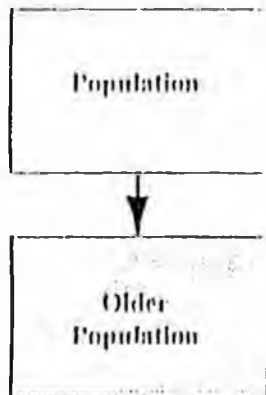


ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8551 HOUSE HEALTH EDUCATION & SOCIAL SERVICES



Older Alaskans live throughout the state, however, the heaviest concentration is found in the Anchorage area, as expected. Approximately 72% of these older Alaskans reside in urban and regional areas, with the remaining 28% located in small towns and villages, as shown in the table below. In addition, approximately 26% of Alaskans 65 and older live alone.

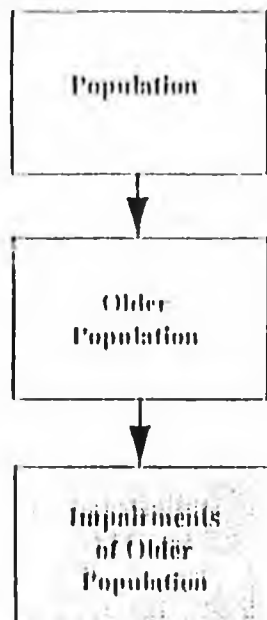
Where Do Older Alaskans Live?

	Total Population		65 and Older		75 and Older		85 and Older	
Villages and Small Towns(1)	152,335	28%	6,230	28%	1,997	29%	299	24%
Regional and Urban Centers(2)	397,708	72%	16,139	72%	4,490	71%	952	76%
Total Alaska	<u>550,043</u>	<u>100%</u>	<u>22,369</u>	<u>100%</u>	<u>6,937</u>	<u>100%</u>	<u>1,251</u>	<u>100%</u>
Percent Living Alone		22%		26%		29%		Not Available

Source: Alaska Department of Labor, Research and Analysis Section

Notes: (1) Includes locations with population of 1 to 2,000.

(2) Includes locations with population of 2,001 and over.



Impairments of Older Population

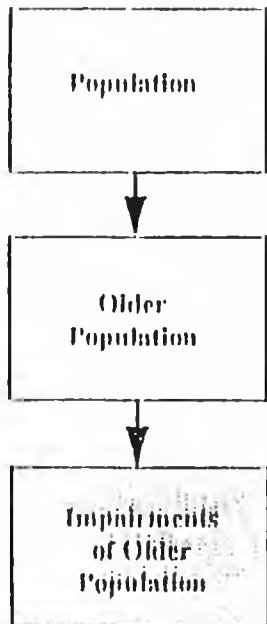
Among older Alaskans (65 years and older), four distinct groups may be identified according to their present health needs: the not-impaired, the moderately impaired, the severely impaired and the most impaired. The distinction between these groups is defined by the number of Activities of Daily Living (ADLs) and Instrumental Activities of Daily Living (IADLs) that each is able to perform without difficulty. Examples of the activities in each of these categories are listed below:

ADLs	IADLs
<ul style="list-style-type: none"> - Walking - Bathing - Toileting - Dressing - Eating - Transferring to/from a bed or chair 	<ul style="list-style-type: none"> - Preparing food - Using the phone - Managing money - Participating in leisure activities - Doing laundry - Obtaining appointments - Cleaning one's living area - Using public transportation

Source: Older Alaskans Commission

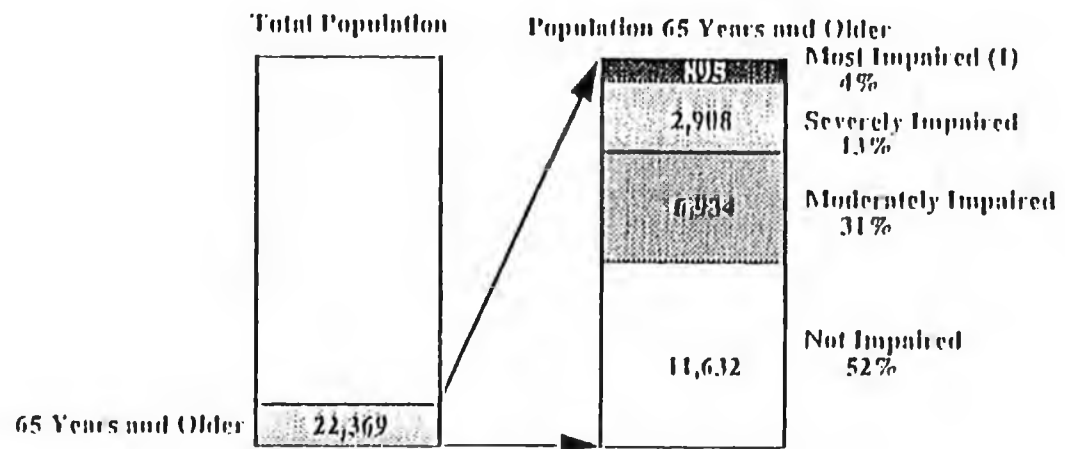
The health status of older adults can be classified as follows:

- **Not impaired:** No ADL or IADL impairments
- **Moderately impaired:** Difficulty with one or more IADLs, but fewer than three ADLs
- **Severely impaired:** Difficulty with three or more ADLs, yet still not in need of 24-hour nursing care
- **Most impaired:** Require 24-hour (skilled) nursing care



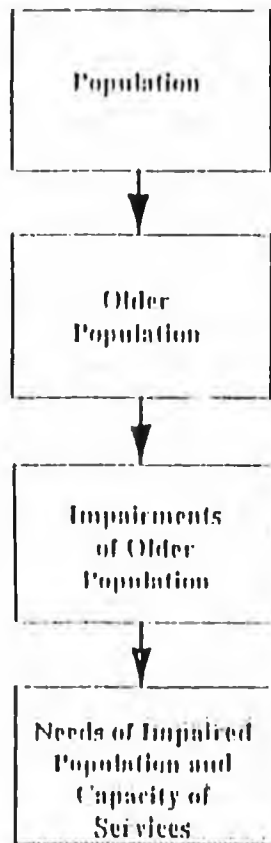
A study completed in 1991 by Savant, Inc. for the Older Alaskans Commission evaluated the health status of non-institutionalized older Alaskans, and estimated that approximately 12,000 persons aged 65 years and over had no impairments, 7,000 persons were moderately impaired and 3,000 were severely impaired. The 1991 Older Alaskans Commission study of the needs of older Alaskans estimated the size of the impaired population based on assumptions derived from a 1984 survey of older Alaskans. The distribution of older Alaskans with impairments is presented in the chart below.

