

ALASKA TESTS COMMITTEE 1961-62 7/99

3986 SHEETS

HB 161

898

4. The forgiveness portion of the student loan program would remain intact.

What this plan would mean to the student is that for \$1,000 borrowed, payments for the first three years would be \$10.61 per month and then \$12.80 per month for the remaining seven years. At a straight 8% interest, by comparison, payments would be \$12.13 per month per \$1,000 borrowed for ten years. What this would mean to the state is a cumulative savings over fifteen years of approximately \$186 million.

I urge you to support and vote in favor of CSHB161. In a state with a young, growing population those dollars saved will help ensure the existence of this fine program for future students as well.

The following items are attached in further support of this bill:

- |                  |   |
|------------------|---|
| Attachment No. 1 | CSHB 161 (Finance)  |
| Attachment No. 2 | Sectional Analysis  |
| Attachment No. 3 | Fiscal Note<br>Fiscal Impact, charted by years, FY86 - FY98<br>Cumulative Fiscal Impact |
| Attachment No. 4 | Bill History - Sectional Comparison   |
| Attachment No. 5 | Post Secondary Commission position in support   |
| Attachment No. 6 | Resolution by Associated Students of the<br>University of Alaska, Fairbanks             |
| Attachment No. 7 | Resolution by Student Association University<br>of Alaska, Anchorage                    |

Offered: 4/29/85  
Referred: Rules

Original sponsor: Binkley

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 161 (Finance)

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 and repayment  
7 provisions of scholarship loans; and providing for an  
8 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.

CSHB 161

SECTION ANALYSIS

Section 1: Raises loan interest to 8%. The current rate is 5%, which it has been since 1971.

Section 2: (a) The "grace period", that time after a student ceases full-time study, is reduced to six months. Currently, students are given a full year before interest begins accruing and payment begins.

(b) The monthly payment impact of increasing the interest to 8% is delayed until the third year of loan repayment. During the first three years of repayment (and probably the lowest income years for the borrowers), the monthly payments are held at the same rate as if the loan were still at 5%.

Section 3: Effective date.

Comments:

1. The increased interest will create increased program receipts after FY89 (due to the three-year monthly payment impact delay).



2. The reduced grace period will place borrowers into repayment six months sooner and hence will generate additional receipts in the early repayment cycle and balancing lower receipts in the latter part of the repayment cycle.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 4/24/85

REQUEST

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

Sponsor: Binkley  
Requestor: House Finance  
Date of Request: 4/24/85

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
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL			28.4	60.2	63.8	67.6
300 CONTRACTUAL		20.0				
400 SUPPLIES			.1	.2	.2	.2
500 EQUIPMENT			1.2	1.2		
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	N.A.	20.0	29.7	61.6	65.0	67.8

<b>CAPITAL</b>		(48.7)	(2,274.5)	(4,207.9)	(6,209.0)	(9,629.4)
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<b>REVENUE</b>						
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FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	N.A.	(28.7)	(2,244.8)	(4,146.3)	(6,144.0)	(9,561.6)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	N.A.	1.0	.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached.

Prepared By: Kerry D. [Signature] Phone: 465-2854  
Division: Postsecondary Education Commission Date: 4/25/85

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Proposal No. 6. Increase loan interest to 8%, beginning in FY86, reduce grace period to six months, but maintain current monthly payment level for the first three years of repayment, then increase payments for the last seven years.

(a) Fiscal Impact:

Year of Impact	BORROWING YEAR													Total Impact
	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	
FY86	\$ 48.7													\$ 48.7
FY87	2,229.9	44.6												2,274.5
FY88	2,122.8	2,040.5	44.6											4,207.9
FY89	2,181.5	1,942.4	2,040.5	44.6										6,209.0
FY90	3,605.7	1,996.2	1,942.4	2,040.5	44.6									9,629.4
FY91	1,102.8	3,299.3	1,996.2	1,942.4	2,040.5	44.6								10,425.8
FY92	1,326.8	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6							12,378.9
FY93	1,966.2	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6						14,232.4
FY94	2,010.4	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6					16,075.7
FY95	2,010.4	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6				17,915.3
FY96	1,961.7	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6			19,706.2
FY97	[ 219.5]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6		19,320.0
FY98	[ 112.4]	[ 200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	44.6	19,226.2
FY99	[ 171.1]	[ 102.8]	[ 200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	2,040.5	19,020.1
FY00	[ 1,595.3]	[ 156.6]	[ 102.8]	[ 200.9]	1,795.0	1,839.6	1,839.6	1,799.1	1,214.1	1,729.1	3,299.3	1,996.2	1,942.4	15,354.2

(b) Additional Administrative Cost:

The increase workload would result in the need for additional repayment staff, but not until FY87.

Object Code	FY86	FY87	FY88
100	\$ -0-	\$28.4	\$60.2
200	-0-	-0-	-0-
300	20.0	-0-	-0-
400	-0-	.1	.2
500	-0-	1.2	1.2
TOTAL:	\$20.0	\$29.7	\$61.6

(c) 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).

: 3,500

15% DELAYED

CUMULATIVE FISCAL IMPACTS

CSHB161 (Finance) Delayed 8% and 6 month grace period

ONE YEAR	FIVE YEARS	TEN YEARS	FIFTEEN YEARS
48.7	22,369.5	93,397.6	186,015.3

HOUSE BILL 161

	<u>Original Bill</u>	<u>Loans Committee Substitute</u>	<u>Finance Committee Substitute</u>
Sec. 1	Raises interest rates on loans from 5% to 8%.	Sec. 1 Raises interest rate to 8%.	Sec. 1 Raises interest rate to 8%
Sec. 2	Changes eligibility--adds applicant must have graduated within one year, be within 6 months of graduating, or demonstrated financial need.	* Sec. 2(k) Limits the amount of time a person can defer principal payments while in the military up to 6 years.	Sec. 2(g) Reduces grace period from one year to six months.  Interest accrues at 8% but payments are calculated at 5% for first three years with extra accrued interest to be paid in later years.
Sec. 3	If study interrupted for more than two years a new loan could be obtained only if financial need is shown.	* Sec. 3 Repealed and reenacted. Adds provision that a person cannot be delinquent or in default on a loan.  Grants exemptions for absences from the state under certain described conditions.	Sec. 3 Effective date: July 1, 1985
Sec. 4	A technical amendment clarifying the conditions for repayment of the rural teachers loans, and allowing the forgiveness portion to continue for these loans.	Sec. 4 Repeals the forgiveness.	
Sec. 5	Keeps the interest rate for teachers scholarship loan at 5% unless it is in default.	Sec. 5 Makes forgiveness repealer take effect September 1, 1990.	
Sec. 6	Repeals the forgiveness portion of the student scholarship loan.	Sec. 6 Increases interest rate as of July 1, 1985.	
Sec. 7	Specifies when and for whom new eligibility requirements apply. Must be newly graduated from high school, have applied within one year of graduation and not interrupted studies for more than 2 years.	* Sec. 7 Makes new eligibility and limits on military service effective	
Sec. 8	Effective date: July 1, 1985	* Elements of HB 185 which were incorporated into CSHB161	
		NOTE: By eliminating Sec. 4 of HB 161 in effect raises interest rates on rural teacher loans to 8% also.	NOTE: HB 185 provisions included in Loans CS were removed and passed out as HB 185 independent of CSHB161 (Finance).

CSHB 161

Summary: The bill accomplishes three things:

1. interest on student loans is raised to 8% (Sec. 1);
2. the "grace period", after ceasing full-time study, is reduced to 6 months (Sec. 2); and
3. the impact of increased interest on increased monthly payments is delayed until after the first three years of repayment.

Need:

1. Interest on Alaska Student Loans has been at 5% since 1971. At this low rate, there is no reason not to borrow as much as possible, that is, the loan rate is less than what is paid on regular bank savings accounts. Additionally, the federal student loan rate is 8%. This change brings Alaska's loan program more closely in line with that available to students in the rest of the nation.
2. Reducing the grace period to 6 months has a large fiscal impact. It places borrowers into repayment earlier, and hence, greatly enhances program receipts (see fiscal note).
3. Rather than uniformly increasing the monthly payments for borrowers as a result of increasing interest, this bill allows a borrower's payments to remain at the same level as if it were a 5% loan for the first three years of repayment. Then, after the person is more settled and, hopefully, better able to pay, the monthly payments are adjusted upward.

Comments:

1. The Commission on Postsecondary Education endorses this bill and has requested, by resolution, that interest be raised to 8%.
2. There is some administrative cost associated with reducing the grace period (see fiscal note). This reflects the fact that about 20,000 accounts will be shifted forward in the repayment cycle over the next few years.



# University of Alaska-Fairbanks

Associated Students of the University of Alaska  
Wood Center  
Fairbanks, Alaska 99701

(907) 474-7351

## SENATE BILL 83

Introduced: 4/28/85

BY KNOX

IN THE SENATE

BE IT RESOLVED BY THE ASUA SENATE

WHEREAS a finance sub-committee has produced a proposed substitute bill for HB161, a bill relating to the student loan program; and

WHEREAS this substitute motion raises the interest rate from five to eight percent and reduces the grace period from twelve to six months, but leaves the forgiveness clause intact; and

WHEREAS the Legislative Council of ASUA, as well as student representatives of UAA, ACC, and UAJ have expressed some amount of support for this proposed substitution; and

WHEREAS members of the Alaska legislature have requested that ASUA take a formal stand; therefore

BE IT RESOLVED that ASUA accepts and endorses the proposed committee substitute of HB161 (Fin) in lieu of the original bill.

COPIES of this motion will be sent to Rep. John Binkley, Rep. Al Adams, Rep. Don Clocksin, Rep. Terry Martin, and Rep. Niilo Koponen.

Kenneth S Knox  
ASUA Senate President

4-28-85  
Date

Dennie Skayin  
Senate Clerk

4-28-85  
Date

Thomas Van Fleet  
ASUA President

4/29/85  
Date

PASSED - U.C.

By: Legislative Affa.  
Date: 18 March 1985  
Referred:

SENATE RESOLUTION # 38

Be it enacted in the Senate of SAUAA:

Whereas; the House Special Committee on State Loans has addressed the majority of the criticisms of HB161 that have been expressed by students, and

Whereas; CSHB161 removes the discrimination against non-traditional students, the financial needs requirement, and postpones the repeal of the forgiveness clause until 1990 that was incorporated in the original bill, and

Whereas; these two changes are changes in which students can live with and absorb,

Be it resolved, that SAUAA formally support CSHB161 as written, in order to promote a self-sufficient loan program.

CC: All members of the State House  
All members of the state Senate  
Governor Bill Sheffield  
ACCSA  
UASA  
Dave Hayse Leg. Affairs Coordinator  
UAJ Student Government.

The Anchorage Times  
The Anchorage Daily News  
KENI Radio- Wayne Maloney

This act is to take effect immediately, contingent upon results of Information Day survey.

Approved 22 March 1985

Failed \_\_\_\_\_

Withdrawn \_\_\_\_\_

Roger Eichmann  
President, SAUAA

FINAL RESULTS OF UAA INFORMATION DAY SURVEY

1. To continue to make the Alaska Student Loan Program available, would you support an interest rate increase from 5 percent to 8 percent?

# OF SURVEYS	SUPPORT	OPPOSE	MAYBE/NO COMMENT
355	247	87	21

# OF SURVEYS	SUPPORT	SURVEY PERCENTAGE OPPOSE	MAYBE/NO COMMENT
355	69.58%	24.51%	5.92%

# OF RESPONSES	SUPPORT	RESPONSE PERCENTAGE OPPOSE
334	73.95%	26.05%

2. If the Forgiveness Clause of the Alaska Student Loan Program were discontinued would you stay in Alaska after graduation?

# OF SURVEYS	YES	NO	MAYBE/NO COMMENT
355	177	120	58

# OF SURVEYS	YES	SURVEY PERCENTAGE NO	MAYBE/NO COMMENT
355	49.86%	33.80%	16.34%

# OF RESPONSES	YES	RESPONSE PERCENTAGE NO
297	59.60%	40.40%

3. In face of budget cuts, would you support an increase in tuition?

# OF SURVEYS	SUPPORT	OPPOSE	MAYBE/NO COMMENT
355	163	168	24

# OF SURVEYS	SUPPORT	SURVEY PERCENTAGE OPPOSE	MAYBE/NO COMMENT
355	45.92%	47.32%	6.76%

# OF RESPONSES	SUPPORT	RESPONSE PERCENTAGE OPPOSE
331	49.24%	50.76%

# Lawmakers look at student loan program

News-Miner Bureau

**JUNEAU**—Alaska's student loan program is the most generous state program in the country.

It offers a 5 percent interest rate plus a forgiveness clause that allows up to 50 percent of the debt to be dropped if the student finishes the degree program and returns to Alaska for five years.

Rep. John Binkley, R-Bethel, proposed this year that the forgiveness clause be dropped and the interest rate be increased to 8 percent. He said the forgiveness clause is no longer needed as an incentive for students to return to Alaska.

Legislators have also discussed the amount to appropriate for student loans, which could limit who gets them.

Interior delegation members last week were asked to respond in 100 words or less to the question, "What changes, if any, would you advocate in Alaska's student loan program?"

**Don Bennett:** "Our student loan program is by far the best in the nation. I think we should protect it and strive to keep it the way it is."

**John Ringstad:** "It is the Legislature's responsibility to balance the state's needs with existing revenue. As revenues decline, and in respect to the Alaska student loan program, I will work toward a self-sustaining, perpetual loan program so future generations will also enjoy the benefits of higher education."

"To attain this goal, any changes should be phased into the program. The interest rates should be increased, to at least fair market rate, the forgiveness clause will eventually have to be eliminated; there is no possible way that a loan fund can be self-sustaining if it only receives half of the principle back to the corpus of the fund."

