

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

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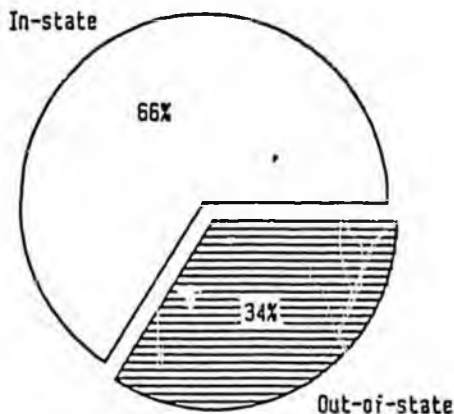
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As the maturing repayment pattern reflects growth, so does the "forgiveness" pattern. In the 15 years from 1971-72 through 1985-86, Alaskans have received loan forgiveness benefits totalling \$8.7 million (\$2.4 million in 1985-86). This amount may at first seem rather low, but it should be remembered that in order to qualify for forgiveness, the borrower must first complete the program of study for which the loan is received, and second, live in Alaska. Failure to complete programs of study disqualifies nearly half of all borrowers.

A last aspect of repayment which must be discussed is loan default. Loan default which was notoriously high in the mid 1970's, was reduced to around 9.0 percent in 1981-82 and 1982-83, but has been rising the last few years and was at 14.7 percent at the end of 1985-86. Nearly one person in six was defaulting on an Alaska Student Loan at the end of 1985-86. Default collection is handled by contract by a private firm and represents a problem which historically plagues all student loan programs.

When a more careful look at defaulted accounts is undertaken, we find two patterns emerging. The first is that students who borrow to attend school out-of-state have a much lower default rate than those who borrow to attend in Alaska, and the second is that collegiate borrowers have a much lower default rate than do vocational borrowers. As can be seen in Figure 6, of those borrowers in default at the end of 1985-86, nearly two-thirds had borrowed to attend school in Alaska. This is despite the fact that less than half of all loans awarded through that date were for attendance in-state.

Figure 6  
Defaulted Loans  
Alaska Attendance vs. Attendance Out-of-State



The default rate for vocational borrowers at the end of 1985-86 was just over twice as high as that for collegiate borrowers (24.0 percent vs. 11.8 percent), and the default rate for all borrowers who attended school in Alaska was nearly twice that of borrowers who attended out-of-state (19.5 percent vs. 10.6 percent).

## RESIDENCY REQUIREMENT

To be eligible for an Alaska Student Loan, an individual must be a two-year Alaska resident at the time of loan application. Residency has been defined by State statute to mean physical presence and clarified by program regulations to mean two years of continuous physical presence (with allowance for certain absences and time periods) immediately prior to application.

This two-year durational residency requirement was challenged in 1983 on the grounds that it was excessive and therefore unconstitutional. The case was heard in the United States District Court, District of Alaska (Andress V. Baxter), and resulted in a declaration that the residency requirement was neither unreasonable nor unconstitutional. Hence, this most generous loan program in the nation also carries the most restrictive residency requirement in the nation.

## PROBLEMS AND PROJECTIONS

Over the years, a number of problems have arisen, some more than once. Most of these problems have effectively been addressed through statutory changes by the Alaska Legislature or through program regulation amendments, but one problem, which has come relatively recently in program history, remains unsolved. That problem is trying to balance demand vs. funding. As Alaska moves into a period of reduced budgets, program restrictions, and diminishing revenues, this problem may become even more acute.

### DEMAND VS. FUNDING

In the first 12 years of its operation, the loan program provided loans to every eligible Alaskan who applied for assistance. When demand exceeded available funds, as it did in 1979-80, 1980-81, and 1981-82, the Alaska Legislature provided additional funds to meet that demand. However, in 1982-83, 1983-84, and again in 1984-85, when demand exceeded funding, applicants were turned away. The phenomenal program growth, coupled with the rising costs of education and the decreasing ability of the State to meet program demands, created a situation where thousands of Alaskans seeking support for their education and training were forced to delay plans, seek other non-state sources, or, unfortunately, not attend school at all.

As we look forward, it seems quite unlikely that the State will be able to dedicate \$60 to \$70 million in General Funds annually to support the student loan program. Either the program must change greatly, an alternate funding source must be developed, or the program will simply have to be capped in some way.

### PROJECTIONS

If left uncapped by either budget or program limitations, the projected demand for Alaska Student Loans is expected to reach over 23,000 by 1990-91. To meet such a demand, the program would need over \$115 million for that year alone, and the demand on the State Treasury (the General Fund) would exceed \$76 million. Since it now appears unrealistic to expect the State to support such a high level of funding, the projections presented below (Table I) are based upon placing an \$80 million cap on the program after 1987-88. As can be seen, even with an \$80 million cap, there would be a very heavy reliance upon annual State appropriations and thousands of would-be borrowers will be denied loans. How to fund the program and how to decide who gets loans and who does not are the major problems facing the Alaska Student Loan Program, and together, pose the greatest challenge the program has faced in its 15-year history.

TABLE I

STUDENT FINANCIAL AIDS ADMINISTRATION  
STATE STUDENT LOAN ACTIVITY  
Projected to 1990-91

Year	Loan Awards	Loan Volume	Cumulative Total	Average Loan	Loan Collections	Federal Funds	Loan Forgiveness	General Fund
1971-72	1,081	\$ 1,603,158	\$ 1,603,158	\$1,483	\$ -0-	\$ -0-	\$ -0-	\$ 1,603,158**
1972-73	1,748	2,870,384	4,473,542	1,642	-0-	-0-	-0-	2,870,384
1973-74	1,665	2,986,176	7,459,718	1,793	-0-	-0-	-0-	2,986,176
1974-75	1,457	2,659,807	10,119,525	1,826	235,476	-0-	703	2,424,331
1975-76	1,719	3,382,997	13,502,522	1,968	465,530	-0-	44,233	2,977,467
1976-77	1,921	3,850,507	17,353,029	2,004	1,141,461	-0-	64,746	2,709,046
1977-78	2,265	4,604,167	21,957,196	2,033	1,191,851	-0-	314,306	3,412,316
1978-79	2,795	6,416,402	28,373,598	2,296	1,391,643	-0-	445,985	5,024,758
1979-80	3,918	9,373,949	37,747,547	2,393	1,603,436	-0-	409,501	7,770,513
1980-81	6,460	15,957,717	53,705,264	2,475	2,225,388	-0-	555,494	13,732,329
1981-82	9,898	40,559,499	94,264,763	4,098	2,779,900	1,000,000	765,769	36,819,599
1982-83	13,058	55,007,395	149,272,158	4,213	4,609,051	1,200,000	(846,028)	49,198,344
1983-84	14,785	62,912,316	212,184,474	4,255	6,410,124	422,481	1,171,239	56,162,552
1984-85	17,173	75,075,883	287,260,041	4,372	9,572,795	250,000	1,664,612	65,253,088
1985-86	15,983	74,981,730	362,241,771	4,691	14,232,935	150,000	2,446,062	60,598,795
1986-87*	17,569	79,500,000	441,741,771	4,525	18,944,536	65,000	3,122,602	60,490,464
1987-88	17,204	80,000,000	521,741,771	4,650	23,298,455	25,000	3,786,944	56,701,545
1988-89	16,666	80,000,000	601,741,771	4,800	27,587,414	N.A.	4,441,374	52,412,586
1989-90	16,244	80,000,000	681,741,771	4,925	35,121,344	N.A.	5,042,794	44,878,656
1990-91	15,842	80,000,000	761,741,771	5,050	38,096,198	N.A.	6,644,855	41,903,802

\*1986-87 through 1990-91 are projections

\*\*Includes carry-forward funds from previous year

Revised 7/86

## ALTERNATIVES

A number of alternatives directed at reducing loan volume, reducing average loan amounts, generating additional loan revenue, and generating alternative loan revenue have been explored the last few years. As a result of these explorations, the loan terms have changed greatly. Now, the challenge is to preserve as much of the loan program as possible and provide access to as many Alaskans as possible.

Nearly every aspect of the loan program has been examined over the past few years. Some changes have the potential of generating additional income (such as increasing the interest rate), but could, in fact, result in an unmanageable debt burden. Other changes appear to be cost saving (such as requiring the federal needs analysis and tying into the federal Guaranteed Student Loan Program), but end up saving little and costing additional administrative overhead and creating unacceptable processing delays.

