion of the school year;

(B) consists of the completion of a minimum of 18 semester or 27 quarter hours within one school year by a graduate student or, if enrollment commences after the first term, the completion of that portion of the hourly requirements which equals the remaining portion of the school year; or

(C) for a career education program.

(i) consists of the completion of a minimum of 1,080 clock hours, as a clock hour is defined in (9)(C) of this section, within one school year;

(ii) consists of the completion of that portion of the hourly requirements of (i) of this subparagraph which equals the remaining portion of the school year if enrollment commences after the first term of the school year; or

(iii) consists of the completion of that portion of the hourly requirements of (i) of this subparagraph which equals the portion of the school year represented by the length of the career education program if the career education program does not last for the entire school year.

(9) "full-time student" means

(A) an undergraduate student, in good standing, who is enrolled in any combination of courses, work experiences, research, or special studies which the school requires to consider the student as engaged in full-time study and which amount to the equivalent of 12 undergraduate semester, or quarter hours per academic term; or

(B) a graduate student, in good standing, who is enrolled in any combination of courses, work experiences, research, or special studies which the school requires to consider the student as engaged in full-time study and which amount to the equivalent of nine graduate semester, or quarter hours per academic term; or

(C) a student enrolled in a career education program for at least 30 clock hours per week, a clock hour being a period of time which is equivalent of:

(i) a 50 to 60 minute class, lecture, or recitation;

(ii) two hours of laboratory, shop training, or internship requiring outside preparation;

(iii) two hours of outside preparation related to the activities specified in (i) and (ii) of this subparagraph; or

(iv) three hours of laboratory, shop training, or internship not requiring outside preparation;

(10) "graduate degree program" means an educational program for which a master's degree, doctorate, or other degree requiring study beyond that necessary for a bachelor's degree is awarded;

(11) "hardship" means being unable to meet the obligation to repay a scholarship loan over the term or in the amount determined by the director;

(12) "prospective graduate" means a high school student who will graduate within six months of the submission date of his application for a scholarship loan;

(13) repealed 7/9/82;

(14) "total loan" means the total amount of all loans received by a recipient;

(15) "undergraduate degree program" means

(A) an educational program for which a bachelor's degree is awarded; or

(B) an educational program for which an associate degree, or comparable certificate is awarded, and which is acceptable, upon transfer, for full credit towards a bachelor's degree;

(16) "good cause shown" means duress, major medical disability, death in the immediate family, administrative error, or academic record which is at least five years old;

(17) "approved school" or "school approved by the commission" means an institution which is not on probation under 20 AAC 15.081 and is

(A) an Alaska institution which has been authorized to operate by the commission and issued a certified authorization; or

(B) a non-Alaska institution which has been approved by the United States Depart-

ment of Education, Office of Financial Assistance for receipt of federal student financial aid; or

(C) a non-Alaska institution which is accredited by a national accreditation association, or the regional accreditation association for the area in which the school is located; or

(D) a non-Alaska institution which is authorized as a certified flight school under 14 C.F.R. Part 141;

(18) "maintain a loan" means to continue to be eligible for loan disbursements;

(19) "present" or "physically present" means physically located in Alaska, except for absences of no longer than eight consecutive weeks or no more than 16 total weeks, for the 24 months immediately preceding loan application;

(20) "at least 50 percent disabled" means an illness or injury because of which the borrower is unable either to attend school or to be gainfully employed;

(21) "successfully complete" means to complete a course for which academic credit is earned. (Eff. 2/3/77, Reg. 61; am 12/7/80, Reg. 76; am 7/9/82, Reg. 83; am 11/19/83, Reg. 88; am 6/12/85, Reg. 94)

Authority: AS 14.43.105

**CHAPTER 16.
EDUCATIONAL INCENTIVE GRANT
PROGRAM**

Section

- 10. Applicant eligibility
- 20. Applicant priority
- 30. Application procedure
- 40. Disbursement of grant awards
- 50. Appeals
- 100. Definitions

20 AAC 16.010. APPLICANT ELIGIBILITY.
A student may apply for an educational incentive grant if he or she

(1) is enrolled, or is eligible for admission, as a full-time undergraduate in a degree program or comparable certificate program at an accredited postsecondary educational institution;

(2) if enrolled, is maintaining satisfactory progress in a course of study, according to the standards and practices of the institution in which he or she is enrolled;

(3) does not owe a refund on a grant previously received under the Basic Educational Opportunity Grant, Supplemental Educational Opportunity Grant, or the state educational incentive grant program for attendance at the institution in which he or she is (or intends to be) enrolled;

(4) is not in default on a loan made, insured, or guaranteed under the National Direct Student Loan Act or Guaranteed Student Loan Program for attendance at the institution in which he or she is (or intends to be) enrolled; and

(5) establishes substantial financial need. (Eff. 6/13/80, Reg. 74)

Authority: AS 14.43.405
AS 14.43.410
AS 14.43.415

20 AAC 16.020. APPLICANT PRIORITY.

(a) To the extent not inconsistent with applicable federal regulations, in selecting from among the eligible applicants those who will be awarded grants, priority will be given to those who

(1) are considered low-income applicants;

(2) are not in default on an Alaska scholarship loan awarded under the provisions of AS 14.43.090 - 14.43.160 and 20 AAC 15: and

(3) apply by the priority deadline.

(b) Distribution of funds among applicants who meet all criteria under (a) of this section will be made in order of greatest demonstrated financial need.

(c) Funds remaining after awards under (a) of this section have been made will be distributed to applicants who are not in default on an Alaska state scholarship loan and who applied by the priority deadline, based upon the degree of financial need.

(d) Distribution of funds remaining after awards under (c) of this section have been made will be made in the order of receipt of applications. (Eff. 6/13/80, Reg. 74)

Authority: AS 14.43.405
AS 14.43.415

20 AAC 16.030. APPLICATION PROCEDURE. (a) An Alaska resident attending, or planning to attend, an undergraduate program at either an in-state or out-of-state postsecondary institution, who wishes to apply for a state educational incentive grant shall

(1) obtain an SEIG Student Application Form and a current Financial Aid Form (FAF);

(2) complete and submit the FAF including the Basic Educational Opportunity Grant Program section;

(3) indicate on the FAF that the FAF needs analysis report should be sent to the commission (CSS code # 0276);

(4) complete the SEIG Student Application Form and forward it to the financial aid office of the institution to be attended for budget verification;

(5) mail the completed SEIG Student Application Form to the institution to be attended in time to allow institutional verification and forwarding to the commission by May 31 for priority processing; and

(6) submit the forms mentioned in this subsection each academic year for which a grant is requested.

(b) The commission

(1) will receive and evaluate the SEIG student application forms and FAF needs-analysis reports, verify student eligibility, and establish applicant priority;

(2) will determine and approve grant awards which meet all required criteria; and

(3) will issue grant-award warrants and send them to the student in care of the appropriate institutional office of financial aid. (Eff. 6/13/80, Reg. 74)

Authority: AS 14.43.405

20 AAC 16.040. DISBURSEMENT OF GRANT AWARDS. (a) The grant will be disbursed in equal installments, not to exceed \$750, with each installment issued for the school term the recipient will attend. Money will be disbursed upon a regular academic year schedule and will not include a summer session disbursement.

(b) A warrant for the appropriate amount of the grant disbursement and a record of disbursement and receipt form will be mailed to the recipient in care of the financial aid officer of the institution which the recipient is attending.

(c) The financial aid officer must certify on the record of disbursement and receipt form that the recipient is a full-time student in good standing at the institution before delivering the warrant to the recipient.

(d) The recipient must certify receipt of the warrant on the record of disbursement and receipt form at the time it is delivered to the recipient.

(e) The recipient is responsible for the return of the record of disbursement and receipt form to the commission. Failure to return a completed form will result in no further warrants being issued to the recipient. (Eff. 6/13/80, Reg. 74; am 12/13/84, Reg. 92)

Authority: AS 14.43.405

20 AAC 16.050. APPEALS. (a) A decision or other determination of the commission under this chapter may be appealed in writing to the executive secretary of the student financial aid committee, Alaska Commission on Post-secondary Education, Pouch F, Juneau, Alaska 99811. The appeal must be postmarked within 30 days after the date the decision or determination being appealed was mailed, must clearly state the objections to that decision or determination, and must set out justification for any alternate action sought.

(b) The executive secretary will acknowledge receipt of an appeal by certified mail, return receipt requested, within 30 days. The executive secretary will render his or her decision, in writing, as expeditiously as possible after receipt of the appeal and send it to the appellant by certified mail, return receipt requested.

(c) At the appellant's request, the executive secretary will afford the appellant or designated representative the opportunity to present his or her appeal in person to the executive secretary.

(d) A decision of the executive secretary may be appealed to the student financial aid committee. The appeal must be made within 30 days after the receipt of the executive secretary's decision, must clearly state the objections to that decision, and must set out justification for any alternative action sought.

(e) The chairman of the committee will place an appeal on the agenda for the committee's next regular meeting and notify the appellant of the time and location of the meeting and his or her right to present his or her appeal in person, through a representative, or in writing to the committee at that time.

(f) The committee's decision on an appeal is final. (Eff. 6/13/80, Reg. 74)

Authority: AS 14.43.405

20 AAC 16.100. DEFINITIONS. As used in AS 14.43.400 - 14.43.500 and this chapter, unless the context requires otherwise

(1) "accredited institution" means an institution accredited by a regional accrediting association for the region in which the institution is located, and approved by the commission;

(2) "Basic Educational Opportunity Grant Program" or "BEOG" means the federal Basic Educational Opportunity Grant Program provided for in Subpart 1, Part A of Title IV of the Higher Education Act of 1965, P. L. 89-329;

(3) "commission" means the Alaska Commission on Postsecondary Education;

(4) "executive secretary" means the executive director of the commission;

(5) "expected family contribution" means the sum of amounts which reasonably may be expected from the student and the student's spouse to meet the student's cost of education and, when relevant, the amount which reasonably may be expected to be made available to the student by the student's parents for this purpose as determined by the College Scholarship Service needs-analysis system;

(6) "Guaranteed Student Loan Program" means the Guaranteed Student Loan Program provided for in Part B of Title IV of the Higher Education Act of 1965, P. L. 89-329;

(7) "low income" means a demonstrated financial need of \$1500 or greater;

(8) "National Direct Student Loan Act" means the National Direct Student Loan Act provided for in Part E of Title IV of the Higher Education Act of 1965, P. L. 89-329;

(9) "substantial financial need" means

(A) the student's expected family contribution to the educational costs of the student is \$2,800 a year or less; or

(B) the student's, or when relevant, the student's parent's net income is \$20,000 a year or less; or

(C) the difference between the student's cost of education is at least \$90 greater than the student's expected family contribution;

(10) "Supplemental Education Opportunity Grant Program" means the Supplemental Education Opportunity Grant Program provided for in Subpart 2, Part A of Title IV of the Higher Education Act of 1965, P. L. 89-329; and

(11) "undergraduate" means a student pursuing a course of study for which the degree or certificate will be the first such degree or certificate for the student, and

(A) a bachelor's degree is awarded; or

(B) an associate degree or comparable certificate is awarded. (Eff. 6/13/80, Reg. 74)
Authority: AS 14.43.405

ALASKA STUDENT LOAN

Background and Discussion Materials

Jan '86

January 1986

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INTRODUCTION

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a postsecondary level. The program has grown from serving just over 1,000 Alaskans in 1971-72, to the current 1985-86 level of serving over 16,000 Alaskans. The true impact of this program is considerable, that is, the financial assistance, not only to the individual, but to the individual's family; the expanded educational opportunities afforded the citizens of the state; the societal benefits of having a more highly trained and educated citizenry; and the benefits to the state and the local communities of having educational institutions and resources available to meet current and future demands. All of these are related, either directly or indirectly, to the availability of student loans. Alaska has chosen to invest in the education of its people. Through these loans, which are in large part repayable to the state, Alaska has committed itself to providing opportunities and access to all those residents seeking postsecondary education. The value of this commitment is undeniable, but the program has now expanded to the point of placing a significant annual demand upon the state treasury and creating the need for greatly increased state staff'ng.

In the academic loan years of 1983-84, 1984-85, and again this year, 1985-86, loan demand has outstripped available funds, and thousands of applicants have been turned away. The state is rapidly approaching the time when some difficult decisions must be made concerning the future of the student loan program. For the first time, borrowers in 1986-87 must contribute at least \$500 from a non-state-loan source toward their eligible loan expenses. This alone will not solve the demand/availability problem, but it is an indication of the types of changes and alternatives which must be explored if the program is to be preserved for future Alaskan students.

LEGISLATIVE HISTORY

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

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

In 1971, the Alaska State Legislature once again looked at student loans and passed CSHB415 (Finance) am S. This bill created the true framework for the present student loan program. Under the 1971 program, student loans could be obtained for undergraduate study, graduate study, and career education programs. Undergraduate students and career education students could borrow up to \$2,500 per year and graduate students could borrow up to \$5,000 per year. Students could borrow for up to six years of study. Loans were to bear interest at a rate of 5 percent and could be used for books, tuition, room and board, and required fees. Forgiveness was limited to 40 percent of the total borrowed (plus interest), and was accrued in 10 percent increments for each year of employment in Alaska after the grace year.

The loan program experienced minor amendments on a number of occasions, but remained relatively unchanged until the 1976 Alaska State Legislative Session. During that session, FCCSSB70 passed. Under this bill, the undergraduate and career education borrowing maximum was raised to \$3,000 per year, but the \$5,000 per year maximum for graduate students was maintained.

Subsequently legislatures continued to make relatively minor adjustments to the program, and then in 1981, the last major change occurred. The 1981 Legislature passed FCCSSB120, which raised the borrowing maximums to \$6,000 per year for undergraduate and career education students and to \$7,000 per year for graduate students. The bill also raised the amount of loan forgiveness up to 50 percent of the total borrowed (including interest), and provided that this forgiveness be accrued in 10 percent increments for each year of residence in Alaska after the grace year. Loans under this program could be obtained for up to five years for either undergraduate or graduate study or up to eight years of combined study. This is the program currently being administered by the state.

PROGRAM DESCRIPTION

PURPOSES

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

TERMS

1. Undergraduates and vocational students may borrow up to \$6,000 per year of full-time study.
2. Graduate students may borrow up to \$7,000 per year of full-time study.
3. Students may borrow for up to 5 years of undergraduate study, or up to 5 years of graduate study, but for not more than 8 years combined.
4. A student must be a two-year Alaska resident to borrow and must maintain full-time study in good standing to continue borrowing Alaska student loans.
5. Loans may be used for attendance at any approved institution.
6. Proceeds from loans may only be used for the costs of tuition and fees, room and board, and books and supplies.
7. Loan repayment begins one year after the student ceases to be a full-time student (except for approved periods of deferment).
8. Repayment is over a 10-year period with provision for extending to 15 years if necessary.
9. Interest charged on the loans is 5%.
10. No loan will exceed the cost of tuition and fees, room and board, and books and supplies less \$500, or the loan maximums, whichever is lower.