1990 Older Alaskans With Impairments



Note: (1) Current older population in nursing homes.

As shown above, the Older Alaskans Commission has estimated that approximately 10,000 older Alaskans have moderate or severe impairments, and will require assistance in daily living activities. Many of these Alaskans are currently receiving services through nursing homes, the Pioneers' Homes and a variety of community-based and home-based service programs.

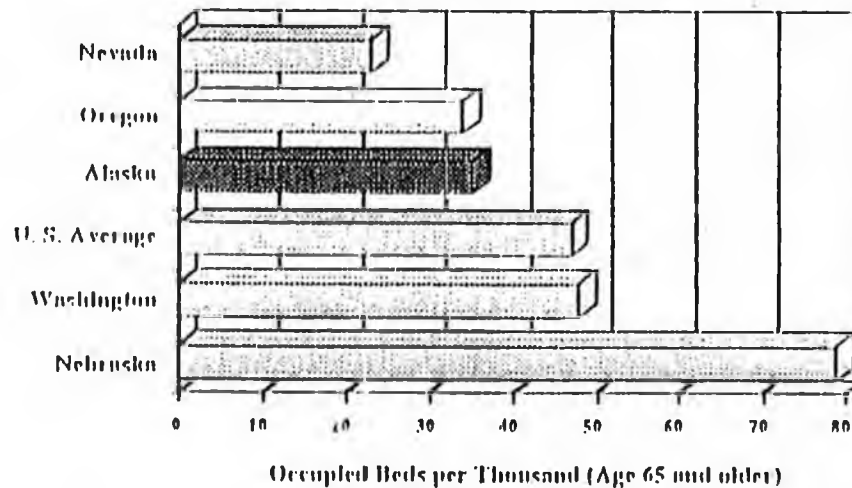


Estimated Need for Nursing Services

The nursing home industry is currently undergoing a significant change, reflecting a change in the definition of who actually requires 24-hour skilled care. Hospitals have come under pressure to discharge patients sooner, often to skilled nursing facilities. Home care and community-based options have increased, helping to delay the admission of more moderately impaired individuals to nursing facilities. Therefore, most nursing homes are experiencing an increase in the acuity level of their residents.

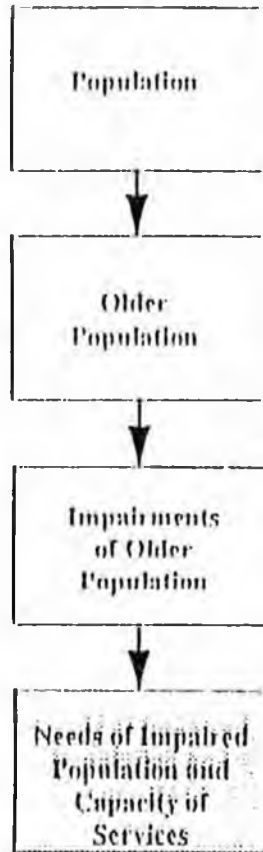
Throughout the country, the number of skilled beds utilized per thousand older population ranges from 23 beds in Nevada, to a high of 79 beds in Nebraska. The use rate of skilled care beds in Alaska is currently 35 beds per thousand 65 and older population.

Nursing Care Beds per Thousand 65 and Older Population



Source: Health Care Investment Analysts

However, according to studies conducted by Massachusetts and Washington during the past several years, between 63% and 75% of current nursing home residents in these states did not need 24-hour skilled nursing care. In addition, the State of Alaska has estimated that between 40% and 60% of the residents in the skilled nursing beds of the Pioneers' Homes do not need 24-hour skilled care.

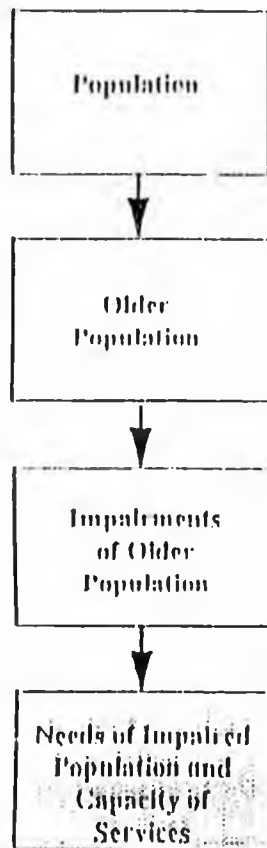


Based on the 1990 census of the 65 years and older population group, and the projected older population in 2010, as well as the use rates of various states, the estimated current need for skilled nursing services for elderly Alaskans ranges between 514 and 785 beds. If we assume that half of those currently in nursing beds could potentially be placed in assisted living, the need for skilled beds would be between 600 and 950 beds by 2010. This indicates that there is no additional need for skilled beds, assuming other alternative levels of care are developed.

