

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
5686 HOUSE HEALTH, EDUCATION & SOCIAL SERVICES 90

ANCHORAGE SCHOOL DISTRICT  
 LEGISLATIVE REQUESTS  
ESSENTIAL TO THE INSTRUCTIONAL PROGRAM  
CATEGORY II

SCHOOL	SENATE/ HOUSE DIST.	PROJECT TITLE	PROJECT DESCRIPTION	PRELIMINARY EST. COSTS	ASD PRIORITY
Mt. Iliamna	S-H; H-13	Parking/Lighting/Playground improvements.	This project would provide necessary parking for staff and install lighting for better security. The program serves special education pre-schools. Cushion material, sod and playground equipment needs to be installed to serve these children.	\$150,000	8
Ursa Major	S-I; H-15	Storage for physical education equipment and instructor workspace.	This project will construct a storage area in back of the small gym for the physical education equipment. Present storage is inadequate with no work area available for the instructor. This area should be about 12'X35'. This would include double door entry to the gym and a combination office/storage for physical education teacher and physical education equipment.	\$175,000	8
Ursa Major	S-I; H-15	Classroom Renovation.	Remove carpet from the walls in the music room and install acoustic tile. Paint walls where tile is not installed.	\$300,000	8

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Ursa Major	S-1; H-15	Renovation of restrooms, central entry, halls and classrooms.	The old present marlite on the walls is rusted and unsightly. It portrays the impression of a building interior not well maintained. It needs to be re- moved and replaced with eight foot light paneling. The rest- room fixtures, countertops and surfaces need to be modernized.	\$350,000	8



DEPARTMENT OF THE ARMY  
HEADQUARTERS, INFANTRY DIVISION (INFVI)  
AND US ARMY GARRISON, ALASKA  
FORT RICHARDSON, ALASKA  
99505-5000

December 16, 1988



Directorate of Personnel  
and Community Activities

The Honorable Lewis D. Walker  
Deputy Assistant Secretary of the Army  
(Environment, Safety and Occupational Health)  
Department of the Army  
Room 2E577, The Pentagon  
Washington, DC 20310

Dear Mr. Walker:

Your meeting scheduled for December 20 with William Coates, Superintendent, Anchorage School District, is of great concern to the families of the Arctic Light Division. On their behalf, I wish to add my support to Dr. Coates' proposal set forth in his December 15 letter to you.

Many of our families are concerned, and justifiably so, about the three elementary schools that their children attend in Fort Richardson. While the teachers and administrators are strong in their concern for our children and desire to deliver a quality learning experience, the facilities in which they and their students spend a great part of each day are in need of repair and upgrade.

It is clear to me that the condition of the public schools on the Fort is a significant detractor to soldiers' perception of Alaska as a highly desirable assignment location. Complete confidence in the educational system to which their children are entrusted is a high priority need which must be met, for doubt and dissatisfaction can evolve into eroding distaffers and morale concerns.

The dark, icy, and cold of Alaskan winters dictate that we do everything practicable to enhance the Garrison environment for the families of our soldiers to maintain the esprit that underlies effective training. To this end, we strive to implement the advice of Army's Quality of Life and Communities of Excellence program; unfortunately, the issue of ownership of the school buildings as well as our own funding parameters prevent meaningful application of these programs to the schools.

It does appear that Dr. Coates has found a practical, if partial, solution to the problem of funding. I do support his proposal and urge careful consideration of his request to retain the funds returned to the District by W. R. Dress and Company to pay for life-safety improvements to the schools on the installation.

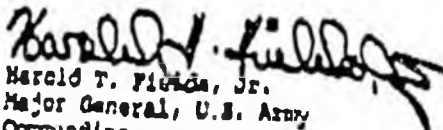
ZCS

500.DM

FT RICHARDSON-AK

On behalf of the 1,026 children of Fort Richardson families attending the three on-post schools and their parents, thank you for your attention, consideration, and support.

Sincerely,

  
Harold T. Florida, Jr.  
Major General, U.S. Army  
Commanding

NO. 005 282

~~Linda C. Anderson~~  
Government Relations

M E M O R A N D U M

TO: Interior Delegation

DATE: 1/25/89

FROM: Linda Anderson

RE: Military On Base Schools -  
Fairbanks School Board Findings

Attached for your review are excerpts of the On Base School Facilities Executive Summary and Fairbanks School Board Recommendations regarding the status and determination of the school construction needs on Fort Wainwright and Eielson.

January - May  
130 Seward St. #304  
Juneau, Alaska 99801  
907-586-1977

June - December  
125 Sunset Dr.  
Fairbanks, Alaska 99709  
907-479-7969

3/5

JANUARY 17, 1989  
REGULAR MEETING

Fairbanks North Star Borough School District  
Administrative Recommendations: Base School Study  
January 11, 1989

At the December 20, 1988 regular meeting of the Board of Education, the administration presented the Base/Post Building Survey. Based on that study and subsequent discussions with Fort Wainwright Officials, the administration recommends the district pursue funding of the following projects:

1. Fort Wainwright - Build Two 600 Student Prototypical Elementary Schools

The administration is currently projecting 1,014 FTE elementary students on Fort Wainwright by 1994. This is based on the current number of family housing units plus those known to be planned for construction. Building one new elementary plus adding capacity to Chena would provide space for 1,016 students, while the two new schools would give us a capacity of 1,200.

The reasons for our recommendation are:

- with two new schools we will be at 85% capacity. DOE recommends an approximate 90% capacity target which gives a desired capacity of 1125. We have amended the report to reflect DOE's recommended target.
- allows for demographic fluctuations and increased housing in the future.
- the military housing planned in the College Road area will use any available capacity at Joy or Nordale Elementary.
- by 1994 our in-town schools are projected to be at 98% of capacity.
- Fort Wainwright officials believe that additional families on post will have a higher incidence of school age children than we currently experience because the additional units are planned to have more four and five bedroom units and will house more senior staff.
- provides the least amount of disruption to the educational program.
- life cycle costing shows options 3 and 4 are clearly more efficient and because of the reasons stated above - support option 4.

2. Eielson Elementary Schools: Build One 600 Student Elementary School to Replace Taylor and Pennell and Renovate Anderson Elementary

-Taylor Elementary and Pennell Elementary have serious deficiencies which are outlined in the report that make it unfeasible to renovate them for future use.

3. Eielson Secondary Schools: Renovate Ben Eielson Jr/Sr High School

P. 1/5  
3/5

JANUARY 17, 1989  
REGULAR MEETING

FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT  
RECOMMENDED CIP AMENDMENTS  
January 11, 1989

Year\* and Cost in 1989 \$

PROJECT	89/90	90/91	91/92	92/93	93/94
Fort Wainwright Elementary School	\$8,274,775 **				
Fort Wainwright Elementary School			\$8,274,775		
Elson Air Force Base Elementary School		\$8,274,775			
Elson Air Force Base Private Anderson Elementary				\$2,068,440	
Elson Air Force Base Private Ben Eielson Jr/Sr High					\$5,338,921

\* is the year in which funding is requested for/design and construction take approximately 18 - 24 months

Projections show we will exceed capacity on Fort Wainwright by the 1990/91 school year

38-89 - now  
89-90 1yr  
90-91 1yr  
2 yrs - exceed capacity on FTW

## I. EXECUTIVE SUMMARY

### A. Purpose of Study

#### Background

The United States Government owns nine school facilities on Ft. Wainwright and Eielson AFB, which are utilized and maintained by the Fairbanks North Star Borough School District for the education of military dependents. The existing schools and their approximate construction dates are as follows:

<u>Ft. Wainwright</u>	Year Built	Major Addition
Aurora Elementary	1952	1954
Birch Elementary	1956	1964
Chena Elementary	1964	1975 <sup>1</sup>
Ft. Wainwright Elementary	1960	
McKinley (Joy) <sup>2</sup> Elementary	1952	

<u>Eielson AFB</u>		
Anderson Elementary	1962	1964
Pennell Elementary	1962	1964
Taylor Elementary	1956	1958
Ben Eielson Jr./Sr. High	1958	1978

As can be seen, the schools are generally quite old, and most are approaching the ends of their useful service lives. Condition surveys of each facility performed under the scope of this project indicate significant deficiencies in terms of current code requirements, District educational program standards, and operations and maintenance considerations.

#### Educational Program

The Fairbanks North Star Borough School District is legally obligated to "provide an educational program in the on base schools which is comparable to the program provided by the school district in its non-on base schools."<sup>3</sup>

1. Rebuilt after extensive fire damage in 1975.
2. Students from Joy Elementary School are being temporarily housed at McKinley while Joy is undergoing a total renovation/expansion.
3. Memorandum of Agreement for Operation on Base Schools. State of Alaska Department of Education and Fairbanks North Star Borough School District, January 20, 1985.

Survey Objectives

The principal objectives of this survey are as follows:

Determine the extent of code, program and operational deficiencies at each facility.

Estimate approximate costs to correct identified deficiencies, both in terms of initial costs and life cycle costs.

Evaluate and recommend facilities options for continued base/post educational programs, including:

- A. Repair/renovation of all current buildings.
- B. Repair/renovation of some existing buildings and replacement of others with new "prototypical" schools.
- C. Replacement of all buildings with new "prototypical" schools.

B. Methodology

A multi-discipline team consisting of architects, mechanical, electrical and structural engineers, cost estimators and support staff were employed in the preparation of this document. Work was organized into the following tasks:

**Data Collection:** Consisting of on-site deficiency surveys of the existing facilities; review of District files and previous reports; review of District furnished operations, maintenance and utilities historical costs; interviews with each school principal, District maintenance and central office staff; and faculty questionnaires.

**Data Analysis:** Collected data was analyzed to identify deficiencies and corresponding corrective measures.

**Cost Estimates:** Construction costs for correction of deficiencies were developed to determine initial capital outlay requirements. Construction costs for a typical prototypical elementary school were also identified.

**Life Cycle Costs:** Long term (20 year) costs, expressed in terms of annual costs, were estimated for each facility as well as a typical prototypical elementary school.

Facilities Options: Based on projected enrollments, combinations of renovated and/or new prototypical facilities were developed which would provide adequate capacities for each of the following three programs:

- Ft. Wainwright Elementary Program
- Eielson AFB Elementary Program
- Eielson AFB Junior/Senior High School Program

Comparitive Analysis: Facilities options for each program underwent comparitive analysis based on the following evaluation criteria:

- Initial Costs
- Life Cycle Costs
- Initial Disruption of Educational Programs
- Long Term Disruption of Educational Programs
- Quality of Educational Environment and Systems

C. Overview of Existing Facilities

The nine existing base/post schools currently accommodate students from Pre-kindergarten (special education) through the twelve grade. Table I-1 contains a breakdown of current enrollments by school and by grade.

Table I-1  
Current Base/Post School Enrollments

Facility	DOE		Current Enrollments													Total	FTE <sup>4</sup>	
	Capacity	P-K	K	1	2	3	4	5	6	7	8	9	10	11	12			
<b>FT. WAINWRIGHT - ELEMENTARY SCHOOLS</b>																		
1 Aurora	220		37	43	52	41	37										210	191.5
Birch	112		37	57				1									95	76.5
Chena	316	15	46	51	101	84	67										364	333.5
2 Ft. Wainwright	208							111	105								216	216.0
3 McKinley (Joy)	201		36	64	46	44	41	41	41								313	295.0
<b>BASE TOTALS</b>	<b>1057</b>	<b>15</b>	<b>156</b>	<b>215</b>	<b>199</b>	<b>169</b>	<b>145</b>	<b>153</b>	<b>146</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1198</b>	<b>1112.5</b>
<b>EIELSON AFB - ELEMENTARY SCHOOLS</b>																		
Anderson	409		111	152	152												415	359.5
Pennell	280	4				106	117										223	225.0
Taylor	264							119	110								229	229.0
<b>BASE TOTALS</b>	<b>953</b>	<b>4</b>	<b>111</b>	<b>152</b>	<b>152</b>	<b>106</b>	<b>117</b>	<b>119</b>	<b>110</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>871</b>	<b>813.5</b>
<b>EIELSON AFB - JR/SR HIGH SCHOOL</b>																		
Ben Eielson	663									116	85	117	95	01	69		563	563.0

4. Full Time Equivalent. Kindergarten students are double shifted on half days, and therefore are counted as one-half full time equivalent.

Ft. Wainwright Elementary Program Facilities

Ft. Wainwright currently houses 1,112.5 FTE elementary students in five facilities. Of this total, 295 FTE are off-base students temporarily housed at McKinley Elementary during the renovation and expansion of Joy School. Additional enrollments are projected, however, based on current U.S. Army on base housing projects. Relative locations of the five schools are shown in Exhibit 1. Floor plans of each school are shown in Exhibits 5 through 13. A brief assessment of each of the five schools follows:

Aurora Elementary is considered suitable for renovation, however the age and condition of this school make renovation a questionable option.

Birch Elementary currently houses special education programs, which will be relocated to Joy Elementary when it is completed. It is a small school, but is suitable for renovation. Its North Post location is somewhat isolated from other Ft. Wainwright school facilities.

Chena Elementary is the largest of the Ft. Wainwright schools, and was renovated in 1976 after a major fire in 1975. Although the octagonal grid plan is somewhat disorienting, it would also be considered as a reasonable candidate for renovation. The site is also large enough to permit reasonable expansion.

Ft. Wainwright Elementary is similar in age and condition to Aurora, and has classrooms that do not meet current DOE size standards. It is considered as questionable for renovation.

McKinley (Joy) Elementary has serious programmatic deficiencies including narrow corridors, small classrooms, inadequate multi-purpose room, and a non-handicapped accessible split level floor plan. Additionally, it is in the worst condition of any school surveyed. It is not considered to be worthy of renovation.

Eielson AFB Elementary Program Facilities

A total of 813.5 FTE elementary students are housed in Eielson AFB's three elementary schools. A total of seven temporary "portable" classrooms supplement the three schools. Relative locations of the three schools are shown in Exhibit 2. A brief assessment of each school follows:

Anderson Elementary is the best of the three Eielson AFB Elementary schools, and is connected to a relatively new IMC/Cafeteria Building which also serves Pennell Elementary. It is considered as suitable for renovation.

Pennell Elementary has some programmatic deficiencies including narrow corridors and a non-handicapped accessible split level floor plan. Its age and condition make renovation questionable.