Dozens of alternatives have been researched and considered, some through formal Legislative hearings. A partial listing of these alternatives would include:

1. Reduce borrowing maximums.
2. Require a \$500 self-help contribution from each borrower.
3. Restrict loans to U.S. Citizens or permanent alien residents.
4. Restrict loans to accredited schools, or schools approved for at least two years.
5. Raise the grade point requirements for good standing.
6. Award loans out-of-state only if the program is unavailable in Alaska.
7. Restrict loans to collegiate borrowers.
8. Eliminate graduate student borrowing differential.
9. Restrict loans to vocational borrowers and collegiate borrowers above the freshman level.
10. Eliminate forgiveness benefits.
11. Raise interest rate charged on loans.
12. Restrict loans to study in the United States.
13. Lower forgiveness benefits.
14. Require a needs test and award loans based upon demonstrated need.
15. Eliminate the interest subsidy during the grace year.
16. Reduce the grace period to six or nine months.
17. Increase the full-time definition to 15 credit hours for undergraduate students.
18. Require all applicants to first apply for Federal grant programs before applying for a loan.
19. Require co-signers on all promissory notes.
20. Cap the total indebtedness of a borrower under the program.
21. Restrict forgiveness benefits to only those borrowers attending in-state.
22. Establish a two-tier (non-need/need) loan program.
23. Link borrowing to Federal guarantee for those borrowers who could qualify on a federal needs analysis.

24. Require institutional certification of student budget, including all funding sources.
25. Discount loans for early repayment.
26. Raise interest and eliminate forgiveness benefits for a loan in default.
27. Restrict loans to study in-State.
28. Restrict vocational loans based upon State manpower needs and projections.
29. Eliminate the interest subsidy during full-time schooling and other deferment periods.
30. Restrict loans to tuition and fees, books, and supplies only (eliminate room and board).
31. Raise residency requirements for qualifying.
32. Discount loans for each year of Alaska attendance.

Some of these alternatives have been adopted, but most have been found to be undesirable for one reason or another. At present, Alaska has an excellent loan program. It serves the educational needs of thousands of Alaskans each year, it preserves educational choice, and it provides incentive for use of one's education in Alaska.

## RECOMMENDATIONS

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

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

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

### Funding

In the event that the State is unable to provide sufficient General Fund support to fully fund the program, the Commission recommends the Legislature fund Alaska Student Loans with a combination of General Funds and alternative funds. The alternative funding is recommended to be an endowment or investment from the Permanent Fund or proceeds from the sale of tax exempt bonds.

### Bonding

The Commission further recommends that if the loan program is financed through the issuance of tax exempt revenue bonds, the funding package consider population growth and educational expense inflation and not include the sale of any portion of the existing program portfolio. It is strongly recommended that the essential features of the loan program be preserved and the revolving nature of the loan fund be maintained.

### Two-Tier Loan System

If the Legislature determines that fundamental changes in the Alaska Student Loan Program must be made, the Commission recommends establishment of a two-tier loan system. This two-tier program would provide a basic loan to all qualified applicants, utilizing the same criteria as the current program, and offer a supplemental need-based loan for those who could demonstrate need for additional assistance.

The Commission recommends that the maximum for the basic loan be lower than that now available, but not so low as to unnecessarily restrict access to educational resources. Therefore, the Commission recommends the following:

Basic Loan Maximum	\$5,000
Supplemental Loan Maximum	\$2,000

### Scholarships

Alaska is one of a small number of states which has no State level scholarship program for its residents. For years it was felt that the generous student loan program somehow replaced the need for any grant or scholarship program. However, it has been apparent for some time that many of Alaska's brightest and most able high school seniors are looking out-of-state for their collegiate experience.

One method of encouraging these students to study in our Alaskan schools is to provide non-need-based scholarships for use in State. The number of such awards and their amount can vary greatly.

The Commission recommends the Legislature seriously consider the establishment of a State-level scholarship program directed at recognizing academic excellence and outstanding talent. The scholarships should be distributed geographically throughout the state and should only be available for attendance in Alaska.

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST: \_\_\_\_\_

Bill Version: HB 39  
Publish Date: 1-19-87

Revision Date: 1-30-87  
Title: Creating the Alaska Student Loan Corporation

Agency Affected: Education  
BRU: Postsecondary Education Commission

Sponsor: Sund, Koronen  
Requestor: House HESS

Components: General Admin., Student Loan Admin., Data & Word Processing, Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		(1,594.8)	(1,674.5)	(1,758.3)	(1,846.2)	(1,938.5)
TRAVEL		(64.4)	(64.4)	(64.4)	(64.4)	(64.4)
CONTRACTUAL		(318.3)	(327.8)	(337.7)	(347.8)	(358.2)
SUPPLIES		(58.6)	(60.4)	(62.2)	(64.0)	(66.0)
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	N.A.	(2,035.9)	(2,127.1)	(2,222.6)	(2,322.4)	(2,427.1)
CAPITAL	N.A.	(34,900.0)	(27,758.1)	(22,288.6)	(25,400.5)	(28,143.2)
REVENUE						

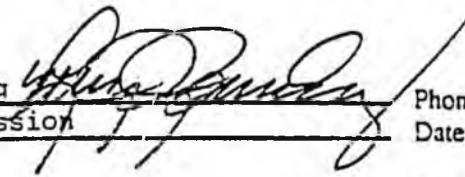
FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	(36,935.9)	(29,885.2)	(24,511.2)	(27,722.9)	(30,570.3)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:.

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Kerry D. Romesburg  Phone: 465-2854  
Division: Postsecondary Commission Date: 1-30-87

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

Distribution (by preparer):

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- Senate Secretary

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

SB66 Fiscal Note Analysis

Operating Budget

1. FY88 Operating budget savings are based upon the FY87 Revised budget and are comprised of:

Commission General Admin.	\$ 287.4
Student Loan Admin.	\$1,632.7
Data and Word Processing	\$ 115.8
	<u>\$2,035.9</u>

2. FY89-92 totals are based upon:

Personal Services	5% growth and no increased salaries
Travel	no inflation factor
Contractual	3% inflation factor
Supplies	3% inflation factor

Capital (Loan Funds)

1. FY88 reduced General Fund commitment is based upon FY87 Revised budget.
2. FY88-92 reduced General Fund commitment is based upon attached table, "Alaska Student Loan Program: Student Loan Activity Projected to 2010-11."
3. The bond receipt figures are based upon attached table, "Alaska Commission on Postsecondary Education; Alaska Student Loan Program Summary of New Loan Origination."

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
 ALASKA STUDENT LOAN PROGRAM  
 STUDENT LOAN ACTIVITY  
 Projected to 2010-11

<u>Year</u>	<u>Loan Awards</u>	<u>Loan Volume</u>	<u>Loan Collections</u>	<u>Loan Forgiveness</u>	<u>General Fund</u>	<u>G.F. with Bonding</u>
87-88	17,204	\$ 80,000,000	\$23,298,455	\$ 3,786,944	\$56,701,545	\$20,000,000
88-89	16,738	80,345,504	27,587,414	4,441,374	52,758,090	25,000,000
89-90	16,381	80,676,052	33,387,487	5,326,377	47,288,565	25,000,000
90-91	16,044	81,024,565	40,624,030	6,430,564	50,400,535*	25,000,000
91-92	16,248	82,865,042	44,721,848	7,584,355	53,143,194*	25,000,000
92-93	16,491	85,341,434	52,739,315	8,745,092	52,602,119*	25,000,000
93-94	16,708	87,298,990	56,381,256	9,831,303	45,917,704*	25,000,000
94-95	16,675	88,375,670	59,929,106	10,789,747	28,446,564	25,000,000
95-96	16,653	88,261,738	63,349,462	11,571,828	24,912,276	25,000,000
96-97	16,416	87,007,173	66,563,505	12,187,296	20,443,668	25,000,000
97-98	16,018	84,895,801	69,475,575	12,679,094	15,420,226	25,000,000
98-99	16,745	88,748,536	71,991,794	13,069,109	16,756,742	25,000,000
99-00	17,201	91,166,845	74,056,739	13,360,407	17,110,106	25,000,000
00-01	17,546	92,991,621	76,271,198	13,587,333	16,720,423	25,000,000
01-02	17,765	94,155,886	78,537,715	13,750,923	15,618,171	25,000,000
02-03	17,949	95,130,963	80,787,019	13,899,705	14,343,944	25,000,000
03-04	18,154	96,214,236	82,951,870	14,064,996	13,262,366	25,000,000
04-05	18,368	97,349,392	85,015,769	14,238,204	12,333,623	25,000,000
05-06	18,578	98,462,230	86,996,273	14,408,006	11,465,957	25,000,000
06-07	18,773	99,498,206	88,906,992	14,566,080	10,591,214	25,000,000
07-08	18,960	100,489,383	90,752,988	14,717,319	9,736,395	25,000,000
08-09	18,965	101,518,364	92,532,964	14,874,404	8,985,400	25,000,000
09-10	19,375	102,687,093	94,248,233	15,052,656	8,438,860	25,000,000
10-11	19,621	103,992,073	95,908,070	15,251,776	8,084,003	25,000,000