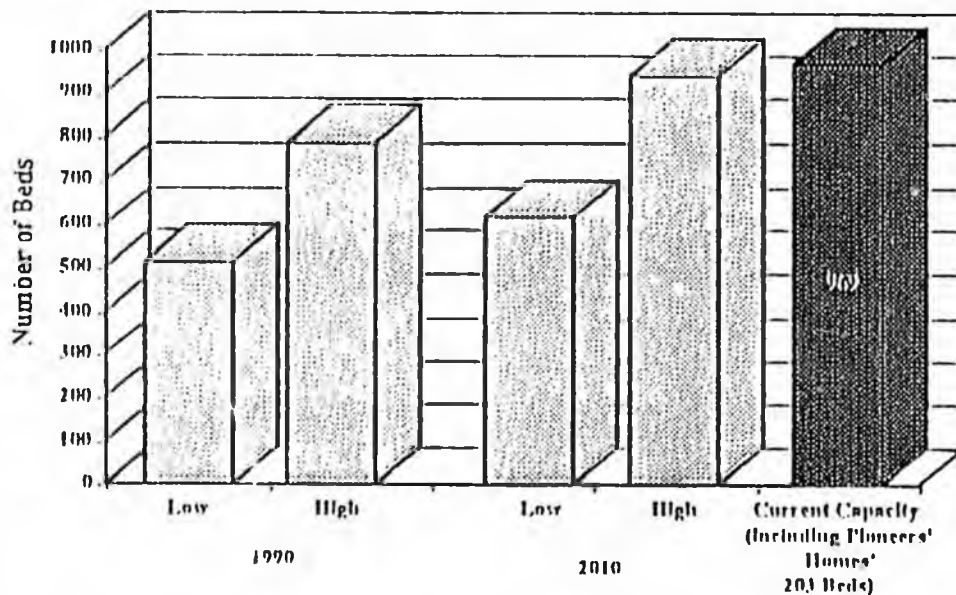
Calculation of Estimated Need for Skilled Nursing Beds

	1990		2010	
	Low Estimate	High Estimate	Low Estimate	High Estimate
Population age 65 and over	22,369	22,369	53,665	53,665
Use rate per thousand older population (1)	<u>23</u>	<u>35</u>	<u>23</u>	<u>35</u>
Total beds indicated needed	<u>514</u>	<u>785</u>	1,234	1,878
Less 50% that do not need 24 hour skilled care (2)			<u>(617)</u>	<u>(939)</u>
Total beds indicated needed			<u>617</u>	<u>939</u>

Sources: (1) Historical use rates for Nevada (23) and Alaska (35).
 (2) Conservative estimate based upon Massachusetts and Washington studies showing that 63% to 75% of current nursing home residents do not require the level of care they are receiving.

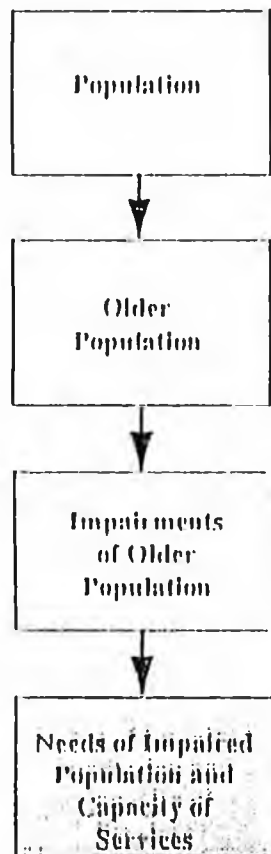


Current and Projected Need for Skilled Care Nursing Beds



Indicates no additional capacity needed

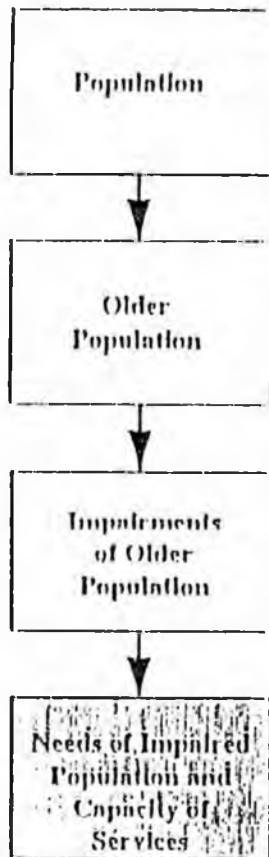
Source: Use rates per Health Care Investment Analysts, 1991
 Population per Alaska Department of Labor, Research and Analysis Section



Estimated Need for Assisted Living

Other options available to those who do not need 24-hour skilled nursing care, include supportive residential care with personal services (assisted living), and home and community-based care. Assisted living services generally include room and board, with nursing observation and supervision, as well as assistance with tasks of daily living, such as laundry, recreation, and social services. According to the study completed for the Older Alaskans Commission, approximately 47% of the non-institutionalized age 65 and older Alaskan population have moderate or severe impairments. A portion of these moderately or severely impaired will choose supportive residential services in assisted living residences. These individuals typically live alone and have no care giver, or have severe impairments that require extensive supportive services.

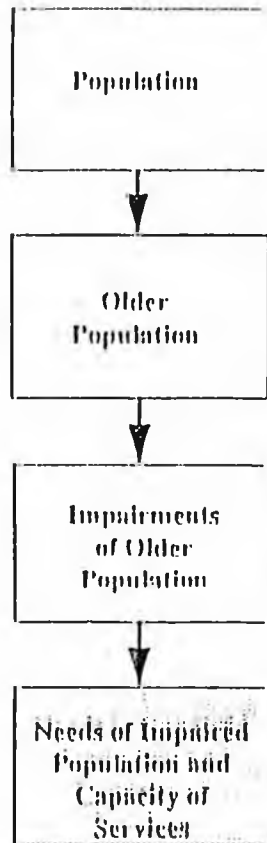
Currently, the only provider of assisted living residential services in Alaska is the Pioneers' Homes, where 149 beds have been designated as assisted living beds. Once assisted living legislation and regulations are in place, it is anticipated that other providers may develop assisted living facilities. The cost of assisted living care is considerably lower than skilled nursing care, and more residents will be able to afford private pay for care. However, it is apparent that at some time government funding should be made available to encourage those who need care to seek the use of this more cost efficient level of care, rather than seeking nursing care, to take advantage of available government funding. We have assumed that only those individuals with severe impairments constitute the most likely candidates for assisted living residences, which according to the Older Alaskans Commission was approximately 3,000 in 1990. Based on studies of the personal care needs of the elderly completed by the National Center for Health Statistics, the current estimate of those requiring supportive residential services ranges between approximately 2,000 and 2,500. Furthermore, approximately 26% of those age 65 and older in Alaska live alone. Therefore, the estimated need for assisted living residential services for those with severe impairments who live alone is between 500 and 800 beds.