"The Alaska student loan program was originally established as a revolving loan fund. I am purporting to continue the student loan program as it is set forth in statute, which will benefit this and future generations of Alaskan citizens."

**Jack Coghill:** "We hear some outrageous abuse of the student loan program by some students,

and we hear critics say that it's entirely too liberal. However, the program is too effective, too popular and too successful to scrap. There are many hundreds of success stories from Alaskans who otherwise could not afford to earn a college degree if they did not have access to student loans.

"We could tighten up the process, I believe, and probably there should be more accountability on the part of the borrower. I am not sure how that could be incorporated without adding a lot to the administration costs. I believe some spot checks or random audits could be built into the program which in turn would require more responsibility on the student borrower's part."

"I would like to see more of the borrowers attending Alaskan colleges."

**Mike Miller:** "The current committee substitute for House Bill 161 proposes to raise the interest rate paid on student loans from 5 percent to 8 percent. I believe this proposed change will be beneficial to the loan program in two ways."

"First, increasing the interest rate will discourage students from borrowing more money than they need. This will result in the available loan fund being able to cover the needs of more students."

"Second, increased interest rates means that more money will be returned to the loan fund to be made available as new loans. If the State of Alaska wants to have a strong student loan program, not only this year but 10 and 20 years from now, we must take positive steps now."

**Dick Shultz:** "The student loan program is a good program in its present form. This is not to say that it can not be improved, however, I feel that in trying to do so the Legislature may do more damage than good."

"The delinquency rate is well within reasonable limits and the proper incentives are in place to encourage Alaskans to use their education in state."

"In short, I have no reservations about the present program and therefore recommend no changes."

**Nillo Koponen:** "Alaska's student loan program is a generous, successful program that should only be tinkered with when tinkering clearly improves the program. Many of the changes which have been proposed, such as raising the interest rate and dropping the forgiveness clause, have a relatively weak impact in terms of lowering program costs (the usual stated goal)."

"I am concerned that the State of Alaska lacks a full-fledged scholarship program which, I feel, is a necessary component in Alaska's comprehensive approach to enabling post-secondary education for its resident. Many other states have scholarship programs and I have been researching options for Alaska. I hope to introduce scholarship legislation next session."

**Steve Frank:** "We need a thorough examination of the student loan program to make it more fiscally sound so that it will be sustainable into the future as oil revenues decline."

"Currently, the program creates an incentive to borrow more money than a student may need. This is a situation that cannot be allowed to continue."

"Components of the program such as the interest rate, the date interest begins to accrue and the forgiveness feature each need to be examined to reduce the burden on the state's general fund while maintaining a high quality program."

**Mike Davis:** "I do not advocate any measures that would limit the ability of state residents to take advantage of the student loan program. With an annual state budget of over \$2 billion, we can well afford to educate those who seek higher education."

"Unfortunately, this view is not shared by all of my colleagues."

"Two proposed changes to the student loan program that have been extensively discussed are raising the interest rate and repealing the forgiveness clause."

"I support the House Finance Committee's version of House Bill 161, which would keep the interest rate at 5 percent for the first five



**STUDENT QUESTIONS**—Alaska's student loan program is the most generous state program in the country. But changes may be in order, as fiscal needs call for a

sound program that will be sustainable into a future threatened by declining oil revenues. (News-Miner file, photo)

years of paying back a student loan, but would raise the rate to 8 percent for the second five years.

"The lower interest rate will help students in the first years after they are out of school, and the 8 percent rate will provide further incentive

for students to graduate from post-secondary programs."

**Bettye Fahrenkamp:** "We have the best student loan program in the country. Knowing revenues will continue to fall, we've got to find

ways to maintain program integrity and increase the cash flow. I would advocate the two following changes in the loan program:

"1. Raise the interest rate from 5 percent to 8 percent. Except for Alaska, the lowest student loan in-

terest rate in the country is 8 percent.

"2. By reducing the payback grace period from 12 to six months, we can increase our cash flow by \$14 million in three years."

## \$50,000 reward offered for slayings clues

**ANCHORAGE (AP)**—A crime prevention group has increased its reward to \$50,000 for clues about the slaying of three elderly Anchorage residents.

The reward, up from an original \$10,000, is the largest ever offered by Crimestoppers, said Anchorage Police Sgt. Mike Fullerton.

Police have been stymied in their investigation of the murder of Tom Faccio, 69, his wife, Ann, 70, and her sister, Emilia Elliott, 76. They were shot the evening of April 22 at their home. Police said there was no evidence of a break-in, and nothing apparently had been stolen.

Wayne Lienhart, the Faccio's son-in-law, said the reward money was donated by family friends of Faccio, who owned an Anchorage plumbing and heating business for 30 years.

"We have very few leads to go on, that's true," said Capt. Del Smith, head of investigations. "But there is other evidence gathered from the home that we're still working on. I don't want anyone left with the impression that we've given up on this at all."

Smith said investigators had spent seven days gathering fingerprints and other evidence at the house, the longest Anchorage police have ever spent at one crime scene. Investigators also have followed up on more than 80 tips called in, he said.



## Senate takes hard look at student loan aid cuts

JUNEAU (AP)—The Alaska Senate is telling college students they'd better talk now about the least harmful of financial aid cuts, because the cuts are inevitable.

"They should know we'll be out of money by August," Sen. Bettye Fahrenkamp, D-Fairbanks, told student leaders who came to Juneau on Tuesday to testify on a measure (HB161) to decrease student loan amounts and increase their interest rates.

The Senate Health, Education and Social Services Committee, which Fahrenkamp heads, is trying to find the least painful way to make up for financial shortfalls that are strangling the Alaska Student Loan Program. The crux of the dilemma is how much the state has to hurt all students who depend on the loans in order to help everyone who applies for them.

The Alaska Commission on Postsecondary Education believes the loan program will be short \$7 million in the 1986-87 school year, and already the program has turned away 1,410 potential students who sought loans this year.

"Those 1,410 students are very involved in the intent behind the (bill)," Fahrenkamp said.

The program has run out of money each of the last three school years. For the first time this fall, it will be broke before the school year begins, unless the Legislature finds some way to cut loan amounts before August, said Kerry Romesburg, executive director of the Alaska Commission on Postsecondary Education.

The money-saving measure now before the education committee calls for cutting the yearly loan maximum to \$5,500, from the current \$6,000 for undergraduate and \$7,500 for graduate students. It also would increase the interest rate from 5 percent to 8 percent.

Several student groups have proposed a two-tier loan program that would give \$4,000 at 8 percent interest to all students, and another

\$3,000 at 5 percent to those who prove financial need, said Steve Cole, a student at the University of Alaska-Juneau.

All students who testified oppose setting graduate loan caps at the same level as undergraduate loans.

"The reduction of \$1,500 is quite dramatic, especially for students who are in the middle of their graduate programs," said Lesa Stebbens, of the University of Alaska-Anchorage student association. Stebbens and others pointed out that Alaska has few graduate programs in the state, forcing students to go elsewhere at greater expense.

A regulation requiring students to kick in \$500 toward college expenses before getting a state loan was passed by the commission in December and would save an esti-



**SEN. BETTYE FAHRENKAMP**  
"Out of money"

mated \$4 million, Romesburg said, but the regulation could be shot down by the Legislature because of arguments that it hurts Alaska colleges and universities.

*Superseded*

WORK DRAFT

WORK DRAFT

WORK DRAFT

Cook  
2/23/86

Original sponsor: Binkley

1 IN THE HOUSE

BY THE HEALTH, EDUCATION  
SOCIAL SERVICES COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 161 (2d HESS)

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 the interest rate, loan con-  
7 tions and repayment provisions of scholarship loa  
8 and providing for an effective date."

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

10 \* Section 1. AS 14.43.110 is amended to read:

11 Sec. 14.43.110. UNDERGRADUATE LOANS. The committee may make  
12 loan, not to exceed \$5,500 [\$6,000] in any one school year, to  
13 undergraduate student eligible under AS 14.43.125. The committee  
14 make a loan for a summer term, even if the total loan for the scho  
15 year exceeds the \$5,500 [\$6,000] maximum, if the loan for the s  
16 term is counted against the \$5,500 [\$6,000] maximum for the followi  
17 school year.

18 \* Sec. 2. AS 14.43.115 is amended to read:

19 Sec. 14.43.115. GRADUATE LOANS. The committee may make a loa  
20 not to exceed \$5,500 [\$7,000] in any one school year, to a gradua  
21 student who is eligible under AS 14.43.125 and is pursuing an advanc  
22 degree. The committee may make a loan for a summer term, even if t  
23 total loan for the school year exceeds the \$5,500 [\$7,000] maximum,  
24 the loan for the summer term is counted against the \$5,500 [\$7,000]  
25 maximum for the following school year.

26 \* Sec. 3. AS 14.43.120(f) is amended to read:

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

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1 for the period the loan is in default.

2 \* Sec. 4. This Act takes effect July 1, 1986.

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Senate HESS Committee  
 March 3, 1986

FISCAL IMPACTS OF SCS CSHB 161 (2d HESS)

1) INCREASED INTEREST RATES

<u>Year</u>	<u>6.5%</u>	<u>8%</u>
FY87	N.A.	N.A.
FY88	\$ -0-	\$ -0-
FY89	108.8	217.5
FY90	325.8	651.6
FY91	658.1	1,316.2
FY92	1,160.0	2,319.9
FY93	1,697.5	3,395.0
FY94	2,233.1	4,466.2

NOTE: Average loan award is \$4500. \$100,000 will serve approximately 22 students.

Effect of Increased Interest on Monthly Payments

An increase in the interest rate from 5% to 6.5% would result in an increase in monthly payments by \$00.68 per \$1000.

An increase in the interest rate from 5% to 8% would result in an increase in monthly payments by \$1.37 per \$1000.

<u>Loan Amount</u>	<u>Monthly Payment at 5%</u>	<u>at 6.5%</u>	<u>at 8%</u>
\$1000.00	\$10.61	\$ 11.29	\$ 11.98
6000.00	63.66	67.74	71.88
10000.00	106.10	112.90	119.80
20000.00	212.13	225.80	239.60

2) REDUCING UNDERGRADUATE LOAN MAXIMUM

<u>Reduction</u>	<u>Annual Savings</u>	<u># of Students Served</u>
\$ 500.00	\$2.5 million	555

3) REDUCING GRADUATE LOAN MAXIMUM

<u>Reduction</u>	<u>Annual Savings</u>	<u># of Students Served</u>
\$1500.00	\$500,000.	111

4) STUDENT CONTRIBUTION TO ELIGIBLE COSTS

<u>Contribution</u>	<u>Annual Savings</u>	<u># of Students Served</u>
\$ 500.00	\$4.0 million	889

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)	2,906,176	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	1,391,643	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	40,559,459	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.

## United Campuses of Alaska

Seven of the nine charter member campuses of the United Campuses of Alaska student organization met March 13 and 14 in Anchorage. A list of approved recommendations and endorsements resulted from these deliberations concerning the Alaska Scholarship Loan Program and HB 161. The representatives of the United Campuses respectfully submit this list to the Health, Education and Social Services Committee membership for consideration. Please accept the thanks of the United Campuses of Alaska for the HESS Committee's cooperation and forbearance.

### SUGGESTED ACTIONS AND RECOMMENDATIONS CONCERNING HB 161 AND THE SCHOLARSHIP LOAN PROGRAM

1. Reduce the loan maximum from \$6000 to \$5500 for undergraduates and from \$7000 to \$6500 for graduate borrowers.

Comments: While the UCA feels that this action represents a less than perfect method for redistributing funds to meet current loan program demand, it is felt that this action is the most effective way of meeting the short-term loan program shortfall and will have a minimal negative on the average loan recipient.

2. Increase the interest rate on loans to students attending out-of-state postsecondary institutions from 5% to 8%.

Comments: In the spirit of encouraging attendance at Alaskan post-secondary institutions, the United Campuses representatives feel strongly that this differentiated interest rate should be applied to out-of-state loans.

3. Recommend that the HESS Committee request that the Alaska Commission on Post-Secondary Education compile further information which examines the effects of more restrictive authorization requirements for proprietary schools which currently benefit from the receipt Alaska Student Loan program funds.

4. By 1991, restrict the funding of out-of-state loans. Applicants must meet one of the following three criteria in order to qualify for a loan to be used for attending an out-of-state institution:

- The program attended must not be offered by an "in-state" institution
- OR
- The applicant must be a graduate of an Alaskan High School
- OR
- The applicant must have completed a minimum of sixty (60) credit hours of instruction at an Alaskan Institution.

5. Institute a \$10 per applicant annual "application processing fee".

Comments: It is the UCA's intention that the fee receipts could be used to offset the cost of planning for further modifications in the student loan program (re; the "1991" plan, etc.) It was further intended that provision for waiving this fee be made under circumstances where the applicant is incapable of paying the \$10.

6. Request that the Legislature, in cooperation with the Alaska Commission on Post-Secondary Education and student loan recipients develop a plan for the delivery of a "needs-based" loan program. The plan for this program is to be presented to the Legislature by January 15, 1987 for further consideration.

7. Request that the Alaska Commission on Post-Secondary Education require that each applicant for a Scholarship Loan simultaneously file a FAF (Federal Aid Form), a copy of which would be sent to each campus' student financial aid officer to serve as an additional aid for securing other financial aid when possible.

Comments: The United Campuses recognize that currently, it is extremely easy to obtain the Alaska student loan and that often times, loan recipients view the ASL as the "sole source" of financial assistance for attending college. The UCA representatives feel that requiring the filing of this form could possibly open the door to other grants and loans. The representatives also felt that this requirement would possibly discourage potential abuse of the student loan program by reasoning that those applicants that will not go to the trouble of filing the FAF aren't truly in need of the assistance.