FORGIVENESS

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

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

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

REPAYMENT SCHEDULE

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

TABLE 1
STUDENT FINANCIAL AID ADMINISTRATION
STATE STUDENT LOAN ACTIVITY
Projected to 1990-91

Year	Loan Awards	% Change	Loan Volume	% Change	Average Loan	Loan Collections	General Fund	Loan Forgiveness	Repayment* Accounts	Default** Rate
1971-72	1,081	--	\$ 1,603,158	--	\$1,483	\$ -0-	\$ 1,500,000	\$ -0-	\$ -0-	N.A.
1972-73	1,748	61.8	2,870,384	79.0	1,642	-0-	2,952,900	-0-	-0-	N.A.
1973-74	1,665	(5.0)	2,986,176	4.0	1,793	-0-	2,952,900	-0-	-0-	N.A.
1974-75	1,457	(12.5)	2,659,807	(10.9)	1,826	235,476	3,105,600	703	1,626	80.0
1975-76	1,719	18.0	3,382,997	27.2	1,968	465,530	3,791,500	44,233	2,153	44.6
1976-77	1,921	11.8	3,850,507	13.8	2,004	1,141,461	3,550,900	64,746	2,775	24.9
1977-78	2,265	17.9	4,604,167	19.6	2,033	1,191,851	2,006,100	314,306	3,470	22.3
1978-79	2,795	23.4	6,416,402	39.4	2,296	1,311,643	3,600,000	445,985	4,289	19.3
1979-80	3,918	40.2	9,373,949	46.1	2,393	1,603,436	8,130,000	409,501	5,301	14.5
1980-81	6,460	64.9	15,957,717	70.2	2,475	2,225,388	12,821,127	555,494	7,196	11.2
1981-82	9,898	70.3	40,559,499	154.2	4,098	2,779,900	37,701,000	785,769	10,683	9.2
1982-83	13,058	31.9	55,007,395	35.6	4,213	4,609,051	52,000,000	(846,028)	15,669	9.1
1983-84	14,785	13.2	62,912,316	14.4	4,255	6,410,124	60,000,000	1,171,239	21,771	13.5
1984-85	17,173	16.2	75,075,883	19.3	4,372	9,572,795	60,000,000	1,664,612	27,886	12.4
1985-86*	16,130*	(6.1)	80,675,498*	7.5	5,002*	6,867,737*	63,600,000	1,190,263*	36,341*	14.3*
<u>Projections</u>										
1986-87	18,431	N.A.	81,557,175	N.A.	4,425	15,985,103	63,572,072	2,839,506	46,280	
1987-88	18,950	2.8	86,222,500	5.7	4,550	19,352,145	64,870,355	3,421,624	55,123	
1988-89	19,325	1.5	90,441,000	5.0	4,680	22,762,094	65,678,906	4,011,160	63,380	
1989-90	21,493	11.7	103,381,330	14.3	4,810	26,189,108	75,192,222	4,603,646	72,557	
1990-91	23,373	8.7	115,696,350	11.9	4,950	30,104,760	83,591,590	5,280,612	82,765	

*Repayment account totals and default rate are for June 30 of each year. All 1985-86 data are as of January 24, 1986.

1985-86 ALASKA STUDENT LOANS

PROGRAM STATUS (January 24, 1986)

<u>Student Level</u>	<u>Number</u>	<u>Amount</u>	<u>Average Loan</u>
Freshman	4,325	\$20,819,066	\$4,814
Sophomore	3,009	14,629,396	4,862
Junior	2,275	11,282,137	4,959
Senior	2,252	10,818,533	4,804
Vocational	<u>3,019</u>	<u>15,696,602</u>	<u>5,199</u>
Undergraduate	14,880	\$73,245,734	\$4,922
Graduate	<u>1,250</u>	<u>7,429,764</u>	<u>5,944</u>
TOTAL	16,130	\$80,675,498	\$5,022

AVAILABLE FUNDS

FY86 Appropriation	\$63,600,000	
FY85 Carry-forward	3,352,877	
Federal Receipts (GSL)	<u>225,000</u>	
	\$67,177,877	Sub-total
Estimated Receipts	<u>11,879,790</u>	
	\$79,057,667	Total
Vocational Set-Aside	\$15,811,533	
Collegiate	\$63,246,134	

IN-STATE/OUT-OF-STATE ATTENDANCE BY LEVEL (January 24, 1986)

<u>Student Level</u>	<u>Alaska</u>	<u>%</u>	<u>Out-of-State</u>	<u>%</u>
Freshman	2,250	52.0	2,075	48.0
Sophomore	1,459	48.5	1,550	51.5
Junior	1,027	45.1	1,248	54.9
Senior	1,000	44.4	1,252	55.6
Vocational	2,285	75.7	734	24.3
Undergraduate	8,021	53.9	6,859	46.1
Graduate	252	20.2	998	79.8
TOTAL	8,273	51.3	7,857	48.7

PERCENT IN-STATE PREVIOUS YEARS

<u>Year</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>All Loans</u>
1978-79	35.1	12.0	32.3
1979-80	36.1	12.3	33.3
1980-81	45.3	17.9	42.3
1981-82	47.3	23.8	45.0
1982-83	53.1	23.4	50.4
1983-84	53.3	21.9	50.5
1984-85	56.7	21.7	54.0
1985-86 (1-24-86)	53.9	20.2	51.3

ATTENDANCE PATTERNS

For a number of years there has been a pattern of increased attendance in Alaska. However, the out-of-state attendance has been surprisingly consistent. As can be seen in Figures 1 and 2, and Tables 2 and 3, there is a very heavy dominance of attendance in the West. After Alaska, the top five states of preference have consistently been Washington, Oregon, California, Arizona, and Colorado.

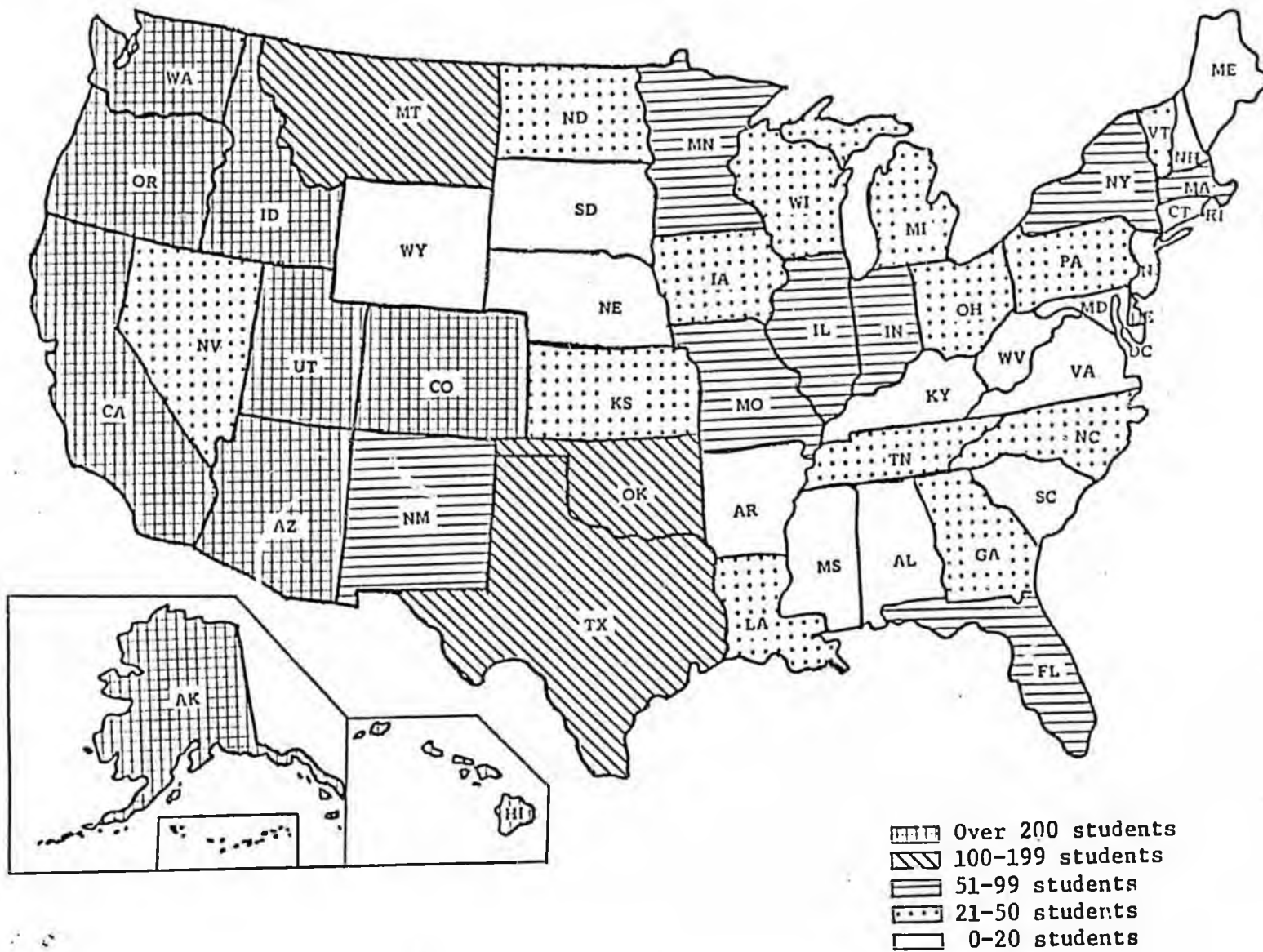


FIGURE 1
 GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING
 STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1984-85

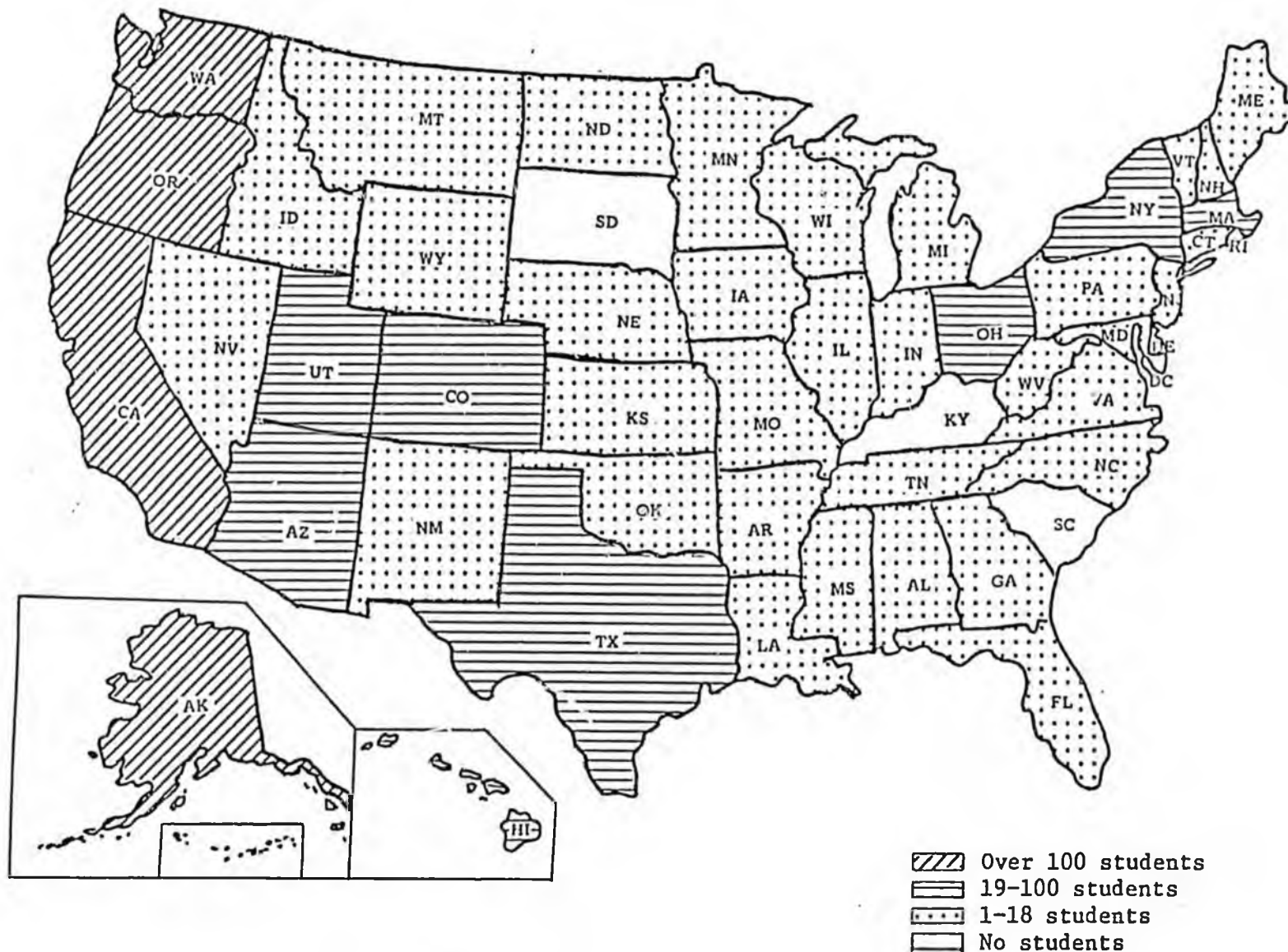


FIGURE 2
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING
STATE LOANS FOR GRADUATE EDUCATION IN 1984-85

TABLE 2
 DISTRIBUTION OF ALASKA STATE LOANS
 FOR STUDENTS ATTENDING IN ALASKA
 (1985-86 Loans as of November 15, 1985)

Institution	1985-86	
	No.	Amount
University of Alaska, Fairbanks	1,884	\$ 8,158,300
University of Alaska, Anchorage	1,504	7,193,575
Anchorage Community College	1,206	5,889,910
University of Alaska, Juneau	303	1,508,525
Kenai Peninsula Community College	271	1,365,525
Alaska Pacific University	234	1,220,575
Alaska Masonry School	233	1,274,500
Alaska Computer Institute of Technology	201	1,113,895
Bookkeeping Concepts	160	836,375
Alaska Technical Institute	155	811,310
Matanuska-Susitna Community College	153	783,400
Alaska Vocational-Technical Center	125	395,490
Tanana Valley Community College	120	636,250
The Travel Academy	104	493,650
Sheldon Jackson College	96	482,900
Alaska Business College	92	527,700
Alaska Vocational School	80	372,200
Testing Institute of Alaska	73	413,650
Clerical Skills Training	65	342,000
Ketchikan Community College	54	269,750
New Anchorage Beauty School	47	258,250
Alaska Travel Institute	43	177,500
Air Cushion Guides, Inc.	41	225,225
North Pacific Business Institute	39	220,300
Trend Setters School of Beauty	38	220,490
Charter College	36	201,200
Aviation Network	36	170,700
Prince William Sound Community College	35	183,900
Hutchison Career Center	35	152,250
Wilburs Flight Operation	32	174,400
Academy of Hair Design	32	167,500
Aviation North	31	169,890
Aero Tech Flight School	28	160,700
Elmendorf Aero Club	28	151,750
Kuskokwim Community College	28	119,850
Victorian Academy of Cosmetology and Barbering	26	174,400
Islands Community College	26	124,550
Kodiak Community College	25	123,650
Kotzebue Technical Center	24	111,600
People Count, Inc.	23	107,000
Fort Wainwright Flying Club	21	116,800
New Concepts Beauty School	21	114,950
High Tech Helicopters	21	112,265
Anchorage Alaska School of Barbering	20	115,675