Birch Elementary

FT. Wainwright Elementary

Aurora Elementary

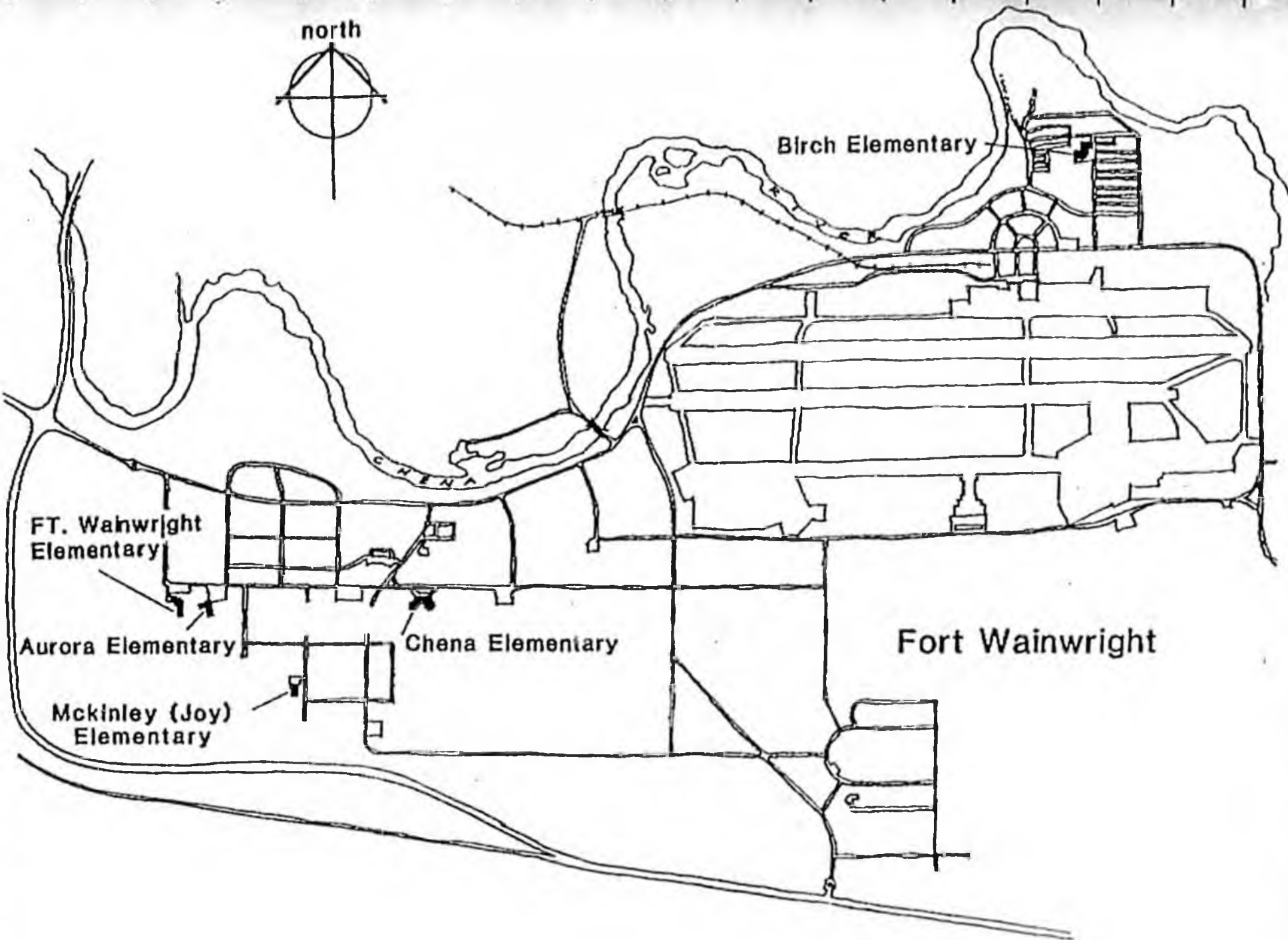
Mckinley (Joy) Elementary

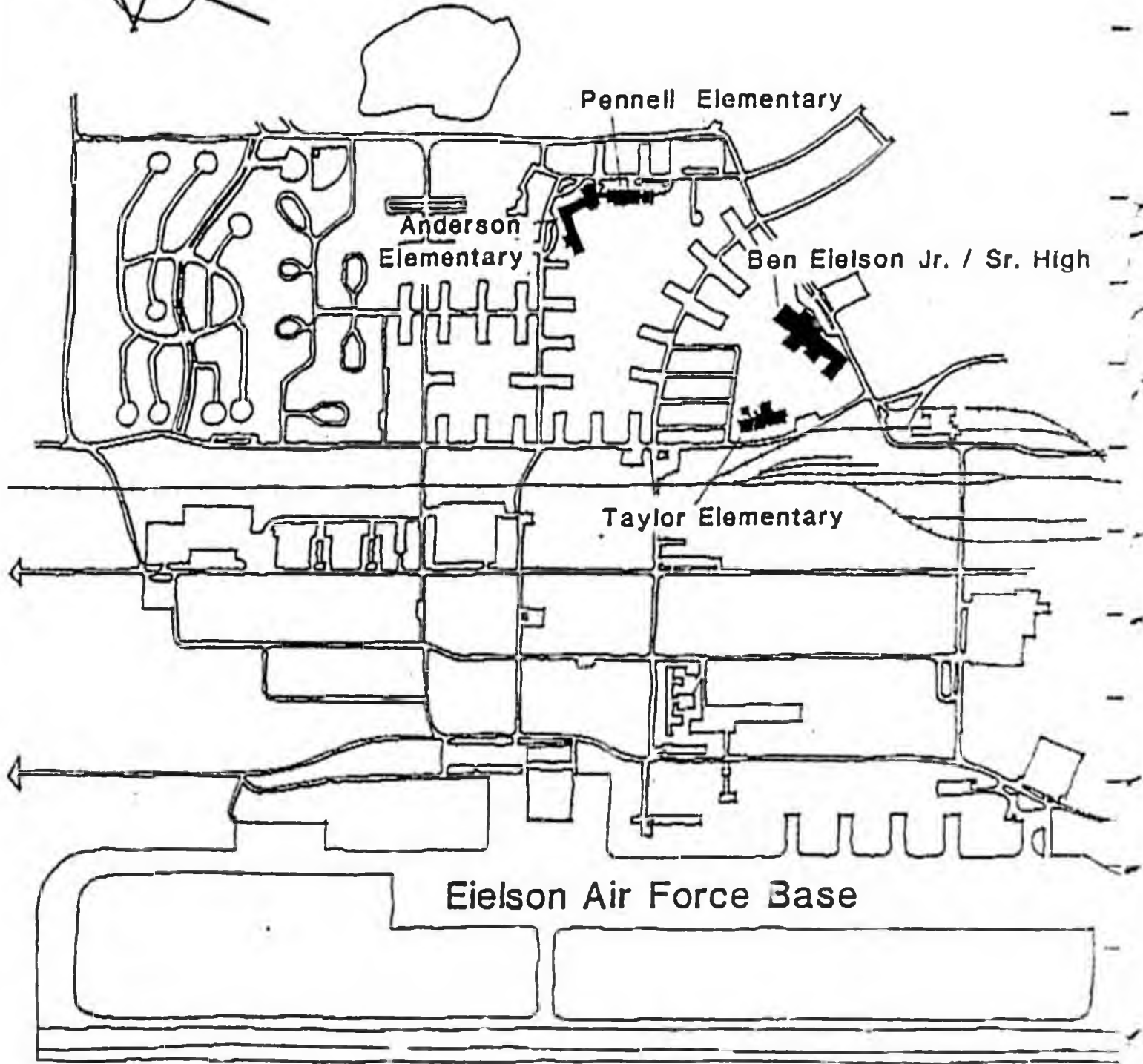
Chena Elementary

Fort Wainwright

Executive Summary - Page 1-5

Exhibit 1





Original sponsors: Cotten, Ellis,  
Phillips, et al.

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 22 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 Relating to schools on military bases.

6 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 WHEREAS schools located on Fort Richardson, Fort Wainwright, Fort  
8 Greelcy, Elmendorf Air Force Base, Eielson Air Force Base, Adak Naval  
9 Station, and the Kodiak Coast Guard Support Center are operated by the  
10 local school district or rural educational attendance area; and

11 WHEREAS the federal government owns these schools; and

12 WHEREAS most of these school buildings are significantly below build-  
13 ing standards when compared to other schools within these areas; and

14 WHEREAS the local school districts are expressly prohibited from  
15 conducting major maintenance or selling general obligation bonds to raise  
16 money for these schools; and

17 WHEREAS the state has appropriated funds to provide for the mainte-  
18 nance of these schools at a time when state revenue is in severe decline;  
19 and

20 WHEREAS the U.S. Department of Education, Office of Impact Aid has  
21 made a commitment to provide major assistance for school maintenance; and

22 WHEREAS schools on military bases in the state are the second highest  
23 national priority of the U.S. Department of Education; and

24 WHEREAS repairs by the federal government may not begin for another  
25 two to three years due to a federal program of resurveying maintenance  
26 needs at these schools, known as the Dole Study; and

27 WHEREAS parents of children attending these schools believe their  
28 children could receive better treatment and that federal officials have not  
29 been responsive to their concerns;

1 BE IT RESOLVED by the Alaska State Legislature that the federal gov-  
2 ernment is requested to carry out its responsibility for necessary replace-  
3 ment, repair, or upgrade work on schools located on Fort Richardson, Fort  
4 Wainwright, Fort Greely, Elmendorf Air Force Base, Eielson Air Force Base,  
5 Adak Naval Station, and the Kodiak Coast Guard Support Center; and be it

6 FURTHER RESOLVED that after necessary replacement, repair, or upgrade  
7 work is completed consideration should be given to transferring ownership  
8 of the schools to those local school districts that desire to assume owner-  
9 ship or to the state.

10 COPIES of this resolution shall be sent to the Honorable George Bush,  
11 President of the United States; the Honorable Dan Quayle, Vice-President of  
12 the United States and President of the U.S. Senate; the Honorable Jim  
13 Wright, Speaker of the U.S. House of Representatives; the Honorable Daniel  
14 K. Inouye, U.S. Senator and chair of the defense subcommittee of the Senate  
15 appropriations committee; the Honorable John P. Murtha, U.S. Representative  
16 and chair of the defense subcommittee of the House appropriation committee;  
17 the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators,  
18 and the Honorable Don Young, U.S. Representative, members of the Alaska  
19 delegation in Congress; the Honorable John Tower, acting Secretary of the  
20 U.S. Department of Defense; the Honorable Lauro Cavazos, Secretary of the  
21 U.S. Department of Education; the Honorable William G. Demmert, Commis-  
22 sioner of the Alaska Department of Education; and to the superintendents of  
23 the Anchorage, Kodiak, and Fairbanks school districts and the Adak and Del-  
24 ta/Greely regional educational attendance areas.

HJR

24

HOUSE COMMITTEE REPORT

(7)

Date Referred: February 8, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/10/89

The HEALTH, EDUCATION, & SOCIAL SERVICES Committee considered:

HJR 24

HOUSE JOINT RESOLUTION NO. 24

[SUPPORTING FEDERAL ABC CHILD CARE ACT]

Supporting the federal Act for Better Child Care Services.

RECOMMENDS:

- replacing with CS HJR 24 (HESS)  the same title
- the attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published: \_\_\_\_\_
- zero fiscal notes(s) published: \_\_\_\_\_

SIGNING DO PASS:

Peter J. Lee

\_\_\_\_\_

Cheri Davis

J. Ellis

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SIGNING OTHER THAN DO PASS:  
(Do Not Pass, No Recommendation, Amend)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

J. Ellis

Chairman's signature



Official Business

# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

Representative Ann M. Spohnholz  
District 13 Seat A

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

465-2435

### MEMORANDUM

TO: Members of the House HESS Committee

FROM: Ann M. Spohnholz *AMS*

DATE: March 6, 1989

RE: HJR24 - Supporting the federal "Act for Better Child Care Services"

I introduced HJR24 in support of the federal Act for Better Childcare, also known as the "ABC Bill," because I believe that this legislation is a first step in terms of national leadership toward making a number one priority of this nation the caring, nurture, and education of children under six.

The "ABC Bill" was introduced by Senator Christopher Dodd on January 25th of this year, and a comparable bill has been introduced in the House of Representatives. A summary of the provisions of the bill is attached.

Passage of the "ABC Bill" in Congress is expected to bring approximately \$400,000 in federal funds to Alaska, with 70% of those funds earmarked for assistance to low and moderate-income families in paying the costs of child care. The attached summary gives further details of how the money will be spent.

I urge your support for this resolution.

Thank you for your consideration.

Attachments: "Some Facts About Children"  
Fiscal Note  
Summary of ABC Bill

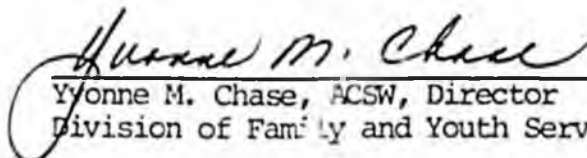
Position Paper  
House Joint Resolution No. 24

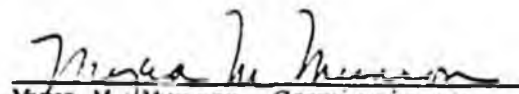
Supporting the Federal Act for Better Child Care Services

This resolution supports an increased federal role in the provision of child care services and specifically supports the two federal bills that have the backing of the majority of professionals in the early childhood field. In a time of dwindling state funds, passage of one of these federal bills could be beneficial to low and moderate income families eligible under Alaska's Day Care Assistance Program as well as families affected by Welfare Reform. A few features in the federal legislation that have particular appeal include:

- development of local resource and referral agencies to assist families in locating appropriate child care for their child;
- education and training for child care providers;
- a requirement that a state plan be developed; and
- promotional features for employer related child care.

The Department supports this resolution.

  
Yvonne M. Chase, ACSW, Director  
Division of Family and Youth Services

  
Myra M. Munson, Commissioner  
Department of Health  
and Social Services

March 9, 1989



Official business

# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

Representative Ann M. Spohnholz  
District 13 Seat A

P.O. Box V  
State Capitol  
Juneau, Alaska 99811  
465-2435

### SOME FACTS ABOUT CHILDREN IN THE UNITED STATES

THERE ARE 45.8 MILLION CHILDREN IN THE UNITED STATES UNDER AGE 13.