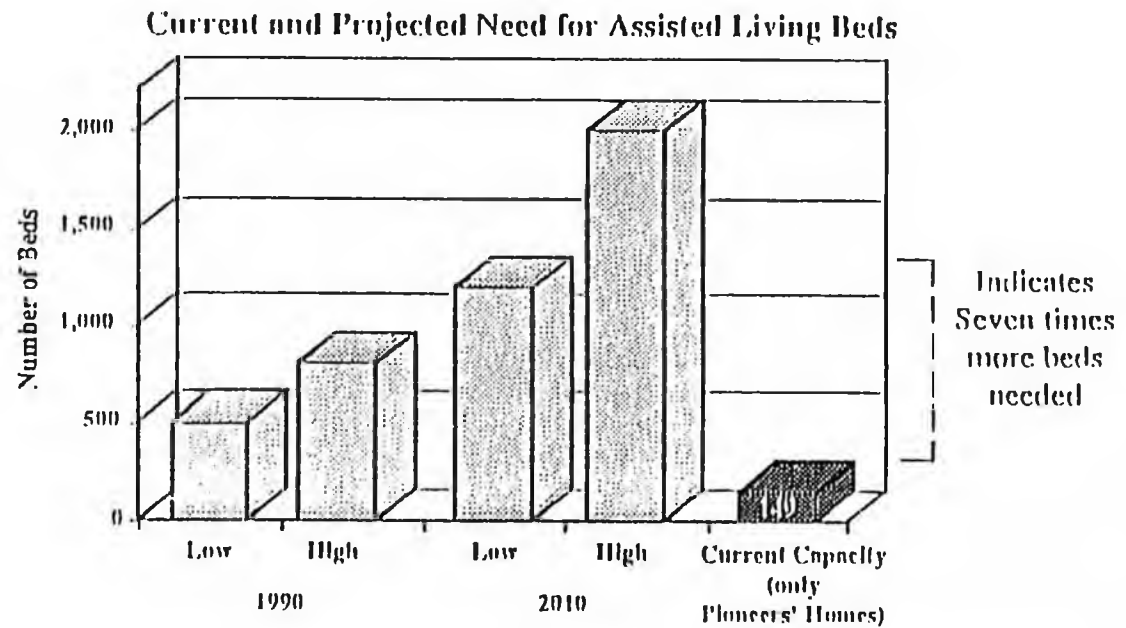
Calculation of Estimated Need for Assisted Living Beds

	1990		2010	
	<u>Low Estimate</u>	<u>High Estimate</u>	<u>Low Estimate</u>	<u>High Estimate</u>
Population age 65 and older	22,369	22,369	53,665	53,665
Less institutionalized population	<u>(900)</u>	<u>(900)</u>	<u>(900)</u>	<u>(900)</u>
	21,469	21,469	52,765	52,765
Percentage of 65 and older population with impairments	9% (1)	14% (2)	9% (1)	14% (2)
	1,932	3,006	4,749	7,387
Percent living alone	<u>26%</u>	<u>26%</u>	<u>26%</u>	<u>26%</u>
Indicated need for assisted living beds	<u>502</u>	<u>782</u>	<u>1,235</u>	<u>1,921</u>

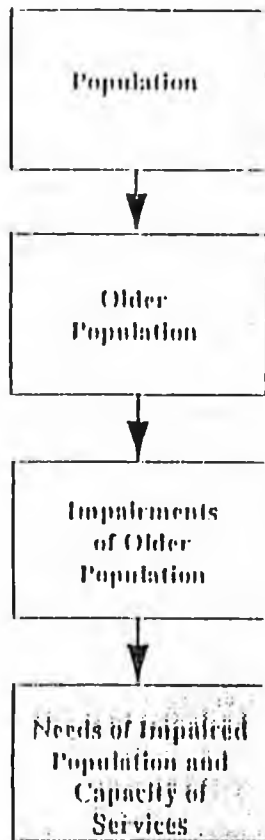
Sources: (1) Percentage based on a study completed by the National Center for Health Statistics
 (2) Percentage based on the 1991 study by Savant, Inc. conducted for the Older Alaskans Commission



Based on the projected elderly population for 2010, and the need methodologies developed for the Older Alaskans Commission and the National Center for Health Statistics, the projected need for assisted living beds in Alaska is between 1,200 and 2,000, assuming only modest change in environmental factors such as increased community-based options, technological improvements, cures for certain diseases, and increases in life-span.



Source: Population per Alaska Department of Labor, Research and Analysis Section
Use rates per Older Alaskans Commission



Estimated Need for Community-Based and Home-Based Services

The Pioneers' Homes have historically and currently offered a continuum of residential services, from independent residential living to skilled nursing care services. While these services are intensely needed by some older Alaskans, a much larger number of impaired elderly could be served by a variety of community-based and home-based services.

Community-based services include:

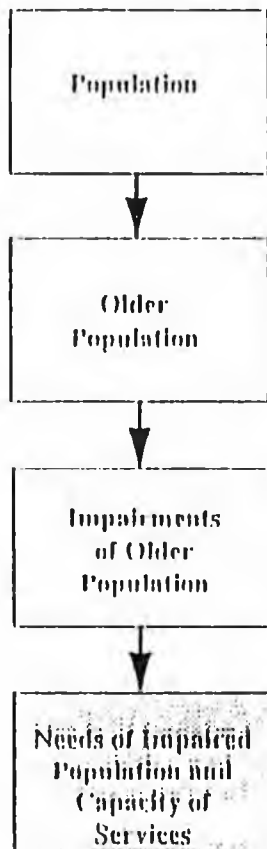
- Adult day care programs
- Transportation
- Senior centers
- Case management/referral services
- Chore services

Home-Based services include:

- Home-delivered meals
- Home care (nursing, personal care, housekeeping)
- In-home respite care
- Hospice care

Essentially, all moderately or severely impaired individuals could have a need for one or more community-based or home-based service. The Older Alaskans Commission has estimated that the number of individuals currently in need of these services is approximately 9,800, and the number receiving services is approximately 1,300, or 13%.

Community-based and home-based services were extensively reviewed by the Older Alaskans Commission in 1993. Based on its review, the Older Alaskans Commission has established goals to assume responsibility itself for expanding the network of home and community-based services to meet the needs of this growing population.