TABLE 2
(Continued)

Institution	1985-86	
	No.	Amount
Delta Greely Rural Educational Center	20	\$ 80,200
World Security Police Academy	18	71,650
Alaska Air Academy	17	102,000
Alaska Flying Nook	17	97,000
St. Herman's Theological Seminary	17	71,150
Alaska School of Professional Floral Design	17	36,750
Scruples II, Action School of Broadcasting	15	70,350
American Pacific Aviation	14	75,000
Headquarters Barber & Beauty Academy	14	74,650
Fort Richardson Flying Club	13	72,000
Mat-Su Bush Flying	13	62,075
Vernair	12	66,250
Larry's Flying Service	11	63,000
Peninsula Hair Styling Academy	10	43,800
A.I.R. Center	9	53,700
Peninsula Institute of Welding Technology	8	46,950
Chapman College	6	29,550
Alaska Bible College	6	26,200
Fairbanks Beauty School	5	27,600
Action Helicopter	5	27,000
University of LaVerne	5	25,500
Amicus Curiae School of Court Reporting	2	12,000
Chukchi Community College	2	8,500
Northwest Community College	2	7,950
University of Alaska, Rural Education	2	7,200
Satellite Technicians Applied Research and Development	1	6,000
Arctic Bible Institute	1	3,050
TOTAL	8,111	\$39,185,400

TABLE 3
 INSTITUTIONS AT WHICH AT LEAST FIFTY ALASKA
 STUDENT LOAN BORROWERS ATTENDED
 (1985-86 Loans as of November 15, 1985)

Institution	1985-86	
	No.	Amount
*University of Alaska, Fairbanks	1,884	\$8,158,300
*University of Alaska, Anchorage	1,504	7,193,575
*Anchorage Community College	1,206	5,889,910
*University of Alaska, Juneau	303	1,508,525
*Kenai Peninsula Community College	271	1,365,525
University of Washington (WA)	270	1,553,535
*Alaska Pacific University	234	1,220,575
*Alaska Masonry School	233	1,274,500
University of Oregon (OR)	221	1,187,300
Oregon State University (OR)	215	1,157,875
*Alaska Computer Institute of Technology	201	1,113,895
Arizona State University (AZ)	171	926,400
Northern Arizona University (AZ)	171	899,775
Washington State University (WA)	160	897,800
*Bookkeeping Concepts	160	836,375
Western Washington University (WA)	159	843,075
*Alaska Technical Institute	155	811,310
*Matanuska-Susitna Community College	153	783,400
Brigham Young University (UT)	143	545,500
*Alaska Vocational-Technical Center	125	395,490
*Tanana Valley Community College	120	636,250
University of Puget Sound (WA)	113	689,550
*The Travel Academy	104	493,650
Central Washington University (WA)	102	547,400
DeVry Institute of Technology (AZ)	101	567,425
University of Arizona (AZ)	98	519,550
*Sheldon Jackson College	96	482,900
*Alaska Business College	92	527,700
Willamette University (OR)	91	539,100
University of Idaho (ID)	82	432,950
Southern Oregon State College (OR)	81	460,400
*Alaska Vocational School	80	372,200
Montana State University (MT)	79	406,850
Gonzaga University (WA)	77	461,150
*Testing Institute of Alaska	73	413,650
University of Montana (MT)	71	335,100
Seattle University (WA)	68	381,000

*Alaskan Schools

TABLE 3
(Continued)

Institution	1985-86	
	No.	Amount
Denver Automotive & Diesel College (CO)	67	386,800
*Clerical Skills Training	65	342,000
University of Colorado, Boulder (CO)	63	346,450
Eastern Washington University (WA)	61	335,550
University of Hawaii, Manoa (HI)	59	293,500
Lewis and Clark College (OR)	59	215,000
Stanford University (CA)	58	345,550
Pacific Lutheran University (WA)	57	312,000
Seattle Pacific University (WA)	54	310,250
Colorado State University (CO)	54	308,950
*Ketchikan Community College	54	269,750
West Coast Training Services (OR)	52	216,300

*Alaskan School

ALTERNATIVES FOR AMENDING THE ALASKA STUDENT LOAN PROGRAM

The Alaska Commission on Postsecondary Education, faced with denying loans to thousands of Alaskans, has explored a great number of changes in the loan program. During the past year, seventeen such alternatives have been examined. Two have now been adopted, three others have been targeted for further consideration, and the others have been discarded as being undesirable or unworkable. A short summary of those seventeen alternatives is presented here.

Alternatives adopted.

1. Require each borrower to contribute at least \$500 from a non-state-loan source toward eligible loan items. The Alaska Student Loan Program does not require a needs test or needs analysis in order to qualify for a loan, but a borrower must list eligible costs and indicate what resources are available to meet those costs. The loan amount will not exceed the difference between those two totals. The funding sources listed on the current application include:

SEIG, Pell Grant
Parents
Student Savings
Other Scholarships and Grants
WICHE
VA Benefits
Other

It is currently estimated that between 70-75 percent of all 1985-86 applicants list no resources available to meet the costs of tuition/fees, room/board, and books/supplies. Using this estimate, the \$500 requirement would result in a reduced program cost of around \$4.0 to \$4.3 million in 1985-86, or, could have the effect of funding an additional 1,500 students.

Commission Action. This requirement has now been adopted through regulation, 20 AAC 15.030(c), for all loans beginning with the 1986-87 borrowing year. The one problem with this alternative is that it almost solely effects University of Alaska students and vocational students.

2. Restrict loans to U.S. citizens or permanent alien residents. In order to be eligible to apply for an Alaska Student Loan, an individual must be a two-year Alaska resident, or be a dependent of a two-year Alaska resident. It is possible for a non-U.S. citizen to move to Alaska, wait two years, and qualify for a loan. In fact, the loan may even be obtained to study out-of-state or out-of-country.

The reduced program cost would be quite small, probably less than \$75,000 to \$100,000 per year.

Commission Action. Upon further investigation, the Department of Law determined that the residency requirement of AS 14.43.125 actually involves two tests. One, the applicant must be an Alaska resident, and two, the applicant must have been physically present in Alaska for two years. The first requirement of residency is further defined in AS 01.10.55 which states that to be a resident (among other things) a person must declare residency "with an intent to remain a resident." By the terms of a student visa, an individual may not make such a declaration. Therefore, we have ceased awarding loans to students attending school on a student visa.

Alternatives for further consideration.

3. Reduce the maximum loan available. The 1981 Legislature increased the undergraduate borrowing maximum from \$3,000 per year to \$6,000 per year, and the graduate maximum from \$5,000 to \$7,000 per year. The next year, the program experienced a 70 percent increase in borrowers and a 288 percent increase in loan funds requested. A great number of students who could not afford full-time schooling, now were enabled to attend, and program participation has remained high (with steady growth) since that time.

Reducing the borrowing maximum would directly affect the cost of the program. However, its impact on individual borrowers is far less certain. We do not know the balance between loan amount and denying access to the needy student.

Approximate reductions in program costs resulting from reducing the loan maximum are:

<u>Amount of Reduction</u>	<u>Reduced Cost</u>
\$ 250	\$1.2 million
\$ 500	\$2.5 million
\$1,000	\$6.2 million

Translating this into spreading available funds to more students, the reduced maximums could mean 285, 595, or 1,476 additional borrowers for the \$250, \$500, and \$1,000 reductions, respectively.

Commission Action. The Commission considered this action in concert with alternative one listed above. A regulatory change reducing the borrowing maximum by \$500 would, when combined with alternative one, treat all borrowers equally. However, this alternative was not adopted. There remains a good deal of question as to whether an agency should "undo" a legislatively-enacted statute with an administrative regulation.

4. Establish a two-tier loan program. The state could continue to emphasize loans as its principal means of providing student assistance, but it could offer two programs. The first could be available to all students in the same manner as the current program, except the borrowing

Maximum would be set at \$4,000. The second program would be need-based and available for up to \$3,000 in additional loan funds if the borrower could demonstrate (through a needs analysis mechanism) the need for the assistance.

It is felt that this approach, despite requiring additional staff, would result in reduced loan fund demand. A large majority of borrowers would not bother with the supplemental loan, since so few would qualify and since the needs analysis form is rather cumbersome. Estimated fund reduced demand would be about \$8.0 to \$10.0 million.

Commission Action. The absence of a needs test is one of the most popular aspects of the Alaska Student Loan Program. While remaining strongly opposed to a required needs test for all borrowers, the Commission feels this alternative may be a necessary compromise if demand continues to exceed available funds. This alternative would require statutory change.

5. Define institutional eligibility for student loan purposes as: (1) being accredited by a national or regional accreditation association recognized by the Council on Postsecondary Accreditation (COPA); or (2) having been approved for authorization to operate by the Alaska Commission on Postsecondary Education and having operated for two consecutive years prior to becoming eligible. Current regulations provide that a school is eligible to enroll students on Alaska Student Loans if the school is accredited or approved by the Commission. The two-year requirement is similar to that needed for federal VA benefit approval, or for certain accreditation minimums (AICS and NATTS). The largest impact of this change would be on vocational borrowers and vocational schools. If there were no "grandfather clause," a number of private Alaska vocational schools would become ineligible. Only one vocational school currently has COPA-recognized accreditation, and as many as 30 currently-authorized vocational schools have been in operation less than two years.

The resulting reduced program cost would be dependent upon whether or not existing schools were "grandfathered" in. If the Commission imposed a strict requirement of accreditation only, the reduced cost would be around \$13.0 million. If the Commission imposed accreditation and/or the two-year rule, with no "grandfather clause," the reduced cost would be around \$6.1 million, and if the "grandfather clause" were included, the reduction would be negligible.

Commission Action. Much of the consideration of this alternative centered on the issue of "grandfathering" existing schools. Since grandfathering resulted in such negligible savings, no further action was taken.

Alternatives opposed.

6. Raise the grade-point requirements for good standing. In order to receive a student loan, a borrower must be attending school full time and be in "good standing." Good standing is defined by the Commission (through regulations) as enrolling in and successfully completing the minimum full-time student requirement each term while maintaining a cumulative grade point average (GPA) of 2.0 for undergraduate and 3.0 for graduate students. Additionally, no single term GPA may fall below 1.5 or 2.5 for undergraduate or graduate students, respectively.

Two actions are available. The Commission could raise the single term minimums, or the Commission could raise the cumulative GPA minimums. Raising the single term minimum, to 1.8 and 2.8 or 2.0 and 3.0, would eliminate some borrowers since they would be declared ineligible. The largest impact would be on first term freshmen having difficulty adjusting to college.

Raising the cumulative GPA would have a profound effect across all student levels. It is estimated that raising the single term GPA could result in reduced program costs of \$250,000, while raising the cumulative GPA could result in reduced program costs of as much as \$25.0 to \$30.0 million.

Commission Action. The existing good-standing requirement meets the intent of the statute and is not unduly prohibitive or discriminatory. Raising the required grade point average would simply deny educational opportunity to too many persons. The Commission opposes this alternative.

7. Award out-of-state loans only if the program is unavailable in Alaska. This approach has been debated in the Legislature in the past, and the problems are many. Should the choice of students, who are incurring a debt, be restricted in what could be viewed as an attempt to increase in-state enrollments? Is the state willing to fund the cost of greatly increased enrollments? Who is to compare programs, i.e., is a Music Degree at a state school the same as at Juilliard, is engineering the same at a state school as it is at M.I.T., and so on?

However, depending upon how "unavailable" was defined, the resulting reduction in loan fund demand could be rather substantial. On the average, a student borrowing to attend in-state qualifies for a lower loan than one attending out-of-state. Added to this is the hypothesis that at least some students would attend out-of-state even if the loan program were unavailable. This savings would be offset somewhat by the increased cost of providing the education in-state, so a sound fiscal impact is difficult to predict.

Commission Action. The Commission is opposed to creating a financial barrier to student choice. This alternative is opposed.

8. Restrict loans to collegiate borrowers. The loan program was originally established to assist collegiate students. Vocational borrowers were included in 1971. If all students cannot be accommodated, the college community should be served first. Eliminating the vocational borrowers would reduce the loan fund requirement by around \$15 million.

Arguments against this alternative would be that quite often the students in this classification are those most needing assistance. These students normally borrow much less than college students, since their programs are much shorter in duration, and the heavy representation of these students attend in Alaska also argues against such an alternative.

Commission Action. The Commission opposed this alternative and can find no sound basis for its support.

9. Eliminate the graduate student borrowing differential. The borrowing maximum for graduate borrowers could be reduced to the same level as undergraduate borrowers. Graduate students tend to be older more established students, and hence, may be better able to absorb a portion of the cost of college attendance. Quite often the credit hour cost is exactly the same for graduate and undergraduate students, and graduate students enroll in fewer hours per term. The reduced loan demand resulting from this alternative would be around \$500,000 per year.

Commission Action. As with alternative 3, such an action by the Commission could be viewed as circumventing the statutes adopted by the legislature. Secondly, the savings may not warrant singling out this group to impact. The Commission opposes this alternative.

10. Restrict loans to vocational borrowers and collegiate borrowers above the freshman level. Freshmen borrowers are among the worst credit risks, since quite often they do not complete their programs of study and are less likely to feel compelled to repay the state for benefits received. Eliminating freshmen borrowers would reduce the loan fund demand by nearly \$20 million.

Arguments against this alternative include that it works against educational opportunities and access and in many ways penalizes those individuals, who need assistance most.

Commission Action. The Commission views this alternative as undesirable and opposes it.

11. Eliminate forgiveness. If a borrower resides in Alaska after completion of the program study for which a loan was obtained, up to 50 percent of the loan may be forgiven. This forgiveness (partial cancellation) is earned at a rate of 10 percent per year of residence after entering repayment. This alternative would result in saving a great deal of money eventually. The only impact on the funding level for

the first few years would be the possible change in borrowing patterns. It could be that persons would not borrow as much if they did not anticipate only having to pay back half.

Commission Action. The Commission supports maintaining the forgiveness provisions and opposes this alternative.

12. Raise the interest rate charged on loans. The current interest rate on Alaska Student Loans is 5 percent. Federal Guaranteed Student Loans (GSL) currently have an interest rate of 8 percent. An interest rate of 5 percent, combined with the absence of a needs test, provides no disincentive for borrowing as much as one can possibly borrow. A higher interest rate produces more income in four or five years and could result in some borrowers borrowing less.

Commission Action. The Commission, in adopting alternative one, attempted to provide some immediate ease to the demand for additional loan funds. Raising interest does not impact the program for years, and while the Commission opposes raising interest at this time. If interest rates are changed on all subsidized loan programs, an adjustment may be appropriate for student loans as well.

13. Restrict loans to study in the United States. Loans may currently be used at any approved postsecondary educational institution. In 1984-85, 76 students borrowed to study in eighteen foreign countries. The loan program could be restricted for use in the United States.

The reduced program cost of this alternative is quite small, since it is believed that a number of students would not study abroad without the assistance of the loan program. The net result would be around \$300,000.

Commission Action. As with alternative nine, the Commission felt the savings to be questionable justification for singling out this group of borrowers. The alternative is opposed.

14. Require a needs test and award loans based upon demonstrated need. If there is not enough money to fund all persons wishing to borrow, then those who can demonstrate the most need should receive support. The state could require all loan applicants to submit a needs analysis form (similar to the CSS Financial Aid Form). The applicant would obtain the form, complete it, and mail it and a processing fee to a regional processing center (probably California). The center would provide the results to the applicant and to the Commission.