\* 56% (25.5 MILLION) HAVE PARENTS WHO WORK OUTSIDE THE HOME.

12.9 million are between the ages of 6 and 13. They are in school most of the time that their parents are at work. Before and after school, these children are in the care of neighbors, relatives, or extended-day childcare programs, or they are at home alone.

12.6 million are under the age of 6. These children are in full time care. The vast majority of them are cared for outside their family home, in childcare centers, nurseries, and family daycare homes.

\* 57% OF ALL MOTHERS OF CHILDREN UNDER 6 YEARS WORK OUTSIDE THE HOME.

\* 53% OF ALL MOTHERS OF CHILDREN UNDER 1 YEAR WORK OUTSIDE THE HOME.

\* These figures include both single parent families and two-parent families with both parents in the labor force.

A M E N D M E N T

OFFERED IN THE HOUSE  
TO: HJR 24

BY SPOHNHOLZ

Page 1, line 9:

After "work(s)" insert outside the home in both occurrences

02/14/89

S 1895 - 10/50  
12/5/89

SUMMARY OF THE ACT FOR BETTER CHILD CARE SERVICES OF 1989

AUTHORIZATION OF APPROPRIATIONS: \$2.5 billion is authorized for fiscal year 1990, with such sums as may be necessary for FYs 1991-1994. In addition, \$100 million is authorized in FY 1990 only to fund the new Child Care Liability Risk Retention Fund.

FUNDS FOR DIRECT ASSISTANCE TO FAMILIES: States must allocate 70 percent of ABC funds to provide direct assistance to low-income working families on a sliding fee scale. Eligible children are those up to age 15 whose family income does not exceed 100 percent of state median income (\$32,777 nationwide for a family of four); priority for funds is given to families of very low income. Parents have complete discretion to choose from a wide range of child care services, including nonprofit and for-profit child care centers, family day care homes, school-based care, and nonsectarian church-based care.

FUNDS TO IMPROVE THE QUALITY OF CHILD CARE: States may allocate 10 percent of funds for resource and referral programs; improvements in the states' licensing/inspection requirements; and health and safety training for child care workers. States may use existing R&R networks as long as referral services are available to families in all areas of the state. Within two years of enactment, all licensed providers shall have 40 hours of health and safety training every two years.

FUNDS TO INCREASE THE AVAILABILITY OF CHILD CARE: States may use 12 percent of funds for grants and loans to establish or expand child care programs; to recruit and train new family day care providers (including a revolving loan fund for improvements to providers' homes); to help communities establish after-school services and programs for sick or homeless children; and to assist businesses with child care programs through a new public-private partnership section.

MINIMUM NATIONAL STANDARDS FOR PROVIDERS RECEIVING PUBLIC FUNDS: As a condition of federal assistance, states must require only publicly-funded child care programs to comply with a limited set of minimum health and safety standards within 4 years after they are established (roughly 5 1/2 years after the date of enactment of the Act). The standards are based on those used by the U.S. Armed Forces and the national accreditation organizations. The standards will be developed by a National Advisory Committee composed of experts in the field, representatives of state and local government, and members of the business and religious communities. Any state may request a 1 year variance (with a one-year extension) if the state needs more time to comply with a particular standard in a particular area of the state.

FUNDS TO ESTABLISH LIABILITY RISK RETENTION GROUPS: The legislation authorizes \$100 million in FY1990 for the establishment of Child Care Liability Risk Retention Groups to increase providers' access to affordable liability insurance through a shared risk pool system.

CHURCH-BASED CHILD CARE INCLUDED: Non-sectarian church-based child care is fully eligible for assistance under the bill. The church-state language is based on other federal social service legislation.

RELATIVE CARE ELIGIBLE FOR FUNDS: Relative care by grandparents, aunts, uncles and uncles is eligible for assistance provided such caregivers comply with state regulations, if any, governing such care.

MAJOR REVISIONS TO THE ACT FOR BETTER CHILD CARE SERVICES  
FOR THE 101ST CONGRESS

ALLOCATION OF ASSISTANCE:

<u>PROVISION OF LEGISLATION</u>	<u>ABC/100th</u>	<u>ABC/101st</u>
Direct Assistance to Families:	75%	70%
Provisions to Increase Supply:	15%	12%
Provisions to Increase Quality:		10%
State Administration:	10%	8%

NEW ACTIVITIES TO INCREASE CHILD CARE SUPPLY:

- \* New Child Care Public-Private Partnership Section to fund:
  - 1) New child care programs for businesses;
  - 2) Demo programs for communities and local employers;
  - 3) Business participation in R&R programs;
  - 4) Information and technical assistance for employers;
  - 5) Presidential award program for progressive employers.
- \* Grants and loans to family day care and nonprofit providers to establish and expand child care programs.
- \* State-based revolving loan funds for new family providers.
- \* Funds for the establishment and operation of after-school child care services, programs for sick and homeless kids and those which link elderly and children's services.

REVISIONS IN MINIMUM FEDERAL STANDARDS FOR PUBLICLY-FUNDED CARE:

- \* Change in composition of National Advisory Committee on Minimum Child Care Standards to increase input from states, localities, employers and religious organizations.
- \* Variance mechanism which permits a state to postpone its compliance with the minimum standard(s) for 1 or 2 years.
- \* Scope of national minimum standards bound by range of existing state standards. Additional comment period for national standard(s) which do not exist in states.

RELATIVE CARE ELIGIBLE FOR ABC ASSISTANCE:

- \* Grandparents, aunts, and uncles (18 or older) are eligible for reimbursement provided they comply with state regulations (if any) governing relative care.

CHILD CARE LIABILITY RISK RETENTION GROUPS:

- \* \$100 million for state-based insurance risk pools.

ENHANCED STATE FLEXIBILITY:

- \* States have additional funds for quality and supply functions. They also have more flexibility to implement the R&R and training requirements. Also, see change in standards above.

3/9/89

Dear Representatives:

Thank you for giving me the opportunity to make a statement in support of House Resolution 24.

The care and education of our children is the most important duty of our society. While other governmental functions are of great importance, a neglected youth diminishes our future.

Alaska leads the nation in spending per capita in educating its children from grades K through 12. We have generous programs to aid Alaskans in procuring a college education. Our teachers are the highest paid in the nation. Our school facilities and equipment are among the best in the world. Yet, we are facing a 30% drop out rate and increasing alcohol and drug abuse among high school students.

Day care is an issue that is gathering some long deserved attention. Child developmental physiologists say that the average person undergoes the majority of their brain and personality development by age 2. Yet, during this critical time period, society provides painfully little guidance or support to parents. We spend great sums of money developing curricula for older children, and even more developing programs to help cure problems faced by older children. Problems such as drug abuse, minor crime, and learning disabilities are gaining their share of the limelight. Are we spending our efforts on cures when we could redirect them toward prevention? Helping with the development of a toddler or infant might do more to produce a vibrant productive citizen in the future than lengthy counseling and corrections of a young adult.

With the baby boom moving through the work force, our nation will depend more on both men and women working. This isn't a new idea, many have made this prediction in the past. The reality of today's world finds a majority of women in the work place, with this majority growing larger ever year. With child care being spread to more "non-traditional" care givers, it is about time we face the fact we can either have our young children raised in a system of happenstance, or prescription.

The quality of child care is extremely variable here in Juneau. All of it is expensive. My wife and I are fortunate that we can afford to place our child with a quality child care center. Others aren't that fortunate. The parents trying to find quality child care depend entirely on word of mouth for recommendations. While the state has basic health and sanitation requirements for child care providers, they seem less concerned about the fitness of providers to provide quality care for toddlers and

infants. In most states the requirements for licensed animal care are more stringent than that for day care.

Child care providers are paid substandard salaries, and provided little or no medical/health benefits, pension or leave. Most of them could earn more as sales clerks in the mall. The turn over rate for people in this field is comparable to that at a typical fast food restaurant.

The paradox is that parents can't afford day care, and day care providers can't afford to stay in business.

At some point in time our society must realize its responsibility for caring and educating its children from birth to the age of majority. We do a good job with children from ages 5 through 18, we need to add ages 0 through 4.

I leave you with this thought: a child care provider is compensated marginally over the minimum wage, and educates our children during their most sensitive years; a high school typing teacher earns in excess of \$45,000.00 per year for 9 months work, and teaches a child to type. Do we have our priorities right?

Sincerely yours,  
Michael H Harris  
PO Box 235  
Douglas Ar 79320

HJR

65

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907.465.3800

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files. .

Mary Van Nimwegen

H. HESS

2/22/90

H. HESS

3/5/90

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 10, 1990

FURTHER REFERRALS:

Date of Committee Action: 3/5/90

The HEALTH, EDUCATION, & SOCIAL SERVICES Committee considered: HJR 65

HOUSE JOINT RES. NO. 65

STUDENT LOAN TAXATION

Relating to taxation of certain student loans.

### RECOMMENDATIONS:

- be replaced with CS HJR 65 (HESS)  the same title  
 a new title  
 have attached amendment(s)  
 do pass  
 do not pass  
 no recommendation  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(s):  
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact \_\_\_\_\_  fiscal note(s) \_\_\_\_\_  
 zero fiscal note HESS Committee  zero fiscal note(s) \_\_\_\_\_  
 zero with analysis \_\_\_\_\_  zero fn/analysis \_\_\_\_\_

SIGNING DO PASS

SIGNING:  
(Check approp. column)

Do Not  
PASS  
No Rec  
Amend

J. Ellis  
\_\_\_\_\_  
W. Thompson  
Cheri Dallis  
Mark Baker  
John Doe  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

	Do Not PASS	No Rec	Amend
_____			
_____			
_____			
_____			
_____			
_____			
_____			

J. Ellis  
Chairman's Signature

Internal Revenue Service

Department of the Treasury

District  
Director

P.O. Box 101500, Anchorage, Alaska 99510

Person to Contact: J. Eshelman

Telephone Number:  
(907) 261-4250

Refer Reply to:

E:2001

Date: 1-23-90

Dear \_\_\_\_\_

The Alaska Commission on Postsecondary Education recently provided the Internal Revenue Service with the names and Social Security numbers of those borrowers who had a portion of their Student Loan forgiven during 1987 or 1988. The amount of forgiveness benefits is taxable as income for the tax year in which it was obtained.

The information provided by the State of Alaska indicates that you received the following forgiveness benefits:

Tax Year 87/2: \$ 5,944.08

Upon review of your Federal Income Tax return for the year(s) listed above, the forgiveness does not appear to have been reported on your return. The enclosed report shows the tax and interest due after the forgiveness benefits have been included as income. If you agree with our adjustment, please sign and return one copy of the report. The other copy should be kept for your records. If you are unable to pay the amount due at this time, we will bill you.

If you did report the benefits, please explain where the income appears on your return. Please provide a copy of your amended return (Form 1040X), if one has been filed. If you believe the amount of forgiveness is incorrect, please attach any supporting material you want us to consider. When you send the information or write to us, please include a telephone number where you can be reached during the day. This will allow us to contact you directly if we have any questions about your information.

Please respond within 30 days from the date of this letter. A postage-paid envelope has been included for your convenience. If you have any questions, you may contact the number shown above.

Very truly yours,

*J. B. Eshelman*

Tax Auditor

Report of Individual  
Income Tax Examination Changes

Department of the Treasury  
Internal Revenue Service

DATE OF REPORT: 01/22/90  
 SOC. SEC. NUMBER:  
 FORM: 1040  
 YEAR: 1989  
 FILING STATUS: SINGLE  
 EXAMINING DISTRICT: 092  
 NAME OF EXAMINER: J ESHELMAN  
 IN REPLY REFER TO: DE3001JE

EXPLANATION REASONS	INCOME AND DEDUCTION AMOUNTS ADJUSTED	ADJUSTMENT INCREASE (DECREASE)
1. 1040 FILE	AN STUDENT LOAN FORGIVENESS DELINQUENTLY	5,999.00
A. ADJUSTMENTS TO INCOME AND OF DEDUCTIONS	INCREASE	5,999.00
B. FILE TAXABLE INCOME AS SHOWN ON RETURN		9,537.00
C. CORRECTED TAXABLE INCOME		35,537.00
D. TAX COMPUTED WITH 1 EXEMPTIONS	TAX TABLE	4,905.00
E. CORRECTED TAX		4,905.00
F. LESS TAX AS SHOWN ON RETURN		3,225.00
G. DEFICIENCY		1,680.00
H. BALANCE DUE		1,680.00
I. PENALTIES: DELINQUENCY PENALTY, SEC. 6651(A)(1) I.R.C.		119.00

ALTHOUGH THIS REPORT IS SUBJECT TO REVIEW, YOU MAY CONSIDER IT AS YOUR NOTICE THAT YOUR CASE IS CLOSED IF YOU ARE NOT NOTIFIED OF AN EXCEPTION TO THESE FINDINGS WITHIN 45 DAYS AFTER A SIGNED COPY OF THIS REPORT OR A SIGNED WAIVER, FORM 870, IS RECEIVED BY THE DISTRICT DIRECTOR. IF YOU AGREE, PLEASE SIGN ONE COPY OF THIS REPORT, AND RETURN IT IN THE ENCLOSED ENVELOPE. KEEP THE OTHER COPY WITH YOUR RECORDS.

CONSENT TO ASSESSMENT AND COLLECTION - I DO NOT WISH TO EXERCISE MY RIGHTS WITH THE INTERNAL REVENUE SERVICE OR TO CONTEST IN THE UNITED STATES TAX COURT THE FINDINGS IN THIS REPORT. THEREFORE, I CONSENT TO THE IMMEDIATE ASSESSMENT AND COLLECTION OF THE TOTAL DUE ON THE ATTACHED EXPLANATION OF ADJUSTMENTS.