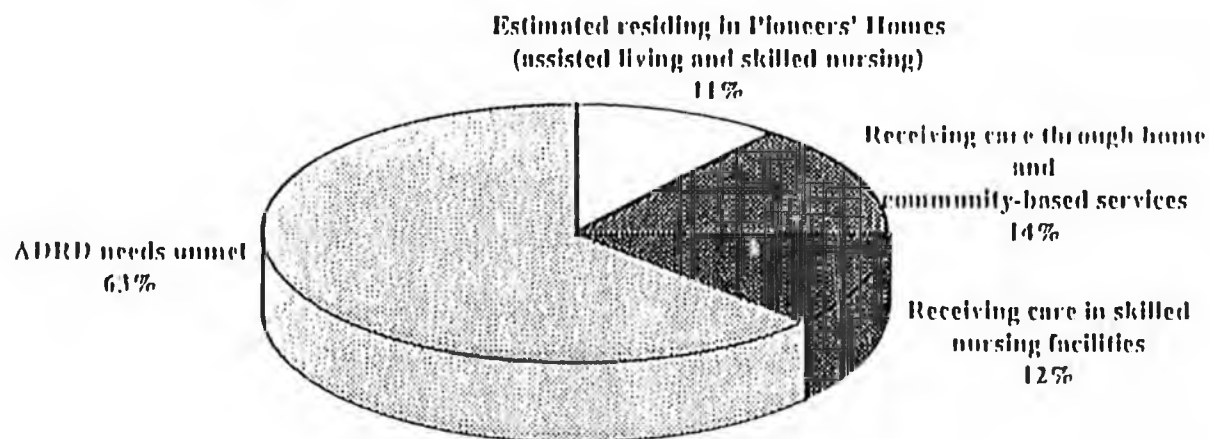


Estimated Need for Alzheimer's Disease and Related Disorders (ADRD) Services

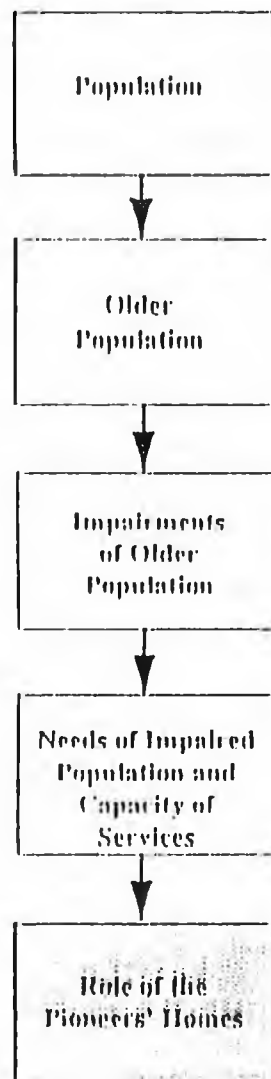
The prevalence of Alzheimer's Disease and Related Disorders (ADRD) among older adults has been sharply increasing throughout Alaska and the United States. The Alzheimer's Association Alaska Chapter estimates that over 4,000 cases of mild and severe dementia currently exist in Alaska's population aged 60 and older. Currently, individuals with ADRD are served in a variety of settings from community-based services to skilled nursing facilities.

Of the estimated 4,000 older Alaskans with ADRD, 556 adults received care in the form of adult respite care, adult day care, and/or care coordination during fiscal year 1993. These services were provided with funding from the State's Mental Health Trust Fund. In addition, Management of the Pioneers' Homes estimates 426 older adults with ADRD were residing in the Pioneers' Homes in 1993. Based upon this information, it would appear that the health care and supportive care needs of over 63% of Alaska's population with ADRD are currently unmet.

Service Utilization by Older Alaskans With ADRD



Source: Older Alaskans Commission and interviews of nursing facilities



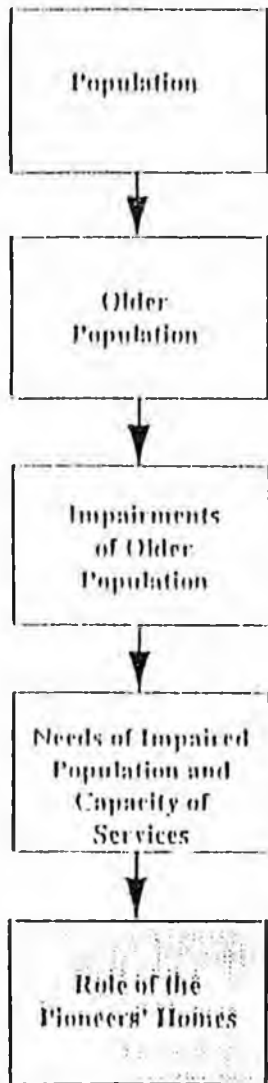
Role of the Pioneers' Homes

The long-term care needs of Alaskans are being served through both the public (Pioneers' Homes) and private sectors. The six Pioneers' Homes provide residential, assisted living and skilled nursing levels of care. In addition, twenty other privately owned facilities provide skilled nursing care and specialized, high intensity nursing care, including ventilators, short-term rehab, tracheotomy care, wound care, and head injury care. Presented below is a general description of the types of services provided by the Pioneers' Homes, freestanding nursing facilities, hospital-based facilities and other residential facilities. The medical acuity level of residents in the Pioneers' Homes is generally lower than in the other nursing facilities.