Since the regional processing would produce a federally-defined need level, it would be necessary for the Commission to use the raw data and re-calculate need based upon an Alaskan definition. All persons meeting the need criteria would be eligible for funding, and all others would be denied.

Critics of this approach cite philosophical differences of relying upon parental income, home equity, etc., as factors in computing need. Others refer to the increased requirement for staff at the state level and the increased processing time.

A substantial amount of program costs could be reduced--even with the increased administration costs--depending upon how restrictive the definition of need is made.

Commission Action. The Commission opposes this alternative and any general comprehensive needs requirement. Alternative four is believed to be much more desirable.

15. Eliminate the interest subsidy during the grace year. Interest could be charged during the 12-month grace period and added to the total indebtedness when the student enters repayment. Over a number of years, this would produce quite a bit of program income, but not much in the short term.

Commission Action. The Commission opposes this alternative since it simply places an added financial burden to the borrower at a time when unemployment is quite likely.

16. Reduce the grace period to six or nine months. The grace period is currently twelve months, and has been since the program began. By reducing the grace period, borrowers enter repayment earlier and the cash flow of the program is greatly altered. The net effect is zero, since receipts in later months are forgone for receipts in earlier months.

The federal GSL program, after moving from a twelve-month grace period to a six-month grace period, is now moving back up to a nine-month grace period. The reason for this reversal in Congress was given as the shortened grace period resulted in increased loan defaults, and with the government guaranteeing the loans, the result was a loss.

Commission Action. The Commission opposes this alternative and cannot endorse repeating the mistake of the federal program.

17. Increase full-time definition to 15 credit hours for undergraduate students. This would reduce demand greatly, since it would eliminate a large number of borrowers. The students would be forced to carry a heavier load and many would not meet good standing. It is estimated that this change could reduce fund demand by around \$5 million.

Commission Action. The Commission opposes this alternative since it feels it could unduly impact first-time freshman borrowers, particularly those from rural Alaska.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ADOPTED STATEMENT ON THE
ALASKA STUDENT LOAN
PROGRAM

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

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

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

APPENDICES

TABLE 4
STUDENT FINANCIAL AID ADMINISTRATION
Personnel Summary
Projected to 1988-89

Year	Loan Awards	Awards Staff	Awards/Staff	Accounts In Repayment*	Repayment/Staff	Repayment Clerks	Accounts/ Clerk	Records Staff	Accounting/ Support	Total Staff	
										Full-Time	Seasonal
1971-72	1,081	2.0	540.5	0	0	0	N.A.	0	0	2.0	0
1972-73	1,748	3.0	582.7	0	0	0	N.A.	0	0	3.0	0
1973-74	1,665	3.0	555.0	0	0	0	N.A.	0	0	3.0	1.0
1974-75	1,457	3.0	485.7	1,626	2.0	1.0	1,626.0	0	0	5.0	1.0
1975-76	1,719	3.0	573.0	2,153	4.0	2.0	1,076.5	0	0	7.0	2.0
1976-77	1,921	3.0	640.3	2,775	4.0	2.0	1,387.5	0	0	7.0	2.0
1977-78	2,265	3.0	755.0	3,470	5.0	3.0	1,156.7	0	1.0	9.0	4.0
1978-79	2,795	4.0	698.8	4,289	7.0	4.0	1,072.3	0	3.0	14.0	4.0
1979-80	3,918	4.0	979.5	5,301	9.0	6.0	883.5	0	5.0	18.0	0
1980-81	6,460	6.0	1,076.7	7,196	9.0	6.0	1,199.3	0	5.0	20.0	4.0
1981-82	9,898	7.0	1,414.0	10,683	10.0	6.0	1,780.5	1.0	6.0	24.0	5.0
1982-83	13,058	13.0	1,004.5	15,669	16.0	11.0	1,424.4	6.0	13.0	48.0	8.0
1983-84	14,785	13.0	1,137.3	21,771	14.0	11.0	1,979.2	6.0	13.0	46.0	8.0
1984-85	17,173	14.0	1,226.6	27,886	15.0	11.0	2,535.1	6.0	13.0	48.0	9.0
1985-86*	16,130*	15.0	1,075.3*	36,341*	15.0	11.0	3,303.7*	6.0	13.0	49.0	6.5
<u>Projections</u>											
1986-87	18,431	15.0	1,228.7	46,280	15.0	11.0	4,207.3	6.0	13.0	49.0	6.5
1987-88	18,950	15.0	1,263.3	55,123	19.0	15.0	3,674.9	7.0	15.0	56.0	8.0
1988-89	19,325	15.0	1,288.3	63,380	22.0	18.0	3,521.1	8.0	16.0	61.0	9.0
1989-90	21,493	16.0	1,343.3	72,557	24.0	20.0	3,627.9	9.0	17.0	66.0	9.0
1990-91	23,373	17.0	1,374.9	82,765	27.0	23.0	3,598.5	10.0	17.0	71.0	10.0

*Repayment account totals are for June 30 of each year. All 1985-86 data are as of 1/24/86.

Note: At 242 work days (normal work year minus holidays and two weeks annual leave - no sick leave, in 1985-86, each repayment clerk will be able to devote about 33 minutes per year per account.

TABLE 5
STUDENT FINANCIAL AID ADMINISTRATION
COST OF ADMINISTRATION

Year	100 Pers. Svcs.	200 Travel	300 Contractual	400 Commodities	500 Equipment	Total	Full-Time Staff	Part-Time Staff
1971-72	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.0	-0-
1972-73	\$ 45.9	\$ 3.5	\$ 23.0	\$ 1.8	\$ 2.4	\$ 76.6	3.0	-0-
1973-74	58.1	3.9	23.8	2.3	.3	88.4	3.0	1.0
1974-75	94.6	3.1	35.9	1.4	5.5	140.5	5.0	1.0
1975-76	128.8	4.6	41.1	1.9	2.5	178.9	7.0	2.0
1976-77	165.9	6.7	71.6	4.7	.7	249.6	7.0	2.0
1977-78	261.5	3.1	60.3	5.1	5.9	335.9	9.0	4.0
1978-79	349.4	6.8	135.1	2.0	2.7	496.0	14.0	4.0
1979-80	386.1	6.6	181.0	3.1	1.2	578.0	18.0	-0-
1980-81	527.5	41.7	312.5	11.3	117.9	1,010.9	20.0	4.0
1981-82	835.4	11.8	438.5	17.1	80.8	1,383.6	24.0	5.0
182-83	1,454.6	9.3	845.8	39.5	78.7	2,427.9	48.0	8.0
1983-84	1,511.3	28.3	414.4	48.9	58.4	2,061.3	46.0	8.0
1984-85	1,665.7	7.1	322.4	48.9	26.9	2,071.0	48.0	9.0
1985-86*	1,732.0	7.0	341.1	58.6	-0-	2,138.7	49.0	6.5
1986-87*	1,732.0	5.3	411.4	58.6	-0-	2,207.3	49.0	6.5

*1985-86 figures are adjusted base, and 1986-87 are Governor's budget.

Cook
5/12/86

Failed - H Fin

Original sponsor: Ferguson

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 13 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to student loans; creating the
7 Alaska Student Loan Corporation; and providing for an
8 effective date."

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

10 * Section 1. AS 14.42 is amended by adding new sections to read:

11 ARTICLE 2. ALASKA STUDENT LOAN CORPORATION.

12 Sec. 14.42.100. CREATION OF ALASKA STUDENT LOAN CORPORATION.

13 There is created the Alaska Student Loan Corporation. The corporation
14 is a public corporation and government instrumentality within the
15 Department of Education but having a legal existence independent of
16 and separate from the state. The corporation may not be terminated as
17 long as it has bonds, notes or other obligations outstanding. Upon
18 termination of the corporation, its rights and property pass to the
19 state.

20 Sec. 14.42.110. PURPOSE OF CORPORATION. The purpose of the
21 corporation is to improve higher educational opportunities of resi-
22 dents of Alaska in accordance with the provisions of this chapter.

23 Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corpor-
24 ation shall be governed by a board of directors appointed by the
25 governor consisting of four members of the Commission on Postsecondary
26 Education, each of whom is selected for the commission under AS 14.-
27 42.015(a)(1) - (2), (4) - (6) or (8), and one member of the commission
28 selected under AS 14.42.015(a)(3). Members of the board serve without
29 compensation but are entitled to per diem and travel expenses

1 authorized by law for boards and commissions.

2 (b) The board shall elect a chairman from among its membership
3 at its annual meeting each year. A majority of the members constitute
4 a quorum for organizing the board, conducting its business and
5 exercising the powers of the corporation.

6 Sec. 14.42.130. MEETINGS OF THE BOARD. (a) The board shall
7 meet at the call of its chairman and at other times as the board may
8 determine in accordance with its regulations.

9 (b) Public notice of a meeting of the board at which the issu-
10 ance of corporation bonds is authorized shall be provided at least 24
11 hours before the meeting.

12 Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep
13 minutes of each meeting and send a certified copy to the governor and
14 to the Legislative Budget and Audit Committee.

15 Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall
16 manage the assets and business of the corporation and may adopt, amend
17 and repeal bylaws and regulations, in accordance with the Admin-
18 istrative Procedure Act (AS 44.62), governing the manner in which the
19 business of the corporation is conducted and the manner in which its
20 powers are exercised. The board shall delegate supervision of the
21 administration of the corporation to the executive ~~officer~~^{officer} of the
22 corporation.

23 Sec. 14.42.160. EXECUTIVE OFFICER. The executive officer of the
24 Commission on Postsecondary Education appointed under AS 14.42.040(a)
25 shall serve as executive officer of the corporation.

26 Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The executive officer
27 may hire employees of the corporation and, subject to the approval of
28 the board, engage professional and technical advisors under contract
29 with the corporation. The board may appoint other officers and engage

1 professional and technical advisors as independent contractors. The
2 board shall prescribe the duties and compensation of corporation
3 personnel, including the executive officer.

4 Sec. 14.42.190. BUDGET. The operating budget of the corporation
5 is subject to the Executive Budget Act (AS 37.07).

6 Sec. 14.42.200. GENERAL POWERS. In addition to other powers
7 granted in this chapter, the corporation may:

8 (1) sue and be sued in its own name;

9 (2) adopt an official seal;

10 (3) make and execute agreements, contracts and other in-
11 struments necessary or convenient in the exercise of the powers and
12 functions of the corporation, including contracts with any person or
13 governmental entity;

14 (4) receive, administer and comply with the conditions and
15 requirements respecting any appropriation or gift, grant or donation
16 of property or money;

17 (5) borrow money as provided in this chapter to carry out
18 and effectuate its corporate purposes and issue its obligations as
19 evidence of the borrowing;

20 (6) include in borrowing the amounts to pay financing
21 charges, interest on the obligations for a period not exceeding one
22 year after the date on which the corporation estimates funds will
23 otherwise be available to pay the interest, consultant, advisory and
24 legal fees and other expenses necessary or incident to this borrowing;

25 (7) invest or reinvest, subject to its contracts with
26 noteholders and bondholders, money held by the corporation in obliga-
27 tions or other securities authorized for investments of the commis-
28 sioner of revenue under AS 37.10.070(a);

29 (8) collect from a borrower amounts owed with respect to a

1 student loan the corporation has purchased;

2 (9) gather information on student loans available to resi-
3 dents of Alaska and disseminate the information to reasonably assure
4 that qualified students are aware of financial resources available to
5 those attending or desiring to attend institutions for which loans may
6 be made under AS 14.43.090 - 14.43.325 or 14.43.600 - 14.43.700;

7 (10) service student loans held by the corporation;

8 (11) purchase or participate in the purchase of student
9 loans;

10 (12) contract in advance for the purchase or sale of student
11 loans;

12 (13) sell or participate in the sale, either public or
13 private and on terms authorized by the board, of student loans to the
14 Student Loan Marketing Association or to other purchasers;

15 (14) collect and pay reasonable fees and charges in connec-
16 tion with the purchase, sale, and servicing of student loans;

17 (15) enter into agreements with the federal government,
18 including guaranty agreements and supplemental guaranty agreements as
19 described in the United States Higher Education Act of 1965, as neces-
20 sary to provide for the receipt by the corporation of administrative
21 allowances and other benefits available under the United States Higher
22 Education Act of 1965;

23 (16) administer federal money allotted to the state with
24 respect to insured student loans and related administrative costs and
25 other matters;

26 (17) consent to the modification of the rate of interest,
27 time of payment of an installment of principal or interest, or other
28 terms of a student loan purchased by the corporation;

29 (18) procure insurance against any loss in connection with

1 the operation of its programs;

2 (19) provide advisory services to borrowers and other parti-
3 cipants in the corporation's programs;

4 (20) do all acts and things necessary, convenient or desir-
5 able to carry out the powers expressly granted or necessarily implied
6 in AS 14.42.100 - 14.42.330.

7 Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund
8 is established in the corporation. The student loan fund is a trust
9 fund to be used to carry out the purposes of AS 14.42.100 - 14.42.330.
10 The student loan fund consists of money or assets appropriated or
11 transferred to the corporation and money or assets deposited in it by
12 the corporation.

13 (b) Money and other assets of the student loan fund may be used
14 to secure bonds of the corporation, invested in the types of invest-
15 ments the commissioner of revenue may make under AS 37.10.070(a), or
16 used to purchase loans approved under AS 14.43.090 - 14.43.325 or
17 14.43.600 - 14.43.700.

18 (c) The corporation may not purchase student loans ^{with a total value} in excess of
19 the total amount of ~~money awarded~~ the previous fiscal year ~~of~~
20 ~~under AS 14.43.090 - 14.43.325 and 14.43.600 - 14.43.700.~~

21 ~~_____~~
22 ~~_____~~
23 Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (g)
24 of this section, the corporation may borrow money and may issue bonds,
25 on which the principal and interest are payable from its income and
26 receipts or other assets or a designated part or parts of them.

27 (b) Bonds may be authorized only by resolution of the board.
28 They shall be dated and may not mature more than 20 years after the
29 date of issue. Bonds shall bear interest at the rate or rates, be in

1 the denominations, be in the form, either coupon or registered, carry
2 the registration privileges, be executed in the manner, be payable in
3 the medium of payment, at the place or places, and be subject to the
4 terms of redemption as provided by the resolution or a subsequent
5 resolution.

6 (c) All bonds, regardless of form or character, are negotiable
7 instruments for all the purposes of the Uniform Commercial Code
8 (AS 45.01 - AS 45.09).

9 (d) All bonds may be sold at public or private sale in the
10 manner, for the price or prices, and at the time or times that the
11 board determines.

12 (e) Before issuance of any bonds, the board shall make provi-
13 sion, by agreement or otherwise, at least sufficient in the judgment
14 of the board to pay the principal of and interest on the bonds as they
15 become due and to create and maintain the reserves for the bonds the
16 board considers necessary or desirable and to meet all obligations in
17 connection with the agreement and all costs necessary to service the
18 bonds, unless the agreement provides that the obligations are to be
19 met or costs are to be paid by a party other than the corporation.

20 (f) The superior court has jurisdiction to hear and determine
21 proceedings relating to the corporation, including proceedings brought
22 by or for the benefit of a holder of its bonds or by a trustee for or
23 other representative of a holder.