\*90-91 includes \$10.0 million to accommodate cash flow

\*91-92 includes \$15.0 million to accommodate cash flow

\*92-93 includes \$20.0 million to accommodate cash flow

\*93-94 includes \$15.0 million to accommodate cash flow

\*This builds up a float of \$60.0 million to allow for fall loan processing

1/8/87

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
ALASKA STUDENT LOAN PROGRAM  
SUMMARY OF NEW LOAN ORIGINATION

YEAR ENDING 6/30	STATE APPROPRIATIONS		SYSTEM EQUITY (a)		BOND PROCEEDS		TOTAL FUNDS AVAILABLE		EXPENSES (b)		DEBT SERVICE (c)		NEW LOANS 7
	1	+	2	+	3	=	4	-	5	-	6	=	
1987		0		0		0		0		0		0	0
1988	20,000,000		20,152,279		49,810,000		89,962,279		6,475,300		3,486,700		80,000,279
1989	25,000,000		26,828,204		43,875,000		95,703,204		5,359,750		9,997,950		80,345,504
1990	25,000,000		24,019,202		42,550,000		101,569,202		4,857,500		16,035,650		80,676,052
1991	25,000,000		41,506,415		40,675,000		107,181,415		4,265,750		21,891,100		81,024,565
1992	25,000,000		49,281,242		40,000,000		114,281,242		3,815,500		27,600,700		82,865,042
1993	25,000,000		57,071,484		40,000,000		122,071,484		3,428,500		33,301,550		85,341,434
1994	25,000,000		64,346,490		40,000,000		129,346,490		3,011,000		39,036,500		87,298,990
1995	25,000,000		70,754,370		40,000,000		135,754,370		2,559,500		44,819,200		88,375,670
1996	25,000,000		75,975,088		40,000,000		140,975,088		2,072,500		50,640,850		88,281,738
1997	25,000,000		80,069,773		40,000,000		145,069,773		1,546,000		56,516,600		87,007,173
1998	25,000,000		83,317,101		40,000,000		148,317,101		977,500		62,443,800		84,895,801
1999	25,000,000		85,857,586		40,000,000		150,857,586		1,106,000		61,003,050		88,748,536
2000	25,000,000		87,760,095		40,000,000		152,760,095		1,156,000		60,437,250		91,166,845
2001	25,000,000		89,243,571		40,000,000		154,243,571		1,190,500		60,061,450		92,991,621
2002	25,000,000		90,315,686		40,000,000		155,315,686		1,200,000		59,959,800		94,155,886
2003	25,000,000		91,290,763		40,000,000		156,290,763		1,200,000		59,959,800		95,130,963
2004	25,000,000		92,374,036		40,000,000		157,374,036		1,200,000		59,959,800		96,214,236
2005	25,000,000		93,509,172		40,000,000		158,509,172		1,200,000		59,959,800		97,349,372
2006	25,000,000		94,622,030		40,000,000		159,622,030		1,200,000		59,959,800		98,462,230
2007	25,000,000		95,658,006		40,000,000		160,658,006		1,200,000		59,959,800		99,498,206
2008	25,000,000		96,649,183		40,000,000		161,649,183		1,200,000		59,959,800		100,489,383
2009	25,000,000		97,678,164		40,000,000		162,678,164		1,200,000		59,959,800		101,518,364
2010	25,000,000		98,846,893		40,000,000		163,846,893		1,200,000		59,959,800		102,687,093
2011	25,000,000		100,151,873		40,000,000		165,151,873		1,200,000		59,959,800		103,992,073

NOTES: (a) System Equity consists of recycling of repayments on old loans plus earnings on Debt Service Reserve.

(b) Expenses consist of funding of a Debt Service Reserve (10% of Bond Issue) and Costs of Issuance (3% of Bond Issue), plus \$0 to the state.

(c) Bond interest rate of: 7.00%  
Principal amortization matches loan repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
HB 39 CREATING THE ALASKA STUDENT  
LOAN CORPORATION

(General Position Statement)

The Alaska Commission on Postsecondary Education, at its December 12-13, 1986 meeting formally endorsed the use of an alternate funding source, such as tax exempt bonds, if full funding from the General Fund were unavailable for Alaska Student Loans. After exploring a wide variety of options (reported in the Legislative Report, "The Alaska Student Loan Program: (5 Years of Helping Alaskans"), the Commission feels that tax exempt bonding is a viable source of revenue for student loans.

In the long run, it will cost the State more to bond than to fund directly from the General Fund, but in the short run, when compared to direct General Fund support it saves over \$150 million.

The Commission endorses the establishment of the Student Loan Corporation, which will provide this bonding capability.

There is a controversial section which should be carefully examined. Section 5 has serious implications for a number of schools particularly within Alaska.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
SECTIONAL ANALYSIS OF THE ALASKA STUDENT LOAN CORPORATION

\*Section 1.

Sec. 14.42.100. ALASKA STUDENT LOAN CORPORATION. This paragraph creates the Alaska Student Loan Corporation. The corporation cannot be terminated while debt obligations are outstanding.

Sec. 14.42.110 PURPOSE OF CORPORATION. This paragraph establishes the purpose of the corporation to provide higher education opportunities for residents of Alaska.

Sec. 14.42.120. CORPORATION GOVERNING BODY. The Corporation shall be governed by an executive committee of five members made up from the thirteen members of the Alaska Commission on Postsecondary Education Board. The board members are made up of one member of the State Board of Education and four members are from the rest of the board excluding the two legislative members. Board members shall receive travel and per diem. A majority of the board constitutes a quorum for the organization.

Sec. 14.42.130. MEETING OF THE BOARD. The board meetings will meet at the call of the chairman and any meeting at which corporate bonds are authorized at least twenty-four hours notice shall be given to the public.

Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep minutes of every meeting and shall send copies to the governor and Legislative Budget and Audit committee.

Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall manage the business of the corporation and adopt by-laws and regulations in accord with the Administrative and Procedures Act. The board shall delegate supervision and administration to the Executive officer.

Sec. 14.42.160. EXECUTIVE OFFICER. The corporation shall employ an executive officer who is the executive officer of the Commission on Postsecondary Education.

Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The executive officer may hire employees in the exempt service. The board may appoint other officers and engage professionals.

Sec. 14.41.190. EXECUTIVE BUDGET ACT. The operating budget of the corporation is subject to the Executive Budget Act.

Sec. 14.41.200. GENERAL POWERS. The corporation has the powers to sue and be sued, adopt an official seal, enter into contracts, receive and administer gifts or grants according to the terms and conditions of gift or grant, borrow money, pay finance charges and

interest, invest money, collect from borrowers, gather information on loans, require an eligible institution to file reports, service student loans, obtain information about students applying for loans, contract for purchase of student loans, sell or participate in the sale of student loans, modify interest terms and conditions of student loans based on contracts with bondholders, collect and pay reasonable fees as well as charges in connection with student loans, enter into agreements on student loans concerning federal student loans, enter into contracts with lenders, administer federal money, consent to the modification of terms of the student loans, enter into agreements with Alaska Commission on Postsecondary Education, procure insurance against losses, provide advisory services to borrowers, enter into credit facility agreements and make pledges, covenants, and agreements with respect to the repayment of borrowings of the credit facility agreements, do all acts necessary to carry out the powers implied in this chapter.

Sec. 14.42.210. STUDENT LOAN FUND. Creates a student loan fund inside the corporation to make student loans and secure bond issues the proceeds of which are used to make student loans. The student loan fund shall be administered by the Alaska Commission on Postsecondary Education.

Sec. 14.42.220. BONDS OF THE CORPORATION. The Corporation may borrow money and issue bonds secured by the income and receipts from student loans and other assets. The bonds are issued by resolutions of the board. Each bond issue shall have a maturity of thirty years or less and be subject to the Uniform Commercial Code. The corporation may not issue bonds, other than refunding bonds, during any two consecutive fiscal years in an aggregate amount greater than \$150,000,000 unless the legislature, by law, approves issuance of a greater amount.

Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. Issues of bonds may be secured by trust indenture or agreement between the corporation and may be a trust company, bank or national banking association inside or outside the state by secured loan agreement or other instrument giving powers to a corporate trustee by which means the corporation may enter into agreements with the holders of the bonds that the board decides desirable as to the disposition of the proceeds of the bonds, collection of loan payments, assignment of its rights in security interest created to a trustee for the benefit of bondholders, conditions which bonds may be issued, vesting in trustee of rights and powers. Pledge and mortgage assets. Provide for security of the bonds.