REPRESENTATIVES TO THE UNITED CAMPUSES OF ALASKA MEETING  
MARCH 13,14,15:

Karen Yetka - Coordinator for the United Campuses of Alaska  
University of Alaska at Fairbanks  
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Francis Longshore - Chair; United Campuses Council  
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Susan Ness  
Prince William Sound Community College  
Box 1961  
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April 24, 1986

Senator Frank Ferguson  
State of Alaska  
P.O. Box V  
Juneau, Alaska 99811

Dear Senator Ferguson:

We have run several different scenarios as to the level of bonds that can be financed on a sustained basis versus the terms on the loans and have found the following results:

Leaving the Student Loan Program exactly like it is with a 5% interest rate and forgiveness clause allows us to sell \$40 million worth of bonds per year on a sustained basis assuming there are \$80 million in loans to be funded each year.

If the interest rate is raised from 5% to 8%, \$45 million of bonds can be sold with a \$35 million equity contribution to the general fund.

If the state abolishes forgiveness on the student loans, the ratio is \$48 million of bonds and \$32 million of appropriation.

If the state abolishes both the forgiveness clause and charge 8%, \$55 million in bonds could be financed with a \$25 million general fund contribution.

Yours Truly,

JOHN NUVEEN & CO. INCORPORATED

Sterling Gallagher  
Vice President

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
ALASKA STUDENT LOAN PROGRAM  
SERIES 1986 VARIABLE RATE DEMAND BONDS  
ANALYSIS OF AMORTIZATION

YEAR ENDING 6/30	NEW BOND LOANS MADE	EQUITY & RECYCLED LOANS MADE	COLLECTIONS ON PRIOR LOANS †	COLLECTIONS ON NEW BOND LOANS **	COLLECTIONS ON EQUITY LOANS **	OUTSTANDING PRINCIPAL	INTEREST	PRINCIPAL RETIREMENT	ENDING PRINCIPAL BALANCE
1987	40,000,000	42,912,599	14,547,599	0	0	40,000,000	4,000,000	7,635,000	32,365,000
1988	40,000,000	44,030,779	20,152,279	0	0	72,365,000	7,236,500	8,885,000	63,480,000
1989	40,000,000	45,307,660	25,396,203	544,890	584,567	103,480,000	10,348,000	10,870,000	92,610,000
1990	40,000,000	46,680,866	29,461,182	1,888,954	2,041,730	132,610,000	13,261,000	13,450,000	119,160,000
1991	40,000,000	48,097,170	31,071,125	4,504,428	4,902,617	159,160,000	15,916,000	16,465,000	142,695,000
1992	40,000,000	49,527,857	31,077,952	7,882,749	8,661,656	182,695,000	18,269,500	19,825,000	162,970,000
1993	40,000,000	50,934,326	30,504,435	11,442,700	12,724,191	202,870,000	20,287,000	23,450,000	179,420,000
1994	40,000,000	52,253,711	29,184,877	15,075,304	16,985,530	219,420,000	21,942,000	27,050,000	192,370,000
1995	40,000,000	53,401,266	26,901,710	18,707,907	21,373,648	232,370,000	23,237,000	30,345,000	202,025,000
1996	40,000,000	54,309,836	23,297,945	22,340,510	25,888,880	242,025,000	24,202,500	33,015,000	209,010,000
1997	40,000,000	54,986,002	18,406,869	25,973,114	30,527,019	249,010,000	24,901,000	35,020,000	213,990,000
1998	40,000,000	55,486,034	12,546,025	29,605,717	35,278,292	253,990,000	25,399,000	36,545,000	217,445,000
1999	40,000,000	55,856,535	7,024,621	32,693,430	39,542,984	257,445,000	25,744,500	37,660,000	219,785,000
2000	40,000,000	56,131,143	2,642,964	34,981,970	43,014,710	259,785,000	25,978,500	38,530,000	221,255,000
2001	40,000,000	56,361,994	649,219	35,999,099	45,144,176	261,255,000	26,125,500	39,305,000	221,950,000
2002	40,000,000	56,566,545	146,531	36,253,381	46,421,632	261,950,000	26,195,000	40,060,000	221,890,000
2003	40,000,000	56,752,291	0	36,326,033	47,430,258	261,890,000	26,189,000	40,815,000	221,075,000
2004	40,000,000	56,920,303	0	36,326,033	48,266,769	261,075,000	26,107,500	41,565,000	219,510,000
2005	40,000,000	57,048,318	0	36,326,033	48,998,285	259,510,000	25,951,000	42,305,000	217,205,000
2006	40,000,000	57,192,045	0	36,326,033	49,621,511	257,205,000	25,720,500	43,035,000	214,170,000
2007	40,000,000	57,297,588	0	36,326,033	50,138,555	254,170,000	25,417,000	43,750,000	210,420,000
2008	40,000,000	57,381,372	0	36,326,033	50,557,339	250,420,000	25,042,000	44,460,000	205,960,000
2009	40,000,000	57,446,204	0	36,326,033	50,891,171	245,960,000	24,596,000	45,175,000	200,785,000
2010	40,000,000	57,499,011	0	36,326,033	51,156,477	240,785,000	24,078,500	45,905,000	194,880,000

CASH FLOW COVERAGE FACTOR: 1.25  
VARIABLE RATE DEMAND BOND INTEREST RATE: 10.00%  
DEFAULT RATE ON NEW LOANS: 15.00%

† Collections on Prior Loans are based on 4/17/86 projections.  
\*\* Collections on New Loans reflects Forgiveness on 15% of expected repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
ALASKA STUDENT LOAN PROGRAM  
SERIES 1986 VARIABLE RATE DEMAND BONDS  
ANALYSIS OF AMORTIZATION (FUTURE LOANS AT 8%)

YEAR ENDING 6/30	NEW BOND LOANS MADE	EQUITY & RECYCLED LOANS MADE	COLLECTIONS ON PRIOR LOANS †	COLLECTIONS ON NEW BOND LOANS ††	COLLECTIONS ON EQUITY LOANS ††	OUTSTANDING PRINCIPAL	INTEREST	PRINCIPAL RETIREMENT	ENDING PRINCIPAL BALANCE
1987	45,000,000	37,912,599	14,547,599	0	0	45,000,000	4,500,000	7,135,000	37,865,000
1988	45,000,000	39,030,779	20,152,279	0	0	82,865,000	8,286,500	7,835,000	75,030,000
1989	45,000,000	40,342,944	25,376,203	705,422	594,319	120,030,000	12,003,000	9,350,000	110,680,000
1990	45,000,000	41,801,480	29,461,182	2,445,462	2,077,836	155,680,000	15,568,000	11,615,000	144,065,000
1991	45,000,000	43,380,487	31,071,125	5,831,487	4,994,376	189,065,000	18,906,500	14,610,000	174,455,000
1992	45,000,000	45,024,450	31,077,952	10,205,102	8,836,896	219,455,000	21,945,500	18,150,000	201,305,000
1993	45,000,000	46,666,137	30,504,435	14,813,857	13,008,345	246,305,000	24,630,500	22,030,000	224,275,000
1994	45,000,000	48,223,146	29,184,877	19,516,669	17,409,100	269,275,000	26,927,500	25,960,000	243,315,000
1995	45,000,000	49,622,038	26,901,710	24,219,481	21,972,348	288,315,000	28,831,500	29,640,000	258,675,000
1996	45,000,000	50,785,635	23,297,945	28,922,293	26,702,897	303,675,000	30,367,500	32,770,000	270,905,000
1997	45,000,000	51,730,074	18,406,869	33,625,104	31,598,601	315,905,000	31,590,500	35,310,000	280,595,000
1998	45,000,000	52,509,021	12,546,025	38,327,916	36,649,579	325,595,000	32,559,500	37,455,000	288,140,000
1999	45,000,000	53,121,077	7,024,621	42,325,306	41,245,149	333,140,000	33,314,000	39,160,000	293,980,000
2000	45,000,000	53,603,318	2,642,964	45,288,078	45,070,276	338,980,000	33,898,000	40,500,000	299,480,000
2001	45,000,000	53,966,614	649,219	46,604,865	47,560,530	343,480,000	34,348,000	41,500,000	301,980,000
2002	45,000,000	54,257,251	146,531	46,934,062	49,204,658	346,980,000	34,698,000	42,330,000	304,650,000
2003	45,000,000	54,526,608	0	47,028,118	50,583,490	349,650,000	34,965,000	43,120,000	306,530,000
2004	45,000,000	54,763,157	0	47,028,118	51,783,039	351,530,000	35,153,000	43,895,000	307,635,000
2005	45,000,000	54,979,318	0	47,028,118	52,859,700	352,635,000	35,263,500	44,645,000	307,990,000
2006	45,000,000	55,170,480	0	47,028,118	53,801,362	352,990,000	35,299,000	45,360,000	307,630,000
2007	45,000,000	55,330,953	0	47,028,118	54,605,835	352,630,000	35,263,000	46,040,000	306,590,000
2008	45,000,000	55,463,959	0	47,028,118	55,279,841	351,590,000	35,159,000	46,685,000	304,905,000
2009	45,000,000	55,574,578	0	47,028,118	55,836,960	349,905,000	34,990,500	47,300,000	302,605,000
2010	45,000,000	55,667,252	0	47,028,118	56,294,634	347,605,000	34,760,500	47,895,000	299,710,000

CASH FLOW COVERAGE FACTOR: 1.25  
VARIABLE RATE DEMAND BOND INTEREST RATE: 10.00%  
DEFAULT RATE ON NEW LOANS: 15.00%

† Collections on Prior Loans are based on 4/17/86 projections.  
†† Collections on New Loans reflects Forgiveness on 15% of expected repayments.

J HB 161

IN THE \_\_\_\_\_ BY \_\_\_\_\_

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA  
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

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

ARTICLE 2. ALASKA STUDENT LOAN CORPORATION

Sec. 14.42.100. CREATION OF ALASKA STUDENT LOAN CORPORATION. There is created the Alaska Student Loan Corporation. The corporation is a public corporation and government instrumentality within the Department of Education but having a legal existence independent of and separate from the state. The corporation may not be terminated as long as it has bonds, notes or other obligations outstanding. Upon termination of the corporation, its rights and property pass to the state.

Sec. 14.42.110. PURPOSE OF CORPORATION. The purpose of the corporation is to improve higher educational opportunities of residents of Alaska in accordance with the provisions of this chapter.

Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corporation shall be governed by a board of directors consisting of four individuals serving on the Commission of Postsecondary Education pursuant to AS 14.42.015(a) (1) - (2), (4)-(6) and (8), and one member appointed under AS 14.42.015(a)(3). Members of the board serve without compensation but are entitled to per diem and travel expenses as may be authorized by law for boards and commissions.

Sec. 14.42.130. MEETING OF THE BOARD. (a) The board shall elect a chairman from among the membership at its annual meeting each year. A majority of the members constitute a quorum for organizing the board, conducting its business and exercising the powers of the corporation. The board shall meet at the call of its chairman and at such other times as the board may determine in accordance with its regulations.

(b) The board may meet and transact business by electronic media if

(1) public notice of the time and locations where the meeting will be held by electronic media has been given in the same manner as if the meeting were held in a single location;

(2) participants and members of the public in attendance can hear and have the same right to participate in the meeting as if the meeting were conducted in person; and

(3) copies of pertinent reference materials, statutes, regulations, and audiovisual materials are reasonably available to participants and the public.

(c) A meeting by electronic media as provided in this

section has the same legal effect as a meeting in person.

(d) For purposes of AS 14.42.100 - 14.42.310, public notice of 24 hours or more is adequate notice of a meeting of the board at which the issuance of corporation bonds is authorized.

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

Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall manage the assets and business of the corporation and may prescribe, amend and repeal bylaws and regulations governing the manner in which the business of the corporation is conducted and the manner in which its powers are exercised in accordance with the administrative procedures act AS 44-160. The board shall delegate supervision of the administration of the corporation to the executive director of the corporation.

Sec. 14.42.160. EXECUTIVE DIRECTOR. The corporation shall employ an executive director, who may not be a member of the board. The executive director shall be the executive director of the Commission on Postsecondary Education appointed under AS 4:42.040a.

Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The board may appoint other officers and engage professional and technical advisors as independent contractors. The executive director may hire employees of the corporation and, subject to the approval of the board, engage professional and technical advisors under contract with the corporation. The board shall prescribe the duties and compensation of corporation personnel, including the executive director.

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

Sec. 14.42.200. EXECUTIVE POWERS. In addition to other powers granted in this chapter, the corporation may

- (1) sue and be sued in its own name;
- (2) adopt an official seal;
- (3) adopt bylaws for the regulation of its affairs and the conduct of its business;
- (4) employ fiscal consultants, attorneys, and such other consultants and employees as may be required in the judgment of the corporation, and fix and pay their compensation from money available to the corporation;
- (5) make and execute agreements, contracts and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including contracts with any person, firm, corporation, governmental agency or other entity;
- (6) receive, administer, and comply with the conditions and requirements respecting any appropriation or gift, grant or donation of property or money;
- (7) acquire real property, or any interest in real property, in its own name, by purchase, transfer or foreclosure, when the acquisition is necessary or appropriate to protect any loan in which the corporation has an interest; sell, transfer and convey any such property to a buyer; and, if the sale, transfer or

conveyance cannot be effected with reasonable promptness or at a reasonable price, rent or lease the property to a tenant pending the sale, transfer or conveyance;

(8) borrow money as provided in this chapter to carry out and effectuate its corporate purposes and issue its obligations as evidence of any such borrowing;

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

(10) invest or reinvest, subject to its contracts with noteholders and bondholders, any money or funds held by the corporation in any obligations or other securities authorized under AS 37:10:070.