24 (g) The corporation may not issue bonds during any fiscal year
25 in an amount greater than \$45,000,000 unless the legislature, by law,
26 approves issuance of a greater amount.

27 Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. An
28 issue of bonds by the corporation may be secured by a trust indenture
29 or trust agreement between the corporation and a corporate trustee,

1 (which may be a trust company, bank, or national banking association,
 2 with corporate trust powers, located inside or outside the state, or
 3 by a secured loan agreement or other instrument or under a resolution
 4 giving powers to a corporate trustee by means of which the corporation
 5 may:

6 (1) make and enter into any and all the covenants and
 7 agreements with the trustee or the holders of the bonds that the board
 8 determines to be necessary or desirable, including covenants, pro-
 9 visions, limitations and agreements as to the

10 (A) application, investment, deposit, use and disposi-
 11 tion of the proceeds of bonds of the corporation or of money or
 12 other property of the corporation or in which it has an interest;

13 (B) fixing and collection of loan payments and other
 14 consideration for a student loan;

15 (C) assignment by the corporation of its rights in a
 16 student loan or in a mortgage or other security interest created
 17 with respect to a student loan to a trustee for the benefit of
 18 bondholders;

19 (D) terms and conditions upon which additional bonds
 20 of the corporation may be issued;

21 (E) vesting in a trustee of rights, powers, duties,
 22 funds or property in trust for the benefit of bondholders, in-
 23 cluding the right to enforce payment, performance and all other
 24 rights of the corporation or of the bondholders, under a student
 25 loan or a security interest created with respect to a student
 26 loan;

27 (2) pledge, mortgage or assign money, agreements, property,
 28 or other assets of the corporation either presently in hand or to be
 29 received in the future, or both; and

1 (3) provide for any other matters that in any way affect
2 the security or protection of the bonds.

3 Sec. 14.42.240. RESERVES AND CAPITAL RESERVES. (a) For the
4 purpose of securing one or more issues of bonds of the corporation,
5 the board may establish one or more special funds, called "capital
6 reserve funds," and may pay into those capital reserve funds the
7 proceeds of the sale of bonds and other money available to the
8 corporation from other sources for the purposes of the capital reserve
9 funds. A capital reserve fund may be established only if the board
10 determines that the establishment of the fund would enhance the mar-
11 ketability of the bonds. Money in a capital reserve fund, except as
12 provided in this section, may be used as required only for the (1)
13 payment of the principal of, and interest on, bonds or of the sinking
14 fund payments with respect to those bonds; (2) purchase or redemption
15 of the bonds; or (3) payment of a redemption premium required to be
16 paid when the bonds are redeemed before maturity. However, money in a
17 capital reserve fund may not be withdrawn if the withdrawal would
18 reduce the amount in the capital reserve fund to less than the capital
19 reserve fund requirement, except for the purpose of making payment,
20 when due, of principal, interest redemption premiums on the bonds, and
21 sinking fund payments when other money of the corporation is not
22 available for the payments. Income or interest earned by, or incre-
23 ment to, a capital reserve fund, from the investment of all or part of
24 the fund, may be transferred by the corporation to other funds or
25 accounts of the corporation if the transfer does not reduce the amount
26 of the capital reserve fund below the capital reserve fund require-
27 ment.

28 (b) If the board decides to issue bonds secured by a capital
29 reserve fund, the bonds may not be issued if the amount in the capital

1 reserve fund is less than the capital reserve fund requirement, unless
2 the corporation, at the time of issuance of the bonds, pledges to
3 deposit in the capital reserve fund from the proceeds of the bonds to
4 be issued or from other sources, an amount that, together with the
5 amount then in the fund, is not less than the capital reserve fund
6 requirement.

7 (c) In computing the amount of a capital reserve fund for the
8 purpose of this section, securities in which all or a portion of the
9 fund is invested shall be valued by a reasonable method established by
10 the board by resolution. Valuation shall include the amount of inter-
11 est earned or accrued as of the date of valuation.

12 (d) The chairman of the board shall annually, no later than
13 January 2, certify in writing to the governor and the legislature the
14 amount, if any, required to restore a capital reserve fund to the
15 capital reserve fund requirement. The legislature may appropriate to
16 the corporation the amount certified by the chairman. The corporation
17 shall deposit the amounts appropriated under this subsection during a
18 fiscal year in the proper capital reserve fund. Nothing in this
19 section creates a debt or liability of the state.

20 (e) The board may establish reserve funds, other than capital
21 reserve funds, to secure one or more issues of bonds of the corpo-
22 ration. The corporation may deposit in a reserve fund established
23 under this subsection the proceeds of sale of its bonds and other
24 money available from any other source. A reserve fund established
25 under this subsection must comply with (a) - (c) of this section. The
26 corporation may allow a reserve fund established under this subsection
27 to be depleted without complying with (d) of this section.

28 (f) In this section, "capital reserve fund requirement" means
29 the amount required to be on deposit in the capital reserve fund as of

1 the date of computation as determined by resolution of the board.

2 Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the
3 legislature that a pledge made in respect of bonds shall be valid and
4 binding from the time the pledge is made; that the money or property
5 so pledged and thereafter received by the corporation shall immediate-
6 ly be subject to the lien of the pledge without physical delivery or
7 further act; and that the lien of the pledge shall be valid and bind-
8 ing as against all parties having claims of any kind in tort, contract
9 or otherwise against the corporation irrespective of whether the
10 parties have notice. Neither the resolution, trust agreement nor any
11 other instrument by which a pledge is created need be recorded or
12 filed under the provisions of the Uniform Commercial Code (AS 45.01 -
13 AS 45.09) to be valid, binding or effective.

14 Sec. 14.42.260. NONLIABILITY ON BONDS. (a) The members of the
15 board and individuals executing the bonds of the corporation are not
16 liable personally on the bonds or subject to personal liability or
17 accountability by reason of the issuance of the bonds.

18 (b) The bonds issued by the corporation do not constitute an
19 indebtedness or other liability of the state or of a political sub-
20 division of the state, except the corporation, but shall be payable
21 solely from the income and receipts or other funds or property of the
22 corporation. The corporation may not pledge the faith or credit of
23 the state, or of a political subdivision of the state except the
24 corporation, to the payment of a bond and the issuance of a bond by
25 the corporation. Issuance of a bond by the corporation does not
26 directly, indirectly, or contingently obligate the state or a politi-
27 cal subdivision of the state to apply money from, or levy or pledge
28 any form of taxation whatever to the payment of the bond.

29 Sec. 14.42.265. UNDERWRITERS. After ~~December 31, 1986~~ ^{December 31, 1986}, the board

1 may select an underwriter only by using a competitive method.

2 Sec. 14.42.270. PLEDGE OF STATE. The state pledges to and
3 agrees with holders of bonds issued by the corporation that the state
4 will not limit or alter the rights and powers vested in the corpor-
5 ation under AS 14.42.100 - 14.42.330 to fulfill the terms of a con-
6 tract made by the corporation with the holders or in any way impair
7 the rights and remedies of the holders until the bonds, together with
8 the interest on them with interest on unpaid installments of interest,
9 and all costs and expenses in connection with an action or proceeding
10 by or on behalf of the holders, are fully met and discharged. The
11 corporation is authorized to include this pledge and agreement of the
12 state in a contract with the holders.

13 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal
14 property of the corporation and its assets, income and receipts are
15 declared to be the property of a political subdivision of the state
16 and devoted to an essential public and governmental function and
17 purpose, and the property, assets, income, receipts, and other in-
18 terests of the corporation are exempt from all taxes and special
19 assessments or the state or a political subdivision of the state,
20 including, municipalities, school districts, public utility districts
21 and other taxing units. All bonds of the corporation are declared to
22 be issued by a political subdivision of the state and for an essential
23 public and governmental purpose, and the bonds, and the interest on
24 them, the income from them and the transfer of the bonds, and all
25 assets, income and receipts pledged to pay or secure the payment of
26 the bonds, or interest on them, are exempt from taxation by or under
27 the authority of the state, except for inheritance and estate taxes
28 and taxes on transfers by or in contemplation of death. Nothing in
29 this section affects or limits an exemption from license fees,

1 property taxes, or excise, income or other taxes provided under other
2 law, nor does it create a tax exemption with respect to the interest
3 of a person, other than the corporation, in property, assets, income,
4 receipts, or other interests.

5 Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The
6 bonds of the corporation are securities in which all public officers
7 and bodies of the state, all municipalities, all insurance companies,
8 associations, and other persons carrying on an insurance business, all
9 banks, bankers, trust companies, savings banks, savings associations,
10 including savings associations and building and loan associations,
11 investment companies and other persons carrying on a banking business,
12 all administrators, guardians, executors, trustees and other fidu-
13 ciaries, and all other persons are authorized to invest in bonds or
14 other obligations of the state, may properly and legally invest funds
15 including capital in their control or belonging to them. Notwith-
16 standing any other provisions of law, the bonds of the corporation are
17 also securities that may be deposited with and may be received by all
18 public officers and bodies of this state and all municipalities for
19 any purpose for which the deposit of bonds or other obligations of the
20 state is now or may hereafter be authorized.

21 Sec. 14.42.310. OPERATION OF CERTAIN STATUTES EXCEPTED. (a)
22 The corporation shall not be considered or constitute (1) a political
23 subdivision of the state as the term is used in AS 37.10.085; (2) a
24 municipality as the term is defined in AS 01.10.060; or (3) except as
25 provided in AS 14.42.190 and 14.42.320, a state agency as the term is
26 used in AS 37; but for all other purposes the corporation constitutes
27 a political subdivision and an instrumentality of the state.

28 (b) The funds, income or receipts of the corporation may not be
29 considered and do not constitute money of the state, nor may real

1 property in which the corporation has an interest be considered land
2 owned in fee by the state or to which the state may become entitled or
3 in any way land belonging to the state, or state land referred to in
4 art. VIII of the Alaska Constitution.

5 Sec. 14.42.320. ANNUAL AUDIT. The financial records of the
6 corporation shall be audited annually by the legislative auditor or by
7 a certified public accountant approved by the legislative auditor.
8 The legislative auditor may prescribe the form and content of the
9 financial records of the corporation and shall have access to these
10 records at any time.

11 Sec. 14.42.330. DEFINITIONS. In AS 14.42.100 - 14.42.330,

12 (1) "board" means the board of directors of the corpo-
13 ration;

14 (2) "corporation" means the Alaska Student Loan Corpora-
15 tion.

16 * Sec. 2. AS 14.43.090(a) is amended to read:

17 (a) There is created a scholarship revolving loan fund. The
18 fund shall be used to make scholarship loans to students selected
19 under AS 14.43.090 - 14.43.160 and to pay the costs of collecting
20 student loans that are in default if those costs are not recovered
21 from the student. Unless the instrument evidencing the scholarship
22 loan has been sold to the Alaska Student Loan Corporation, [ALL]
23 repayments of principal and interest on a scholarship loan [LOANS]
24 shall be paid into the scholarship revolving loan fund. If money
25 estimated to be available [FROM SCHOLARSHIP LOAN REPAYMENTS] is
26 inadequate to fully fund estimated scholarship loans for any fiscal
27 year, additional funding from the general fund may be requested and
28 appropriated for that year.

29 * Sec. 3. AS 14.43.090 is amended by adding a new subsection to read:

1 (d) The student financial aid committee may sell notes and other
2 instruments evidencing scholarship loans to the Alaska Student Loan
3 Corporation. Proceeds from the sale of notes and other instruments
4 shall be deposited in the scholarship revolving loan fund.

5 * Sec. 4. AS 14.43.120(d) is amended to read:

6 (d) scholarship loans may not be made to a student

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

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

9 (3) for more than a total of eight years of undergraduate
10 and graduate study;

11 (4) to attend an institution if the default rate on loans
12 made to students to attend the institution exceeds the program default
13 rate by more than 150 percent.

14 * Sec. 5. AS 14.43.255(a) is amended to read:

15 (a) There is created a memorial scholarship revolving loan fund.
16 The fund shall be used to provide educational scholarship loans to
17 students selected under AS 14.43.250 - 14.43.325. Unless the instru-
18 ment evidencing the memorial scholarship loan has been sold to the
19 Alaska Student Loan Corporation, [ALL] repayments of principal on a
20 memorial scholarship loan shall be paid into the memorial scholarship
21 revolving loan fund and shall be used to make new scholarship loans.

22 * Sec. 6. AS 14.43.255 is amended by adding a new subsection to read:

23 (c) The student financial aid committee may sell notes and other
24 instruments evidencing memorial scholarship loans to the Alaska Stu-
25 dent Loan Corporation. Proceeds from the sale of a note or other
26 instrument shall be deposited in the appropriate memorial scholarship
27 loan fund.

28 * Sec. 7. AS 14.43.620 is amended to read:

29 Sec. 14.43.620. TEACHER SCHOLARSHIP REVOLVING LOAN FUND. There

1 is created a teacher scholarship revolving loan fund. The fund shall
2 be used to make scholarship loans to students selected under AS 14.-
3 43.600 - 14.43.700. Unless the instrument evidencing the teacher
4 scholarship loan has been sold to the Alaska Student Loan Corporation,
5 [ALL] repayments of principal and interest on a teacher scholarship
6 loan [LOANS] shall be paid into the teacher scholarship revolving loan
7 fund and shall be used to make new teacher scholarship loans. If
8 estimated funds available [FROM TEACHER SCHOLARSHIP LOAN REPAYMENTS]
9 are inadequate to fully fund estimated teacher scholarship loans for
10 any fiscal year, additional funding from the general fund may be
11 requested and appropriated for that year.

12 * Sec. 8. AS 14.43.620 is amended by adding a new subsection to read:

13 (b) The student financial aid committee may sell notes and other
14 instruments evidencing teacher scholarship loans to the Alaska Student
15 Loan Corporation. Proceeds from the sale of the notes or other in-
16 struments shall be deposited in the teacher scholarship revolving loan
17 fund.

18 * Sec. 9. This Act takes effect immediately in accordance with AS 01.-
19 10.070(c).

$$\begin{array}{r}
 37 \text{ GF} \\
 45 \text{ Bonds} \\
 \hline
 82
 \end{array}$$

Kerry - 80 million - 2 capital reserves?

367 million - value of loan portfolio

$\frac{0.7}{1.0}$
 $3\frac{1}{2}\%$ ^{in GF} per 1% increase in Bond rate.

50 million in requests now for next fall.

3.7 years?

Changes likely in loan program

By Dave Bulger
VOICE Editor

UAA Voice
11/11/85

The Alaska Student Loan Program is out of money for college students this year, but lawmakers and loan officials are working to bring more funds into the program.

However, the two groups have different angles. HB 161, affecting the interest rates and grace period of the loan, has passed through the Alaska House of Representatives and will be under consideration by the Senate Finance Committee in January. The Alaska Commission on Postsecondary Education (ACPE), the loan's administrative body, also meets in January to discuss two possible regulatory changes for the program.

ACPE commissioner Richard Helms commented on the current condition of the program.

"We're out of money for collegiate borrowers," Helms said. "We're not out of money for Vo-tech (Vocational/Technical) borrowers." Helms said the reason vo-tech money is still available is because the commission set aside a certain amount of money this year, "knowing that we were going to run out of funds," since the vo-tech borrowers don't have the "traditional" collegiate year.