Sec. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND REQUIREMENTS. This section creates the Capital Reserve Fund. These paragraphs create what is commonly known as the moral obligation of the State to repay these bonds.

Sec. 14.42.250. VALIDITY OF PLEDGE. Bonds issued under this chapter shall be valid and binding against all parties having claim or any kind from the corporation.

Sec. 14.42.260. NONLIABILITY OF BONDS. Members of the corporation are not subject to personal liability for issuance of the bonds. The bonds issued do not constitute liability for the State but are payable solely from the income and receipts of the corporation.

Sec. 14.42.265. UNDERWRITERS. The State Purchasing Act (AS 36.30) does not apply to the selection of an underwriter by the board.

Sec. 14.42.270. PLEDGE OF STATE. The State pledges not to alter or limit the rights of bond holders interest when the bonds are outstanding.

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Sec. 14.42.500. DEFINITIONS. Defines the corporation and board.

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\*Section 10. AS 14.43.620(b). The student financial aid committee may sell teacher scholarship loans to the Alaska Student Loan Corporation and may enter into agreements related to such loans.

\*Section 11. The act takes effect immediately.

\*Section 12. The competitive underwriting section takes effect July 1, 1988.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

REQUEST: \_\_\_\_\_

Bill Version : HB 39  
Publish Date : 1-19-87

Revision Date: 1-30-87  
Title: Creating the Alaska Student Loan Corporation

Agency Affected: Education  
PRU: Postsecondary Education Commission

Sponsor: Sund, Kononen  
Requestor: House HESS

Components: General Admin., Student Loan Admin., Data & Word Processing, Student Loan Program

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		(1,594.8)	(1,674.5)	(1,758.3)	(1,846.2)	(1,938.5)
TRAVEL		(64.4)	(64.4)	(64.4)	(64.4)	(64.4)
CONTRACTUAL		(318.3)	(327.8)	(337.7)	(347.8)	(358.2)
SUPPLIES		(58.6)	(60.4)	(62.2)	(64.0)	(66.0)
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	N.A.	(2,035.9)	(2,127.1)	(2,222.6)	(2,322.4)	(2,427.1)

CAPITAL	N.A.	(34,900.0)	(27,758.1)	(22,288.6)	(25,400.5)	(28,143.2)
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REVENUE						
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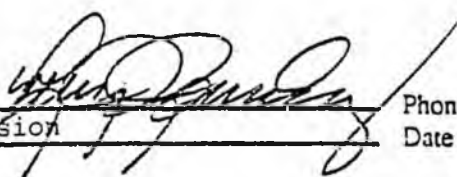
**FUNDING: (Thousands of Dollars)**

GENERAL FUND	N.A.	(36,935.9)	(29,885.2)	(24,511.2)	(27,722.9)	(30,570.3)
FEDERAL FUNDS						
OTHER						
TOTAL						

**POSITIONS:**

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Kerry D. Romesburg  Phone: 465-2854  
Division: Postsecondary Commission Date: 1-30-87

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

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)  
Senate Secretary

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

SB66 Fiscal Note Analysis

Operating Budget

1. FY88 Operating budget savings are based upon the FY87 Revised budget and are comprised of:

Commission General Admin.	\$ 287.4
Student Loan Admin.	\$1,632.7
Data and Word Processing	\$ 115.8
	<u>\$2,035.9</u>

2. FY89-92 totals are based upon:

Personal Services	5% growth and no increased salaries
Travel	no inflation factor
Contractual	3% inflation factor
Supplies	3% inflation factor

Capital (Loan Funds)

1. FY88 reduced General Fund commitment is based upon FY87 Revised budget.
2. FY88-92 reduced General Fund commitment is based upon attached table, "Alaska Student Loan Program: Student Loan Activity Projected to 2010-11."
3. The bond receipt figures are based upon attached table, "Alaska Commission on Postsecondary Education; Alaska Student Loan Program Summary of New Loan Origination."

## ALASKA COMMISSION ON POSTSECONDARY EDUCATION

## ALASKA STUDENT LOAN PROGRAM

## STUDENT LOAN ACTIVITY

Projected to 2010-11

<u>Year</u>	<u>Loan Awards</u>	<u>Loan Volume</u>	<u>Loan Collections</u>	<u>Loan Forgiveness</u>	<u>General Fund</u>	<u>G.F. with Bonding</u>
87-88	17,204	\$ 80,000,000	\$23,298,455	\$ 3,786,944	\$56,701,545	\$20,000,000
88-89	16,738	80,345,504	27,587,414	4,441,374	52,758,090	25,000,000
89-90	16,381	80,676,052	33,387,487	5,326,377	47,288,565	25,000,000
90-91	16,044	81,024,565	40,624,030	6,430,564	50,400,535*	25,000,000
91-92	16,248	82,865,042	44,721,848	7,584,355	53,143,194*	25,000,000
92-93	16,491	85,341,434	52,739,315	8,745,092	52,602,119*	25,000,000
93-94	16,708	87,298,990	56,381,286	9,831,303	45,917,704*	25,000,000
94-95	16,675	88,375,670	59,929,106	10,789,747	28,446,564	25,000,000
95-96	16,653	88,261,738	63,349,462	11,571,828	24,912,276	25,000,000
96-97	16,416	87,007,173	66,563,505	12,187,296	20,443,668	25,000,000
97-98	16,018	84,895,801	69,475,575	12,679,094	15,420,226	25,000,000
98-99	16,745	88,748,536	71,991,794	13,069,109	16,756,742	25,000,000
99-00	17,201	91,166,845	74,056,739	13,360,407	17,110,106	25,000,000
00-01	17,546	92,991,621	76,271,198	13,587,333	16,720,423	25,000,000
01-02	17,765	94,155,886	78,537,715	13,750,923	15,618,171	25,000,000
02-03	17,949	95,130,963	80,787,019	13,899,705	14,343,944	25,000,000
03-04	18,154	96,214,236	82,951,870	14,064,996	13,262,366	25,000,000
04-05	18,368	97,349,392	85,015,769	14,238,204	12,333,623	25,000,000
05-06	18,578	98,462,230	86,996,273	14,408,006	11,465,957	25,000,000
06-07	18,773	99,498,206	88,906,992	14,566,080	10,591,214	25,000,000
07-08	18,960	100,489,383	90,752,988	14,717,319	9,736,395	25,000,000
08-09	18,965	101,518,364	92,532,964	14,874,404	8,985,400	25,000,000
09-10	19,375	102,687,093	94,248,233	15,052,655	8,438,860	25,000,000
10-11	19,621	103,992,073	95,908,070	15,251,776	8,084,003	25,000,000

\*90-91 includes \$10.0 million to accommodate cash flow

\*91-92 includes \$15.0 million to accommodate cash flow

\*92-93 includes \$20.0 million to accommodate cash flow

\*93-94 includes \$15.0 million to accommodate cash flow

\*This builds up a float of \$60.0 million to allow for fall loan processing

1/8/87

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
 ALASKA STUDENT LOAN PROGRAM  
 SUMMARY OF NEW LOAN ORIGINATION

YEAR ENDING 6/30	STATE APPROPRIATIONS		SYSTEM EQUITY (a)		BOND PROCEEDS		TOTAL FUNDS AVAILABLE		EXPENSES (b)		DEBT SERVICE (c)		NEW LOANS	
	1	+	2	+	3	=	4	-	5	-	6	=	7	
1987	0		0		0		0		0		0		0	
1988	20,000,000		20,152,279		49,810,000		89,962,279		6,475,300		3,486,700		80,000,279	
1989	25,000,000		26,828,204		43,875,000		95,703,204		5,359,750		9,997,950		80,345,504	
1990	25,000,000		34,019,202		42,550,000		101,569,202		4,857,500		16,035,650		80,676,052	
1991	25,000,000		41,506,415		40,675,000		107,181,415		4,265,750		21,891,100		81,024,565	
1992	25,000,000		49,281,242		40,000,000		114,281,242		3,815,500		27,600,700		82,865,042	
1993	25,000,000		57,071,484		40,000,000		122,071,484		3,428,500		33,301,550		85,341,434	
1994	25,000,000		64,346,490		40,000,000		129,346,490		3,011,000		39,036,500		87,298,990	
1995	25,000,000		70,754,370		40,000,000		135,754,370		2,559,500		44,819,200		88,375,670	
1996	25,000,000		75,975,688		40,000,000		140,975,688		2,072,500		50,646,850		88,231,738	
1997	25,000,000		80,069,773		40,000,000		145,069,773		1,546,000		56,516,600		87,007,173	
1998	25,000,000		83,317,101		40,000,000		148,317,101		977,500		62,443,800		84,855,801	
1999	25,000,000		85,657,586		40,000,000		150,657,586		1,106,000		61,003,050		86,748,536	
2000	25,000,000		87,760,095		40,000,000		152,760,095		1,156,000		60,427,250		91,166,845	
2001	25,000,000		89,243,571		40,000,000		154,243,571		1,190,500		60,061,450		92,991,621	
2002	25,000,000		90,215,686		40,000,000		155,215,686		1,200,000		59,959,200		94,155,686	
2003	25,000,000		91,290,763		40,000,000		156,290,763		1,200,000		59,959,800		95,130,963	
2004	25,000,000		92,374,036		40,000,000		157,374,036		1,200,000		59,959,800		96,214,236	
2005	25,000,000		93,509,192		40,000,000		158,509,192		1,200,000		59,959,200		97,349,392	
2006	25,000,000		94,622,030		40,000,000		159,622,030		1,200,000		59,959,800		98,462,230	
2007	25,000,000		95,658,006		40,000,000		160,658,006		1,200,000		59,959,800		99,498,206	
2008	25,000,000		96,649,183		40,000,000		161,649,183		1,200,000		59,959,800		100,489,383	
2009	25,000,000		97,678,164		40,000,000		162,678,164		1,200,000		59,959,800		101,518,364	
2010	25,000,000		98,546,893		40,000,000		163,846,893		1,200,000		59,959,800		102,687,093	
2011	25,000,000		100,151,873		40,000,000		165,151,873		1,200,000		59,959,800		103,992,073	