TAXPAYER SIGNATURE: *U J* DATE: *01/20*  
 SPOUSE'S SIGNATURE (IF JOINT RETURN FILED) DATE:

EXPLANATION OF ADJUSTMENTS

1987

01/22/90

TOTAL AMOUNT DUE AS A RESULT  
OF THE EXAMINATION ON 01/22/90 \$ 2,107.32

ADDITIONAL TAXES:

BALANCE DUE

1,680.00

TOTAL ADDITIONAL TAXES:

1,680.00

INTEREST:

INTEREST DUE BASED ON STATUTORY

INTEREST RATES

362.07

TOTAL ADDITIONAL TAXES PLUS INTEREST

2,042.07

PENALTIES:

DELINQUENCY PENALTY

DELINQUENCY PENALTY I.R.C. 6651

119.50

25% OF 478.00

TOTAL DELINQUENCY PENALTY

119.50

INTEREST ON DELINQUENCY PENALTY

25.75

TOTAL PENALTIES

145.25

\*\*\*\*\*  
 \*\*\*\*\*  
 TOTAL ADDITIONAL TAXES, INTEREST AND  
 PENALTIES AS OF 01/22/90 \$ 2,107.32  
 \*\*\*\*\*  
 \*\*\*\*\*

ADDITIONAL INTEREST WILL BE CHARGED AT THE CURRENT RATE OF 11 PERCENT COMPOUNDED DAILY. INTEREST IS CHARGED FROM THE ORIGINAL DUE DATE OF THE RETURN TO THE EARLIER OF THE DATE OF PAYMENT, A DATE 30 DAYS AFTER AN AGREEMENT TO THE ADDITIONAL TAX IS SIGNED, OR THE ASSESSMENT DATE. NEGLIGENCE AND FRAUD PENALTIES, IF APPLICABLE, WILL ALSO CONTINUE TO BE CHARGED. GENERALLY, IF NOTICE AND DEMAND IS MADE FOR PAYMENT OF ANY AMOUNT, AND THAT AMOUNT IS PAID WITHIN 10 DAYS AFTER THE DATE OF THE NOTICE AND DEMAND, INTEREST ON THE AMOUNT PAID WILL NOT BE CHARGED AFTER THE DATE OF THE NOTICE AND DEMAND. SINCE ADDITIONAL TAX IS DUE, YOU MAY WANT TO PAY IT NOW AND LIMIT THE INTEREST AND PENALTY CHARGES. PLEASE MAKE YOUR CHECK PAYABLE TO INTERNAL REVENUE SERVICE.

IN ARRIVING AT YOUR TAX DEFICIENCY, AMOUNTS HAVE BEEN ROUNDED TO THE NEAREST DOLLAR.

CONTINUED ON NEXT PAGE

PAGE 2

EXPLANATION OF ADJUSTMENTS

1987

01/22/90

CONTINUED FROM PRECEDING PAGE

IRS HAS EXCHANGE AGREEMENTS WITH STATE TAX AGENCIES UNDER WHICH INFORMATION ABOUT INCREASES OR DECREASES IN FEDERAL TAX LIABILITY IS EXCHANGED WITH STATES. YOU SHOULD CHECK YOUR STATE TAX RETURN AND FILE AN AMENDED RETURN IF THIS CHANGE AFFECTS YOUR STATE INCOME TAX LIABILITY.

YOU MAY BE SUBJECT TO BACKUP WITHHOLDING IF YOU UNDERREPORT YOUR INTEREST, DIVIDEND, OR PATRONAGE DIVIDEND INCOME AND DO NOT PAY THE TAX. BACKUP WITHHOLDING, AT THE RATE OF 20 PERCENT, MAY BE ORDERED BY THE IRS AFTER YOU HAVE RECEIVED FOUR NOTICES ABOUT BACKUP WITHHOLDING, ISSUED OVER 120 DAYS, AND THE TAX HAS BEEN ASSESSED AND REMAINS UNPAID.

1404 AK STUDENT LOAN FORGIVENESS

THE AMOUNT OF YOUR DEBT IS INCLUDIBLE IN INCOME IN THE YEAR IN WHICH IT WAS FORGIVEN.

SHOWN ON RETURN OR AS PREV. ADJUSTED	\$	0.00
CORRECTED AMOUNT	\$	5,999.00
ADJUSTMENT	\$	5,999.00

8115 DELINQUENCY

SINCE YOU DID NOT FILE YOUR RETURN WITHIN THE TIME PRESCRIBED BY LAW, AND YOU DID NOT SHOW THAT SUCH FAILURE WAS DUE TO REASONABLE CAUSE, A PENALTY OF 5 PERCENT IS ADDED TO THE TAX FOR EACH MONTH OR A PART OF A MONTH (BUT NOT TO EXCEED A TOTAL OF 25 PERCENT) FOR WHICH YOUR RETURN WAS LATE. IF YOUR RETURN WAS MORE THAN 60 DAYS LATE, THE MINIMUM PENALTY IS THE LESSER OF \$100 OR THE TAX DUE. THE PENALTY SHOWN HAS TAKEN INTO CONSIDERATION ANY PREVIOUSLY ASSESSED PENALTY. SEE SECTION 6651(A) OF THE INTERNAL REVENUE CODE.

## FISCAL NOTE

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

Revision Date: \_\_\_\_\_  
Title: Taxation of student loans

Agency Affected: \_\_\_\_\_  
BRU: \_\_\_\_\_

Sponsor: Rep. Koponen  
Requestor: House HESS

Components: \_\_\_\_\_

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

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

Prepared by: Jim Nordlund  Phone: 465-3759  
Division: House HESS Staff Date: 3/5/90

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

Distribution (by preparer):

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

MEMORANDUM

TO: REPRESENTATIVE KOPONEN  
FROM: LISA MCLAREN  
RE: HJR 65/STUDENT LOAN TAXATION  
DATE: 2/21/90

I called Senator Stevens' office today regarding HJR 65 and was referred to staff attorney, Chuck Konigsberg. Chuck informed me that the IRS was supposed to respond later today to the charge that they are taxing ex-students for a year in which they received no monetary benefit. He called me at the end of the day, however, to say they had not contacted him, and that if he did not hear from them in a couple of days, he would be calling them himself.

He also said he thought it would be very helpful to have a resolution which referenced the Legislature assertion that the intent behind the forgiveness program was that it operate as a grant program. He felt that would be useful backup for the hearings to be held later this spring by Committee holding S. 1803. I told him House HESS would be hearing the resolution tomorrow and that I would fax him a copy with a note as to outcome after the hearing.

He also gave the usual statistic of thinking that S. 1803 has a fifty-fifty chance of passage.

INDEX TO HJR65 BACK-UP MATERIALS

1. Draft CSHJR 65 (HESS)
2. 10/12/89 memo Jane Maynard/Postsecondary Commission members
3. 11/29/89 memo Jane Maynard/Postsecondary Commission members
4. 1/4/90 letter w/attachments Kristen Bomengen (Law) to IRS
5. 1/23/90 IRS response to Ms. Bomengen's letter
6. 1/26/90 letter Jane Maynard/Senator Stevens
7. S. 1803
8. Section 108(f) Internal Revenue Code
9. Section 117 Internal Revenue Code
10. Student loan statutes
11. 1984 Revisors Bill (HCS CSSB 133(JUD))
12. 1981 FCCSSB 120

CS FOR HOUSE JOINT RESOLUTION NO. 65 (HESS)

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

WHEREAS the original intent of the forgiveness provision in the Alaska state student loan program was to provide a nontaxable grant to the student; and

WHEREAS many student loans made before July 1, 1987, are eligible for up to 50 percent forgiveness under the state student loan program; and

WHEREAS the Internal Revenue Service is currently treating Alaska student loan monies discharged through the forgiveness provision as taxable income; and

WHEREAS state residents who benefited from the student loan program were unaware of their tax liability and assumed that a forgiven student loan was no subject to taxation under federal law; and

WHEREAS many students who have completed their education are now facing the prospect of paying back taxes plus interest on amounts forgiven in 1987 and 1988 student loans; and

WHEREAS the Internal Revenue Service is currently interpreting the Internal Revenue Code as imposing tax liability in a year in which the student actually receives no cost savings from loan payment because of the student's eligibility for forgiveness; and

WHEREAS the Congress is considering S. 1803 and H.R. 3518, both of which would change the taxable status of student loans and allow loans that are forgiven by this state to be excluded from gross income for purposes of federal income taxation;

BE IT RESOLVED that the Alaska State Legislature urges the Congress to consider and pass either S. 1803 or H.R. 3518, thereby allowing that portion of student loans made by this state that qualify for forgiveness to be excludable from gross income for purposes of federal income taxation.

COPIES of this resolution shall be sent to the Honorable George Bush, President of the United States; the Honorable Dan Quayle, Vice-President of the United States and President of the U.S. Senate; the Honorable Thomas S. Foley, Speaker of the U.S. House of Representatives; to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; to the Honorable Fred T. Goldberg, Jr., Commission of the Internal Revenue Service; and to the Honorable William G. Demmert, Commissioner of the Alaska Department of Education.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

P.O. BOX 57  
JUNEAU, ALASKA 99811-0057  
PHONE: (907) 465-2854

M E M O R A N D U M

TO: Members of the Alaska Commission on Postsecondary Education

Mr. John Havelock, Chair	Mr. Donald Eller
Ms. Patricia Abney	Senator Paul Fischer
Ms. Alice Bosshard	Ms. Karen Fultz
Ms. Ruth Burnett	Mr. Paul Harris
Mr. John Chenoweth	Mr. Mark Helmericks
Dr. Patricia Clark	Representative Niilo Koponen
Dr. April Crosby	Ms. Bettye Smith

FROM: Jane Byers Maynard, Executive Director  
Alaska Commission on Postsecondary Education

SUBJECT: Internal Revenue Service Request Regarding Alaska Student Loan Forgiveness Recipients

DATE: October 12, 1989

As you may be aware, the IRS has requested information from the Alaska Commission on Postsecondary Education concerning 1987 and 1988 Alaska Student Loan forgiveness recipients "for tax administration purposes." The information requested was public information subject to release at the request of the IRS.

Following the release of this information on September 28, 1989, we sent a courtesy letter dated October 3, 1989 to the forgiveness recipients to advise them that information had been given to the IRS and to provide an IRS contact number in the event of questions.

Understandably, this matter is of concern to a number of loan borrowers. In order to explain the sequence of events which led to the IRS request, the following information is provided for your use in responding to questions on this matter.

The Commission and the Alaska Student Loan Corporation have never received a ruling or correspondence from the IRS regarding the tax status of the forgiven portion of loans. To date, the Commission has only received an August 1989 request and a September 1989 clarification from the IRS for information concerning 1987 and 1988 forgiveness recipients. From press reports, it appears that the IRS took the action as part of an overall review of the tax status of Alaska benefit programs.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

P.O BOX FP  
JUNEAU, ALASKA 99811-0599  
PHONE: (907) 465-2854

Item 19

MEMORANDUM

TO: Members of the Alaska Commission on Postsecondary Education

FROM: Jane Byers Maynard, Executive Director *JBM*  
Alaska Commission on Postsecondary Education

SUBJECT: Agenda Item 19: IRS Taxation of Student Loan Forgiveness Benefits

DATE: November 29, 1989

Enclosed are copies of correspondence you have already received summarizing the IRS taxation issue. As an update, I am including the Governor's response to legislative inquiries concerning possible state action on this matter.

It appears that the course of action that will be of most benefit to loan borrowers rests with our Congressional delegation. Senate Bill 1803 filed by Senator Stevens is the result of Congressional action to date. We have been advised that it may take a year or more to move this legislation through, so the bill contains a retroactive clause with a provision for refunds on taxes paid.

In the interim, borrowers are being advised to comply with the IRS. To give you an idea of the dollar amount facing most students, the average forgiveness benefit is estimated at \$850 per year. If taxed at 20% for example, most borrowers are facing a payment owed to the IRS of about \$170 for each year of forgiveness under review.

Commissioner Bosshard has asked for a one-page summary statement on this matter for your use in responding to borrower inquiries. This is an excellent suggestion and I will be happy to provide this at the Commission meeting.

Enclosure

# **CORRECTION**

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

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

P O BOX FP  
JUNEAU ALASKA 99811-0599  
PHONE (907) 465-2854

M E M O R A N D U M

TO: Members of the Alaska Commission on Postsecondary Education

Mr. John Havelock, Chair	Mr. Donald Eller
Ms. Patricia Abney	Senator Paul Fischer
Ms. Alice Bosshard	Ms. Karen Fultz
Ms. Ruth Burnett	Mr. Paul Harris
Mr. John Chenoweth	Mr. Mark Helmericks
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Alaska Commission on Postsecondary Education

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Members of the Alaska Commission  
on Postsecondary Education  
October 12, 1989  
Page 2

The data requested included the borrower's name, current address, social security number, and amount of forgiveness benefit received. The information provided to the IRS covered 7,743 loans and approximately 5,900 borrowers (since some had multiple loans) and \$10.6 million in forgiveness over the two-year period. It has since come to our attention that the IRS operates under a three-year statute of limitations that precluded requests regarding forgiveness benefits received prior to 1987.

Prior to this event, our agency was directed on two occasions, in 1983 and 1986, by the Office of the Attorney General to avoid providing federal tax advice to loan recipients. Staff was advised instead to direct individual inquiries to the IRS.

In November 1988, Commission staff asked Price Waterhouse officials whether information return (Form 1099) reporting requirements applied to the forgiven portion of student loans. An informal opinion from IRS representatives told Price Waterhouse that forgiveness of loans does not constitute a "payment" although it may be income to the student, and therefore, there is no information reporting requirement on the part of the State. This was reported to the Alaska Student Loan Corporation.

No further action was taken on this matter until the 1989 request for information was received from the IRS. As a result of that request, we are now advising borrowers on both the forgiveness application and the forgiveness statement of the following:

**REMINDER:** The amount of your loan reduction under the forgiveness provisions of the Alaska Student Loan Program may be includable as gross income for tax purposes. We recommend you provide this information to your tax return preparer, or consult with a tax accountant prior to completing the return yourself.

We continue to be advised by the Office of the Attorney General to not give direct tax advice to individuals or take further action prior to a more formal determination of IRS action in this matter. Callers are being given the following toll-free number to contact the IRS for further information: 1-800-424-1040. In addition, we are working with Alaska's Congressional delegation in their review of this matter.

You will be advised of any further developments as they occur.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

P.O BOX FP  
JUNEAU, ALASKA 99811-0599  
PHONE: (907) 465-2854

Item 19

MEMORANDUM

TO: Members of the Alaska Commission on Postsecondary Education

FROM: Jane Byers Maynard, Executive Director *JBM*  
Alaska Commission on Postsecondary Education

SUBJECT: Agenda Item 19: IRS Taxation of Student Loan Forgiveness Benefits

DATE: November 29, 1989

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Commissioner Bosshard has asked for a one-page summary statement on this matter for your use in responding to borrower inquiries. This is an excellent suggestion and I will be happy to provide this at the Commission meeting.