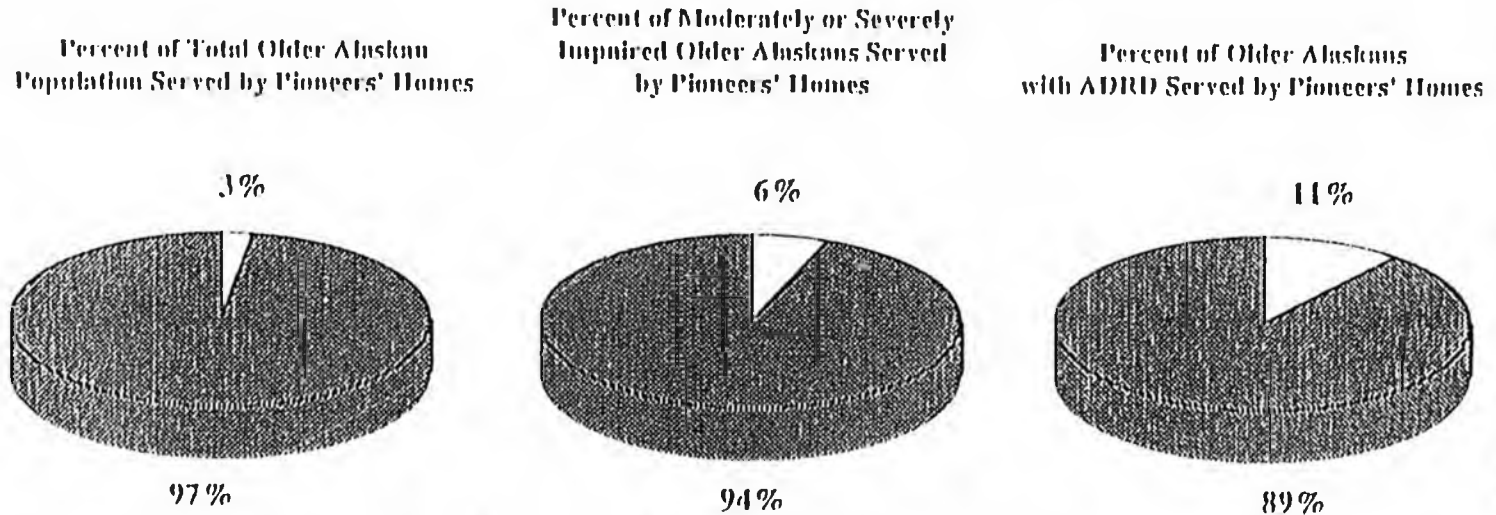
	<i>Pioneers' Home</i>	<i>Freestanding Nursing Facilities</i>	<i>Hospital-Based Nursing Facilities</i>	<i>Other Freestanding Residential Facilities</i>
Residential	√			√
Assisted Living	√			
Skilled Nursing	√	√	√	
Special Care		√	√	

The six Pioneers' Homes currently have the following mix of services by resident:

	<i>Nursing</i>	<i>Assisted Living</i>	<i>Residential</i>	<i>Total</i>
Sitka	30	20	55	105
Fairbanks	32	25	39	96
Palmer	22	35	25	82
Anchorage	86	23	112	221
Ketchikan	14	24	7	45
Juneau	19	18	12	49
Total Residents	203	145	250	598

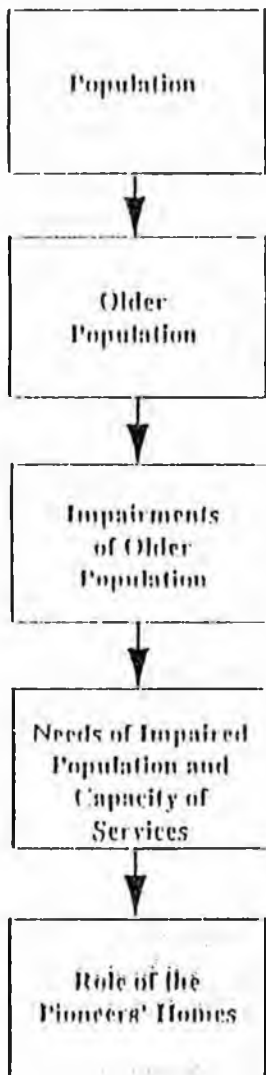


The Pioneers' Homes currently serve about 3% of the Alaskan population age 65 and over, 6% of the older impaired population and 11% of the older Alaskans with ADRI. In total, over \$26.5 million dollars of state funds are being spent on the care of these 570 citizens.



Sources: Older Alaskans Commission and Alzheimer's Association of Alaska

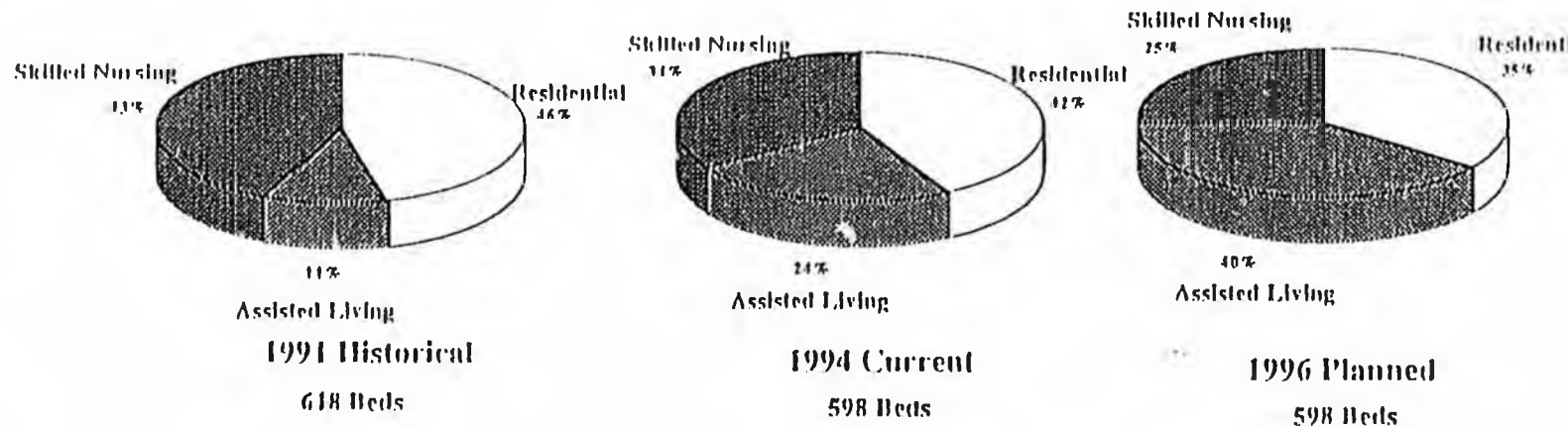
The Pioneers' Homes are not Medicaid certified. Rather, the Pioneers' Homes provide one of the only residential options for seniors who may not qualify for Medicaid assistance, yet cannot afford or prefer not to pay the rates at other private nursing facilities. And, the State's Medicaid system does not recognize ADRI as a qualifying diagnosis for placement in a nursing home. Therefore, the Pioneers' Homes remain one of the only options for seniors afflicted with dementia and ADRI, regardless of their financial resources.