NOTES: (a) System Equity consists of recycling of repayments on old loans  
 plus earnings on Debt Service Reserve.

(b) Expenses consist of funding of a Debt Service Reserve (10% of Bond Issue)  
 and Costs of Issuance (3% of Bond Issue), plus \$0 to the state.

(c) Bond interest rate of: 7.00%  
 Principal amortization matches loan repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
HB 39 CREATING THE ALASKA STUDENT  
LOAN CORPORATION

(General Position Statement)

The Alaska Commission on Postsecondary Education, at its December 12-13, 1986 meeting formally endorsed the use of an alternate funding source, such as tax exempt bonds, if full funding from the General Fund were unavailable for Alaska Student Loans. After exploring a wide variety of options (reported in the Legislative Report, "The Alaska Student Loan Program: (5 Years of Helping Alaskans"), the Commission feels that tax exempt bonding is a viable source of revenue for student loans.

In the long run, it will cost the State more to bond than to fund directly from the General Fund, but in the short run, when compared to direct General Fund support it saves over \$150 million.

The Commission endorses the establishment of the Student Loan Corporation, which will provide this bonding capability.

There is a controversial section which should be carefully examined. Section 5 has serious implications for a number of schools particularly within Alaska.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
SECTIONAL ANALYSIS OF THE ALASKA STUDENT LOAN CORPORATION

\*Section 1.

Sec. 14.42.100. ALASKA STUDENT LOAN CORPORATION. This paragraph creates the Alaska Student Loan Corporation. The corporation cannot be terminated while debt obligations are outstanding.

Sec. 14.42.110 PURPOSE OF CORPORATION. This paragraph establishes the purpose of the corporation to provide higher education opportunities for residents of Alaska.

Sec. 14.42.120. CORPORATION GOVERNING BODY. The Corporation shall be governed by an executive committee of five members made up from the thirteen members of the Alaska Commission on Postsecondary Education Board. The board members are made up of one member of the State Board of Education and four members are from the rest of the board excluding the two legislative members. Board members shall receive travel and per diem. A majority of the board constitutes a quorum for the organization.

Sec. 14.42.130. MEETING OF THE BOARD. The board meetings will meet at the call of the chairman and any meeting at which corporate bonds are authorized at least twenty-four hours notice shall be given to the public.

Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep minutes of every meeting and shall send copies to the governor and Legislative Budget and Audit committee.

Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall manage the business of the corporation and adopt by-laws and regulations in accord with the Administrative and Procedures Act. The board shall delegate supervision and administration to the Executive officer.

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interest, invest money, collect from borrowers, gather information on loans, require an eligible institution to file reports, service student loans, obtain information about students applying for loans, contract for purchase of student loans, sell or participate in the sale of student loans, modify interest terms and conditions of student loans based on contracts with bondholders, collect and pay reasonable fees as well as charges in connection with student loans, enter into agreements on student loans concerning federal student loans, enter into contracts with lenders, administer federal money, consent to the modification of terms of the student loans, enter into agreements with Alaska Commission on Postsecondary Education, procure insurance against losses, provide advisory services to borrowers, enter into credit facility agreements and make pledges, covenants, and agreements with respect to the repayment of borrowings of the credit facility agreements, do all acts necessary to carry out the powers implied in this chapter.

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\*Section 11. The act takes effect immediately.

\*Section 12. The competitive underwriting section takes effect July 1, 1988.

JOHN SUND, REPRESENTATIVE

2505 2nd Avenue  
Ketchikan, Alaska 99901  
(907) 225-5552

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While in Juneau  
P. O. Box V  
Juneau, Alaska 99811  
(907) 455-4919

February 3, 1987

MEMORANDUM

TO: House HESS Committee Members

FROM: Representative John Sund *JS*

RE: HB39 "An Act relating to student loans; creating the Alaska Student Loan Corporation; and providing for an effective date."

.....

As an option for reducing the cost of the student loan program HB39 establishes an Alaska Student Loan Corporation to administer and finance the student loan program. As a public corporation and government instrumentality within the Department of Education, the new corporation would be granted authority to borrow money and issue bonds for the financing of student loans.

According to Dr. Kerry Romesburg, Director of the Commission on Postsecondary Education, this bonding legislation would save more than \$140 million in the General Fund over the next five years, and it wouldn't result in increased cost until around the year 2016. The Commission supports the proposal as it would ensure that the student loan program is maintained at its annual level of \$80 - \$100 million per year.

Funding of the loans through bonds is central to the continuation of the popular student loan program. It is unlikely that future state revenues will permit large appropriations to fund loans.

# MEMORANDUM

State of Alaska  
Office of the Governor  
Division of Policy

TO: Mary Halloran  
Director

DATE: January 11, 1987

FROM: Jack Kreinheder  
Senior Analyst

PHONE: 465-3568

SUBJECT: Update on Student Loan Options

This memorandum briefly summarizes the work Jack Fagnoli and I have done during the last week on options for reducing the cost of the student loan program.

## Federal GSL Program

The Federal Guaranteed Student Loan (GSL) program does not appear to offer substantial savings to the State by incorporating it into the Alaska student loan program. According to data collected by the Commission on Postsecondary Education (ACPE), less than 12 percent of the students now receiving Alaska student loans would probably meet the recently revised GSL requirements. These requirements have been tightened in the last year, and about one-third of those students receiving GSL's nationally are expected not to qualify under the new requirements. In addition, the GSL program does not include regional differentials in the qualifying income criteria, so that a much lower percentage of Alaska students would qualify than would on a national basis, because of the higher

income levels in Alaska. In 1985, Alaska had the highest per capita income in the nation, with income levels 31 percent above the national average.

The primary GSL program pays for the accrued interest on loans while a student is in school. There is a second GSL program which is not needs-based, but under which loans accrue interest during the school years. The student then begins repaying this accrued interest, together with the principal and additional interest, upon graduation. This program has had low participation to date because of its less favorable terms.

#### The Bonding Option

The bonding proposal developed by John Nuveen & Co. has been revised since I summarized it in my memo of 11/86. The major changes are that:

1. The revised proposal would allow for gradual growth in the loan program, rather than being fixed at \$80 million in loans per year. However, the rate of growth would be much lower than the recent rate of increase in student loan demand.
2. Under the revised proposal, the student loan program would not become self-supporting, but would continue to rely on annual G.F. appropriations of \$25 million per year to cover the cost of forgiveness, default, and the interest grace period.
3. A moral obligation pledge of the State would be necessary to back the revenue bonds sold to finance student loans.

Table 1 compares the general fund requirements under the bonding proposal and the current loan program, with the

matched to Nuveen's proposal to allow an accurate comparison. The comparison shows that if the program were to be maintained at the \$80 - \$100 million level, bonding would save about \$192 million from FY 88 - FY 95.

Thereafter, bonding would become more expensive than the current program, because under the current program, the growth in loan repayments would allow G.F. appropriations to be reduced to less than \$25 million. By the year 2011, bonding would cost about \$17 million more than the current program. In present value terms, over the period from FY 88 to 2011, bonding would save about \$100 million (at a discount rate of 9 percent).

Although Nuveen's bonding approach would be more expensive in nominal dollars than the current program in the long run, it would offer major G.F. savings over the next seven years if the student loan program is to be maintained near its current level.