Helms said no money would be available for new borrowers next semester. Warning students not to expect anything, Helms said, "what traditionally happens is that there will be a percentage of students that will not maintain good academic standing, or they will drop out of school or choose not to utilize their next semester's loan. Therefore, those monies would revert back to the program and there would be some money for students to borrow. We now have a waiting list and we'll take students on a first-come, first-served basis."

Helms said the commission estimates the program "will be unable to fund 1,500 students this year."



Dave Bulger/UAA VOICE

ACPE student commissioner Rick Helms testifies at a recent hearing on HB 161. Rep. John Binkley looks on.

The legislature's effort to create more student access to the program is HB 161. The bill would increase the loan's interest rate from five to eight percent and decrease the grace period from one year to six months. The bill also calls for a ramping of the interest rate which would allow five percent interest for the first three years of repayment, and additional interest for the next seven years, averaging eight percent over the ten-year repayment period.

According to HB 161's fiscal note, prepared by the commission, on a \$24,000 loan, a student would pay \$254.56 a month for the first three years of the loan and \$306.89 a month for the last seven years if the ramping is introduced.

The commission is seriously considering two regulatory changes, according to Helms. The first alternative involves reducing the maximum loan available, from the present \$6,000 (for undergraduates) to \$5,500, which would save the program \$2.5 million. Last year, more than \$75 million was spent on student loans.

Another alternative under consideration is to require each borrower to con-

tribute at least \$500 from a non-state-loan source toward eligible loan items. According to a report on this alternative, the \$500 requirement would result in a reduced program cost of around \$6.0 to \$6.5 million, which could be used to fund an additional 1,500 students.

Helms remarked that if HB 161 passes, the loan program will have continued good health, but "at the expense of people who cannot borrow. It will reduce access considerably, and people who really need the loan program to gain access to the educational mainstream will not be able to do it."

Helms said that if the grace period is reduced, the commission will have to re-work its computer data system. Also, he said "traditionally, students will have a break in their education for many reasons. It's not uncommon for students to return to school during the 12-month grace period." With a shorter grace period, a student who goes back to school after six months would force the commission to spend money to hire more staff to handle the additional administrative work, he said.

See pg. 8, LAWMAKERS

Lawmakers, commission seek money-saving alternatives

Cont. from pg. 1

Helms felt that reducing the grace period is "going against the trend that's happening in the nation. As a matter of fact, the federal government just recently was looking at their GSL (Guaranteed Student Loan) program, and they're thinking of taking that from six months to nine months."

Helms pointed out that if one or both of the regulatory changes are passed by the commission, and HB 161 passes, "we will see a significant impact on students. If the commission passes one of those, that's going to be a significant impact. If 161 passes on top of that, I don't know if we'll have an effective loan program anymore."

Effectiveness is what the program is all about. The program's origins can be found in a scholarship loan program established by the 1968 state legislature. The program was amended in 1970 and restructured in 1971 to its existing form. Since then, nearly

Wallet returned

Cont. from pg. 1

The money was used to buy a plane ticket for his wife. She will return to Korea at Christmas to see friends and family, whom she hasn't seen in seven years.

80,000 student loans, worth \$290 million, have been awarded to Alaska residents.

The ACPE's 1984-85 Annual Report on Alaska Student Financial Aid Programs says that currently, "educational loans of up to \$6,000 and \$7,000 per year for undergraduate and graduate study, respectively, are provided to eligible state residents. An incentive of up to 50 percent cancellation is offered to those borrowers who reside in Alaska after completion of their programs of study."

That "incentive" is known as forgiveness, and contrary to public belief, not everyone who gets a loan gets forgiveness.

Helms said to invoke forgiveness, the graduate must meet three criteria.

"First of all, to invoke forgiveness you have to get the degree that you took the loan out for," he said, explaining that if the student marked "BA" on his loan application, that is the degree he must obtain.

"Then you have to stay in the state or return to the state for two years after you get the degree. Then you have to apply. It's not an automatic-type thing. If granted forgiveness, then you can take 10 percent off the principle of the loan. Each year after that, you still

have to invoke forgiveness again. You have to be in the state. You can do that up to five times, so that's 50 percent of the loan that can be forgiven, but only if you meet that criteria. And very few students invoke forgiveness."

Helms also said that if the graduate goes out of state for a master's degree, he cannot get forgiveness for his undergraduate loan, since he won't be physically present in the state for the required two years. He said that only one out of every five graduates even applies for forgiveness, "and everyone who applies doesn't necessarily get it."

To be eligible for an Alaska student loan, a student must be an Alaska resident for 24 months immediately prior to filing; be, or plan to be, a full-time student in good standing (cumulative GPA — 2.0, undergraduate; 3.0, graduate) during the period for which the funds are requested; attend an ACPE-approved or nationally accredited school; be, or plan to be, enrolled in a career vocational/technical program or an associate, baccalaureate or graduate degree program; not have had loans under the program for more than eight full school years; and reapply for each year the loan is desired.

ANCHORAGE COMMUNITY COLLEGE STUDENT ASSOCIATION

Resolution No. 86-10
By: Virginia Belknap

OPPOSITION OF HB-161

WHEREAS the proposed changes suggested in HB-161 for the Student Loan Program would have a dramatic effect on the lives of students; and

WHEREAS students have been faced with tuition increases, reduced class time, a cost of living increase, promises of paid parking in the near future; and

WHEREAS the reduction of the grace period from one year to six months would cause financial burdens to the student just entering the work force; and

WHEREAS the U. S. House of Representatives has approved a bill that increases the grace period from six months to nine months for the 5.3 million students who receive guaranteed student loans and other government educational funding and that bill now goes to the U.S. Senate; and

WHEREAS education should be looked on as an investment in the future of our people, not as an expense and burden on society,

BE IT THEREFORE RESOLVED that the Assembly adopt this resolution as an official and formal expression of opposition to HB-161, and

BE IT FURTHER RESOLVED that this resolution be forwarded to the Alaska Legislature, the student member of the Commission on Postsecondary Education, the ASIN representative and other student governments in the state of Alaska.

Bruck Bruckman
Bruck Bruckman, ACCSA President

12/20/85
Date Approved

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 10/22/85

REQUEST

Bill/Resolution No.: CSHB 161
Title: Re: Student Loans

Sponsor: Binklev
Requestor: Senate Finance
Date of Request: 10/22/85

FISCAL DETAIL

Agency Affected: Education
Program Category Affected: Postsecondary
Education Commission
BRU, Program or Subprogram(s) Affected:
Student Loan Administration
Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING				30.3	63.7	67.5
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			25.0			
400 SUPPLIES				.1	.2	.2
500 EQUIPMENT				1.2	1.2	
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING			25.0	31.6	65.1	67.7
CAPITAL			(46.1)	(2,158.9)	(4,263.8)	(6,510.8)
REVENUE						

FUNDING: (Thousands of Dollars)

	N.A.	N.A.	(21.1)	(2,127.3)	(4,198.7)	(6,443.1)
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	N.A.	N.A.	-0-	1.0	2.0	2.0
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached

Prepared By: Kerry D. Romesby Executive Director Phone: 465-2854
Division: Alaska Commission on Postsecondary Date: 10/22/85
Education
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

7/1/84

Comments:

1. The \$20.0 in contractual is for modifying the existing student loan on-line system to accommodate for individuals with loans carrying varying interest rates.
2. The monthly payments for borrowers would change upward the last seven years of the repayment cycle. Examples of the repayment schedule are:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>Delayed 8%</u>
\$ 1,000	\$ 10.61	\$ 10.61/\$ 12.80
\$24,000	\$254.56	\$254.56/\$306.89

3. Forgiveness would be applied as it is now, with the State paying on behalf of the borrower up to 50% of the principal and interest accrued. Hence, the delayed impact of the 8% interest will actually provide a small additional incentive for forgiveness (about \$26 on a \$24,000 loan).

TABLE 1
PROJECTED REPAYMENT WITH CURRENT
PROGRAM TERMS

Year of Impact	BORROWING YEAR																	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
FY86																		
FY87																		
FY88	\$1,769.6	\$ 376.9																
FY89	3,452.3	735.3	\$1,702.1	\$ 362.5														
FY90	5,174.5	1,102.2	3,320.5	707.3	\$1,777.5	\$ 378.6												
FY91	7,726.2	1,645.7	4,977.0	1,060.1	3,467.7	738.6	\$1,853.9	\$ 394.9										
FY92	7,900.0	1,682.7	7,431.3	1,582.9	5,197.6	1,107.1	3,616.7	770.4	\$1,930.6	\$ 411.2								
FY93	7,581.5	1,614.9	7,598.5	1,618.5	7,760.6	1,653.0	5,420.9	1,154.7	3,766.5	802.3	\$2,018.4	\$ 429.9						
FY94	7,278.6	1,550.3	7,292.1	1,553.0	7,935.2	1,690.2	8,027.9	1,709.9	5,645.4	1,202.5	3,937.6	838.7	\$2,110.2	\$ 449.5				
FY95	6,968.6	1,484.3	7,000.8	1,491.2	7,615.3	1,622.1	8,276.2	1,762.8	8,429.3	1,795.4	5,901.9	1,257.1	4,116.7	876.9	\$2,206.2	\$ 469.9		
FY96	6,509.3	1,386.5	6,702.6	1,427.7	7,311.0	1,557.2	7,942.5	2,075.2	8,618.9	1,835.8	8,812.3	1,877.0	6,170.3	1,314.3	4,303.9	916.7	\$ 2,306.5	\$ 491.3
FY97	6,478.0	1,379.8	6,260.9	1,333.6	6,999.6	1,490.9	7,625.2	1,624.2	8,271.4	1,761.8	9,010.5	1,919.2	9,213.1	1,962.4	6,450.9	1,374.0	4,499.6	958.4
FY98	5,026.9	1,070.7	6,230.8	1,327.2	6,538.3	1,392.6	7,300.4	1,555.0	7,940.9	1,691.4	8,647.2	1,841.9	9,420.3	2,006.5	9,632.1	2,051.6	6,744.3	1,436.5
FY99	3,647.1	776.8	4,835.0	1,029.9	6,506.9	1,386.0	6,831.2	1,455.0	7,602.7	1,619.4	6,301.7	1,768.3	9,040.5	1,925.6	9,848.7	2,097.8	10,070.0	2,144.9
FY00	2,234.9	476.0	3,508.0	747.2	5,049.3	1,075.5	6,786.5	1,445.5	7,102.6	1,512.9	7,948.2	1,693.0	8,309.6	1,769.9	9,451.6	2,013.2	10,296.6	2,193.2

- Assumptions: 1. General Fund appropriation remains constant at \$60.0 million after FY87.
2. The percentage of borrowers entering repayment, with a 12-month grace period, will be:

Percent	Years After Borrowing
0.0	one year
22.4	two years
21.3	three years
21.8	four years
32.3	five years
2.2	six or more years
100.0	

3. Borrowing rates will not be reduced if interest is increased to 8 percent.

TABLE 2
PROJECTED REPAYMENT WITH
CSHB 161 TERMS

Year of Impact	BORROWING YEAR																	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
FY86																		
FY87			\$ 30.0	\$ 8.1														
FY88	\$1,769.6	\$ 376.9	1,740.1	370.6	\$ 39.7	\$ 8.5												
FY89	3,452.3	735.3	3,353.5	715.4	1,817.2	387.1	\$ 41.4	\$ 8.8										
FY90	5,174.5	1,102.2	5,015.0	1,068.2	3,507.4	747.1	1,895.2	403.7	\$ 43.1	\$ 15.0								
FY91	7,726.2	1,645.7	7,431.3	1,582.9	5,237.2	1,115.5	3,658.1	779.2	1,973.7	686.8	\$ 45.1	\$ 15.7						
FY92	7,900.0	1,682.7	7,598.5	1,618.5	7,760.6	1,653.0	5,462.3	1,163.5	3,609.6	1,325.7	2,063.4	718.1	\$ 47.1	\$ 16.4				
FY93	7,581.5	1,614.9	7,285.3	1,551.8	7,935.2	1,690.2	8,094.1	1,724.0	5,688.5	1,979.6	3,982.6	1,385.9	2,157.2	750.7	\$ 49.2	\$ 16.8		
FY94	7,278.6	1,550.3	6,994.0	1,489.7	7,608.1	1,620.5	8,276.2	1,762.8	8,429.3	2,933.4	5,946.9	2,069.5	4,163.8	1,449.0	2,255.4	764.9	\$ 51.5	\$ 17.9
FY95	6,968.6	1,484.3	6,695.8	1,426.2	7,303.9	1,555.7	7,935.1	1,690.2	8,618.9	2,999.4	8,812.3	3,066.7	6,217.4	2,163.7	4,353.1	1,514.9	2,357.9	820.5
FY96	6,509.3	1,366.5	6,261.0	1,333.6	6,992.5	1,489.4	7,617.7	1,622.6	8,263.6	2,875.7	9,010.5	3,135.7	9,213.1	3,206.2	6,500.1	2,262.0	4,551.1	1,583.8
FY97	6,478.0	1,379.8	6,230.8	1,327.2	6,538.3	1,392.7	7,293.0	1,553.4	7,933.2	2,760.8	8,639.1	3,006.4	9,420.3	3,278.3	9,632.0	3,351.9	6,795.8	2,164.9
FY98	5,026.9	1,070.7	4,803.9	1,023.2	6,506.9	1,386.6	6,819.3	1,452.5	7,595.0	2,643.1	8,293.6	2,886.2	9,032.0	3,143.1	9,848.7	3,427.3	10,070.1	3,504.4
FY99	3,647.1	776.8	3,476.8	740.6	5,016.8	1,068.6	6,786.5	1,445.5	7,101.6	2,471.4	7,940.1	2,763.2	8,670.8	3,017.4	9,442.7	3,286.1	10,296.6	3,543.2
FY00	2,234.9	476.0	2,118.5	451.2	3,630.8	773.4	5,232.4	1,114.5	7,067.5	2,459.5	7,424.3	2,583.7	7,551.7	2,628.0	9,064.8	3,154.6	9,872.2	3,435.5

Assumptions: 4. The percentage of borrowers entering repayment, with a 6-month grace period, will be:

Percent	Years After Borrowing
0.5	during first year
22.4	one year
21.3	two years
21.8	three years
31.8	four years
2.2	five or more years
100.0	

5. Forgiveness benefits will be received by 18 percent of the borrowers.
6. Default rate is not included.

TABLE 3
FISCAL IMPACT OF
CSHB 161

BORROWING YEAR

Year	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	Total*
Impact	p	p	p	p	p	p	p	p	p	p
FY85										
FY87										
FY88										
FY89										
FY90										
FY91										
FY92										
FY93										
FY94										
FY95										
FY96										
FY97										
FY98										
FY99										
FY00										

*NOTE: Totals after FY94 will be affected by loans made in FY95 and beyond.