Enclosure

STEVE COWPER, GOVERNOR

**DEPARTMENT OF LAW**

OFFICE OF THE ATTORNEY GENERAL

January 4, 1990

REPLY TO:

1031 W 4th AVENUE SUITE 200  
ANCHORAGE, ALASKA 99501-1994  
PHONE: (907) 276-3550  
FAX: (907) 276-3697

1st NATIONAL CENTER  
100 CUSHMAN ST. SUITE 400  
FAIRBANKS, ALASKA 99701-4679  
PHONE: (907) 452-1568  
FAX: (907) 456-1317

P.O. BOX K—STATE CAPITOL  
JUNEAU, ALASKA 99811-0300  
PHONE: (907) 465-3600  
FAX: (907) 463-5295

465-3603

Robert Jackson  
Internal Revenue Service  
P.O. Box 101500  
Anchorage, Alaska 99510

Re: Taxation of state-paid portion  
of student loans

Dear Mr. Jackson:

I have enclosed copies of some of the legislative background that surfaced when I researched the development of Alaska's Scholarship Loan Program. As we discussed briefly about a week ago, it appears that the program was developed as an educational grant program, with grant benefits extended only to those who qualified by returning to the state after receiving a degree.

By way of brief summary, the state, at that time, was interested in encouraging people to remain in or return to the state to avert a "brain drain" that could be an indirect consequence of making an education more accessible to Alaskans through the scholarship loan program. The 1981 statutory change did not affect and was not intended to address the "grant" aspect of the program. It also appears unlikely the change would have been acceptable to the legislature had it been thought that returning students would face increased expenses by incurring tax liability during the early years after graduation.

As you can see from the enclosed documents, the original statutory language specifically stated that the forgiveness "portion of a loan shall be considered a grant" to the recipient or grantee who returns to the state. Because loans were only available to pay for specific school-related expenses,

and were not available for other purposes, these funds appear to fall within the requirements for educational or scholarship grants as set out in 26 U.S.C. 117(b).

In 1981, the statute underwent a number of other changes that included the addition of another 10 percent "forgiveness" benefit so that up to 50 percent of the original loan amount would be eligible for payment by the state if the recipient returned to the state after receiving an education. The letter of intent that was accepted by both legislative bodies, and published in the legislative journals, demonstrates that the concern of the legislature at the time was with reducing immediate costs for returning students so that they would not be burdened with high debts during the early years after graduation. (It should be noted that the practice of reimbursement that was endorsed in this letter was in effect for less than a year when it became apparent that it would not be a workable system. An administrative determination was made at that time, with the concurrence of legislative committee members, to stop sending checks to loan recipients while they still owed a considerable debt to the state.)

The statutory language that clearly designated that this state benefit program was intended to be a grant has been buried from view for many years. The most recent statutory provision addressing this benefit was repealed in 1987 and no longer appears in current Alaska statutes. Because it was repealed, students who obtained loans after the 1986-87 school year do not qualify for this state benefit.

The State of Alaska has a unique loan program and is beset by some unique problems. Among these problems are limited educational opportunities within the state, and a relatively high cost of living for students who may wish to return to the state after graduation. The loan program was intended to have the effect of reducing the costs to these students and providing an incentive for returning to the state shortly after graduation by designating a portion of the loan to be a grant upon return to the state.

There is good reason to consider, in light of the original statutory language, whether this state benefit may be more appropriately treated as an educational grant, as addressed in 26 U.S.C. 117, rather than a discharge of indebtedness under 26 U.S.C. 108.

Robert Jackson  
Internal Revenue Service  
Our file: 663-89-0403

January 4, 1990  
Page 3

Please let me know if you have any questions or comments in light of this information about the original intent of the Scholarship Loan Program. I will be interested in hearing your thoughts about this matter.

Sincerely yours,

DOUGLAS B. BAILY  
ATTORNEY GENERAL

By:

  
Kristen F. Bomengen  
Assistant Attorney General

KFB:jh

Enclosure

cc: Jerry Leonard, District Counsel  
Internal Revenue Service

✓ Jane Byers Maynard, Executive Director  
Alaska Commission on Postsecondary Education

## SPECIAL COMMITTEE REPORTS

## FREE CONFERENCE COMMITTEE REPORT

SB 120

June 19, 1981

Mr. President:  
Mr. Speaker:

The Free Conference Committee considering CS FOR SENATE BILL NO. 120 (HESS) (amending the undergraduate and graduate scholarship loan program; eff. date) and HOUSE CS FOR CS FOR SENATE BILL NO. 120(FIN) (efd fld) (relating to undergraduate and graduate scholarship loans) recommends that FREE CONFERENCE CS FOR SENATE BILL NO. 120 (relating to undergraduate and graduate scholarship loans; eff. date) be adopted with a letter of intent.

Senate members signing the report: Senator Sturgulavski, Chairman and Senators Stimson and Parr. House members signing the report: Representative Cuddy, Chairman and Representatives Hurlbert and Buchholdt.

Letter of Intent on Free Conference CS for Senate Bill No. 120 follows:

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

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

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

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

President Kerttula stated the above Free Conference Committee Report would be held on the Secretary's desk one legislative day.

## INTRODUCTION AND REFERENCE OF SENATE R

SJR 53

SENATE JOINT RESOLUTION NO. 53 by Senator Fer

Requesting the National Park Service to improve an old mining road through the north addition to Denali National Park and Preserve and to extend the road to the McKinley Park Road at Wonder Lake-Kantishna.

was read the first time and referred to the Committee.

## INTRODUCTION AND REFERENCE OF SENAT

SB 605

SENATE BILL NO. 605 by Senators Kelly and G

"An Act limiting municipal taxes on personal property; and providing for an effective date."

was read the first time and referred to the Regional Affairs Committee and the Finance Co

CONSIDERATION OF THE CALENDAR  
HOUSE BILLS IN SECOND READING

HB 131

CS FOR HOUSE BILL NO. 131 (HESS) and S (increased for health facilities and hospitals) which from June 19 with amendment No. 2 moved before the Senate at this time.

Senator Sackett offered the following amendment No. 2:

Amendment No. 2 is on pages 1545 and 1546 of the journal.

First paragraph, delete underlined beginning with "except that money" ending with health facility"

HCS CSSB 120(Fin)(efd failed) continued

SENATE LETTER OF INTENT

ON

CS FOR SENATE BILL NO. 120

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

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

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

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

A copy was placed on each member's desk and will be taken up later under Unfinished Business.

CONSIDERATION OF THE DAILY CALENDAR

The Speaker stated that consideration of the daily calendar would be held until after Unfinished Business. Without objection, the House advanced to

has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 244 (Rules) under consideration and replaced with HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 244 (Rules) that it do pass. Concurring: Fuller, Phillips, Smith, O'Connell and Hayes.

was referred to the Rules Committee for calendar.

has had COMMITTEE SUBSTITUTE FOR SPONSOR SENATE BILL NO. 555 (Resources)(continuing the Guide Licensing and Control Board; under consideration and recommends it do pass. Fuller (Chairman), Phillips, Smith,

referred to the Rules Committee for placement.

REPORTS OF SPECIAL COMMITTEES

efd failed)

Committee which has had HCS CSSB 120(Fin) CSSB 120(HESS) under consideration, recom-

RENCE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 120 relating to undergraduate and scholarship loans; effective

letter of intent.

led by Senators Sturgulewski, Chairman, and Representatives Cuddy, Chairman.

follows:

District Director

P.O. Box 101500, Anchorage, Alaska 99510

25

Person to Contact: Robert Jackson

Telephone Number: (907) 261-4303

Refer Reply to: E:TC

Date: January 23, 1990

Kristen B. Bomengen  
Assistant Attorney General  
State of Alaska, Department of Law  
P. O. Box K  
Juneau, Alaska 99811

Re: Your letter of January 4, 1990

Dear Mrs. Bomengen:

When the State of Alaska forgives a portion of a student loan, the amount forgiven is a taxable event to the borrower. The debt forgiven is subject to tax in accordance with section 108 of the Internal Revenue Code.

A review of your letter and the copy of the Alaskan Statutes that you sent to me did not change that result. I discussed your letter with our attorneys and they agree with that conclusion.

The Alaskan legislature set up a revolving loan fund, in order to loan money to Alaskans so that they could attend college. The loans are subject to repayment upon termination of studies, over a period of six years. Upon the Alaskan meeting certain conditions, a portion of the loan may be forgiven, if application is made to the State of Alaska by the student. If no application is made, the full loan is subject to repayment.

The statute says that a portion of the loan shall be considered a "grant" based upon residency. This is the amount that is forgiven, but the statute uses the word grant rather than calling it a loan forgiveness.

The question revolves around the difference between a scholarship (or grant) and a loan.

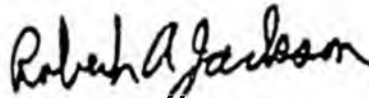
A scholarship or grant is an amount given to a student without any strings attached to it concerning repayment. It is an outright gift to a student. This type of scholarship is covered by I.R.C. section 117. No repayment is involved as no debt was ever created.

Kristen B. Bomengen

The Alaskan program is an outright loan program. Repayment is required. The original intent was to have the money revolve in the fund so that it could be loaned to another student. This money has always been considered a loan subject to repayment based upon the terms of a note signed at the time a loan is granted. The borrower knows that it is subject to repayment, and if not paid, the loan is subject to enforced collection.

As a loan, its' forgiveness is subject to I.R.C. section 108.

Sincerely yours,



Robert A. Jackson  
Technical coordinator

# STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

STEVE COWPER, GOVERNOR

P.O. BOX FP  
JUNEAU, ALASKA 99811-0599  
PHONE: (907) 465-2854

January 26, 1990

The Honorable Ted Stevens  
United States Senate  
522 Hart Building  
Washington, DC 20510

Dear Senator Stevens:

On behalf of the members of the Alaska Commission on Postsecondary Education, I would like to take this opportunity to thank you for your efforts to address the recent action by the IRS to tax Alaska Student Loan forgiveness recipients. While it is understood that congressional action may take a year or more to resolve this problem, your genuine concern and action to date are appreciated by both loan borrowers and state officials.

As you work with IRS representatives, it is important to alert you to a procedural aspect of forgiveness that may affect the IRS position on taxation. The IRS is currently taxing students for years in which the student has received no monetary benefit from his or her forgiveness eligibility.

For example, a student becomes eligible for the first 10% of his or her loan forgiveness upon residing in the State for two years after graduation. The student applies to our office, we determine the forgiveness eligibility, and notify the student that they are qualified for the first forgiveness. The student's account is adjusted to reflect a reduction in the total loan principal balance owed, but the student's monthly payments remain the same. The student receives no monetary benefit (i.e., reduction in payments) until the scheduled tenth (final) year of the repayment cycle when no payments will be owed. The tenth year of repayment is, therefore, forgiven.

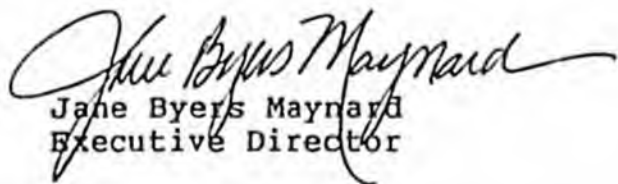
To take this a step further, when the same student has resided in the State an additional year and applies for a second 10% of loan forgiveness, the ninth year of loan repayment is forgiven, and so on up to five years of forgiveness eligibility.

The Honorable Ted Stevens  
January 26, 1990  
Page 2

Again, the issue here is that the student continues to pay the same amount out-of-pocket whether or not forgiveness has been received. It is only the length of the repayment period that gets progressively shorter with each forgiveness eligibility. The IRS, however, is currently taxing a student at the time of forgiveness eligibility as if the student has already seen a cost savings. This is simply not the case, and it is imperative that the IRS be made aware of this fact.

Thank you again for your assistance in this matter. If I can provide additional information, please contact me.

Sincerely,



Jane Byers Maynard  
Executive Director

cc: The Honorable Pat Rodey  
Alaska State Senate

The Honorable Loren Leman  
Alaska House of Representatives

Frank Baxter, Commissioner  
Department of Administration

John Havelock, Chair  
Alaska Commission on Postsecondary Education

Kristen Bomengen, Assistant Attorney General  
Alaska Department of Law

101ST CONGRESS  
1ST SESSION

# S. 1803

To amend section 108(f) of the Internal Revenue Code of 1986 to clarify the tax treatment of discharges of indebtedness under certain student loans.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 26 (legislative day, SEPTEMBER 18), 1989

Mr. STEVENS (for himself and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Finance

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# A BILL

To amend section 108(f) of the Internal Revenue Code of 1986 to clarify the tax treatment of discharges of indebtedness under certain student loans.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 SEC. . TREATMENT OF DISCHARGES OF INDEBTEDNESS  
4 UNDER CERTAIN STUDENT LOANS.

5 (1) IN GENERAL.—Paragraph (1) of section 108(f) o.  
6 the Internal Revenue Code of 1986 (relating to student  
7 loans) is amended—

- 8 (1) by inserting "(A)" after "discharged", and  
9 (2) by inserting before the period at the end the  
10 following: ", or (B) in the case of a loan made by a

1 State (or from funds provided by a State) which had no  
2 accredited professional schools for the study of law or  
3 medicine on the date the loan was made, if the individ-  
4 ual resided for a certain period of time in the State  
5 after completion of the individual's attendance at the  
6 educational organization with respect to which the loan  
7 was made".

Note:  
Alaska is the  
only state that  
meets this  
criteria  
JSM

8 (b) EFFECTIVE DATE; WAIVER OF STATUTE OF LIMITATIONS.—  
9 TATIONS.—

10 (1) EFFECTIVE DATE.—The amendment made by  
11 subsection (a) shall apply to discharges of indebtedness  
12 made on or after January 1, 1986.