As with their earlier proposal, Nuveen's revised program could be terminated at any point without a contingent liability for the State; that is, no State funds would be required to pay off previously issued bonds (barring a major increase in default rates).

An alternative bonding proposal has been submitted to the ACFE by the investment firm of Rauscher Pierce Refsnes, Inc. This proposal was summarized in my 11/86 memo and appeared to require an unacceptable level of financial commitment from the State. The attractive feature of the Rauscher proposal is the proposed

variable rate financing. This type of financing could allow major savings if the bonding approach is to be pursued. Variable rate financing could probably be arranged by Nuveen and other firms, as well.

#### Other Options

Under the current loan program, the issuance of \$80 million in student loans includes about \$22 million in subsidies which will not be recovered by the State. These subsidies are the forgiveness provision and the interest grace period while students are in school. Reducing or eliminating these subsidies would save general funds under both the current program and the bonding approach.

Forgiveness. Although the amount of forgiveness under Statute is up to 50 percent, the cost of the forgiveness provision for current loans is currently about 17 percent. Most students do not qualify for, or do not take advantage of, the full amount of forgiveness authorized. At 17 percent, forgiveness amounts to \$13.6 million of an \$80 million loan level. However, eliminating forgiveness would not save this amount immediately, because student loans do not enter repayment for one to five years. Column 5 in Table 1 shows that dropping forgiveness would save about \$3.3 million in FY 88, gradually increasing to \$15.2 million by FY 2011.

Interest Grace Period. Currently, interest does not begin to accrue on student loans until one year after graduation, when repayment commences. The cost of this interest deferral is \$1.5

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

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Interest Grace Period. Currently, interest does not begin to accrue on student loans until one year after graduation, when repayment commences. The cost of this interest deferral is about

10 percent of the loan amount, or \$8 million for \$80 million in student loans.

Two options exist for reducing this cost: The interest could accrue during the school years, to be repaid after graduation (similar to the GSL unsubsidized program), or students could be required to make interest-only payments while in school. Both options would tend to increase student indebtedness. Under the second option, students would tend to borrow more in order to cover the cost of the interest payments.

TABLE 1

**COMPARISON OF GENERAL FUND REQUIREMENTS FOR  
CURRENT STUDENT LOAN PROGRAM  
AND NUVEEN BONDING PROPOSAL**  
(nominal dollars)

Fiscal Year	Loan Awards 2	Loan Volume 3	Loan Collections 4	Loan Forgiveness 5	General Fund Requirement 6	General Fund With Bonding 7	Savings(Cost) With Bonding 8
1988	17,204	\$80,000,000	\$23,298,455	\$3,786,944	\$56,701,545	\$20,000,000	\$36,701,545
1989	16,738	80,345,504	27,587,414	4,441,374	52,758,090	25,000,000	27,758,090
1990	16,381	80,676,052	33,387,487	5,326,377	47,288,565	25,000,000	22,288,565
1991	16,044	81,024,565	40,624,030	6,430,564	50,400,535	25,000,000	25,400,535
1992	16,248	82,865,042	44,721,848	7,584,355	53,143,194	25,000,000	28,143,194
1993	16,491	85,341,434	52,739,315	8,745,092	52,602,119	25,000,000	27,602,119
1994	16,708	87,298,990	56,381,286	9,831,303	45,917,704	25,000,000	20,917,704
1995	16,675	88,375,670	59,929,106	10,789,747	28,446,564	25,000,000	3,446,564
1996	16,653	88,261,738	63,349,462	11,571,826	24,912,276	25,000,000	(87,724)
1997	16,416	87,007,173	66,563,505	12,187,296	20,443,668	25,000,000	(4,556,332)
1998	16,018	84,895,801	69,475,575	12,679,094	15,420,226	25,000,000	(9,579,774)
1999	16,745	88,748,536	71,991,794	13,069,109	16,756,742	25,000,000	(8,243,258)
2000	17,201	91,166,845	74,056,739	13,360,407	17,110,106	25,000,000	(7,889,894)
2001	17,546	92,991,621	76,271,198	13,587,333	16,720,423	25,000,000	(8,279,577)
2002	17,765	94,155,886	78,537,715	13,750,923	15,618,171	25,000,000	(9,381,829)
2003	17,949	95,130,963	80,787,019	13,899,705	14,343,944	25,000,000	(10,656,056)
2004	18,154	96,214,236	82,951,870	14,064,996	13,262,366	25,000,000	(11,737,634)
2005	18,368	97,349,392	85,015,769	14,238,204	12,333,623	25,000,000	(12,666,377)
2006	18,578	98,462,230	86,996,273	14,408,006	11,465,957	25,000,000	(13,534,043)
2007	18,773	99,498,206	88,906,992	14,566,080	10,591,214	25,000,000	(14,408,786)
2008	18,960	100,489,383	90,752,988	14,717,319	9,736,395	25,000,000	(15,263,605)
2009	18,965	101,518,364	92,532,964	14,874,404	8,985,400	25,000,000	(16,014,600)
2010	19,375	102,687,093	94,248,233	15,052,656	8,438,860	25,000,000	(16,561,140)
2011	19,621	103,992,073	95,908,070	15,251,776	8,084,003	25,000,000	(16,915,997)
<b>TOTALS</b>	<b>419,576</b>	<b>2,188,496,797</b>	<b>1,637,015,107</b>	<b>278,214,892</b>	<b>611,481,690</b>	<b>595,000,000</b>	<b>16,481,690</b>

Present Value of Bonding Savings (Cost)  
(@9% discount rate) 101,318,127

NOTE: General Fund Requirements shown in FY 88-91 are increased by a total of \$60 million to provide adequate cash flow for fall loan disbursements.

FY 91 Increase= \$10 million  
FY 92 Increase= \$15 million  
FY 91 Increase= \$20 million  
FY 91 Increase= \$15 million

1/10/87  
JK/Division of Policy  
Office of the Governor  
Source: ACPE

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## ALASKA COMMISSION ON POSTSECONDARY EDUCATION

POUCH FP  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2854

January 16, 1987

The Honorable Niilo E. Koponen  
Alaska House of Representatives  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Koponen:

Enclosed is a copy of "The Alaska Student Loan Program: 15 Years of Helping Alaskans." This report is submitted in response to the charge by the Fourteenth Alaska State Legislature included in SCSCSHB161.

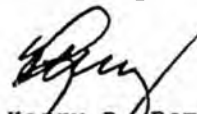
The report contains a very brief history of the Alaska Student Loan Program and summary information on loan awards, attendance patterns, loan repayment, and loan default. In specific response to SCSCSHB161, the report also contains a listing of the wide variety of program changes which have been explored over the past few years and the recommendations which have resulted.

At this time, the Alaska Commission on Postsecondary Education believes the best method of reducing General Fund demand while preserving the fundamental philosophy and purpose of the Alaska Student Loan Program is to partially fund student loans with tax exempt revenue bonds. Such an approach could reduce General Fund requirements by over \$150.0 million over the next five years and not require programmatic changes which could result in restricted access to Alaskans.

The detailed 1985-86 Student Financial Aid Report for Alaska, which contains quite specific information on the 1985-86 student loan program, WICHE Student Exchange, State Educational Incentive Grant Program, and Teacher Scholarship Loan Program, was distributed October 31, 1986. If you did not receive a copy or would appreciate a copy at this time, please let me know.

I look forward to working with you this session and will be happy to assist in any way I can.