TABLE 4
FISCAL IMPACT OF
8% INTEREST

Fiscal Year	BORROWING YEAR																		Total*	
	FY86		FY87		FY88		FY89		FY90		FY91		FY92		FY93		FY94		P	I
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I				
86																				
87																				
88																				
89				\$ 897.5																\$ 217.5
90			924.4		\$ 227.2															651.6
91			636.1		443.2		\$ 236.9													1,316.2
92			949.7		661.3		462.2		\$ 246.7											2,319.9
93			971.1		991.8		692.8		481.4		\$ 257.9									3,195.0
94			931.8		1,025.9		1,014.1		721.5		503.2		\$ 269.7							4,466.2
95			894.7		973.3		1,057.7		1,077.2		754.3		526.1		\$ 281.9					5,565.2
96			856.6		934.3		1,245.1		1,101.5		1,126.2		788.5		550.0		\$ 294.8			6,897.0
97			800.2		894.5		974.5		1,057.1		1,151.5		1,177.4		824.4		575.0			7,494.6
98			796.3		835.6		933.0		1,014.8		1,105.1		1,203.9		1,231.0		861.9			7,981.6
99			617.9		811.6		873.0		971.6		1,061.0		1,155.4		1,258.7		1,266.9			8,956.3
00			448.3		645.3		867.3		907.7		1,015.8		1,061.9		1,207.9		1,315.9			7,472.1

DTC: Totals after FY94 will be effected by loans made in FY95 and beyond.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES

POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on

Health, Education and Social Services

M E M O R A N D U M

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

FROM: Committee Staff

RE: Committee Meeting, January 28, 1986

DATE: January 24, 1986

On Tuesday, January 28, from 1:30-3:30 pm in the Beltz Room, the Senate Committee on Health, Education and Social Services will receive a briefing on the state's student loan program.

The Scholarship Revolving Loan Fund provides low interest loans to eligible state residents for education at a postsecondary level. Since its origin in 1968, 80,000 student loans have been made, for a total of \$290 million. Despite annual appropriations to the fund (\$63 million in FY 86), demand has outstripped the resources of the fund, and there are currently over 1200 students on the waiting list.

Dr. Kerry Romesburg, Executive Director of the Commission on Postsecondary Education, will present an overview of the program and discuss alternatives for meeting the short and long term needs of the fund.

In addition, the Committee will hear:

SCR 29, Relating to designating February 1986 as Community College Month.

On October 22, 1985, President Reagan proclaimed February 1986 National Community College Month. SCR 29 affirms this designation and calls upon the people of the state to observe it with appropriate ceremonies and activities. Special events are planned at the 11 community colleges in Alaska.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES

POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3534
(907) 465-3762

Senate Committee on Health, Education and Social Services

MEMORANDUM

TO: Kerry D. Romesburg, Executive Director
Postsecondary Education Commission

FROM: Senator Bettye Fahrenkamp, Chairman *BF*
Senate Committee on Health, Education and Social Services

DATE: January 22, 1985

RE: Presentation on student loans

This memo is to confirm your 1:30, January 28 presentation to the Senate Committee on Health, Education and Social Services on the state's student loan program. My interest, and I believe the interest of the committee, is in ensuring the long term stability of the program while meeting the short term cash requirements of the fund. Several approaches to meeting this goal have been proposed. I would appreciate your comments and insight on them as well as some general information on the origin of the loan program. Specifically, I would ask that the following points be discussed:

History of the loan program

- Date of enactment/stated purpose
- Original program/current program
- Eligibility (residency, income level, academic standing, course of study)
- Loan conditions (eligible expenses, forgiveness)
- Loan terms (interest, repayment terms, maximum loan, default provision)

Discussion of the components of the Federal program or a model student loan program may be beneficial.

Loan activity

- Annual income to the fund from repayments of principal and interest
- Annual legislative appropriations to fund
- Number of students being served (in state, out of state, average amount of loan)
- Number of eligible students currently unserved
- Default rate, efforts to reduce

Alternatives

Many of the suggestions being made now have been discussed and considered in past years. Your perspective on their viability would be appreciated, as would information on the economic benefits of each alternative.

Reduce maximum loan amount by \$500
Require recipients to donate \$500 toward eligible expenses
Increase interest rate (including graduated and fluctuating)
Reduce grace period
Deny loans for foreign study
Employ a needs test
Eliminate forgiveness
Limit loans to U.S. citizens
Other

I look forward to seeing you on Tuesday.

From the Commission on Postsecondary Education 1984-1985 Annual Report

ALASKA STUDENT LOAN PROGRAM

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a postsecondary level. The program has grown from serving just over 1,000 Alaskans, in 1971-72, to the current 1984-85 level of serving over 17,000 Alaskans.

The Alaska Student Loan Program had its origin in a program of scholarship loans established by the 1968 Alaska State Legislature. This program was amended in 1970 and completely restructured in 1971, when the Legislature established the loan program generally as it exists at present. In the fourteen years of operation since then, nearly 80,000 student loans have been awarded to Alaskan residents, for a total of nearly \$290 million.

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

Program Summary

During the ¹⁹⁸⁴⁻⁸⁵~~1983-84~~ school year over 19,000 loans were awarded, and 17,173 were finalized and used for postsecondary attendance. Of these 17,173 loans, 54.0 percent were for attendance in Alaska, and 46.0 percent were for attendance out-of-state.

Undergraduate loans continue to dominate the loan volume, with only 7.9 percent of the 1984-85 loans going for graduate study. The largest single group of loans were for freshman borrowers, who accounted for 28.8 percent of all the 1984-85 loans.

Alaskans use these loans for study throughout the United States, and in a number of foreign countries. During the 1984-85 loan year, students from Alaska used state loans for attendance in every state in the Union and in eighteen foreign countries. The most frequent choice continues to be Alaska by more than a four-to-one margin over any other state.

Loan Award Amounts

The average loan award continued to rise slightly in 1984-85, following the dramatic rise in 1981-82 when the borrowing maximums were raised. For 1984-85, an undergraduate average loan was \$4,288 while the average graduate loan was \$5,363. Out-of-state student loans continue to be higher, on the average, than in-state loans, due largely to non-resident tuition fees. This is graphically presented in Figure 1. It is anticipated that the trend toward higher average loans will continue in the years ahead as tuition rates continue to increase.

Table 1 contains average loan amounts by student level for the last three years, 1982-83, 1983-84, and 1984-85. In general all loans, regardless of level, have steadily increased, for students attending in-state, and have leveled, or even dropped slightly, for those attending out-of-state. The out-of-state borrower averages a higher loan amount than the in-state borrower for every classification other than vocational.

Loan Repayments

The student loan program is based upon a revolving fund with the students' loan repayments being re-utilized for future student loans. Since 1971-72 (actually 1974-75, since there were no repayments received the first few years), Alaskans have repaid nearly \$32 million on their educational loans. The volume of these revolving funds now contribute a significant portion of the loan account, and as can be seen in Figure 6, these repayments are rapidly increasing each year.

Also presented in Figure 6 is a representation of the forgiveness history of the student loan program. Students who reside in Alaska after completion of their course of study are eligible to have up to 50 percent of their loans forgiven. Beginning with the first such forgiveness in 1974-75, the total amount of loan funds (including interest) which the State of Alaska has forgiven has generally shown large annual increases, with the exception of 1979-80 when forgiveness benefits temporarily leveled. During 1984-85 nearly 4,300 Alaskans received partial forgiveness of their student loans. Increases are projected to continue over the next few years as larger numbers of students complete their educational programs.

Default

Nationally, student loans have a notoriously high default rate, and, unfortunately, Alaska's program also has experienced problems with loan collections. Although the Alaska program had been doing considerably better than the federal loan programs, the default rate began to rise during 1983-84. As can be seen in Table 6, the default rate had been steadily decreasing since the concerted effort began in 1975-76 to pursue these bad debts. However, during 1983-84 default volumes outstripped available manpower and the rate rose dramatically. In 1984-85, the loan program contracted with a private collection firm and the default rate has slowly begun to drop again. A default rate of 10.0 percent is the target for 1985-86.

TABLE 6
ANNUAL DEFAULT RATES OF
ALASKA STATE STUDENT LOANS
1971-72 through 1984-85

LOAN YEAR	DEFAULT RATE* (June 30)
1971-72	N.A.
1972-73	N.A.
1973-74	N.A.
1974-75	80.0%
1975-76	44.6%
1976-77	24.9%
1977-78	22.3%
1978-79	19.3%
1979-80	14.5%
1980-81	11.5%
1981-82	9.2%
1982-83	9.1%
1983-84	13.5%
1984-85	12.4%

*Default is 120+ days past due.

Statistical Data

In the Appendix are Tables 11-17 containing data on the Alaska Student Loan Program from 1971-72 through 1984-85. Information on the number and amounts of loans made annually to undergraduate and graduate students attending in-state and out-of-state is presented in Tables 11-14. Table 15 contains summaries of the average size loan awarded each year, and Tables 16 and 17 contain data on institutions most frequently attended by Alaska Student Loan borrowers.

Alaska State Legislature

CO-CHAIRMAN
FINANCE COMMITTEE
907-465-3740




JAN FAIKS
POLCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

Senate

January 15, 1986

MEMORANDUM

TO: All Members, Senate Finance Committee

FROM: Senator Jan Faiks, Co-Chairman
Senate Finance Committee 

SUBJECT: House Bill 161

I received the following recommendations from the Student Financial Aid Advisory Committee of ACC and UAA over the telephone and was requested to relay them to the Finance Committee.

The recommendations are as follows:

- 1) Support restricting loans to United States citizens and permanent resident aliens only. They estimate a savings of \$75,000 to \$100,000.
- 2) Define institutional eligibility as being accredited by national or regional accreditation organization or having been approved by the Postsecondary Education Commission and having operated for 2 consecutive years prior to becoming eligible.
- 3) Reduce the maximum loan available to \$5500. Estimate savings of \$2.5 million.
- 4) Establish a two-tier loan program partially based upon need. Everyone would be eligible to borrow up to \$4,000. Remaining \$2,000 - \$3,000 would be loaned using a needs based test. However, they do not want to use federal standards of need because of Alaska's higher cost of living.

The Committee wanted to stress that they were most supportive of recommendations 1 and 2.

OUT OF SESSION

from Beck Bruckman
ACC Student Ass. Pres.

STUDENT LOANS-- ONE STUDENT'S PERSPECTIVE

PROBLEMS WITH HB 161:

60% INCREASE IN INTEREST-- WHY SHOULD THE STUDENT LOAN PROGRAM, WHICH HAS ONE OF THE BEST RECORDS FOR PAYBACK, BE SINGLED OUT FOR SUCH A HUGE INCREASE IN INTEREST?

GRACE PERIOD ON REPAYMENT MOVED AHEAD 6 MONTHS, AT A TIME WHEN THE GRADUATING STUDENT CAN LEAST AFFORD IT.

THE BILL DOES NOT DO WHAT IT IS INTENDED TO DO

WHAT IS WRONG WITH THE STUDENT LOAN PROGRAM?

PEOPLE COME UP FROM OUT-OF-STATE LONG ENOUGH TO QUALIFY FOR THE RESIDENCY REQUIREMENT, APPLY FOR A LOAN, AND TAKE THE MONEY BACK OUT OF THE STATE. ALASKA PAYS FOR THEIR EDUCATIONS AND THE MONEY SPENT ON LIVING EXPENSES (OFTEN THE MAJOR PART OF THE LOAN) IS SPENT OUT OF THE STATE.

THERE ARE CASES OF PEOPLE WHO MAKE OVER \$50,000 ANNUALLY, APPLY FOR THE LOW-INTEREST LOAN, AND THEN PROCEED TO MAKE MONEY BY REINVESTING THE LOAN FUNDS.

THE POSTSECONDARY EDUCATION COMMISSION HAS DECREED THAT STUDENTS MUST SHOW THAT THEY SPEND \$500 OF THEIR OWN MONEY TO ATTEND SCHOOL. THIS AFFECTS IN-STATE STUDENTS PRIMARILY BECAUSE OUT-OF-STATE STUDENTS HAVE NO PROBLEM SHOWING THAT THEIR COSTS FOR LIVING, TUITION, AND BOOKS ALREADY EXCEED THE MAXIMUM AMOUNT OF THE LOAN BY AT LEAST \$500.

ALTERNATIVES TO HB 161:

1. CHARGE A DIFFERENTIAL RATE OF INTEREST 5% TO IN-STATE STUDENTS, 8% TO OUT-OF-STATE STUDENTS. EXEMPT THOSE STUDENTS ENROLLED IN DEGREE PROGRAMS NOT OFFERED WITHIN ALASKA.

OR

REQUIRE GRADUATION FROM AN ALASKA HIGH SCHOOL FOR STUDENTS WHO WANT A STUDENT LOAN TO ACQUIRE A DEGREE FROM OUTSIDE ALASKA IF THAT PROGRAM IS ALSO OFFERED WITHIN THE STATE.

2. INSTITUTE A REALISTIC INCOME/NEEDS FORMULA FOR ELIGIBILITY ON THE LOW-INTEREST LOAN. SOME STUDENTS HAVE A PROBLEM WITH AN INCOME CEILING FIGURE OF \$20,000. NOBODY HAS A PROBLEM WITH \$50,000. A REALISTIC FIGURE IS PROBABLY SOMEWHERE IN BETWEEN.

3. ANOTHER SUGGESTION THAT WOULD BRING MONEY BACK INTO THE PROGRAM MORE QUICKLY IS TO CREATE INCENTIVES FOR EARLY PAYBACK. THE CURRENT PROGRAM OFFERS NO REASON FOR EARLY PAYBACK. PERHAPS A FIRST-5-YEAR AT 5%, SECOND-5-YEAR AT 10% SCHEDULE WOULD DO IT?

Offered: 5/9/85
Referred: Finance

Original sponsor: Binkley

1 IN THE HOUSE
2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (HESS)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the interest rate, loan condi-
7 tions and repayment provisions of scholarship loans;
8 and providing for an effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 14.43.120(f) is amended to read:
11 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
12 at the rate of eight [FIVE] percent a year unless the loan is in
13 default. Interest on a loan that is in default is 10 percent a year
14 for the period the loan is in default.
15 * Sec. 2. AS 14.43.120(g) is amended to read:
16 (g) Repayment of the principal and interest on the loan begins
17 no later than six months [ONE YEAR] after the borrower's studies are
18 terminated. The loan shall provide for repayment of the total amount
19 owed in periodic installments in not more than 10 years from the
20 commencement of repayment, except as provided in (k) and (m) of this
21 section. Interest shall accrue as provided in (f) of this section,
22 but the borrower shall be allowed to repay the loan at a five percent
23 interest rate for the first three years of the repayment period, with
24 the extra accrued interest to be paid in later years. If the commis-
25 sion and the borrower agree to a different repayment schedule, the
26 borrower shall repay the loan in accordance with the agreement. A
27 borrower may make payments earlier than required by this subsection.
28 * Sec. 3. This Act takes effect July 1, 1985.

Senate HESS Committee
January 24, 1986

HB 161, Relating to student loans.

ORIGINAL

- 1) Increases interest rate from 5% to 8%.
- 2) Limits eligibility to only those who have graduated high school within one year preceding application.
- 3) Requires a needs test for applicants.
- 4) Repeals the forgiveness clause.

HOUSE LOANS COMMITTEE

- 1) Increases interest rate from 5% to 8%.
- 2) Clarifies eligibility requirements (these provisions were included in HB 185, which was signed into law May 25, 1985)
- 3) Repeals the forgiveness clause.

HOUSE FINANCE COMMITTEE

- 1) Increases interest rate from 5% to 8%.
- 2) Reduces the grace period from one year to six months.
- 3) Provides for a "ramped" repayment schedule; the first three years would be paid at a 5% interest rate, with the extra accrued interest to be paid in later years.