(11) collect from a borrower amounts owed with respect to a student loan the corporation has purchased or made;

(12) gather information on loans available to residents of Alaska attending or planning to attend an eligible institution and disseminate the information to reasonably assure that qualified students are aware of financial resources available to those attending or desiring to attend an eligible institution;

(13) require an eligible institution or eligible lender to file reports with the corporation as the corporation considers necessary for the effective performance of its duties and publish the information from the reports or other sources as the corporation considers necessary;

(14) service student loans held by the corporation;

(15) except as specifically prohibited by law, obtain information from a state agency or instrumentality or other source to verify information submitted by or on behalf of a student applying for or receiving assistance from the corporation;

(16) make or participate in the making of and purchase or participate in the purchase of student loans;

(17) contract in advance for the purchase or sale of student loans;

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

(19) collect and pay reasonable fees and charges in connection with the purchase, sale, and servicing of student loans,

(20) enter into agreements with the federal government (including guaranty agreements and supplemental guaranty agreements as described in the United States Higher Education Act of 1965) as necessary to provide for the receipt by the corporation of administrative allowances and other benefits available under the United States Higher Education Act of 1965;

(21) enter into contracts with lenders upon terms and conditions agreed upon between the corporation and the lenders, which terms and conditions may reflect the requirements of the United States Higher Education Act of 1965;

(22) enter into contracts with institutions upon the terms and conditions agreed upon between the corporation and the

institutions, which terms and conditions may reflect the requirements of the United States Higher Education Act of 1965;

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

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

(25) procure insurance against any loss in connection with the operation of its programs under this chapter;

(26) provide advisory services to borrowers and other participants in the corporation's programs under this chapter;

(27) do all acts and things necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in this chapter.

(28) Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund is established in the corporation. The student loan fund is a trust fund for the uses and purposes of AS 14.42.010-310. The student loan fund consists of money or assets appropriated or transferred to the corporation and other money or assets deposited in it by the corporation.

(b) Money and other assets of the student loan fund may be used to secure bonds of the corporation in the types of investments under AS 37.100.070 A or shall be used to make or purchase loans approved under AS.14.43.090-160.

Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (g) of this section, the corporation may borrow money and may issue bonds, including but not limited to bonds on which the principal and interest are payable, (1) exclusively from the income and receipts or other money derived from the loans financed with the proceeds of the bonds, (2) exclusively from the income and receipts or other money derived from designated loans whether or not they are financed in whole or in part with the proceeds of the bonds, or (3) from its income and receipts or other assets generally, or a designated part or parts of them.

(b) Bonds shall be authorized by resolution of the authority, and be dated and shall mature more than 20 years from the date of its issue. Bonds shall bear interest at the rate or rates, be in the denominations, be in the form, either coupon or registered, carry the registration privileges, be executed in the manner, be payable in the medium of payment, at the place or places, and be subject to the terms of redemption which the resolution or a subsequent resolution may provide.

(c) All bonds, regardless of form or character, shall be negotiable instruments for all the purposes of the Uniform Commercial Code.

(d) All bonds may be sold at public or private sale in the manner, for the price or prices, and at the time or times which the corporation may determine.

(e) Before the issuance of any bonds, the corporation shall make provision by agreement or otherwise at least sufficient in the judgment of the corporation to pay the principal of and interest on the bonds as they become due and to create and maintain the reserves therefor as the corporation considers necessary or

desirable and to meet all obligations in connection with the agreement and all costs necessary to service the bonds unless the agreement provides that the obligations are to be met or costs are to be paid by a party other than the corporation.

(f) The superior court shall have jurisdiction to hear and determine suits, actions or proceedings relating to the corporation, including suits, actions or proceedings brought to foreclose or otherwise enforce a mortgage or other security interest or brought by or for the benefit of a holder of its bonds or by a trustee for or other representative of the holders.

(g) The corporation may not issue bonds during any fiscal year in an amount greater than \$100,000,000 unless the legislature, by law, approves issuance of a greater amount..

Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. In the discretion of the corporation, an issue of bonds may be secured by a trust indenture or trust agreement between the corporation and a corporate trustee (which may be a trust company, bank, or national banking association, with corporate trust powers, located inside or outside the state) or by a secured loan agreement or other instrument or under a resolution giving powers to a corporate trustee (hereinafter in this section referred to as "trust agreement") by means of which the corporation may:

(1) make and enter into any and all the covenants and agreements with the trustee or the holders of the bonds which the corporation may determine to be necessary or desirable, including, without limitation, covenants, provisions, limitations and agreements as to

(A) the application, investment, deposit, use and disposition of the proceeds of bonds of the corporation or of money or other property of the corporation or in which it has an interest;

(B) the fixing and collection of loan payments and other consideration for, and the other terms to be incorporated in, a student loan;

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

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

(E) the vesting in a trustee of rights, powers, duties, funds or property in trust for the benefit of bondholders, including, without limitation, the right to enforce payment, performance and all other rights of the corporation or of the bondholders, under a student loan or a security interest created with respect to a student loan;

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

(3) provide for any other matters of like or different character which in any way affect the security or protection of the bonds.

SEC. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND REQUIREMENTS. (a) For the purpose of securing one or more issues of its bonds, the corporation may establish one or more

special funds, called "capital reserve funds", and shall pay into those capital reserve funds the proceeds of the sale of its bonds and other moneys which may be made available to the corporation from other sources for the purposes of the capital reserve funds. A capital reserve fund may be established only if the corporation determines that the establishment of the fund would enhance the marketability of the bonds. Money in a capital reserve fund, except as provided in this section, may be used as required only for (1) the payment of the principal of, and interest on, bonds or of the sinking fund payments with respect to those bonds; (2) the purchase or redemption of the bonds, or (3) the payment of a redemption premium required to be paid when the bonds are redeemed before maturity. However, money in a capital reserve fund may not be withdrawn if the withdrawal would reduce the amount in the capital reserve fund to less than the capital reserve fund requirement, except for the purpose of making payment, when due, of principal, interest redemption premiums on the bonds, and sinking fund payments when other money of the corporation is not available for the payments. Income or interest earned by, or increment to, a capital reserve fund, from the investment of all or part of the fund, may be transferred by the corporation to other funds or accounts of the corporation if the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(b) If the corporation decides to issue bonds secured by a capital reserve fund, the bonds may not be issued if the amount in the capital reserve fund is less than the capital reserve fund requirement, unless the corporation, at the time of issuance of the bonds, deposits in the capital reserve fund from the proceeds of the bonds to be issued or from other sources, an amount which, together with the amount then in the fund, is not less than the capital reserve fund requirement.

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the fund is invested shall be valued by a reasonable method established by the corporation by resolution. Valuation shall include the amount of interest earned or accrued as of the date of valuation.

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

(e) In this section, "capital reserve fund requirement" means the amount required to be on deposit in the capital reserve fund as of the date of computation as determined by resolution of the corporation.

(f) The corporation may establish reserve funds, other than capital reserve funds, to secure one or more issues of its bonds. The corporation may deposit in a reserve fund established under this subsection the proceeds of sale of its bonds and other

money which may be made available from any other source. A reserve fund established under this subsection must comply with (a) - 9c) of this section. The corporation may allow a reserve fund established under this subsection to be depleted without complying with (d) of this section.

Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the legislature that a pledge made in respect of bonds shall be valid and binding from the time the pledge is made; that the money or property so pledged and thereafter received by the corporation shall immediately be subject to the lien of the pledge without physical delivery or further act; and that the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the corporation irrespective of whether the parties have notice. Neither the resolution, trust agreement nor any other instrument by which a pledge is created need be recorded or filed under the provisions of the Uniform Commercial Code to be valid, binding or effective against the parties.

Sec. 14.42.260. NONLIABILITY ON BONDS. (a) Neither the members of the corporation nor a person executing the bonds are liable personally on the bonds or are subject to personnel liability or accountability by reason of the issuance of the bonds.

(b) The bonds issued by the corporation do not constitute an indebtedness or other liability of the state or of a political subdivision of the state, except the corporation, but shall be payable solely from the income and receipts or other funds or property of the corporation. The corporation may not pledge the faith or credit of the state or of a political subdivision of the state (except the corporation) to the payment of a bond and the issuance of a bond by the corporation does not directly or indirectly or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bond.

Sec. 14.42.270. PLEDGE OF STATE. The state pledges to and agrees with holders of bonds issued under this chapter that the state will not limit or alter the rights and powers vested in the corporation by this chapter to fulfill the terms of a contract made by the corporation with the holders or in any way impair the rights and remedies of the holders until the bonds, together with the interest on them with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met and discharged. The corporation is authorized to include this pledge and agreement of the state in a contract with the holders.

Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal property of this corporation and its assets, income and receipts are declared to be the property of a political subdivision of the state and devoted to an essential public and governmental function and purpose, and the property, assets income, receipts, and other interests of the corporation shall be exempt from all taxes and special assessments of the state or a political subdivision of the state, including, without limitation, all boroughs, cities, municipalities, school districts, public utility districts and other

taxing units. All bonds of the corporation are declared to be issued by a political subdivision of the state and for an essential public and governmental purpose and to be a public instrumentality, and the bonds, and the interest on them, the income from them and the transfer of the bonds, and all assets, income and receipts pledged to pay or secure the payment of the bonds, or interest on them, shall at all times be exempt from taxation by or under the authority of the state, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing in this section affects or limits an exemption from license fees, property taxes, or excise, income or any other taxes provided under any other law, nor does it create a tax exemption with respect to the interest of any business enterprise or other person, other than the corporation, in any property, assets, income, receipts, or other interests.

SEC. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES.

The bonds of the corporation are securities in which all public officers and bodies of the state and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks, savings associations, including savings and loans associations and building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the state, may properly and legally invest funds including any other provisions of law, the bonds of the corporation are also securities which may be deposited with and may be received by all public officers and bodies of this state and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the state is now or may hereafter be authorized.

Sec. 14.42.310. OPERATION OF CERTAIN STATUTES EXCEPTED.

(a) The corporation shall not be considered or constitute (1) a political subdivision of the state as the term is used in AS 37.10.085, (2) a municipal corporation or political subdivision of the state as the terms are used in AS 29, or (3) except as provided in AS 14.42.330, a state agency as the term is used in AS 37, but for all other purposes the corporation constitutes a political subdivision and an instrumentality of the state as provided in this chapter.

(b) The funds, income or receipts of the corporation shall not be considered or constitute money of the state, nor shall real property in which the corporation has an interest be considered land owned in fee by the state or to which the state may become entitled or in any way lands belonging to the state, or state lands referred to in Art. VIII of the Alaska Constitution.

Sec. 14.42.320. ANNUAL AUDIT. The corporation shall have its financial records audited annually by the legislative auditor or by a certified public accountant approved by the legislative auditor. The legislative auditor may prescribe the form and content of the financial records of the corporation and shall have access to

these records at any time.

Sec. 14.42.330. OPERATING BUDGET. The operating budget of the corporation is subject to the Executive Budget Act (AS 37.07).

Sec. 2. 14.43.120(d) is amended to read:

- (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;
  - (4) to attend an institution for which the default rate on loans made to students to attend the institution exceeds the program default rate by more than 150%.

Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

April 17, 1986

Senator Frank Ferguson  
State of Alaska  
P.O. Box V  
Juneau, Alaska 99811

Dear Senator Ferguson,

We have evaluated the cash flows of the Alaska Commission on Postsecondary Education student loan program and estimate that we could finance at least a \$100 million student loan program over the next two years. This would reduce the general fund expenditures by \$60 million for the next two years. This will give the legislature two years to further strengthen the student loan program. We would be happy to show the legislature the impact of various measures to strengthen the program.

We would use an authority approach working around an executive committee of the Alaska Commission on Postsecondary Education to operate the program. We recommend the accountability for loan disbursement and collection be closely allied with the bonding function.

The following is an outline of the bill:

1. The Alaska Student Loan Corporation shall have the following powers.
  - (1) To sue and be sued;
  - (2) adopt and alter an official seal;
  - (3) make and enforce bylaws and regulations under the Alaska Administrative Procedures Act to conduct its business for the use of its services and facilities;
  - (4) maintain an office in the state;
  - (5) acquire, hold, use and dispose of its income, revenues, funds and money;
  - (6) acquire, rent, lease, hold use and dispose of other personal property for its purposes;
  - (7) borrow money and issue its negotiable bonds or notes and provide for and secure their payment, provide for the rights of their holders and purchase, hold and dispose of any of its bonds or notes;

- (8) accept gifts or grants from the United States, or from any governmental unit or person, firm or corporation, carry out the terms or provisions or make agreements with respect to the gifts or grants, and do all things necessary, useful, desirable, or convenient in connection with procuring, accepting or disposing of the gifts or grants;
- (10) do anything authorized by this chapter, through its officers, agents or employees or by contracts with a person;
- (11) invest funds or money of the corporation not required at the time of investment for loan to students in the same manner as permitted for investment of funds belonging to the state;
- (12) prescribe the form of application or procedure required of students for a loan, fix the terms and conditions of the loan or purchase;
- (13) allow the legislature to set the general terms and conditions of the student loans;
- (14) procure insurance against any losses in connection with its property, operations or assets in amounts and from insurers as it considers desirable;
- (15) shall have an annual report and audit which shall be submitted to the legislature;
- (16) the corporation shall prepare and submit an annual budget to the governor and legislature.

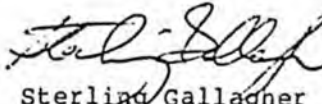
2. Governance: We recommend that an executive committee be selected by the governor from the members of the Alaska Commission on Postsecondary Education to form the corporation's board. The corporation's board will consist of five members, one of which must be the State Board of Education representative. The directors of the corporation shall select from their members a chairman. The corporation must transact its business in a public forum. The directors of the corporation shall be reimbursed for actual expenses or per diem for discharging its duties. The corporation shall employ the executive director and other staff as necessary. The employees shall be under the exempt service. In addition to staff, the corporation may employ bond counsel, consultants and other financial advisors.

3. Bond security: The corporation may enter into contracts with various institutions to secure its transactions. It may set up reserve funds including a capital reserve fund that may include a state's moral obligation. The bond holder's rights cannot be overridden by the legislature once the contract is entered.