13 (2) WAIVER OF STATUTE OF LIMITATIONS.—In  
14 the case of any taxable year ending before the date of  
15 the enactment of this Act—

16 (A) the period for claiming a credit or refund  
17 of any overpayment of tax resulting from the ap-  
18 plication of the amendment made by subsection (a)  
19 shall not expire before the date which is 1 year  
20 after the date of the enactment of this Act; and

21 (B) if, after the application of subparagraph  
22 (A), credit or refund of any overpayment of tax  
23 resulting from the application of the amendment  
24 made by subsection (a) is prevented at any time  
25 before the close of such 1-year period by the oper-

1           ation of any law or rule of law (including res judi-  
2           cata), credit or refund of such overpayment (to the  
3           extent attributable to the application of the  
4           amendment made by subsection (a)) may, never-  
5           theless, be made or allowed if claim therefore is  
6           filed before the close of such 1-year period.

○

and research programs. Requires consultation with the Secretary of Health and Human Resources. Provides an epidemiological data repository to be established within DOE; however, in the interim, the Secretary must grant access to qualified independent researchers to epidemiologically relevant raw data.

Directs DOE to establish a comprehensive program of research, development, and demonstration transfer to the private sector of advanced techniques, methods, and technologies for the management of mixed wastes generated at DOE nuclear facilities. The program shall include at least one cost-shared joint venture. Authorizes \$20 million in fiscal year 1991 and \$30 million in fiscal year 1992.

Requires the NRC, in consultation with the EPA, to develop model standards and regulation for the disposal of mixed wastes.

Directs the Secretary to maintain a comprehensive program of radiological activities in the northern Marshall Islands. Authorizes \$6 million in fiscal year 1991 and \$7 million in fiscal year 1992.

Extends existing employee-whistleblower-protections now afforded employees of NRC licensees or their contractors—under section 210 of the Energy Reorganization Act of 1974—to DOE contractor employees.

Requires within 1-year after enactment, that negotiations be completed on compliance agreements—with EPA and the host State—with respect to all DOE nuclear facilities not in compliance with the substantive and procedural requirements of Federal or State environmental laws.

In my judgment, Mr. President, this measure strengthens our commitment to the principles of excellence, competence and confidence in dealing with the environmental, safety, and health problems at the Department of Energy's nuclear production facilities.

By Mr. STEVENS (for himself and Mr. Murkowski):

S. 1803. A bill to amend section 108(f) of the Internal Revenue Code of 1986 to clarify the tax treatment of discharges of indebtedness under certain student loans; to the Committee on Finance.

TREATMENT OF DISCHARGES OF INDEBTEDNESS UNDER CERTAIN STUDENT LOANS

Mr. STEVENS. Mr. President, today I am introducing S. 1803, a bill to bring fairness and equity to the tax treatment of Alaska's student loan forgiveness program. The bill is a companion measure to H.R. 3518, introduced yesterday by Representative Don Young of Alaska.

Mr. President, before I explain the need for this bill, I'd like to give Senators some background on this issue. In general, forgiveness of debt in return for an action on the part of the debtor is taxable and must be reported as "other income." This principle applies

generally to forgiveness of student loan debt.

However, section 108(f) of the Internal Revenue Code provides an exemption from taxation for certain student loan forgiveness programs; the exemption applies to student loan programs which condition forgiveness of the loans on the recipient "work[ing] for a certain period of time in certain professions for any of a broad class of employers." This exemption, in effect, permits States to treat as nontaxable grants, loan amounts made to individuals who end up serving in various needed professions in their home States.

However, this exemption does not cover Alaska's forgiveness program for the following reason. One of the unique characteristics of my home State of Alaska is that because of our small population and our location, we have no professional schools in our State to train lawyers and doctors, and we're also limited to a small number of undergraduate institutions. Our student loan forgiveness program was therefore designed to encourage students to return to our State after receiving an education elsewhere. While other States designed their programs to help populate specific professions, Alaska needed to focus on populating the State, itself.

Under Alaska's program, for loans made before July 1, 1987, Alaska will forgive up to 50 percent of the loan amount made to individuals who reside in the State for a specified number of years following their graduation. Essentially, the State chooses to treat the forgiven portion of the loan as a grant.

Consequently, our loan forgiveness provisions—unlike those of other States—are conditioned on residing in the State for specified period of time following graduation. However, because the program is not tied into service in specified professions, Alaska's loan forgiveness program does not technically fall within the section 108(f) exemption.

The bill I am introducing today is intended to bring Alaska's student loan program under the section 108(f) exemption. Specifically, the amendment would exempt from taxation student loan programs which forgive loans "made by a State . . . which had no accredited professional schools for the study of law or medicine on the date the loan was made, if the individual resided for a certain period of time in the State after completion of the individual's attendance at the educational organization with respect to which the loan was made." The amendment would be effective retroactively through calendar year 1986. For those individuals who have already paid tax on loan forgiveness received during those years, the bill clarifies that they may receive refunds.

Mr. President, the need for this legislation arose due to a recent enforcement program initiated by the Inter-

nal Revenue Service. The IRS Office in Anchorage determined recently to initiate an enforcement campaign to collect tax on unreported student loan forgiveness income. Unfortunately, many Alaskans who benefited from the forgiveness program were totally unaware that forgiven amounts are considered to be gross income. This is quite understandable since the instructions accompanying the 1040 form do not mention loan forgiveness as includible in income; and the Alaska agency administering the program was not required to—and did not—inform students of their tax liability. And most importantly, the forgiven amounts are naturally seen by the public as similar to grants—which are not taxed insofar as they are needed to cover tuition.

Consequently, many students who have come back to Alaska following their education are facing the prospect of having to pay back taxes, plus interest, on 1987 and 1988 loan forgiveness amounts. These are amounts which should not be taxed. Alaska should have the opportunity, along with other States, to treat as grants, those portions of loans which have been forgiven for individuals who bring their educational training back home. Moreover, Alaska should not be precluded from utilizing the existing student loan forgiveness exemption, simply because Alaska chose to condition its forgiveness program on residency, rather than practicing in specified professions.

Bringing Alaska's student loan forgiveness program under the section 108(f) exemption will incur only a very limited revenue loss to the Treasury. I have asked the Joint Committee on Taxation for a revenue estimate. My own staff estimates the loss to be approximately \$1 million a year through fiscal year 1994 declining to zero loss per year by the end of the decade. The loss declines to zero because the only loans eligible for forgiveness were issued prior to July 1, 1987.

I thank Senators for their attention and would welcome their support of this bill.

By Mr. LAUTENBERG (for himself, Mr. WARNER, and Mr. STEVENS):

S. 1804. A bill to amend title 23, United States Code, to reduce the amount of Federal highway funds allocated to any State that does not provide for the revocation or suspension of the driver's license of any individual convicted of a drug offense; to the Committee on Environment and Public Works.

DRUG OFFENDER'S DRIVING PRIVILEGE SUSPENSION ACT

Mr. LAUTENBERG. Mr. President, today, along with Senators WARNER and STEVENS, I am introducing legislation, the Drug Offender's Driving Privilege Suspension Act of 1989, to encourage States to enact legislation

VIEW THE NOTE

E01

From: WCMC002 --JDCVM1  
To: ESAC604 --JDCVM1

Date and time 10/30/89 08:38:52

From: Ron Lorensen  
Dep. A.G.  
Juneau AGO

Subject: Loan Forgiveness  
Here's Katz' response.

\*\*\* Forwarding note from GASCWDC --JDCVM1 10/30/89 05:53 \*\*\*  
To: WCMC002 --JDCVM1

FROM: Governor's Office  
Washington, D.C.  
(202) 624-5858

SUBJECT: Loan Forgiveness

TO: Ron Lorensen

FROM: Eric Ostrovsky DATE: 10/30/89

Both Senator Stevens and Congressman Young have introduced the same bill to allow Alaskan's loan forgiveness without federal tax consequences.

The legislation would be retroactive. Assuming there is no Congressional

~~PF1 Alternate PFs PF2 File NOTE PF3 Keep PF4 Erase PF5 Forward Note  
PF6 Reply PF7 Resend PF8 Print PF9 Help PF10 Next PF11 Previous PF12 Return~~

~~VIEW THE NOTE~~

E01

~~The legislation would be retroactive. Assuming there is no Congressional~~  
opposition, it is unclear if there will be an appropriate vehicle to move this legislation through Congress this year. We should have a better assessment of the situation in about two weeks. Eric Ostrovsky is monitoring the issue and will keep you informed. We will be faxing you a copy of the proposed legislation.

E N D O F N O T E

PF1 Alternate PFs PF2 File NOTE PF3 Keep PF4 Erase PF5 Forward Note  
PF6 Reply PF7 Resend PF8 Print PF9 Help PF10 Next PF11 Previous PF12 Return

VIEW THE NOTE

E01

From: WCMC002 --JDCVM1

Date and time

10/27/89 10:41:07

To: GASCWDC --JDCVM1 Gov's Office, Wash

From: Ron Lorensen

Dep. A.G.

Juneau AGO

Subject: for John K or Eric O

Jane Maynard of the Postsecondary Commission just stopped by to talk about the situation with the IRS having determined that amounts "forgiven" on student loans as a result of residing in Alaska after completing schooling are income subject to federal taxation. She says that the Congressional delegation is seeking an amendment to the IRS code which would exempt that forgiveness. What can you tell me about that proposed amendment and its status and chances of success? Thanks.

cc: ESAC604 --JDCVM1

E N D O F N O T E

PF1 Alternate PF3 PF2 File NOTE PF3 Keep PF4 Erase PF5 Forward Note  
PF6 Reply PF7 Resend PF8 Print PF9 Help PF10 Next PF11 Previous PF12 Return

method, proper adjustment shall be made in the amount taken into account under clause (ii) of subparagraph (A) for any amount which was not included in the creditor's gross income but which would have been included in such gross income if such indebtedness had been satisfied in full.

(C) Stock of parent corporation.—For purposes of this paragraph, stock of a corporation in control (within the meaning of section 368(c)) of the debtor corporation shall be treated as stock of the debtor corporation.

(D) Treatment of successor corporation.—For purposes of this paragraph, the term "debtor corporation" includes a successor corporation.

(E) Partnership rule.—Under regulations prescribed by the Secretary, rules similar to the rules of the foregoing subparagraphs of this paragraph shall apply with respect to the indebtedness of a partnership.

(8) Stock for debt exception not to apply in de minimis cases.—For purposes of determining income of the debtor from discharge of indebtedness, the stock for debt exception shall not apply—

(A) to the issuance of nominal or token shares, or

(B) with respect to an unsecured creditor, where the ratio of the value of the stock received by such unsecured creditor to the amount of his indebtedness cancelled or exchanged for stock in the workout is less than 50 percent of a similar ratio computed for all unsecured creditors participating in the workout.

(9) Discharge of indebtedness income not taken into account in determining whether entity meets REIT qualifications.—Any amount included in gross income by reason of the discharge of indebtedness shall not be taken into account for purposes of paragraphs (2) and (3) of section 856(c)

(10) Indebtedness satisfied by corporation's stock.—

(A) In general.—For purposes of determining income of a debtor from discharge of indebtedness, if a debtor corporation transfers stock to a creditor in satisfaction of its indebtedness, such corporation shall be treated as having satisfied the indebtedness with an amount of money equal to the fair market value of the stock.

(B) Exception for title 11 cases and insolvent debtors.—Subparagraph (A) shall not apply in the case of a debtor in a title 11 case or to the extent the debtor is insolvent.

(f) Student loans.—

(1) In general.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income by reason of the discharge (in whole or in part) of any student loan if such discharge was pursuant to a provision of such loan under which all or part of the indebtedness of the individual would be discharged if the individual worked for a certain period of time in certain professions for any of a broad class of employers.

(2) Student loan.—For purposes of this subsection, the term "student loan" means any loan to an individual to assist the individual in attending an educational organization described in section 170(b)(1)(A)(ii) made by—

(A) the United States, or an instrumentality or agency thereof.

(B) a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof, or

(C) a public benefit corporation—

(i) which is exempt from taxation under section 501(c)(3).

(ii) which has assumed control over a State, county, or municipal hospital, and

(iii) whose employees have been deemed to be public employees under State law, or

(D) any educational organization so described pursuant to an agreement with any entity described in subparagraph (A), (B), or (C) under which the funds from which the loan was made were provided to such educational organization.

(g) Special

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(Aug. 16, 1954, c. 86-498, § 11a; 1951(b)(2)(A); 1982, Pub. L. 97-13, § 304(d), 96 Stat. 17, 18; Title VIII, § 507, Pub. L. 99-514, Title VIII, § 507, Stat. 2105, 2178, 1004(x)(1)-(4).

HISTORICAL

Effective Date

1985 Act. As 100-647 effective of Pub. L. 99-514 relate, except that made under section any period before the case of a trust this title) and extent such under

108  
⇒

business indebtedness"; thus, bank was entitled to have tax basis of its property reduced. Centennial

Sav. Bank FSB v. U.S., N.D.Tex.1988, 682 F.Supp. 1389.

887; Oct. 22, 1986, P. 2112, 2508, 2450; Pub. 102 Stat. 3488, 3643.)

117 →  
§ 117. Qualified Scholarships

(a) General rule.—Gross income does not include any amount received as a qualified scholarship by an individual who is a candidate for a degree at an educational organization described in section 170(b)(1)(A)(ii).

(b) Qualified scholarship.—For purposes of this section—

(1) In general.—The term "qualified scholarship" means any amount received by an individual as a scholarship or fellowship grant to the extent the individual establishes that, in accordance with the conditions of the grant, such amount was used for qualified tuition and related expenses.

(2) Qualified tuition and related expenses.—For purposes of paragraph (1), the term "qualified tuition and related expenses" means—

(A) tuition and fees required for the enrollment or attendance of a student at an educational organization described in section 170(b)(1)(A)(ii), and

(B) fees, books, supplies, and equipment required for courses of instruction at such an educational organization.

(c) Limitation.—Subsections (a) and (d) shall not apply to that portion of any amount received which represents payment for teaching, research, or other services by the student required as a condition for receiving the qualified scholarship or qualified tuition reduction.

(d) Qualified tuition reduction.—

(1) In general.—Gross income shall not include any qualified tuition reduction.

(2) Qualified tuition reduction.—For purposes of this subsection, the term "qualified tuition reduction" means the amount of any reduction in tuition provided to an employee of an organization described in section 170(b)(1)(A)(ii) for the education (below the graduate level) at such organization (or another organization described in section 170(b)(1)(A)(ii)) of—

(A) such employee, or

(B) any person treated as an employee (or whose use is treated as an employee use) under the rules of section 132(f).