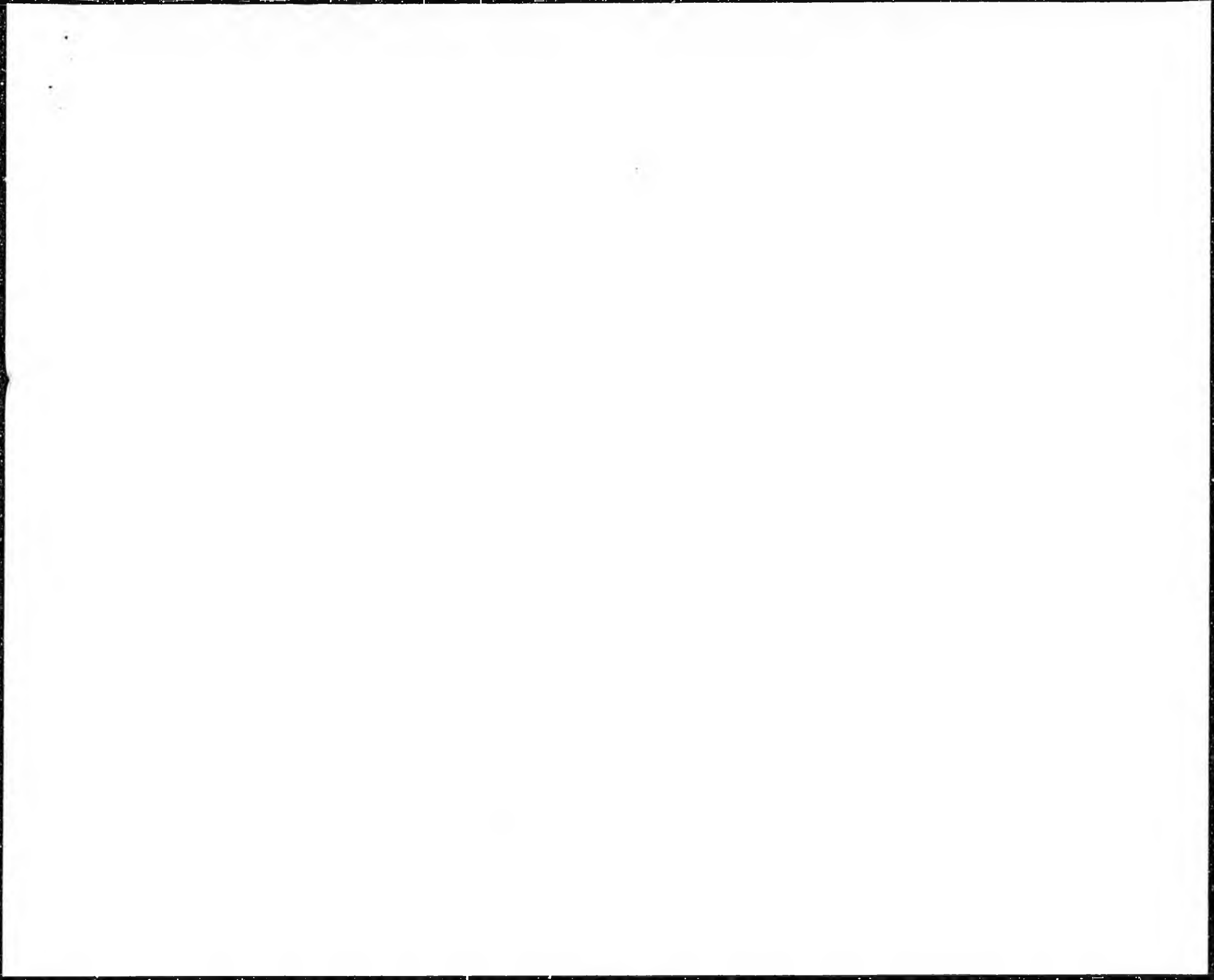
The Pioneers' Homes have always filled a unique role in the long-term care delivery system in Alaska. At inception, they were the only option available to serve the needs of the elderly and indigent pioneers. The Alaska of today, however, is different than it was even ten years ago. The medical needs of today's population are growing more complex, as people are living to much older ages, and as medical technology continues to evolve. The Pioneers' Homes have changed as well, to accommodate the diverse spectrum of needs of its residents. The Pioneers' Homes, like other mature retirement communities and other nursing homes, have watched their residents "age in place" and are now admitting residents who are older, more frail and have greater care needs than just ten years ago.

As the Pioneers' Homes residents age, and as Pioneers' Homes gain experience offering a less intensive level of service (assisted living) for its skilled nursing patients who may not require 24-hour nursing care, the mix of Pioneers' Homes has changed.