Other changes we recommend in the student loan program are:

1. to allow the payment of the administrative costs of the student loan program out of the program receipts;
2. strengthen the default provisions of student loans as it affects various institutions;
3. ask the Alaska Congressional delegation to obtain tax exemption for the Alaska student loan program.

Yours truly,

  
Sterling Gallagher  
Vice President

SG:me

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
ALASKA STUDENT LOAN PROGRAM  
SERIES 1986 VARIABLE RATE DEMAND BONDS  
ANALYSIS OF AMORTIZATION

YEAR ENDING 6/30	COLLECTIONS ON PRIOR LOANS †	COLLECTIONS ON NEW LOANS **	OUTSTANDING PRINCIPAL	INTEREST	PRINCIPAL RETIREMENT	ENDING BALANCE
						100,000,000
1987	14,547,599	0	100,000,000	7,000,000	4,635,000	95,365,000
1988	20,152,279	2,339,176	95,365,000	6,675,550	11,315,000	84,050,000
1989	25,396,203	7,017,529	84,050,000	5,883,500	20,045,000	64,005,000
1990	29,461,182	9,356,706	64,005,000	4,480,350	26,570,000	37,435,000
1991	31,071,125	9,356,706	37,435,000	2,620,450	29,720,000	7,715,000
1992	31,077,952	9,356,706	7,715,000	540,050	31,805,000	(24,090,000)
1993	30,504,435	9,356,706	(24,090,000)	(1,686,300)	33,575,000	(57,665,000)
1994	29,184,877	9,356,706	(57,665,000)	(4,036,550)	34,865,000	(92,530,000)
1995	26,901,710	9,356,706	(92,530,000)	(6,477,100)	35,480,000	(128,010,000)
1996	23,297,945	9,356,706	(128,010,000)	(8,960,700)	35,080,000	(163,090,000)
1997	18,406,869	9,356,706	(163,090,000)	(11,416,300)	33,625,000	(196,715,000)
1998	12,546,025	7,017,529	(196,715,000)	(13,770,050)	29,420,000	(226,135,000)
1999	7,024,621	2,339,176	(226,135,000)	(15,829,450)	23,320,000	(249,455,000)

CASH FLOW COVERAGE FACTOR: 1.25  
VARIABLE RATE DEMAND BOND INTEREST RATE: 7.00%  
DEFAULT RATE ON NEW LOANS: 15.00%

- † Collections on Prior Loans are based on 4/17/86 projections.  
\*\* Collections on New Loans reflects Forgiveness on 15% of expected repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
ALASKA STUDENT LOAN PROGRAM  
ANALYSIS OF LOAN REPAYMENT:

YEAR ENDING 6/30	VOLUME OF STUDENT LOANS MADE	LOANS BEGINNING REPAYMENT	CUMULATIVE LOANS IN REPAYMENT	UNADJUSTED REPAYMENT CASH FLOW	REPAYMENT ADJUSTED FOR DEFAULTS	LESS: LOANS FORGIVEN	NET LOAN COLLECTIONS
1972	1,603,158	0	0	0	0	0	0
1973	2,870,384	0	0	0	0	0	0
1974	2,986,176	240,474	240,474	31,142	26,471	4,632	21,839
1975	2,659,807	783,252	1,023,726	132,577	112,691	19,721	92,970
1976	3,382,997	1,640,516	2,664,242	345,032	293,277	51,323	241,953
1977	3,850,507	2,397,227	5,061,470	655,483	557,161	97,503	459,659
1978	4,604,167	2,820,707	7,882,177	1,020,778	867,661	151,841	715,821
1979	6,416,402	3,055,447	10,937,624	1,416,472	1,204,001	210,700	993,331
1980	9,373,949	3,487,061	14,424,685	1,868,063	1,587,853	277,874	1,309,979
1981	15,957,717	4,226,198	18,650,883	2,415,375	2,053,068	359,287	1,693,782
1982	40,559,499	5,460,112	24,110,995	3,122,484	2,654,112	464,470	2,189,642
1983	55,007,395	7,928,727	32,039,722	4,149,291	3,526,697	617,207	2,909,690
1984	62,912,316	14,530,168	46,569,890	5,999,871	5,099,891	892,481	4,207,410
1985	75,075,083	25,140,833	70,686,997	9,154,289	7,781,146	1,361,701	6,419,445
1986	80,675,498	39,682,445	108,729,925	14,060,893	11,968,759	2,094,533	9,874,226
1987	0	53,857,540	160,189,238	20,745,239	17,633,453	3,085,854	14,547,599
1988	0	64,536,012	221,904,542	28,737,653	24,427,005	4,274,726	20,152,279
1989	0	60,798,315	279,647,410	36,215,619	30,783,276	5,387,073	25,396,203
1990	0	48,248,123	324,408,472	42,012,381	35,710,524	6,249,342	29,461,182
1991	0	21,953,895	342,136,169	44,308,199	37,661,969	6,590,845	31,071,125
1992	0	5,535,293	342,211,350	44,317,935	37,670,245	6,592,293	31,077,952
1993	0	1,613,510	335,896,133	43,500,086	36,975,073	6,470,638	30,504,435
1994	0	0	321,365,965	41,618,363	35,375,608	6,190,731	29,184,877
1995	0	0	296,225,132	38,362,510	32,608,133	5,706,423	26,901,710
1996	0	0	256,542,687	33,223,452	28,239,934	4,941,988	23,297,945
1997	0	0	202,685,148	26,248,654	22,311,356	3,904,487	18,406,669
1998	0	0	138,149,126	17,890,945	15,207,303	2,661,278	12,546,025
1999	0	0	77,350,821	10,017,285	8,514,692	1,490,071	7,024,621
2000	0	0	29,102,698	3,768,932	3,203,593	560,629	2,642,964
2001	0	0	7,148,803	925,803	786,932	137,713	649,219
2002	0	0	1,613,510	208,957	177,613	31,082	146,531
2003	0	0	0	0	0	0	0
	367,935,855	367,935,855	3,679,358,550	476,493,765	405,019,700	70,878,448	334,141,253

TIMING OF FIRST LOAN REPAYMENT:

1 YEAR AFTER LOAN IS MADE	0 %
2 YEARS AFTER LOAN IS MADE	15 %
3 YEARS AFTER LOAN IS MADE	22 %
4 YEARS AFTER LOAN IS MADE	35 %
5 YEARS AFTER LOAN IS MADE	21 %
6 YEARS AFTER LOAN IS MADE	5 %
7 YEARS AFTER LOAN IS MADE	2 %

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

Date 3-27-86

1/16/86

Mr. President

The Committee on HESS considered CSHB 161 Fin am  
interest rate, loan conditions and repayment provisions of scholarship  
loans; efd.

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

- do pass
- do pass with attached amendment(s) (HESS)
- replace with/or adopt SCS for CSHB 161 (Fin) am
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Ardis Stupakowski  
Edna De Vries  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

Joe P. Josephson - No Recommendation  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

B. F. Johnson  
 Chairman

Chairman recommendation \_\_\_\_\_

**COMMITTEE REPORT**  
**SENATE**

FURTHER: FINANCE

5/7/85

Date \_\_\_\_\_

Mr. President

The Committee on HESS considered CSUB 161 (Fin) 85

interest rate, loan conditions and repayment provisions of scholarship loans; etd.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt 5 CS for CSUB 161 (Fin) 85
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

*Robert St. George*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Chairman  
*Ed. P. ...*  
Chairman recommendation

## United Campuses of Alaska

Seven of the nine charter member campuses of the United Campuses of Alaska student organization met March 13 and 14 in Anchorage. A list of approved recommendations and endorsements resulted from these deliberations concerning the Alaska Scholarship Loan Program and HB 161. The representatives of the United Campuses respectfully submit this list to the Health, Education and Social Services Committee membership for consideration. Please accept the thanks of the United Campuses of Alaska for the HESS Committee's cooperation and forbearance.

### SUGGESTED ACTIONS AND RECOMMENDATIONS CONCERNING HB 161 AND THE SCHOLARSHIP LOAN PROGRAM

1. Reduce the loan maximum from \$6000 to \$5500 for undergraduates and from \$7000 to \$6500 for graduate borrowers.

Comments: While the UCA feels that this action represents a less than perfect method for redistributing funds to meet current loan program demand, it is felt that this action is the most effective way of meeting the short-term loan program shortfall and will have a minimal negative on the average loan recipient.

2. Increase the interest rate on loans to students attending out-of-state postsecondary institutions from 5% to 8%.

Comments: In the spirit of encouraging attendance at Alaskan post-secondary institutions, the United Campuses representatives feel strongly that this differentiated interest rate should be applied to out-of-state loans.

3. Recommend that the HESS Committee request that the Alaska Commission on Post-Secondary Education compile further information which examines the effects of more restrictive authorization requirements for proprietary schools which currently benefit from the receipt Alaska Student Loan program funds.

4. By 1991, restrict the funding of out-of-state loans. Applicants must meet one of the following three criteria in order to qualify for a loan to be used for attending an out-of-state institution:

- The program attended must not be offered by an "in-state" institution  
OR

- The applicant must be a graduate of an Alaskan High School  
OR

- The applicant must have completed a minimum of sixty (60) credit hours of instruction at an Alaskan Institution.

5. Institute a \$10 per applicant annual "application processing fee".

Comments: It is the UCA's intention that the fee receipts could be used to offset the cost of planning for further modifications in the student loan program (re; the "1991" plan, etc.) It was further intended that provision for waiving this fee be made under circumstances where the applicant is incapable of paying the \$10.

6. Request that the Legislature, in cooperation with the Alaska Commission on Post-Secondary Education and student loan recipients develop a plan for the delivery of a "needs-based" loan program. The plan for this program is to be presented to the Legislature by January 15, 1987 for further consideration.

7. Request that the Alaska Commission on Post-Secondary Education require that each applicant for a Scholarship Loan simultaneously file a FAF (Federal Aid Form), a copy of which would be sent to each campus' student financial aid officer to serve as an additional aid for securing other financial aid when possible.

Comments: The United Campuses recognize that currently, it is extremely easy to obtain the Alaska student loan and that often times, loan recipients view the ASL as the "sole source" of financial assistance for attending college. The UCA representatives feel that requiring the filing of this form could possibly open the door to other grants and loans. The representatives also felt that this requirement would possibly discourage potential abuse of the student loan program by reasoning that those applicants that will not go to the trouble of filing the FAF aren't truly in need of the assistance.

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*adopted  
Conf Comm*

*file*

SENATE JOURNAL SUPPLEMENT

April 28, 1986

NOV/DAY

No. 72

FISCAL NOTE

SCS CSHB 161 (FIN)

Revision Date: 3/27/86

REQUEST

Bill/Resolution No.: CS - SHB 101 (2)  
Title: Re: Scholarship Loans  
Sponsor: Winkler  
Requestor: Senate HRCS  
Date of Request: 3/27/86

FISCAL DETAIL

Agency Affected: Education  
BRU: Postsecondary Education  
Component: Student Loan Administration  
Student Loan Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		25.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	N.A.	25.0	-0-	-0-	-0-	-0-

CAPITAL	N.A.	-0-	<217.5>	<551.6>	<1,316.2>	<2,319.9>
---------	------	-----	---------	---------	-----------	-----------

REVENUE	N.A.	-0-	217.5	551.6	1,316.2	2,319.9
---------	------	-----	-------	-------	---------	---------

FUNDING : (Thousands of Dollars)

GENERAL FUND	N.A.	25.0	<217.5>	<551.6>	<1,316.2>	<2,319.9>
FEDERAL FUNDS						
OTHER						
TOTAL		25.0	<217.5>	<551.6>	<1,316.2>	<2,319.9>

POSITIONS :

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

ANALYSIS : Attach a separate page if necessary

See attached.

Prepared by: Kerry D. Romesburg  
Division: Commission on Postsecondary Education

Phone: 465-2954  
Date: 4/27/86



None

1 remains constant at \$60.0

2s entering repayment, with a  
11 be:

Years After Borrowing

One year  
Two years  
Three years  
Four years  
Five years  
Six or more years

3e reduced if interest is

4e received by 18 percent of

5ed.

1984-85 will continue, and if  
111 be in increased numbers  
level. For 1984-85, the

3. The reduced borrowing maximum will not result in program savings, rather it will permit additional students to borrow. This impact is presented below, first in a "dollar" term and then in an increased borrower term.

Year	"Savings"	Number of Students
FY87	\$2,405,000	546
88	\$2,618,000	575
89	\$2,652,000	567
90	\$2,686,000	558
91	\$2,726,000	551

Please note that the "savings" and number of students impacted overlaps slightly with the Commission's \$500 regulation. Without the regulation, the statutory impact would increase.