(3) Reduction must not discriminate in favor of highly compensated, etc.—Paragraph (1) shall apply with respect to any qualified tuition reduction provided with respect to any highly compensated employee only if such reduction is available on substantially the same terms to each member of a group of employees which is defined under a reasonable classification set up by the employer which does not discriminate in favor of highly compensated employees (within the meaning of section 414(q)). For purposes of this paragraph, the term "highly compensated employee" has the meaning given such term by section 414(q).

(4) Exclusion of certain employees.—For purposes of this subsection, there shall be excluded from consideration employees who are excluded from consideration under section 89(h).

(5) Special rules for teaching and research assistants.—In the case of the education of an individual who is a graduate student at an educational organization described in section 170(b)(1)(A)(ii) and who is engaged in teaching or research activities for such organization, paragraph (2) shall be applied as if it did not contain the phrase "(below the graduate level)".

(Aug. 16, 1954, c. 736, 68A Stat. 38; Sept. 21, 1961, Pub. L. 87-256, § 110(a), 75 Stat. 335; Oct. 4, 1976, Pub. L. 94-455, Title XIX, § 1901(b)(9)(A), (c)(3), 90 Stat. 1794, 1803; Dec. 17, 1980, Pub. L. 96-541, § 5(a)(1), 94 Stat. 3306; July 19, 1984, Pub. L. 98-369, Div. A, Title V, § 532(a), 98 Stat.

## HISTORICAL AND

## Amendments

1986 Amendment.  
99-514, § 1131(d)(2).

## Effective Dates

1988 Act. Amer. 1011B(a)(3)(B)(i) of if included in the pro which such amendm addition to tax shall or 6655 of this title for 1989 (Mar. 16, 1989 subject to section 665. any underpayment to ment was created or Titles I or II of Pub of Pub. L. 100-647, s. 1 of this title.

## § 118. Contribu

## HISTORICAL A

## Effective Dates

1986 Act. Sectio amended Pub. L. 1 Nov. 10, 1988, 10

"(1) In general.— in this subsection, section [amending this title] shall ap December 31, 198 such date.

"(2) Treatment projects.—The ac shall not apply to New Jersey Depar tion for construct projects in zones and which are de being taken into Not more than \$ be designated un-

"(3) Treatment transportation as by this section in aid of construct authority which plan in existenc which are desig taken into acco more than \$68, be designated u

## § 119. Mea

(a) Meals pursuant to

(Article Effective July 1, 1972)

Article 9. Scholarship Loans.

Section	Section
751. Loan fund created	765. Eligibility of students
753. Selection committee	767. Selection criteria
755. Applications	769. Discrimination prohibited
757. Administration of program	771. Enforceability of certain contracts with minors
759. Undergraduate loans	773. Definitions
761. Graduate loans	
763. Conditions of loans	

Former article repealed effective July 1, 1972. — Section 2, ch. 98, SLA 1971, effective July 1, 1972, repealed former Article 9, entitled "Scholarship Grants and Loans." The former article consisted of §

14.40.750 — 14.40.849, a. d derived from ch. 112, SLA 1968, and ch. 230, SLA 1970. Former AS 14.40.830 had been previously repealed by § 14, ch. 230, SLA 1970.

**Sec. 14.40.751. Loan fund created.** There is created a scholarship revolving loan fund as an account in the general fund. The fund shall be used to make scholarship loans to students selected under §§ 751 — 773 of this chapter. (§ 1 ch 98 SLA 1971)

*Editor's note.* — Section 3, ch. 98, SLA 1971, effective July 1, 1972, provides: "Sec. 1 of this Act takes effect on July 1, 1971, or on the date the Alaska Higher Education Commission is enjoined from making payments under the provisions of AS 14.40.900, whichever date is earlier."

*Legislative committee report.* — For report on ch. 98, SLA 1971 (CSHB 415 [Finance] am S), see 1971 House Journal, p. 935.

**Sec. 14.40.753. Selection committee.** (a) There is created the student loan selection committee composed of seven members appointed by the governor. The committee is composed of the commissioner of education and at least one undergraduate student, one person employed as a high school counselor, one person from a minority group and one person representing the field of vocational-technical training. No member may be the president of a senior administrative officer of a college or university. Members serve at the pleasure of the governor. The committee shall elect its chairman. The commissioner of education shall act as executive secretary of the committee. The Department of Education is charged with administering the program established by this chapter.

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

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

(d) The selection committee shall meet at least once a year. The meetings shall be held at the call of the chairman or upon petition by two members. (§ 1 ch 98 SLA 1971)

(Article Effective July 1, 1972)

**Sec. 14.40.755. Applications.** (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose application is not recommended or presented to the committee by the executive secretary may appeal to the selection committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971)

**Sec. 14.40.757. Administration of program.** The executive secretary shall administer the program subject to review by the committee and such regulations as the committee may prescribe. (§ 1 ch 98 SLA 1971)

**Sec. 14.40.759. Undergraduate loans.** The selection committee may make a loan, not to exceed \$2,500 in any one school year, to an undergraduate student eligible under § 765 of this chapter. (§ 1 ch 98 SLA 1971)

**Sec. 14.40.761. Graduate loans.** The selection committee may make a loan, not to exceed \$5,000 in any one school year, to a graduate student who is eligible under § 765 of this chapter and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971)

**Sec. 14.40.763. Conditions of loans.** (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

(b) The loans may only be used to attend a career education program approved by the Department of Education or a college or university accredited by the accreditation association for the region in which the college or university is located.

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section.

(d) Scholarship loans may not be made to a student for more than six years.

(e) Loans are noninterest bearing while a student is enrolled under (c) of this section or is fulfilling required military service.

(f) Interest on a loan given under §§ 751 — 773 of this chapter is at the rate of five per cent.

(g) Repayment of a loan shall commence within one year after a student terminates his studies or required military service, and shall be fully repaid within a period of six years; in cases of hardship, the committee may extend repayment of a loan for an additional five years.

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

(i) If a loan is in default, the Department of Education may notify the student that repayment of the remaining balance is accelerated and

(Article Effective July 1, 1972)

due by sending the student a notice by registered or certified mail.

(j) A portion of a loan shall be considered a grant if, upon completion of the course of study for which the loan was granted, the grantee spends at least two years employed in the state. The portion of the loan which shall be regarded as a grant shall be the following percentages of the total loan received plus accrued interest:

- |                                  |             |
|----------------------------------|-------------|
| (1) two — three years residency  | 10 per cent |
| (2) three — four years residency | 20 per cent |
| (3) four — five years residency  | 30 per cent |
| (4) over five years residency    | 40 per cent |

(§ 1 ch 98 SLA 1971)

Revisor's note (1971). — In ch. 98, SLA 1971, AS 14.40.763 (j) (2) read "four—five years . . ." This was a typographical error occurring for the first time in the enrolled version of the bill (CSHB 415 [Finance am S]) and has been corrected here.

**Sec. 14.40.765. Eligibility of students.** A student may apply for a scholarship loan if

- (1) he is a resident of Alaska, and if
- (2) he is either
  - (A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or
  - (B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university. (§ 1 ch 98 SLA 1971)

**Sec. 14.40.767. Selection criteria.** In selecting from among the eligible students those students who will be awarded loans the selection committee shall take into consideration the following items:

- (1) the student's financial needs;
- (2) entering freshmen who are graduates of Alaska high schools or who are graduates of a high school outside the state if their Alaskan residency has been continuous;
- (3) personal recommendations from the student's instructors, employers, and others familiar with his abilities;
- (4) the student's record of achievement. (§ 1 ch 98 SLA 1971)

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

**Sec. 14.40.771. Enforceability of certain contracts with minors.** A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by him from any person for the purpose of furthering his education in a career education program or an institution of higher learning, is enforceable against the

minor with the same effect as if he were, at the time of its execution, 19 years of age, if the person making the loan has in his records before making the loan a certification from the institution that the minor is enrolled in the institution or has been accepted for enrollment. (§ 1 ch 98 SLA 1971)

**Sec. 14.40.773. Definitions.** In §§ 751 — 773 of this chapter

- (1) "school year" means the period from September 1 of one year through August 31 of the following year;
- (2) "career education" means a course or program in vocational-technical training or education approved by the Department of Education;
- (3) "full-time student" means a student who is enrolled and is in regular attendance at classes for at least 12 semester hours of credit during the semester;
- (4) "loan" means a student loan granted under §§ 751 — 773 of this chapter;
- (5) "resident" means a person domiciled in Alaska who has resided in Alaska for at least two years before making an application for a student loan. (§ 1 ch 98 SLA 1971)

#### Article 10. Michael Murphy Scholarship Loan and Grant Fund.

Section	Section
850. Declaration of purpose	875. Selection criteria
855. Fund created	880. Discrimination prohibited
860. Limits on loans and grants	885. Administering authority
865. Conditions of loans and grants	890. Funding
870. Repayment of loans	

**Sec. 14.40.850. Declaration of purpose.** The purpose of the Michael Murphy Scholarship Loan and Grant Fund is to perpetuate the memory of Michael Murphy, a member of the Alaska State Troopers, who, while on leave from that division, gave his life for his adopted country in Vietnam on May 22, 1968. (§ 1 ch 33 SLA 1969)

Revisor's note (1969). — As 14.40.850 — 14.40.890 were AS 14.40.850 — 14.40.890 in ch. 33 SLA 1969

**Sec. 14.40.855. Fund created.** There is created a scholarship loan and grant fund as an account in the general fund of the treasury of the state. The fund shall be used to provide educational scholarship loans and grants to persons selected under §§ 850 — 890 of this chapter. (§ 1 ch 33 SLA 1969)

**Sec. 14.40.860. Limits on loans and grants.** (a) A scholarship loan or grant to a recipient may not exceed \$1,500 a school year.

(b) The total amount of loans or grants to a recipient may not exceed \$3,000. (§ 1 ch 33 SLA 1969)

**Sec. 14.40.865. Conditions of loans and grants.** (a) A loan or grant may only be used to attend a college or university in Alaska.

Sec. 14.40.759. Undergraduate loans. The committee may make a loan, not to exceed \$2,500 in any one school year, to an undergraduate student eligible under § 765 of this chapter. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974)

Effect of amendment. — The 1974 "committee" near the beginning of the amendment deleted "selection" preceding section.

Sec. 14.40.761. Graduate loans. The committee may make a loan, not to exceed \$5,000 in any one school year, to a graduate student who is eligible under § 765 of this chapter and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974)

Effect of amendment. — The 1974 "committee" near the beginning of the amendment deleted "selection" preceding section.

Sec. 14.40.763. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

(b) The loans may only be used to attend a career education program approved by the Department of Education or a college or university accredited by the accreditation association for the region in which the college or university is located.

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section.

(d) Scholarship loans may not be made to a student for more than six years.

(e) Loans are noninterest bearing while a student is enrolled under (c) of this section or is fulfilling required military service.

(f) Interest on a loan given under § 751 — 806 of this chapter is at the rate of five per cent a year.

(g) Repayment of a loan shall commence within one year after a student terminates his studies or required military service, and shall be fully repaid within a period of six years; in cases of hardship, the committee may extend repayment of a loan for an additional five years.

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

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

(j) A portion of a loan shall be considered a grant if, upon completion of the course of study for which the loan was granted, the grantee spends at least two years employed in the state. The portion of the loan

which shall be regarded as a grant shall be the following percentages of the total loan received plus accrued interest:

- (1) two — three years residency 10 per cent
- (2) three — four years residency 20 per cent
- (3) four — five years residency 30 per cent
- (4) over five years residency 40 per cent

(§ 1 ch 98 SLA 1971; am § 4 ch 136 SLA 1972, am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974)

Revisor's note (1971) — In ch. 98, SLA 1971, AS 14.40.763 (2) read "four — five years . . ." This was a typographical error occurring for the first time in the enrolled version of the bill (CSHB 418 [Finance am S1]) and has been corrected here. amendment substituted "806" for "773" in subsection (f). The first 1974 amendment substituted "commission" for "Department of Education" in subsection (a). The second 1974 amendment added "a year" to the end of subsection (f). Effect of amendments. — The 1972

Sec. 14.40.765. Eligibility of students. A student may apply for a scholarship loan if

- (1) he is a resident of Alaska, and if
- (2) he is either
  - (A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or
  - (B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university. (§ 1 ch 98 SLA 1971)

Sec. 14.40.767. Selection criteria. In selecting from among the eligible students those students who will be awarded loans the selection committee shall take into consideration the following items:

- (1) the student's financial needs;
- (2) entering freshmen who are graduates of Alaska high schools or who are graduates of a high school outside the state if their Alaskan residency has been continuous;
- (3) personal recommendations from the student's instructors, employers, and others familiar with his abilities;
- (4) the student's record of achievement. (§ 1 ch 98 SLA 1971)

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

Sec. 14.40.771. Enforceability of certain contracts with minors. A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by him from any person for the purpose of furthering his education in a career education program or an institution of higher learning, is enforceable against the

- (1) two — three years residence in the state, 10 percent;
- (2) three — four years residence in the state, an additional 10 percent;
- (3) four — five years residence in the state, an additional 10 percent;
- (4) five — six years residence in the state, an additional 10 percent;
- (5) over six years residence in the state, an additional 10 percent.
- (k) Periodic installments of principal shall be deferred, but interest shall accrue and be paid unless the student is eligible for interest payment benefits under (1) of this section during any of the following:
  - (1) return to student status as provided in (c) of this section;
  - (2) serving on active duty as a member of the armed forces of the United States;
  - (3) serving, for up to three years, as a full-time volunteer under the Peace Corps Act;
  - (4) serving, for up to three years, as a full-time volunteer under the Domestic Volunteer Service Act of 1973;
  - (5) for a one-time period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or
  - (6) if the borrower becomes 50 percent or more disabled as certified by competent medical authority.
- (l) The state will pay the interest on that portion of a loan that is not federally insured during
  - (1) the period before the beginning of the repayment period of the loan; and
  - (2) deferrals under (k) of this section.
- (m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than 12 months each.
- (n) Repealed by § 11 ch 89 SLA 1981.
- (o) The provisions of (j) of this section do not apply to a loan to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure payment of the unpaid balance of a loan made under AS 14.43.110 or 14.43.115.
- (p) For purposes of this section, a person qualifies as a resident if the person is physically present in the state with the intent to remain permanently in the state or, if not physically present in the state, the person intends to return to the state and is absent due to military service. (1 ch 98 SLA 1971; am § 4 ch 156 SLA 1972; am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974; am §§ 1—4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979; am §§ 3 — 9, 11 ch 89 SLA 1981; AS 14.40.763)

Revisor's notes. — In ch 98 SLA 1971, AS 14.43.120(j)2, read "five — five years". This was a typographical error occurring for the first time in the enrolled version of the bill (CS318 413) Finance am S1 and has been corrected here.