Sincerely,



Kerry D. Romesburg  
Executive Director

Enclosure



# Alaska State Legislature

## House of Representatives

COMMITTEE ON HEALTH, EDUCATION  
AND SOCIAL SERVICES

GUEST SIGN IN SHEET

Date: 2-12-87

Subject of Meeting HB 6, HB 39, HB 1, HB 33

Name	Address / Representing	Phone	Do you want to Testify?
DAN M. SMITH	Po 196601 Anchorage, AK 99519-6601 EXXON Co. USA	564-3778	Yes - HB 6 <sup>MAI</sup> <sub>P</sub>
E. Bussey	Rep. BOYER	3466167	No
Robert Van Slyke	1765 Evergreen Juneau, AK Noslope Borough School District	586 4097	
Susan Charles	Box 36 Bethel AK	543-3141	NO
Steve Hole	Box F DOE	2800	YES <sup>LA</sup> <sub>1/33</sub>
Russell Nelson	Box 161 Dillingham, Alaska 99576	842-2370	NO
DIANE ROBINSON	280 INANCY WAY WAS REP MENARD	2679	NO



**Alaska State Legislature**  
**House of Representatives**  
 COMMITTEE ON HEALTH, EDUCATION  
 AND SOCIAL SERVICES

GUEST SIGN IN SHEET

Date: \_\_\_\_\_ Subject of Meeting \_\_\_\_\_

Name	Address / Representing	Phone	Do you want to Testify?
Flora Paulsen	St. Mary's, Alaska 99658 St. Mary's School District	907-438-2847 H	Yes. HB-1
Paul T. Wagon	St. Mary's Native Corporation + Community Consultant St. Mary's, Alaska 99658	907-438-2215	No. HB-1 <i>answer question only.</i>
Hedie O. D...	St. Mary's, Alaska 99658	907-438-2215	No. HB-1
Denny (m)j.	P.O. Box 100 - (211) St. Mary's, Alaska		Yes. HB-1







# Alaska State Legislature

## House of Representatives

COMMITTEE ON HEALTH, EDUCATION  
AND SOCIAL SERVICES

WITNESS SIGN IN

Date: 2-10-87

Subject of Meeting ~~HB 6~~ and HB 39

Name	Address	Phone	Do you want to Testify?
Pat Williams	Box 6652 Ketchikan		No
RON PHIPPS	4010 WILLOUGHBY	465-2854	No
JANE MAYNARD	Box FP	5-2854	No
E. Burrey	517 Capitol	3466/67	No
Mildred Moberly	94114 Berners Ave	789-0024	No
✓ KERRY ROMESBURG	POSTSECONDARY ED-CARUW	465-2854	Yes
✓ Rep. JOHN SWIND			Yes
JACK KREINHEDER	OMIB	3568	NO.



Original sponsors: Sund and Koponen

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 39 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

11 ARTICLE 2. ALASKA STUDENT LOAN CORPORATION.

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

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

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

23 Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corpor-  
24 ation shall be governed by a board of directors appointed by the  
25 governor consisting of four members of the Alaska Commission on Post-  
26 secondary Education, each of whom is selected for the commission under  
27 AS 14.42.015(a)(1) - (2), (4) - (6), (8) or (9) and one member of the  
28 commission selected under AS 14.42.015(a)(3). Members of the board  
29 serve without compensation but are entitled to per diem and travel

1 expenses authorized by law for boards and commissions.

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

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

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

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

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

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

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

1 board shall prescribe the duties and compensation of corporation  
2 personnel, including the executive officer.

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

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

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

8 (2) adopt an official seal;

9 (3) adopt regulations under AS 44.62 (Administrative Proce-  
10 dure Act) to carry out the purposes of this chapter;

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

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

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

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

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

1 (9) collect from a borrower amounts owed with respect to a  
2 student loan the corporation has purchased;

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

8 (11) service student loans held by the corporation;

9 (12) purchase or participate in the purchase of student  
10 loans;

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

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

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

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

24 (17) administer federal money allotted to the state involv-  
25 ing insured student loans and related administrative costs and other  
26 matters;

27 (18) enter into agreements with the Alaska Commission on  
28 Postsecondary Education relating to student loans, the administration  
29 of the student loan fund created under AS 14.42.210, and the payment

1 of and security for bonds of the corporation;

2 (19) to the extent permitted under contracts with bond  
3 holders, consent to the modification of the rate of interest, time of  
4 payment of an installment of principal or interest, or other terms of  
5 a student loan purchased by the corporation;

6 (20) procure insurance against any loss in connection with  
7 the operation of its programs;

8 (21) provide advisory services to borrowers and other parti-  
9 cipants in the corporation's programs;

10 (22) enter into credit facility agreements and make pledges,  
11 covenants, and agreements with respect to the repayment of borrowings  
12 under the credit facility agreements;

13 (23) do all acts necessary, convenient, or desirable to  
14 carry out the powers expressly granted or necessarily implied in  
15 AS 14.42.100 - 14.42.500.

16 Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund  
17 is established in the corporation. The student loan fund is a trust  
18 fund to be used to carry out the purposes of AS 14.42.100 - 14.42.500,  
19 AS 14.43.090 - 14.43.325, and 14.43.600 - 14.43.700. The fund con-  
20 sists of money or assets appropriated or transferred to the corpo-  
21 ration for the fund and money or assets deposited in it by the corpo-  
22 ration. The corporation may establish separate accounts in the fund.

23 (b) Money and other assets of the student loan fund may be used  
24 to secure bonds of the corporation, invested in student loans and in-  
25 vestments described in AS 37.10.070(a) and used to purchase loans  
26 approved under AS 14.43.090 - 14.43.325 or 14.43.600 - 14.43.700.

27 (c) The student loan fund shall be administered by the Alaska  
28 Commission on Postsecondary Education. The corporation and the com-  
29 mission may enter into agreements relating to the administration of

1 the fund. The corporation may assign its rights under the agreements  
2 for the benefit and security of holders of its bonds.

3 Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (f)  
4 of this section, the corporation may borrow money and may issue bonds,  
5 on which the principal and interest are payable from its income and  
6 receipts or other assets or a designated part or parts of them.

7 (b) Bonds may be authorized only by resolution of the board.  
8 Bonds shall be dated, bear interest at the rate or rates, be in the  
9 denominations, be in the form, either coupon or registered, carry the  
10 registration privileges, be executed in the manner, be payable in the  
11 medium of payment, at the place or places, be subject to the terms of  
12 redemption, and mature as provided by the resolution or a subsequent  
13 resolution. However, a bond may not mature more than 30 years after  
14 the date it is issued.

15 (c) Bonds of the corporation, regardless of form or character,  
16 are negotiable instruments for all the purposes of the Uniform Commer-  
17 cial Code (AS 45.01 - AS 45.09).

18 (d) Bonds of the corporation may be sold at public or private  
19 sale in the manner, for the price or prices, and at the time or times  
20 that the board determines.

21 (e) The superior court has jurisdiction to hear and determine  
22 proceedings relating to the corporation, including proceedings brought  
23 by or for the benefit of a bondholder or by a trustee for or other  
24 representative of a bondholder.

25 (f) The corporation may not issue bonds, other than refunding  
26 bonds, during any two consecutive fiscal years in an aggregate amount  
27 greater than \$150,000,000 unless the legislature, by law, approves  
28 issuance of a greater amount.

29 Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. An

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

8 (1) enter into agreements with the trustee or the bond-  
9 holders that the board determines to be necessary or desirable, in-  
10 cluding covenants, provisions, limitations, and other agreements as to  
11 the

12 (A) application, investment, deposit, use, and dispo-  
13 sition of the proceeds of bonds of the corporation or of money or  
14 other property of the corporation or in which it has an interest;

15 (B) fixing and collecting loan payments and other  
16 consideration for a student loan;

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

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

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

29 (2) pledge, mortgage or assign money, agreements, property,

1 or other assets of the corporation either presently in hand or to be  
2 received in the future, or both; and

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

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

29 (b) If the board decides to issue bonds secured by a capital

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

8 (c) In computing the amount of a capital reserve fund for the  
9 purpose of this section, securities in which all or a portion of the  
10 fund is invested and credit facilities deposited in or credited to a  
11 capital reserve fund under (f) of this section shall be valued by a  
12 reasonable method established by the board by resolution. Valuation  
13 shall include the amount of interest earned or accrued as of the date  
14 of valuation.

15 (d) By January 2 of each year, the chairman of the board shall  
16 certify in writing to the governor and the legislature the amount, if  
17 any, required to restore a capital reserve fund to the capital reserve  
18 fund requirement. The legislature may appropriate to the corporation  
19 the amount certified by the chairman. The corporation shall deposit  
20 the amounts appropriated under this subsection during a fiscal year in  
21 the proper capital reserve fund. This subsection does not create a  
22 debt or liability of the state.

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

1 (f) The corporation may hold in a capital reserve fund, in lieu  
2 of money and in satisfaction of all or part of a capital reserve fund  
3 requirement, irrevocable letters of credit issued by a commercial  
4 bank, surety bonds, insurance policies, and similar credit facilities.

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

8 Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the  
9 legislature that a pledge made in respect to bonds of the corporation  
10 shall be valid and binding from the time the pledge is made; that the  
11 money or property so pledged and thereafter received by the corpora-  
12 tion shall immediately be subject to the lien of the pledge without  
13 physical delivery or further act; and that the lien of the pledge  
14 shall be valid and binding as against all parties having claims of any  
15 kind in tort, contract, or otherwise against the corporation irrespec-  
16 tive of whether the parties have notice. Neither the resolution,  
17 trust agreement, nor other instrument by which a pledge is created  
18 need be recorded or filed under the provisions of the Uniform Commer-  
19 cial Code (AS 45.01 - AS 45.09) to be valid, binding, or effective.