Collegiate		Total	
Rate	Out of State	In State	Out of State
3.2	1.1	3.1	1.2
3.6	9.5	12.0	9.1
6.7	15.0	33.7	14.5
4.7	9.5	13.3	10.0
3.9	8.0	4.5	9.2
1.8	6.1	2.2	6.1
4.7	42.1	29.4	42.1
2.4	8.7	1.2	8.0
100.0	100.0	100.0	100.0

125.0 is for modifying the  
system to accommodate variable

ount for borrowers will increase  
reased interest rate. The

Current 5%	8%
\$ 10.61	\$ 11.98
\$254.56	\$287.28

SCS CSHB 161 (FIN)

SCS/ICS 161: Student Loans  
(J-27-86 Analysis)

- 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:

<u>Percent</u>	<u>Years After Borrowing</u>
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
<u>100.0</u>	

3. Borrowing rates will not be reduced if interest is increased to 8 percent.
4. Forgiveness benefits will be received by 18 percent of the borrowers.
5. Default rate is not included.
6. The borrowers pattern of 1984-85 will continue, and if there is any change, it will be in increased numbers borrowing at the maximum level. For 1984-85, the pattern was:

<u>Borrowing Level</u>	<u>Vocational</u>		<u>Collegiate</u>		<u>Total</u>	
	<u>In State</u>	<u>Out of State</u>	<u>In State</u>	<u>Out of State</u>	<u>In State</u>	<u>Out of State</u>
\$1 - \$1,000	2.5	1.9	3.2	1.1	3.1	1.2
\$1,001-\$2,000	7.5	4.4	13.6	9.5	12.6	9.1
\$2,001-\$3,000	17.1	9.0	36.7	15.0	33.7	14.5
\$3,001-\$4,000	4.5	14.9	14.7	9.5	13.3	10.0
\$4,001-\$5,000	7.8	22.0	3.9	8.0	4.5	9.2
\$5,001-\$5,500	4.3	5.9	1.8	6.1	2.2	6.1
\$5,501-\$6,000	56.3	41.9	24.7	42.1	27.4	42.1
\$6,001-\$6,500			1.4	8.7	1.2	8.0
\$6,501-\$7,000						
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

- Comments:
1. Contractual amount of \$25.0 is for modifying the existing student loan system to accommodate variable interest rates.
  2. The monthly payment amount for borrowers will increase as a result of the increased interest rate. The changes would be:

<u>Loan Amount</u>	<u>Current 5%</u>	<u>8%</u>
\$ 1,000	\$ 10.61	\$ 11.98
\$24,000	\$254.56	\$287.28

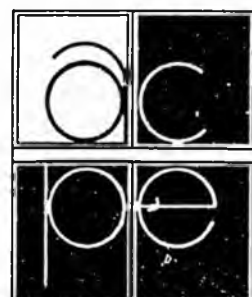
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STATE OF ALASKA

**STUDENT  
FINANCIAL AID  
PROGRAMS**

**ANNUAL REPORT  
1984-1985**

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



STATE OF ALASKA

S T U D E N T  
F I N A N C I A L   A I D  
P R O G R A M S  
ANNUAL REPORT  
1984-85

Document Number 86-1

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

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ALASKA STUDENT LOAN PROGRAM

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Ms. Carol Barril Collections Officer	Mr. Kevin Hanon Accounting Supervisor	Ms. Peggy Corazza Records Officer

WICHE STUDENT EXCHANGE AND STATE EDUCATIONAL INCENTIVE GRANT PROGRAMS

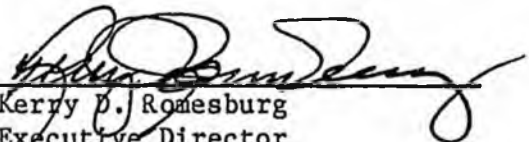
Ms. Jane Byers Maynard Director, Special Programs	Ms. Robin Stephens Program Assistant
--	---

PREFACE

The Annual Report on Alaska Student Financial Aid Programs for 1984-85 is hereby transmitted to the Governor and the Legislature of the State of Alaska. The Student Loan Program is administered by the Alaska Commission on Postsecondary Education with advice and guidance of the Student Financial Aid Advisory Committee. Membership of this advisory committee for 1984-85 included:

Ms. Patricia Abney, Chair (Anchorage)  
Mr. Jack Blair (Anchorage)  
Ms. Eleanor Brown (Anchorage)  
Ms. Ida Greiner (Fairbanks)  
Mr. Rick Helms (Anchorage)  
Representative Niilo Koponen (Fairbanks)

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

  
Kerry D. Romesburg  
Executive Director

September 1985  
\_\_\_\_\_  
(Date)

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## INTRODUCTION

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

This report briefly summarizes each of these programs and the participation levels for 1984-85. The Student Loan Program will be discussed first, then the WICHE Student Exchange Program, and finally, the Incentive Grant Program.

# 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 <sup>1984-85</sup>~~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.

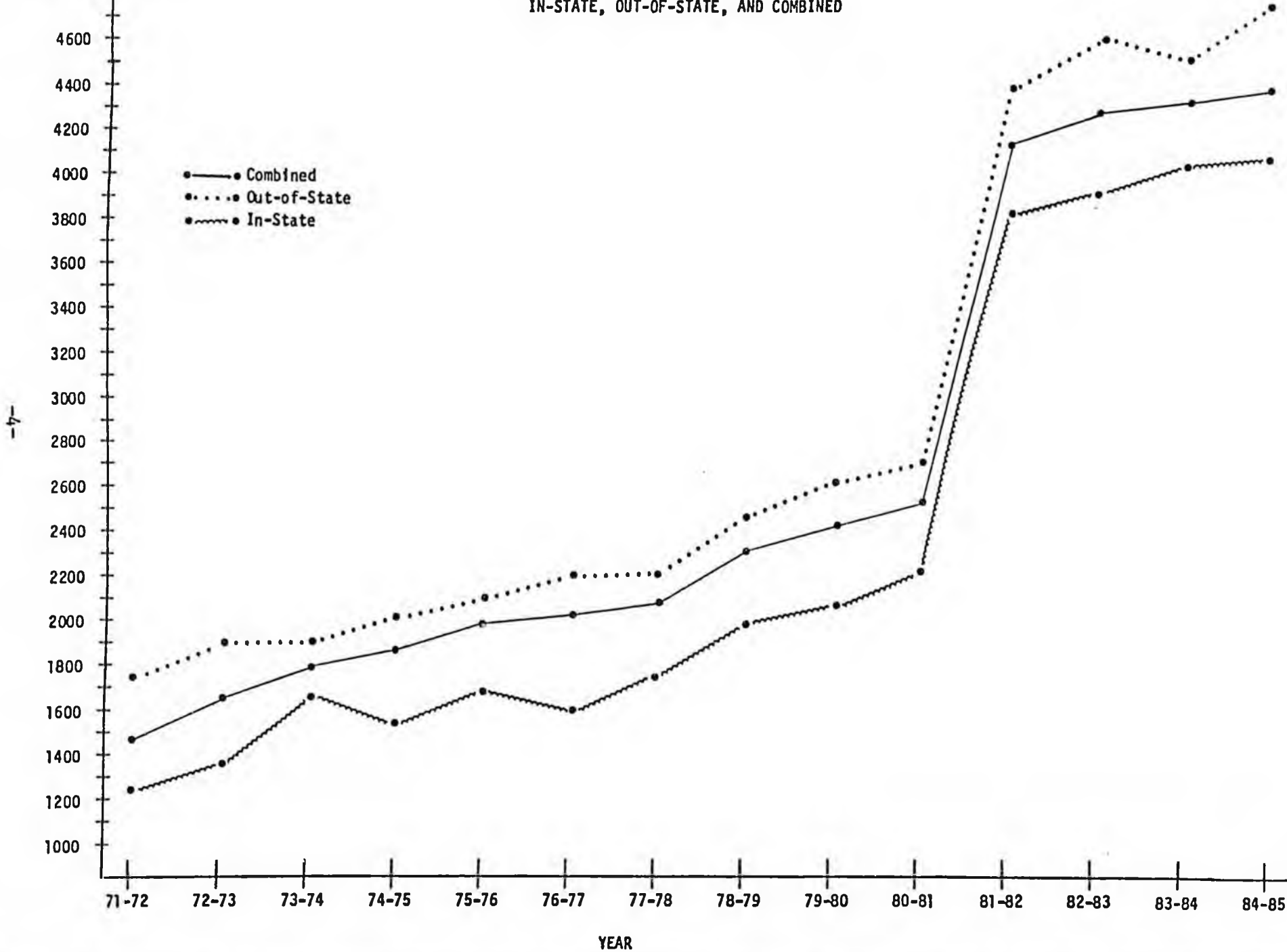
### Loan Award Amounts

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.

AVERAGE LOAN  
AWARD

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



-4-

TABLE 1  
 MEAN LOAN AMOUNT PER RECIPIENT BY  
 IN-STATE/OUT-OF-STATE AND STUDENT LEVEL  
 1982-83 thru 1984-85

Student Level	In Alaska			Out-of-State			Combined		
	82-83	83-84	84-85	82-83	83-84	84-85	82-83	83-84	84-85
Freshman	\$3,236	\$3,275	\$3,336	\$4,322	\$4,166	\$4,433	\$3,739	\$3,681	\$3,788
Sophomore	3,693	3,687	3,714	4,371	4,377	4,557	4,046	4,045	4,142
Junior	3,705	3,889	3,942	4,503	4,541	4,721	4,143	4,249	4,488
Senior	3,745	3,920	3,960	4,480	4,450	4,711	4,140	4,180	4,351
Vocational	5,076	5,224	5,169	4,769	4,544	4,721	4,996	5,028	5,076
Undergraduate	3,847	3,992	4,050	4,432	4,377	4,597	4,122	4,171	4,288
Graduate	4,454	4,527	4,434	5,336	5,257	5,620	5,129	5,097	5,363
TOTAL	\$3,872	\$4,013	\$4,062	\$4,558	\$4,502	\$4,735	\$4,213	\$4,255	\$4,372

## Undergraduate Loans

The number of undergraduate students receiving loans under the state program has increased greatly over the past fourteen years. In 1971-72, 990 undergraduates received assistance, while in 1984-85, the number has grown to 15,814. Of these 15,814 loan recipients, 56.7 percent used their loans for attendance in Alaska, and 43.3 percent used their loans out-of-state. The states most frequently chosen by undergraduates in 1984-85 are presented in Table 2.

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

The average loan amount increased in almost every case, with the most pronounced increase in loans for attendance in Hawaii, Texas, and Idaho. Of the top ten states of attendance, only Utah (\$3,762) has a lower average loan rate than Alaska.

The percent of undergraduates using their loans for attendance in Alaska continued to increase again this year. In fact, as can be seen in Figure 2, the 1984-85 rate of 56.7 percent is the highest in-state rate since the first year of the program, 1971-72.

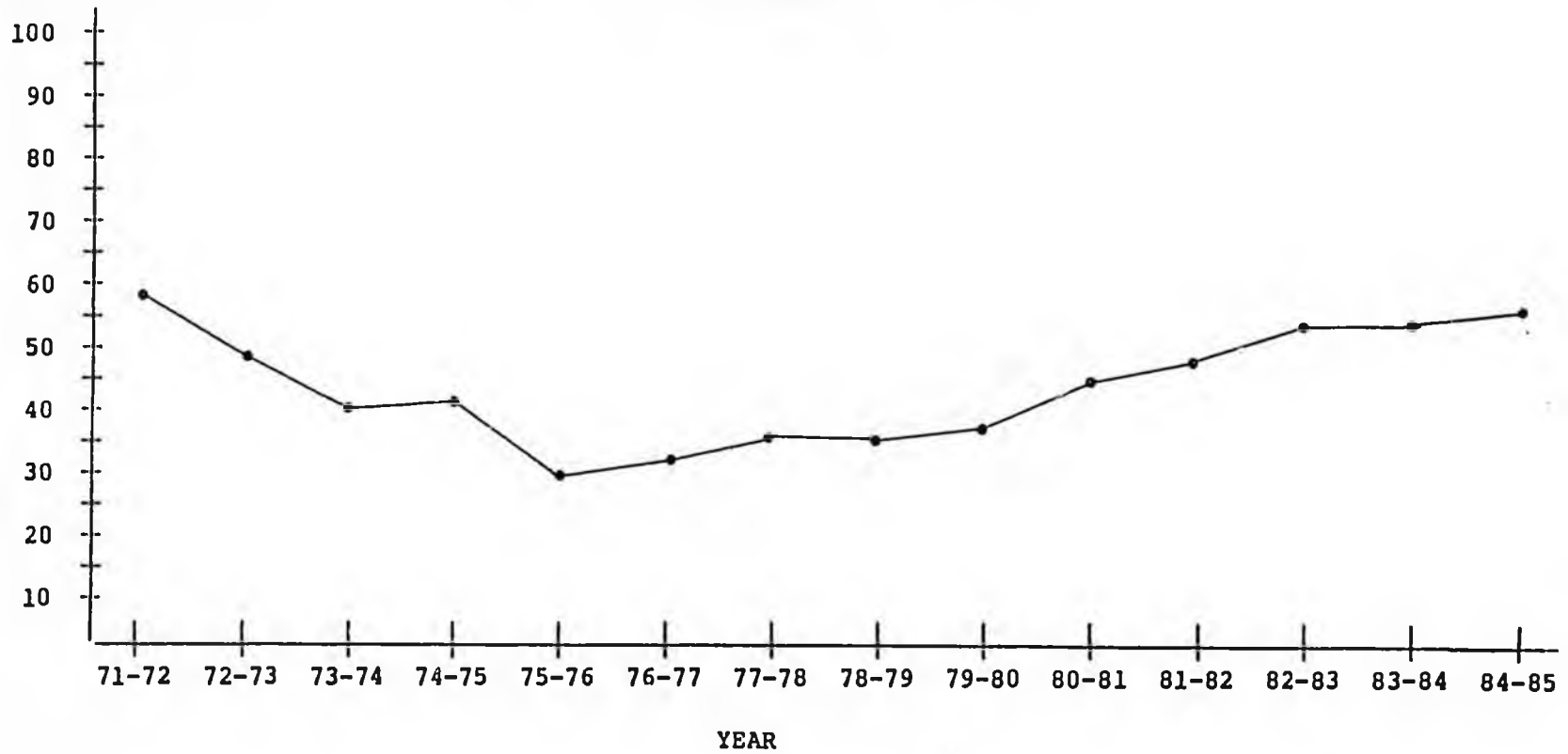
The increasing drawing power of Alaskan institutions is hypothesized to be the result of a number of factors including the maturation of Alaska's schools and the accompanying wider array of offerings, as well as the increased cost of attendance at schools outside of Alaska.