Effect of amendments. — The 1979 amendment deleted "approved by the commission" following "career education program" and substituted the language

beginning "approved by the commission" for "accredited by the accreditation association for the region in which the college or university is located" in subsection (b), substituted "interest" for "non interest" in subsection (e), added the language beginning "however, a student shall be entitled" to the end of subsection (e), rewrote subsection (g) and in subsection (j), substituted "paid on behalf of the borrower by the state" for "considered a grant," "borrower" for "grantor," and "three years" for "two years" in the first sentence, substituted "paid by the state" for "regarded as a grant" and "interest for up to a total of 40 percent" for "accrued interest" in the introductory language of the second sentence, and substituted "an additional 10 percent" for "20 percent" in paragraph (2), for "30 percent" in paragraph (3), and for "40 percent" in paragraph (4). The amendment also rewrote subsection (k) and added subsections (l), (m), and (n).

The 1981 amendment added the second sentence of subsection (e). In subsection (d), the amendment added paragraphs (1) and (2) and in paragraph (3), substituted "a total of eight" for "six" preceding "years" and added "of undergraduate and graduate study" following "years" in subsection (l), the amendment substituted "shall" for "may" and "borrower" for "student." In subsection (m), the amendment substituted "12" for "six" preceding "months" and deleted "within the 15-year requirement of (g) of this section" following "months each." The amendment also rewrote subsections (g) and (j), added subsections (a) and (p) and repealed subsection (b) which read "Each year spent

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

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.5031(c) and 4.4, Chapter 58, SLA 1982.

Section 8, ch 99, SLA 1977 provided: "The change in the repayment period of student loans set out in AS 14.40.763(g) [now 14.43.120(g)] as amended by sec. 3 of this Act and the additional basis for granting a deferment of repayment of a student loan set out in AS 14.40.763(h) [now 14.43.120(h)] as enacted by sec. 4 of this Act shall, upon request of the loan recipient, be applied retroactively to the outstanding balance of principal of and accrued interest on loans made under AS 14.40.731 — 14.40.806 [now 14.43.090 — 14.43.160] as they read before the effective date of this Act."

Section 12 of ch 89, SLA 1981, provided: "The reenactment of AS 14.40.763(j) [now 14.43.120(j)] in sec. 7 of this Act applies to any student who has obtained a scholarship loan under AS 14.40.731 — 14.40.806 [now 14.43.090 — 14.43.160] since July 1, 1971."

Legislative history reports. — For a report of legislative intent concerning the loan forgiveness provisions of ch. 89, SLA 1981 (FCSSB 120), see 1981 Senate Journal p. 1560, 1580, 1981 House Journal p. 2259.

- Sec. 14.43.125. Eligibility of students.** (a) A person may apply for and obtain a scholarship loan if the person
- (1) is a resident of the state at the time of application for a scholarship loan;
  - (2) meets the requirements of (b) of this section; and
  - (3) is
    - (A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or
    - (B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university.
  - (b) In addition to the requirements of (a) of this section, to obtain a scholarship loan a person must have been a resident of the state for at least two years at the time of application for the loan. For purposes of

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

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

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

In subsection (a), AS 14.43.090 — 14.43.160 was substituted for a reference to AS 14.40.731 — 14.40.806 to conform to the renumbering of those sections by the revisor of statutes under AS 01.05.031.

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

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

Revisor's notes. — The reference to "grant application" in subsection (b) of this section is obsolete in light of the repeal of the tuition grant program by Chapter 94, SLA 1980 and Chapter 59, SLA 1982.

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

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

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031. The 1981 amendment substituted "\$6,000" for "\$3,000" following "not to exceed." Effect of amendments. — The 1978 amendment increased the maximum amount of the loan from \$2,500.00 to \$3,000.00.

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

Revisor's notes. — AS 14.43.120 was substituted for AS 14.40.763 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031. List of amendments. — The 1981 amendment substituted "\$7,000" for "\$3,000" following "not to exceed."

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

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

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

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

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

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

(3) for more than a total of eight years of undergraduate and graduate study.

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

(f) Interest on a loan given under AS 14.43.090 — 14.43.160 is at the rate of five per cent a year.

(g) Repayment of the principal and interest on the loan begins no later than one year after the borrower's studies are terminated. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

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

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

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



# LAWS OF ALASKA

1981

Source

FCCSSB 120

Chapter No.

89

## AN ACT

Relating to undergraduate and graduate scholarship loans; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Permitted to become law without signature  
Actual Effective Date: July 19, 1981

Chapter 89

1 \* Sec. 5. AS 14.40.763(g) is repealed and reenacted to read:

2 (g) Repayment of the principal and interest on the loan begins  
3 later than one year after the borrower terminates his studies. The  
4 loan shall provide for repayment of the total amount owed in periodic  
5 installments in not more than 10 years from the commencement of repay-  
6 ment, except as provided in (k) and (m) of this section. If the com-  
7 mission and the borrower agree to a different repayment schedule, the  
8 borrower shall repay the loan in accordance with the agreement. A  
9 borrower may make payments earlier than required by this subsection.

10 \* Sec. 6. AS 14.40.763(i) is amended to read:

11 (i) If a loan is in default, the commission shall [MAY] notify  
12 the borrower [STUDENT] that repayment of the remaining balance is  
13 accelerated and due by sending the borrower [STUDENT] a notice by  
14 registered or certified mail.

15 \* Sec. 7. AS 14.40.763(j) is repealed and reenacted to read:

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

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

23 (2) three - four years residence in the state, an additional  
24 10 percent;

25 (3) four - five years residence in the state, an additional  
26 10 percent;

27 (4) five - six years residence in the state, an additional  
28 10 percent;

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

percent.

\* Sec. 8. AS 14.40.763

(m) In case of  
loan for an addition  
longer than 12 [SIX]  
(g) OF THIS SECTION;

\* Sec. 9. AS 14.40.763

(o) The provisi  
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(p) For purposes  
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\* Sec. 10. AS 14.40.763

Sec. 14.40.765.

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# **CORRECTION**

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# LAWS OF ALASKA

1981

Source

FCCSSB 120

Chapter No.

39

## AN ACT

Relating to undergraduate and graduate scholarship loans; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Permitted to become law without signature  
Actual Effective Date: July 19, 1981

AN ACT

Relating to undergraduate and graduate scholarship loans;  
and providing for an effective date.

- Section 1. AS 14.40.759 is amended to read:

Sec. 14.40.759. UNDERGRADUATE LOANS. The committee may make a loan, not to exceed \$6,000 [\$3,000] in any one school year, to an undergraduate student eligible under AS 14.40.765.

- Sec. 2. AS 14.40.761 is amended to read:

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

- Sec. 3. AS 14.40.763(c) is amended to read:

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

- Sec. 4. AS 14.40.763(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 (8) years of undergraduate and graduate study.

Chapter 89

\* Sec. 5. AS 14.40.763(g) is repealed and reenacted to read:

(g) Repayment of the principal and interest on the loan begins later than one year after the borrower terminates his studies. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

\* Sec. 6. AS 14.40.763(i) is amended to read:

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

\* Sec. 7. AS 14.40.763(j) is repealed and reenacted to read:

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

- (1) two - three years residence in the state, 10 percent;
- (2) three - four years residence in the state, an additional 10 percent;
- (3) four - five years residence in the state, an additional 10 percent;
- (4) five - six years residence in the state, an additional 10 percent;
- (5) over six years residence in the state, an additional 10

percent.

\* Sec. 8. AS 14.40.763  
(m) In case of loan for an addition longer than 12 [SIX] (g) OF THIS SECTION].

\* Sec. 9. AS 14.40.763

(o) The provision to a borrower named state or by the commission loan made under AS 14

(p) For purpose if the person is physically remain permanently in state, the person in military service.

\* Sec. 10. AS 14.40.763  
Sec. 14.40.765.

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percent.

• Sec. 8. AS 14.40.763(m) is amended to read:

(m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than 12 [SIX] months each [ , WITHIN THE [5-YEAR REQUIREMENT OF (g) OF THIS SECTION].

• Sec. 9. AS 14.40.763 is amended by adding new subsections to read:

(o) The provisions of (j) of this section do not apply to a loan to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure payment of the unpaid balance of a loan made under AS 14.40.759 or 14.40.761.

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

• Sec. 10. AS 14.40.765 is repealed and reenacted to read:

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

(1) is a resident of the state at the time he applies for a scholarship loan;

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

(3) is

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

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

Chapter 89

(b) In addition to the requirements of (a) of this section, to obtain a scholarship loan a person must have been a resident of the state for at least two years at the time he applies for the loan. For purposes of this subsection, a person qualifies as a resident of the state if at the time he applies for the loan the person

(1) has been present in the state for at least two years unless his absence from the state during any part of the two years was due to military service; or

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

\* Sec. 11. AS 14.40.763(n) and 14.40.806(4) are repealed.

\* Sec. 12. The reenactment of AS 14.40.763(j) in sec. 7 of this Act applies to any student who has obtained a scholarship loan under AS 14.40.751 - 14.40.806 since July 1, 1971.

\* Sec. 13. This Act takes effect July 1, 1981.



LAW

Source

FCCSSB 26

Making appropriations to related programs and portions for a power proje

BE IT ENACTED BY THE LEGISLATURE

THE ACT FOR

Approved with Item Veto  
Actual Effective Date:



# LAWS OF ALASKA

1984

Source

HCS CSSR 117(Jud)

Chapter No.

6

## AN ACT

Making corrective amendments to the Alaska Statutes as recommended by the revisor of statutes; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor February 13, 1984  
Actual Effective Date February 14, 1984

OF TEACHER. Upon the return of a teacher shall make a report of annual accomplishments. A teacher shall report a full year after returning shall be IF THE SABBATICAL LEAVE WAS STATE-OPERATED SCHOOLS. IF money paid to the teacher under a full year after return shall be read:

IONS AND PROCEDURES. The chief [OR STATE-OPERATED] school shall report all apparent violating body of the district. report or on the complaint impartial investigation of federal schools, the chief administrator impartial investigation of appears upon investigation the governing body of a district educational attendance area, private or federal school, shall complaint against the person magistrate may issue a warrant upon the complaint.

to read:  
private higher education in the of Trustees of Alaska Pacific person College from among their

membership:

- Sec. 57. AS 14.43.095(c) is amended to read:

(c) The committee shall make an annual report reviewing the work of the committee to the governor and [.] the legislature [AND THE PRIVATE COLLEGES AND UNIVERSITIES WHERE STUDENTS RECEIVING TUITION GRANTS ARE ENROLLED].

- Sec. 58. AS 14.43.100(b) is amended to read:

(b) A person whose loan [OR GRANT] application is not recommended or presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application.

- Sec. 59. AS 14.43.160(3) is repealed.

- Sec. 60. AS 14.52 is repealed.

- Sec. 61. AS 14.57.020(b) is amended to read:

(b) A member appointed to fill a vacancy serves for the unexpired term of the member succeeded. [OF THE INITIAL APPOINTEES OF THE BOARD, ONE SHALL SERVE FOR ONE YEAR, TWO FOR TWO YEARS, AND TWO FOR THREE YEARS.]

- Sec. 62. AS 19.07.070(b) is amended to read:

(b) To register by mail the director or the area election supervisor shall furnish, upon request, and at no cost to the voter, forms prepared by the director on which the registration information required under AS 19.07.060 shall be inserted by the voter, or by a person on behalf of the voter if the voter is physically incapacitated. The forms shall be executed before a notary public, a commissioned officer of the armed forces including the National Guard, a district judge or magistrate, a United States postal official, or other person qualified to administer oaths. If none of the officials listed in this subsection is reasonably accessible, the person shall

6-1749H  
Ford  
3/2/90

Original sponsor(s): REP. KOPONEN, Ellis, Jacko, Gruenberg, Larson,  
Grussendorf, Ulmer, Wallis, Hanley, Hudson, Leman

1 IN THE HOUSE

BY THE HESS COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 65 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 Relating to taxation of certain student  
6 loans.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS the original intent of the forgiveness provision in the state  
9 student loan program was to provide a nontaxable grant to the student;

10 WHEREAS many student loans made before July 1, 1987, are eligible for  
11 up to 50 percent forgiveness under the state student loan program; and

12 WHEREAS the Internal Revenue Service is currently treating Alaska  
13 student loans that are discharged through the forgiveness provision as  
14 taxable income; and

15 WHEREAS state residents who benefited from the student loan program  
16 were unaware of their tax liability and assumed that a forgiven student  
17 loan was not subject to taxation under federal law; and

18 WHEREAS many students who have completed their education are now  
19 facing the prospect of paying back taxes plus interest on amounts forgiven  
20 in 1987 and 1988 on student loans; and

21 WHEREAS the Internal Revenue Service is currently interpreting the  
22 Internal Revenue Code as imposing tax liability in a year in which the  
23 student actually receives no cost saving from loan payments because of the  
24 student's eligibility for forgiveness; and

25 WHEREAS the Congress is considering S. 1803 and H.R. 3518, both of  
26 which would change the taxable status of student loans and allow loans that  
27 are forgiven by this state to be excludable from gross income for purposes  
28 of federal income taxation;

29 BE IT RESOLVED that the Alaska State Legislature urges the Congress to

1 consider and pass either S. 1803 or H.R. 3518, thereby allowing that por-  
2 tion of a student loan made by this state that qualifies for forgiveness to  
3 be excludable from gross income for purposes of federal income taxation.

4 COPIES of this resolution shall be sent to the Honorable George Bush,  
5 President of the United States; the Honorable Dan Quayle, Vice-President of  
6 the United States and President of the U.S. Senate; the Honorable Thomas S.  
7 Foley, Speaker of the U.S. House of Representatives; to the Honorable Ted  
8 Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable  
9 Don Young, U.S. Representative, members of the Alaska delegation in Con-  
10 gress; to the Honorable Fred T. Goldberg, Jr., Commissioner of the Internal  
11 Revenue Service; and to the Honorable William G. Demmert, Commissioner of  
12 the Alaska Department of Education.