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

24 (b) The bonds issued by the corporation do not constitute an  
25 indebtedness or other liability of the state or of a political sub-  
26 division of the state, except the corporation, but shall be payable  
27 solely from the income and receipts or other funds or property of the  
28 corporation. The corporation may not pledge the faith or credit of  
29 the state, or of a political subdivision of the state, except the

1 corporation, to the payment of a bond. Issuance of a bond by the  
2 corporation does not directly, indirectly, or contingently obligate  
3 the state or a political subdivision of the state to apply money from,  
4 or levy or pledge any form of taxation whatever to the payment of the  
5 bond.

6 Sec. 14.42.265. UNDERWRITERS. The board may select an under-  
7 writer for its bonds in accordance with procedures the board considers  
8 appropriate.

9 Sec. 14.42.270. PLEDGE AND AGREEMENT OF STATE. The state  
10 pledges to and agrees with holders of bonds issued by the corporation  
11 that the state will not limit or alter the rights and powers vested in  
12 the corporation under AS 14.42.100 - 14.42.330 to fulfill the terms of  
13 a contract made by the corporation with the bondholders or in any way  
14 impair the rights and remedies of the bondholders until the bonds,  
15 together with the interest on them with interest on unpaid install-  
16 ments of interest, and all costs and expenses in connection with an  
17 action or proceeding by or on behalf of the bondholders, are fully met  
18 and discharged. The corporation may include this pledge and agreement  
19 of the state in a contract with bondholders.

20 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal  
21 property of the corporation and its assets, income, and receipts are  
22 declared to be the property of a political subdivision of the state  
23 and devoted to an essential public and governmental function and  
24 purpose, and the property, assets, income, receipts, and other in-  
25 terests of the corporation are exempt from all taxes and special  
26 assessments of the state or a political subdivision of the state,  
27 including municipalities, school districts, public utility districts,  
28 and other governmental units. Bonds of the corporation are declared  
29 to be issued by a political subdivision of the state and for an

1 essential public and governmental purpose, and the bonds, interest on  
2 them, income from them, and transfer of them, and all assets, income,  
3 and receipts pledged to pay or secure the payment of the bonds, or  
4 interest on them, are exempt from taxation by or under the authority  
5 of the state, except for inheritance and estate taxes and taxes on  
6 transfers by or in contemplation of death.

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

22 Sec. 14.42.300. OPERATION OF CERTAIN STATUTES EXCEPTED. (a)  
23 The corporation is not a municipality as the term is defined in  
24 AS 01.10.060. Except as provided in AS 14.42.190, the corporation is  
25 not subject to AS 37. For all other purposes the corporation is a  
26 political subdivision and an instrumentality of the state.

27 (b) The funds, income, and receipts of the corporation are not  
28 money of the state, nor may real property in which the corporation has  
29 an interest be considered land owned in fee by the state or to which

1 the state may become entitled or in any way land belonging to the  
2 state, or state land referred to in art. VIII of the Alaska Constitu-  
3 tion.

4 Sec. 14.42.310. ANNUAL AUDIT. The financial records of the  
5 corporation shall be audited annually by the legislative auditor or by  
6 a certified public accountant approved by the legislative auditor.  
7 The legislative auditor may prescribe the form and content of the  
8 financial records of the corporation and shall have access to these  
9 records at any time.

10 Sec. 14.42.500. DEFINITIONS. In AS 14.42.100 - 14.42.500,

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

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

15 \* Sec. 2. AS 14.42.265 is amended to read:

16 Sec. 14.42.265. UNDERWRITERS. The board may select an under-  
17 writer for its bonds in accordance with procedures the board considers  
18 appropriate. However, the procedures must include a competitive  
19 method for selecting the underwriter that is established by regulation  
20 of the board.

21 \* Sec. 3. AS 14.43.090(a) is amended to read:

22 (a) There is created a scholarship revolving loan fund. The  
23 fund shall be used to make scholarship loans to students selected  
24 under AS 14.43.090 - 14.43.160, [AND] to pay the costs of collecting  
25 student loans that are in default if those costs are not recovered  
26 from the student, and to pay the costs of administering the fund.  
27 Unless the instrument evidencing the scholarship loan has been sold or  
28 assigned to the Alaska Student Loan Corporation, [. ALL] repayments  
29 of principal and interest on a scholarship loan [LOANS] shall be paid

1 into the scholarship revolving loan fund. If money estimated to be  
2 available [FROM SCHOLARSHIP LOAN REPAYMENTS] is inadequate to fully  
3 fund estimated scholarship loans for any fiscal year, additional  
4 funding from the general fund may be requested and appropriated for  
5 that year.

6 \* Sec. 4. AS 14.43.090 is amended by adding a new subsection to read:

7 (d) The student financial aid committee created under AS 14.43.-  
8 095 may sell or assign notes and other instruments evidencing scholar-  
9 ship loans to the Alaska Student Loan Corporation and enter into  
10 agreements with the corporation relating to loans, the administration  
11 of the student loan fund created under AS 14.42.210, and the payment  
12 of and security for bonds of the corporation. Proceeds from the sale  
13 or assignment of notes and other instruments shall be deposited in the  
14 scholarship revolving loan fund.

15 \* Sec. 5. AS 14.43.120 is amended by adding a new subsection to read:

16 (r) The rate of interest, time of payment of an installment of  
17 principal or interest, or other terms of a scholarship loan may be  
18 modified if required to establish or maintain tax-exempt status under  
19 26 U.S.C. 103 (Internal Revenue Code of 1986), as amended, for the  
20 interest on bonds issued by the Alaska Student Loan Corporation.

21 \* Sec. 6. AS 14.43.255(a) is amended to read:

22 (a) There is created a memorial scholarship revolving loan fund.  
23 The fund shall be used to provide educational scholarship loans to  
24 students selected under AS 14.43.250 - 14.43.325. Unless the instru-  
25 ment evidencing the memorial scholarship loan has been sold or as-  
26 signed to the Alaska Student Loan Corporation, repayments [REPAYMENTS]  
27 of a loan [LOANS MADE UNDER AS 14.43.250(b)(1) - (4)] shall be de-  
28 posited into the memorial scholarship revolving loan fund and [REPAY-  
29 MENTS OF LOANS MADE UNDER AS 14.43.250(b)(5) SHALL BE DEPOSITED INTO

1 THE SCHOLARSHIP REVOLVING LOAN FUND CREATED UNDER AS 14.43.090.  
2 REPAYMENTS] shall be used to make new loans.

3 \* Sec. 7. AS 14.43.255 is amended by adding a new subsection to read:

4 (c) The student financial aid committee created under AS 14.43.-  
5 095 may sell or assign notes and other instruments evidencing memorial  
6 scholarship loans to the Alaska Student Loan Corporation and enter  
7 into agreements with the corporation relating to loans, the adminis-  
8 tration of the student loan fund created under AS 14.42.210, and the  
9 payment of and security for bonds of the corporation. Proceeds from  
10 the sale or assignment of a note or other instrument shall be de-  
11 posited in the appropriate memorial scholarship loan fund account.

12 \* Sec. 8. AS 14.43.620 is amended to read:

13 Sec. 14.43.620. TEACHER SCHOLARSHIP REVOLVING LOAN FUND. There  
14 is created a teacher scholarship revolving loan fund. The fund shall  
15 be used to make scholarship loans to students selected under AS 14.-  
16 43.600 - 14.43.700. Unless the instrument evidencing the teacher  
17 scholarship loan has been sold or assigned to the Alaska Student Loan  
18 Corporation, [ALL] repayments of principal and interest on a teacher  
19 scholarship loan [LOANS] shall be paid into the teacher scholarship  
20 revolving loan fund and shall be used to make new teacher scholarship  
21 loans. If estimated funds available [FROM TEACHER SCHOLARSHIP LOAN  
22 REPAYMENTS] are inadequate to fully fund estimated teacher scholarship  
23 loans for any fiscal year, additional funding from the general fund  
24 may be requested and appropriated for that year.

25 \* Sec. 9. AS 14.43.620 is amended by adding a new subsection to read:

26 (b) The student financial aid committee created under AS 14.43.-  
27 095 may sell or assign notes and other instruments evidencing teacher  
28 scholarship loans to the Alaska Student Loan Corporation and enter  
29 into agreements with the corporation relating to loans, the adminis-

1           tration of the student loan fund created under AS 14.42.210 and the  
2           payment of and security for bonds of the corporation. Proceeds from  
3           the sale or assignment of the notes or other instruments shall be  
4           deposited in the teacher scholarship revolving loan fund.

5           \* Sec. 10. Except for sec. 2, this Act takes effect immediately under  
6 AS 01.10.070(c).

7           \* Sec. 11. Section 2 of this Act takes effect July 1, 1988.  
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