TABLE 2  
 TEN TOP STATES OF ATTENDANCE  
 FOR ALASKANS WITH  
 UNDERGRADUATE LOANS  
 1980-81 through 1984-85

STATE	NUMBER					AVERAGE LOAN				
	80-81	81-82	82-83	83-84	84-85	80-81	81-82	82-83	83-84	84-85
Alaska	2,606	4,225	6,305	7,175	8,971	\$2,137	\$3,751	\$3,847	\$3,992	\$4,050
Washington	700	1,045	1,314	1,549	1,662	2,495	4,091	4,610	4,511	4,665
Oregon	500	746	908	949	1,030	2,506	4,242	4,756	4,590	4,600
California	280	373	556	664	780	2,519	4,268	4,858	4,919	4,953
Arizona	142	206	352	404	538	2,413	4,344	4,444	4,717	4,716
Colorado	161	280	372	408	373	2,502	4,584	5,050	5,233	5,042
Idaho	125	199	265	253	237	2,407	3,826	3,866	4,002	4,300
Hawaii	79	160	258	248	230	2,076	3,463	3,514	3,426	4,226
Utah	85	153	202	209	224	2,029	3,564	3,664	3,763	3,762
Texas	93	114	153	187	198	2,331	4,003	4,189	4,227	4,554
Remaining										
U.S.	1,000	1,434	1,168	1,369	1,517	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign	N.A.	N.A.	26	34	54	N.A.	N.A.	4,101	4,234	4,113
<b>TOTAL</b>	<b>5,751</b>	<b>8,935</b>	<b>11,879</b>	<b>13,449</b>	<b>15,814</b>	<b>\$2,319</b>	<b>\$3,977</b>	<b>\$4,139</b>	<b>\$4,171</b>	<b>\$4,287</b>

FIGURE 2  
PERCENTAGE OF UNDERGRADUATE LOANS  
USED IN ALASKA

PERCENTAGES



The wide geographic distribution of Alaskans pursuing undergraduate education is shown most vividly in Figure 3, with Alaskan undergraduates attending institutions in every state of the Union. The predominance of the West and Northwest is quite evident, with only Alaska, Washington, Oregon, California, Arizona, Colorado, Idaho, Hawaii and Utah, receiving over 200 Alaskan undergraduates on state loans. Of the thirteen western states comprising the WICHE compact (Western Interstate Commission for Higher Education), only Wyoming received fewer than 20 Alaska undergraduates on state loans. In fact, the WICHE states account for 90.7 percent of the undergraduate loan recipients.

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

As can be seen in Table 3, Alaska attendance accounts for a very high percentage of vocational borrowers (75.2% in 1984-85). Also, more than half (58.8%) of the freshman borrowers elected to attend in Alaska in 1984-85. There seems to be an increased tendency toward attendance out-of-state as student level increases, however this could be due to a number of factors including the changing attendance patterns the last few years and the propensity to remain in school rather than stop-out or drop-out. Hence, caution should be used in drawing inferences from these data.

TABLE 3  
 IN-STATE/OUT-OF-STATE ATTENDANCE  
 BY STUDENT LEVEL  
 1982-83 through 1984-85

STUDENT LEVEL	ALASKA						OUT-OF-STATE					
	1982-83		1983-84		1984-85		1982-83		1983-84		1984-85	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Freshman	2,041	53.8	2,229	54.4	2,910	58.8	1,756	46.2	1,868	45.6	2,036	41.2
Sophomore	1,255	47.9	1,331	48.1	1,487	49.3	1,364	52.1	1,439	51.9	1,532	50.7
Junior	871	45.0	956	44.8	1,021	44.0	1,063	55.0	1,176	55.2	1,297	56.0
Senior	793	46.3	850	44.5	1,066	47.9	918	53.7	1,060	55.5	1,158	52.1
Vocational	1,334	74.0	1,809	71.2	2,487	75.2	468	26.0	731	28.8	820	24.8
TOTAL	6,294	53.1	7,175	53.3	8,971	56.7	5,569	46.9	6,274	46.7	6,843	43.3

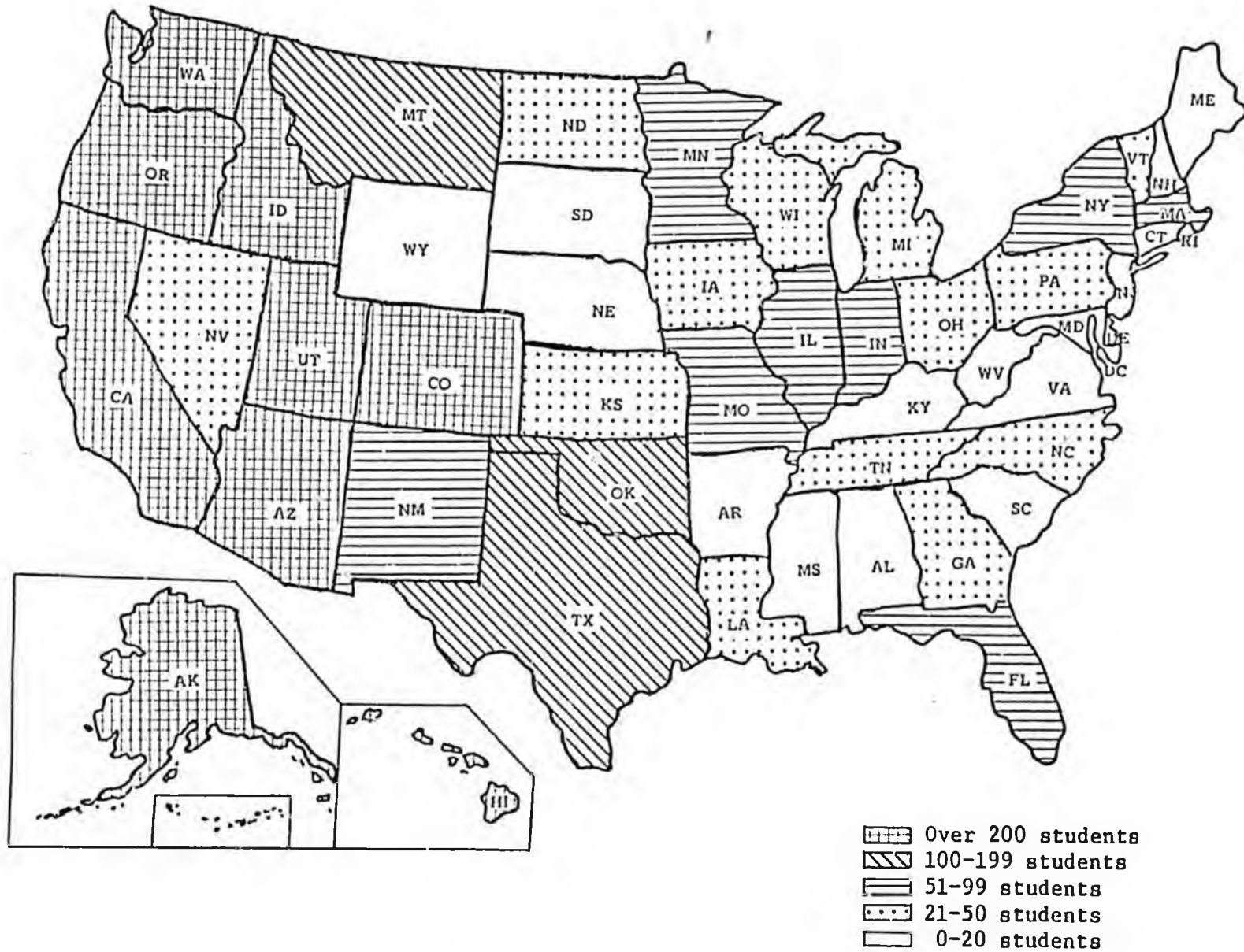


FIGURE 3  
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING  
STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1984-85

## Graduate Loans

The number of Alaskans receiving loans for graduate study has increased nearly twelve fold since the program began in 1971-72, but seems to have stabilized this year. In 1984-85, 1,359 students received assistance for the pursuit of graduate study. Of these 1,359, 78.3 percent used their loans for attendance outside of Alaska, while 21.7 percent used them for attending school in-state. The percentage of graduate loan recipients attending school in Alaska has been relatively stable the last few years, after decreasing steadily from 1971-72 through 1977-78, and then increasing steadily from 1978-79 through 1982-82. This trend is presented in Figure 4, and is probably largely due to the increased availability of programs in Alaska.

The states most frequently chosen by graduate students from Alaska in 1984-85 are presented in Table 4. Again, as with undergraduates, the students' preference is quite stable.

The average loan award for 1984-85 increased for some states and decreased for others, with the largest increases for students attending graduate institutions in Oregon and California.

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

Only Alaska, Washington, California, and Oregon received more than 100 Alaskan graduate students on state loans. The thirteen states comprising the WICHE compact account for 71.8 percent of all the graduate Alaskan loan recipients for 1984-85.

FIGURE 4  
PERCENT OF GRADUATE LOANS  
USED IN ALASKA

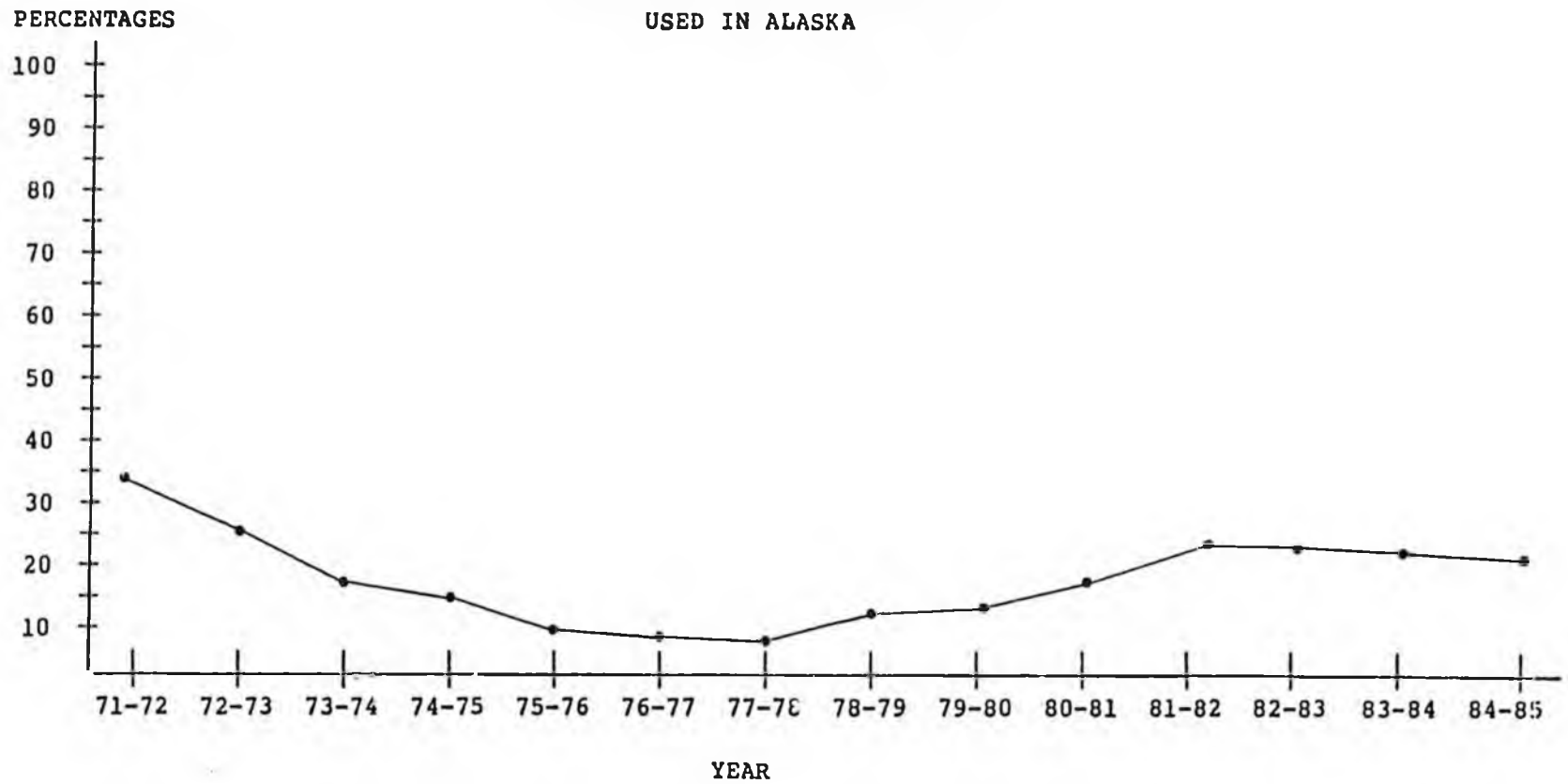


TABLE 4  
TEN TOP STATES OF ATTENDANCE  
FOR ALASKANS WITH  
GRADUATE LOANS  
1980-81 through 1984-85

STATE	NUMBER					AVERAGE LOAN				
	80-81	81-82	82-83	83-84	84-85	80-81	81-82	82-83	83-84	84-85
Alaska	127	229	276	292	295	\$3,086	\$4,630	\$4,454	\$4,527	\$4,434
California	90	113	183	237	217	3,937	5,693	5,599	5,783	6,293
Washington	129	148	161	164	178	3,848	5,740	5,447	5,535	5,843
Oregon	75	91	127	143	136	4,011	5,103	5,351	4,682	5,463
Colorado	19	27	35	42	44	4,149	5,303	5,369	5,210	5,488
Massachusetts	18	25	32	33	42	4,953	5,927	6,217	6,404	6,346
New York	17	15	19	28	35	4,159	4,989	5,153	5,471	5,471
Texas	10	20	23	28	34	3,204	4,445	4,830	4,971	4,609
Arizona	17	18	29	32	33	3,041	4,408	4,822	4,950	5,298
Ohio	3	7	10	16	23	5,000	5,450	5,810	5,697	5,852
Remaining U.S.	204	270	270	298	300	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign	N.A.	N.A.	14	23	22	N.A.	N.A.	5,084	4,410	4,830
<b>TOTAL</b>	<b>709</b>	<b>963</b>	<b>1,179</b>	<b>1,336</b>	<b>1,359</b>	<b>\$3,746</b>	<b>\$5,218</b>	<b>\$5,151</b>	<b>\$5,097</b>	<b>\$5,363</b>