HOUSE FINANCE WITH FLOOR AMENDMENT

The house floor amendment has the same effect as provided for in SB 17, relating to consortium agreements, which was signed into law on May 6, 1985.

SENATE HESS COMMITTEE

Same as HOUSE FINANCE COMMITTEE.

Effect of amendments. — The 1984 "Methodist" in paragraph (2) of subsection amendment substituted "Pacific" for (a).

Chapter 43. Scholarship, Loan, and Grant Programs for Postsecondary Students.

Article

4. Scholarship Loan Program (§§ 14.43.090, 14.43.095, 14.43.100, 14.43.110, 14.43.115, 14.43.120, 14.43.125, 14.43.130, 14.43.160)
7. Teacher Scholarship Loan Program (§§ 14.43.600 — 14.43.700)

Article 4. Scholarship Loan Program.

Section

90. Scholarship revolving loan fund
95. Financial aid committee
100. Applications
110. Undergraduate loans
115. Graduate loans

Section

120. Conditions of loans
125. Eligibility of students
130. [Repealed]
160. Definitions

Sec. 14.43.090. Scholarship revolving loan fund. (a) There is created a scholarship revolving loan fund. The fund shall be used to make scholarship loans to students selected under AS 14.43.090 — 14.43.160 and to pay the costs of collecting student loans that are in default if those costs are not recovered from the student. All repayments of principal and interest on scholarship loans shall be paid into the scholarship revolving loan fund. If money estimated to be available from scholarship loan repayments is inadequate to fully fund estimated scholarship loans for any fiscal year, additional funding from the general fund may be requested and appropriated for that year.

(b) *[Repealed, § 31 ch 59 SLA 1982.]*

(c) *[Repealed, § 31 ch 59 SLA 1982.]* (§ 1 ch 98 SLA 1971; am § 1 ch 156 SLA 1972; am §§ 1, 2 ch 136 SLA 1974; am § 1 ch 136 SLA 1975; am § 31 ch 59 SLA 1982; AS 14.40.751; am § 1 ch 158 SLA 1984)

Effect of amendments. — The 1984 amendment, in subsection (a), added "and to pay the costs of collecting student loans that are in default if those costs are not recovered from the student" at the end of the first sentence and substituted "loan fund" for "fund shall be used to make new scholarship loans" in the second sentence and "money estimated to be" for "funds" and "is" for "are" in the third sentence.

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

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

(c) The committee shall make an annual report reviewing the work of the committee to the governor and the legislature.

(d) The committee shall meet at least once a year. The meetings shall be held at the call of the chairman or upon petition by two members. (§ 1 ch 98 SLA 1971; am § 2 ch 156 SLA 1972; am § 5 ch 78 SLA 1974; am § 3 ch 136 SLA 1974; AS 14.40.753; am § 57 ch 6 SLA 1984)

Effect of amendments. — The 1984 amendment substituted "and the legislature" for "the legislature and the private colleges and universities where students receiving tuition grants are enrolled" in subsection (c).

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

(b) A person whose loan application is not recommended or presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971; am § 3 ch 156 SLA 1972; am § 4 ch 136 SLA 1974; AS 14.40.755; am § 58 ch 6 SLA 1984)

Effect of amendments. — The 1984 amendment deleted "or grant" following "loan" in subsection (b).

Sec. 14.43.110. Undergraduate loans. The committee may make a loan, not to exceed \$6,000 in any one school year, to an undergraduate student eligible under AS 14.43.125. The committee may make a loan for a summer term, even if the total loan for the school year exceeds the \$6,000 maximum, if the loan for the summer term is counted against the \$6,000 maximum for the following school year. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974; am § 1 ch 153 SLA 1978; am § 1 ch 89 SLA 1981; AS 14.40.759; am § 1 ch 34 SLA 1985)

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

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

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

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

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

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

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

the tuition grant program by Chapter 59, SLA 1982.

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

Sec. 14.43.110. Undergraduate loans. The committee may make a loan, not to exceed \$6,000 in any one school year, to an undergraduate student eligible under AS 14.43.125. (§ 1 ch 98 SLA 1971; am § 3 ch 136 SLA 1974; am § 1 ch 153 SLA 1978; am § 1 ch 89 SLA 1981; AS 14.40.759)

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

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

The 1981 amendment substituted "6,000" for "3,000" following the renumbering of that section.

Effect of amendments. — The 1978 amendment increased the maximum

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

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031. Effect of amendments. — The 1978 amendment increased the maximum amount of the loan from \$2,500.00 to \$3,000.00.

Sec. 14.43.120. Conditions of loans. (a) Loans may only be used for books, tuition, room and board.

(b) The loans may only be used to attend a college or university approved by the committee and federally insured, by the United States Department of Education.

(c) To maintain a loan the student must be a full-time student in good standing in a college or university designated under (b) and shall adopt regulations defining "good standing" as provided in subsection (d).

(d) Scholarship loans may not be made (1) for more than five years of undergraduate study, (2) for more than five years of graduate study, (3) for more than a total of eight years of graduate study.

(e) Loans are interest bearing while a student is in school (this section or is receiving a deferment under this section); however, a student is entitled to a refund of interest paid in accordance with (1) of this section.

(f) Interest on a loan given under AS 14.43.120 shall be at a rate of five per cent a year.

(g) Repayment of the principal and interest shall begin no later than one year after the borrower's last day of school. The loan shall provide for repayment of the total amount of the loan in not more than 10 years. The borrower shall make payments, except as provided in (k) and (l), until the loan is paid in full. The borrower and the borrower agree to a schedule of payments and the borrower shall repay the loan in accordance with the schedule. A borrower may make payments earlier than the schedule.

(h) Security may not be required for a loan. If security is required, it shall be made for payment of attorney fees and costs which are incurred in collection of the loan.

(i) If a loan is in default, the committee shall require repayment of the remaining balance of the loan, including the borrower a notice by registered mail.

(j) A portion of a loan shall be paid or repaid upon completion of the course or courses for which the loan was granted, the borrower is a resident of the state, and the borrower is a resident of the state. The portion of the loan that shall be paid shall be determined by the following percentages of the total loan received per year of the total loan:

Effect of amendments. — The 1985 amendment, effective May 24, 1985, added the second sentence of the section.

Sec. 14.43.115. Graduate loans. The committee may make a loan, not to exceed \$7,000 in any one school year, to a graduate student who is eligible under AS 14.43.125 and is pursuing an advanced degree. The committee may make a loan for a summer term, even if the total loan for the school year exceeds the \$7,000 maximum, if the loan for the summer term is counted against the \$7,000 maximum for the following school year. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974; am § 2 ch 89 SLA 1981; AS 14.40.761; am § 2 ch 34 SLA 1985)

Effect of amendments. — The 1985 amendment, effective May 24, 1985, added the second sentence.

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

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

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

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

- (1) for more than five years of undergraduate study;
- (2) for more than five years of graduate study;
- (3) for more than a total of eight years of undergraduate and graduate study.

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

(f) Interest on a loan given under AS 14.43.090 — 14.43.160 is at the rate of five percent a year unless the loan is in default. Interest on a loan that is in default is 10 percent a year for the period the loan is in default.

(g) Repayment of the principal and interest on the loan begins no later than one year after the borrower's studies are terminated. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the

c. Commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) for a one-time period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or

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

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

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

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

(m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than 12 months each.

(n) [Repealed by § 11 ch 89 SLA 1981.]

(o) The provisions of (j) of this section do not apply to a loan that is in default.

(p) For purposes of this section, a person qualifies as a resident if the person is physically present in the state with the intent to remain permanently in the state or, if not physically present in the state, the person intends to return to the state and is absent due to military service.

(q) For the purposes of this section a loan is in default if a loan payment is 120 or more days past due. (§ 1 ch 98 SLA 1971; am § 4 ch 156 SLA 1972; am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974; am §§ 1 — 4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979; am §§ 3 — 9, 11 ch 89 SLA 1981; am §§ 2 — 4 ch 158 SLA 1984; am § 3 ch 34 SLA 1985)

Effect of amendments. — The 1984 amendment added subsection (q) and, in subsection (f), added the second sentence and added "unless the loan is in default" at the end of the first sentence; and, in subsection (o), substituted "that is in default" for "to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure

payment of the unpaid balance of a loan made under AS 14.43.110 or 14.43.115."

The 1985 amendment, effective May 24, 1985, inserted "an initial period of up to six years" in paragraph (2) of subsection (k).

Editor's notes. — This section is set out above to correct errors in the main pamphlet.

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

(1) is

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

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

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

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

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

(B) is dependent on a parent or guardian for care, the parent or guardian has been present in the state for at least two years immediately before the time of application for the loan and the person has been present in the state for at least one year of the immediately preceding five years except that the commission may by a two-thirds vote, acting upon a written appeal by the person, grant an exemption to the requirement that the person has been present in the state for one year of the immediately preceding five years;

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

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

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

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

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

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

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

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

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

(iii) full-time employment by the state;

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

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

(b) A person does not qualify as a resident of the state under this section if the person declares or establishes residence in another state during an absence from Alaska. (§ 1 ch 98 SLA 1971; am § 10 ch 89 SLA 1981; am § 9 ch 67 SLA 1983; am § 4 ch 34 SLA 1985)

Effect of amendments. — The 1983 amendment, in paragraph (2) of subsection (b) deleted "and" following "guardian for care" and added the language beginning "and the person has been present" at the end of the paragraph.

The 1985 amendment, effective May 24, 1985, rewrote the section.

Editor's note. — Section 18, ch. 67, SLA 1983 provided: "If the two-year resi-

dency requirement for scholarship loans provided by AS 14.43.125 is declared unconstitutional or otherwise invalid by a court of competent jurisdiction, the Commission on Postsecondary Education shall adopt regulations to impose the most stringent residency requirement allowable under the Constitution of the State of Alaska and the United States Constitution on scholarship loan applicants."

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§ 14.43.135

EDUCATION

§ 14.43.160

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

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

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

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

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

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

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

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

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

Sec. 14.43.160. Definitions. In AS 14.43.090 — 14.43.160

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

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

Sec. 14.43.130. Selection criteria. [Repealed. § 19 ch 67 SLA 1983.]

Sec. 14.43.160. Definitions. In AS 14.43.090 — 14.43.160

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

(2) "commission" means the Alaska Commission on Postsecondary Education;

(3) "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;

(4) "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 constitutes full-time student status;

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

(6) "summer term" means the period from June 1 — August 31. (§ 5 ch 156 SLA 1972; am § 8 ch 78 SLA 1974; am §§ 18 — 20 ch 136 SLA 1974; am § 5 ch 136 SLA 1975; am § 7 ch 246 SLA 1976; am §§ 5 — 7 ch 99 SLA 1977; am § 9 ch 87 SLA 1979; am § 11 ch 89 SLA 1981; am § 59 ch 6 SLA 1984; am § 5 ch 34 SLA 1985; am § 1 ch 52 SLA 1985)

Revisor's notes. — Reorganized in 1985 to alphabetize the defined terms.

Effect of amendments. — The 1984 amendment repealed former paragraph (3), which defined "part-time student."

The first 1985 amendment, effective May 24, 1985, added f

The second 1985 amendment, effective May 31, 1985 deleted "operating under a consortium" following "higher education" near the end of paragraph (4).

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES

POLCH V
STATE CAPITAL
JUNEAU ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate Committee on Health, Education and Social Services

MEMORANDUM

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

FROM: Committee Staff

RE: Committee Meeting, May 9, 1985

CSHB 161 (FIN) Relating to the interest rate and repayment provisions of scholarship loans; *etd*

CSHB 161 (FIN) would increase the Student Scholarship Loan Program cash flow by:

- 1) increasing the interest rate from 5% to 8%;
- 2) rolling back the grace period (the time between graduation and commencing repayment of the loan) from one year to six months;
- 3) restructuring the repayment schedule by calculating the first 3 payments at 5% interest rate with the additional interest to be paid in later years.

** None of these provisions affect existing loans.

** A Committee Substitute has been prepared which deletes an amendment that was added on the House floor. The amendment has the same effect as provided for in SB 17, relating to consortium agreements, which passed the House today and has been transmitted to the Governor's office.

Offered: 4/29/85
Referred: Rules

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 SCS CS FOR HOUSE BILL NO. 161 (Finance) am HESS

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the interest rate, loan condi-
7 tions and repayment provisions of scholarship loans;
8 and providing for an effective date."

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

10 ~~* Section 1. AS 14.43.120(c) is amended to read:~~

11 ~~(c) To maintain a loan the student must continue to be enrolled~~
12 ~~as a full-time student in good standing, or as a part-time student in~~
13 ~~good standing in more than one institution for a total number of~~
14 ~~credits equivalent to a full-time student in a career education pro-~~
15 ~~gram, college or university designated under (b) of this section. The~~
16 ~~commission shall adopt regulations defining "good standing" for pur-~~
17 ~~poses of this subsection.~~

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

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

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

24 (g) Repayment of the principal and interest on the loan begins
25 no later than six months [ONE YEAR] after the borrower's studies are
26 terminated. The loan shall provide for repayment of the total amount
27 owed in periodic installments in not more than 10 years from the
28 commencement of repayment, except as provided in (k) and (m) of this
29 section. Interest shall accrue as provided in (f) of this section.

1 but the borrower shall be allowed to repay the loan at a five percent
2 interest rate for the first three years of the repayment period, with
3 the extra accrued interest to be paid in later years. If the commis-
4 sion and the borrower agree to a different repayment schedule, the
5 borrower shall repay the loan in accordance with the agreement. A
6 borrower may make payments earlier than required by this subsection.

7 * Sec 34. This Act takes effect July 1, 1985.

STATE OF ALASKA

MEMBER
FINANCE COMMITTEE
SPECIAL COMMITTEE ON FISHERIES




POUCH V
JUNEAU ALASKA 99801
(907) 465-4737

PO BOX 1065
BETHEL ALASKA 99559
(907) 543-2922

REPRESENTATIVE JOHNE BINKLEY

MEMORANDUM

TO: All Members, House of Representatives

FROM: Representative John Binkley 

DATE: May 4, 1985

RE: CSHB 161 (Finance) - "An Act relating to the interest rate and repayment provisions of scholarship loans; and providing for an effective date."

The Alaska Student Scholarship Loan Program was established in 1971 to provide aid to Alaskan residents in the form of low interest loans. It is the most successful program in the nation. To maintain this program and protect this opportunity for future generations we must make some small changes now.

The Student Loan Program has provided loans to more than 50,000 Alaskans since its inception at a total investment by the state of \$285 million. 16,992 students are currently receiving assistance for their education from the program. This year the state is looking to receive back just \$10 million to help fund new applicants.

CSHB 161 (Finance) would put the Student Scholarship Loan Program on a stronger financial base. The bill would change current regulations in the following ways:

1. Increase the interest rate from 5% to 8%, a more realistic interest rate and still a relatively low figure in today's money markets.
2. Roll back the grace period (the time between graduation and commencing repayment of the loan) from one year to six months. The federal student loan program has previously made this identical change.
3. Restructure the repayment schedule, calculating the first three years' payments at a 5% interest rate with the extra accrued interest to be paid in later years. This plan would give a break to students in their years just out of school before most have fully established themselves in the working market. It would also apply more value to the forgiveness clause.