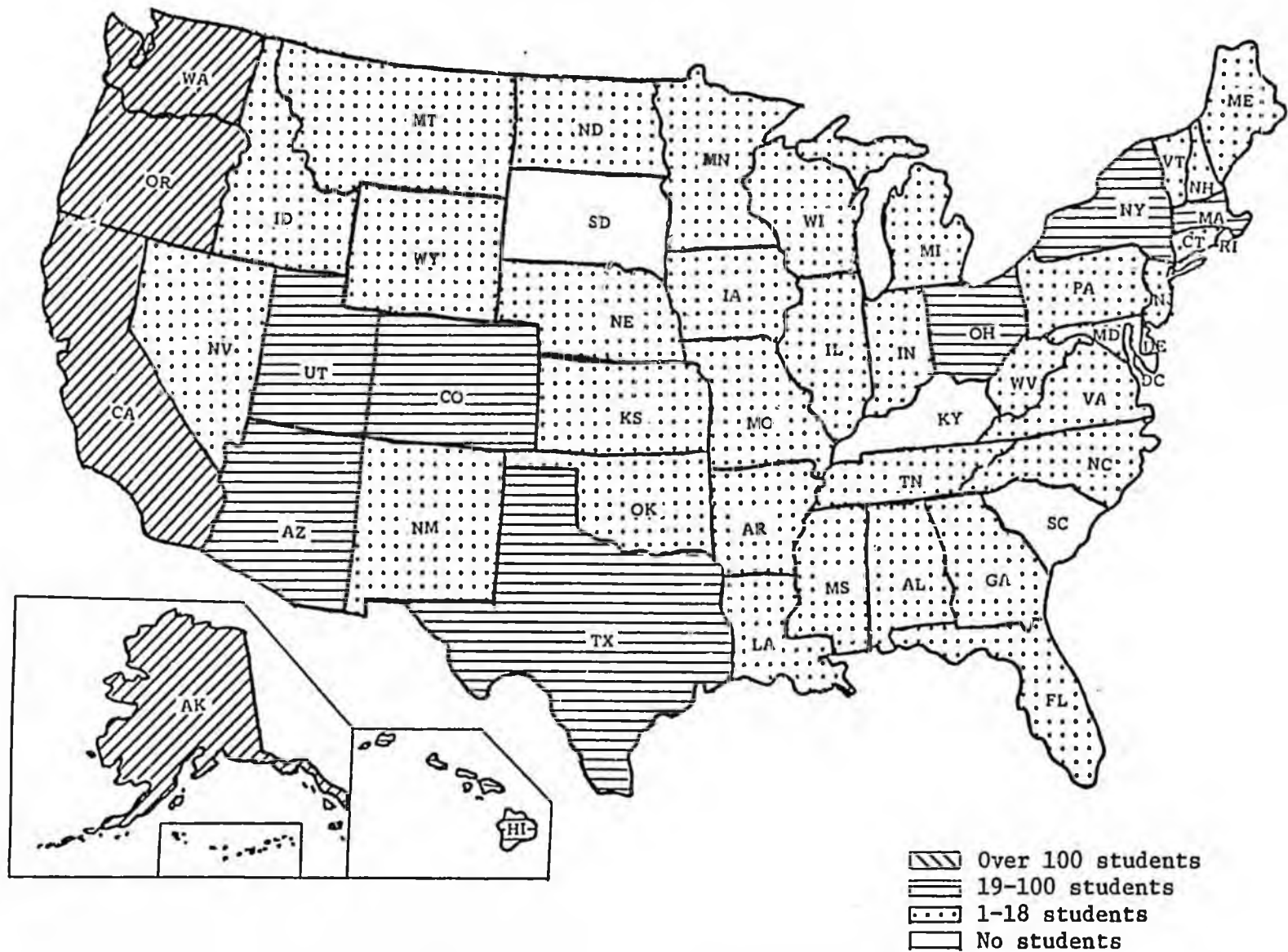


FIGURE 5  
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING  
STATE LOANS FOR GRADUATE EDUCATION IN 1984-85

Foreign Study

Alaskans used state loans for study in fifty-two different institutions in eighteen foreign countries in 1984-85. The distribution of these students by country of attendance is presented in Table 5. Not too surprisingly, Canada is the most popular foreign country for attendance of Alaskan students.

TABLE 5  
DISTRIBUTION OF BORROWERS  
BY FOREIGN COUNTRY OF ATTENDANCE  
1984-85

FOREIGN COUNTRY	UNDERGRADUATE		GRADUATE	
	Number	Average Loan	Number	Average Loan
Austria	2	\$4,500	--	\$ -0-
Australia	--	-0-	3	5,750
Canada	13	4,400	12	5,100
Costa Rica	1	2,850	--	-0-
Dominican Republic	1	6,000	--	-0-
England	9	4,200	2	6,800
France	7	2,950	1	4,350
Greece	3	4,650	--	-0-
Ireland	2	3,150	1	7,000
Israel	1	5,000	--	-0-
Italy	2	4,000	--	-0-
Japan	1	6,000	--	-0-
Mexico	3	2,150	1	3,850
Scotland	--	-0-	1	5,250
Spain	3	4,550	--	-0-
Switzerland	3	4,650	1	-0-
Taiwan	1	6,000	--	-0-
West Germany	2	2,300	--	-0-
TOTAL	54	\$4,026	22	\$5,273

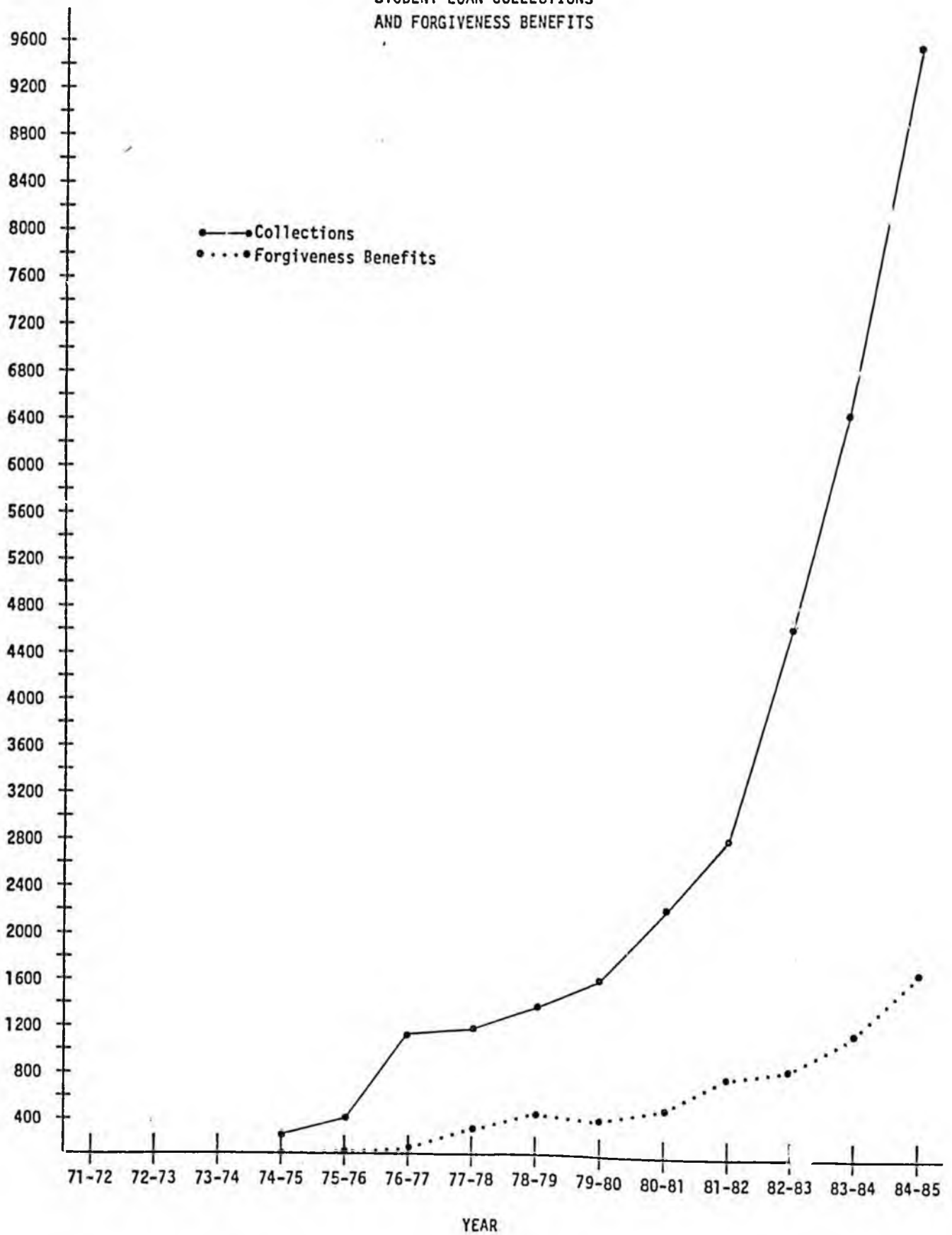
## Loan Repayments

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.

VOLUME IN  
THOUSANDS

FIGURE 6  
STUDENT LOAN COLLECTIONS  
AND FORGIVENESS BENEFITS



## Default

Nationally, student loans have a notoriously high default rate, and, unfortunately, Alaska's program also has experienced problems with loan collections. Although the Alaska program had been doing considerably better than the federal loan programs, the default rate 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 over-tripped 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.

## WICHE STUDENT EXCHANGE PROGRAM

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

### Exchange Fields

The WICHE exchange fields in which Alaska would support students for the 1984-85 year included:

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

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

### Support Fees

The amount of the support fee to be paid for each field of study is set annually by the WICHE Commission, with membership from all thirteen member states. These fees have increased more or less steadily over the last six years. As can be seen in Table 7, the total support fees exceeded \$1.7 million in 1984-85.

TABLE 7  
WICHE STUDENT EXCHANGE PROGRAM SUPPORT COSTS  
1976-77 through 1984-85

Academic Year	Total Students	Total Fees
1976-77	114	\$ 368,473
1977-78	134	634,114
1978-79	171	639,244
1979-80	209	853,959
1980-81	232	956,509
1981-82	269	1,223,091
1982-83	300	1,498,232
1983-84	284	1,591,440
1984-85	287	1,785,378
TOTAL	2,000	\$9,550,440

### Participation Rates

Law continues to be the most popular field for Alaskan students. In 1983-84 Law students accounted for 58.1 percent of the students supported under the exchange program. In 1984-85, Law represented 56.5 percent of the exchange students. The growth fields for 1984-85 were Maritime Technology, Medicine, Optometry, Osteopathy, Pharmacy, and Veterinary Medicine. These data are listed in Table 8.

TABLE 8  
WICHE EXCHANGE STUDENTS BY FIELD  
1976-77 through 1984-85

Field of Study	77-78	78-79	79-80	80-81	81-82	82-83	83-84	84-85
Architecture	6	9	7	9	15	17	18	13
Dental Hygiene*	1	1	1	0	1	0	0	0
Dentistry	11	13	13	15	18	15	15	15
Forestry	4	10	9	7	6	6	6	4
Graduate Library	2	5	2	11	8	7	9	8
Graduate Nursing	1	1	2	6	3	4	7	7
Law	64	75	100	142	155	180	165	162
Maritime Technology	N.A.	N.A.	N.A.	N.A.	7	7	4	5
Medicine	12	11	8	6	11	11	11	17
Occupational Therapy	3	1	1	3	3	4	6	6
Optometry	4	7	7	5	5	4	3	5
Osteopathy	N.A.	N.A.	N.A.	N.A.	3	6	10	13
Pharmacy	3	4	3	5	3	5	3	6
Physical Therapy	4	3	2	2	6	9	4	0
Podiatry	0	2	2	3	4	2	1	0
Public Health	1	2	1	10	14	11	7	6
Veterinary Medicine	7	8	8	8	7	12	15	20
TOTAL	123	152	166	232	269	300	284	287

\*Discontinued as an exchange field in 1981-82.

The cost of the student exchange for 1984-85 is detailed in Table 9. It can be seen that because of the relatively low support fee for Law, Law exchange students accounted for only 36.1 percent of the total exchange cost (as opposed to accounting for 56.5 percent of the students).

TABLE 9  
WICHE SUPPORT COSTS BY FIELD OF STUDY  
1984-85

Field of Study	Support Fee	Total Students	Total Costs
Architecture	\$ 3,200	13	\$ 37,333
Dentistry	10,500	15	170,932
Forestry	3,200	4	9,600
Graduate Library	4,000	8	24,000
Graduate Nursing	5,800	7	31,031
Law	4,000	162	645,000
Maritime Technology	7,700	5	38,500
Medicine	21,000	17	336,000
Occupational Therapy	3,700	6	17,767
Optometry	5,700	5	28,500
Osteopathy	9,500	13	123,500
Pharmacy	4,700	6	28,200
Physical Therapy	4,200	0	0
Podiatry	6,500	0	0
Public Health	4,900	6	23,015
Veterinary Medicine	13,000	20	272,000
TOTAL	N.A.	287	\$1,785,378

## STATE EDUCATIONAL INCENTIVE GRANT (SEIG) PROGRAM

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

### Participation Rates

1984-85 was the seventh year of operation of the SEIG Program in Alaska. Over 1,500 Alaskans applied for grant funds in 1984-85, but because of fund limitations, only 168 grants were awarded. As can be seen in Table 10, however, this is a increase from 1983-84 when 126 grants were awarded. The increase is the result of a small boost in funds at the federal level. The grant funds available in 1984-85 were 27.0 percent more than the previous year.

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