Change in Pioneers' Homes Bed Mix

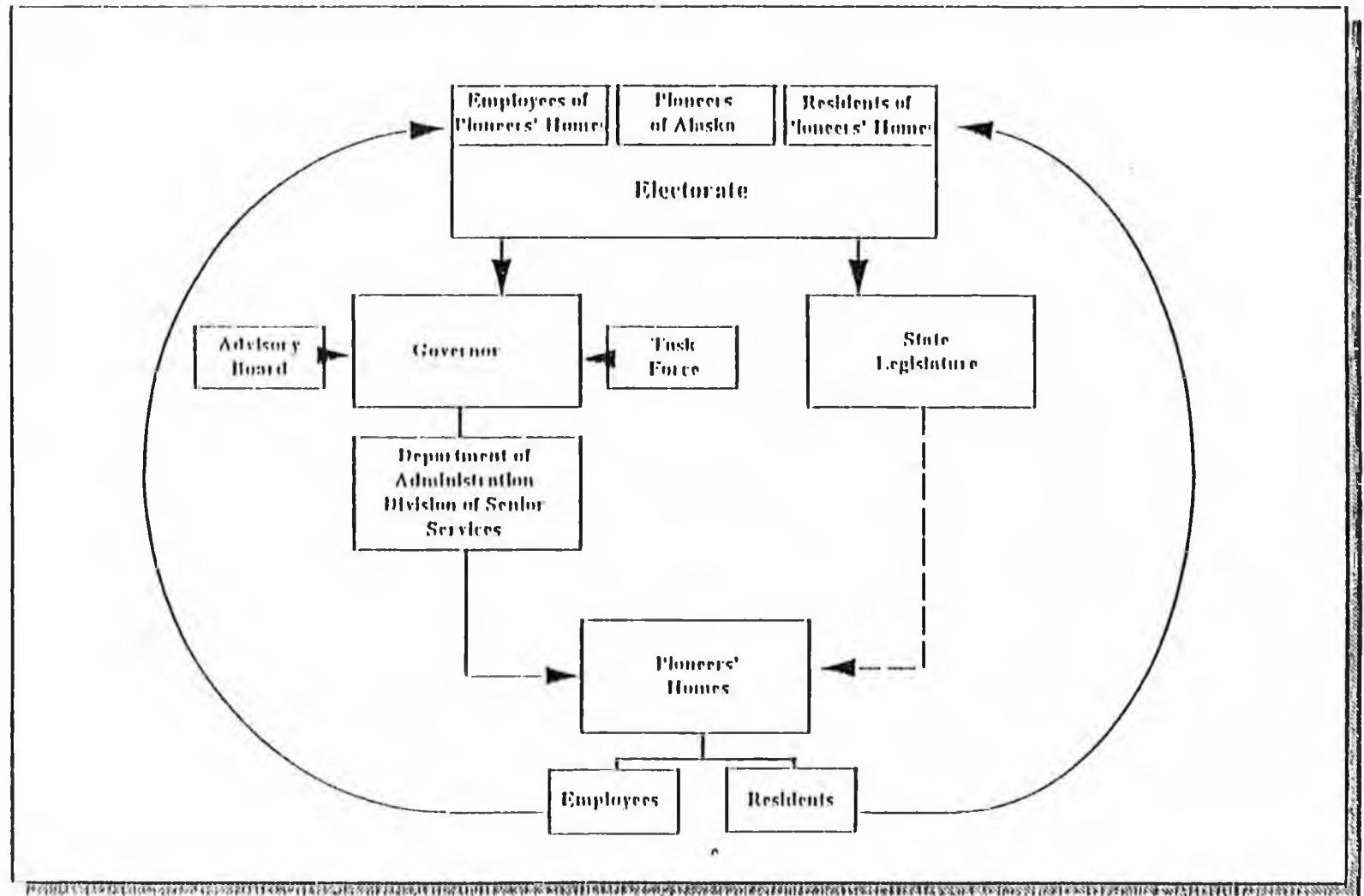


As depicted above, skilled nursing care has decreased from 43% in 1991 to its current level of 34%, and is projected to further decrease to 25% over the next several years. At the same time, the less intensive assisted living services expanded from 11% of total beds to 24%, with 40% of total beds in 1996 projected to be assisted living. The number of residential beds continues to decrease, as well, from 46% in 1991 to 42% in 1994, with 35% of beds in 1996 projected to be residential.



III. Governance and Organizational Issues

The Pioneers' Homes are owned, governed, and managed by the State of Alaska through the Department of Administration's Division of Senior Services. However, many other groups provide both formal and informal oversight to the Homes, as depicted.



Pioneers' Homes Stakeholders

Each group of Pioneers' Homes stakeholders has its own primary concern for the Homes.

Pioneers' of Alaska: According to their literature, "The Pioneers of Alaska . . . [were] formed in early territorial settling days for social purposes, keeping alive the memories of the early trail-blazers . . . The object, quoting its Constitution, to preserve the names of all of Alaska's pioneers on its rolls, to collect and preserve the literature and incidents of Alaska's history and to promote the best interests of Alaska". Membership in the Pioneers of Alaska is open to any male who has resided in Alaska for thirty years, while females who have resided in Alaska for thirty years may join The Pioneers of Alaska Auxiliary. Although these groups have no formal affiliation with the Homes, they do feel a strong sense of ownership and pride in maintaining them. **Primary Concern:** To preserve the original role of the Homes as giving worthy (long-standing) Alaskans the care that is "due" them, without respect to ability to pay.

Alaska Pioneers' Homes Advisory Board: This Board is comprised of seven individuals appointed by the Governor and serving at his/her discretion. Per Section 44.21.100 of the Alaska Statutes, "The Board shall conduct annual inspections of the property and procedures of the Alaska Pioneers' Homes and recommend to the Governor changes and improvements. The Board shall meet on a semi-annual basis to review admissions, procedures and to consider complaints." **Primary Concern:** To preserve the community sense of ownership.

Governor's Task Force on the Pioneers' Homes: This task force is comprised of eight members appointed by the Governor for the purpose of examining the issues of eligibility and residency for admission to the Pioneers' Home. They are to consider developing a constitutionally permissible point preference or other system for admission, and/or developing a formula that would give preference to long-term Alaskans to the extent permitted by law. **Primary Concern:** To review the admissions criteria (i.e., residency requirement) and find satisfactory alternatives.

State Legislature: The legislature is responsible for appropriating monies from the General Fund to the Department of Administration to cover a portion of the operating costs of the Pioneers' Homes. In recent years, the legislature has provided funding for over 85% of the operating costs of the six homes. **Primary Concern:** To serve the public interest by prudently appropriating State funds to the Homes.

Pioneers' Homes employees: Employees of the Pioneers' Homes are all employees of the State of Alaska, with the exceptions of the food service managers and dieticians at all of the homes, as well as the laundry workers, food service workers, and housekeepers in the Juneau Home. The employees are represented by three separate unions. **Primary Concern:** To maintain job security and pride in the Homes.

Pioneers' Homes residents: Residents of the Pioneers Homes are individuals 65 years and older who have resided in Alaska for at least one year, and who demonstrate the need for residence in one of the Homes because of physical disability or other reason. Residents are encouraged to voice their opinions and concerns regarding the conditions and policies in the Homes by participating in the Resident Council sponsored by their respective home. **Primary Concern:** To receive quality care in a stable environment, keeping resident fees to a minimum.

Department of Administration and Division of Senior Services: The Division of Senior Services within the Department of Administration is charged with overseeing the management of the Homes, as well as the proper expenditure of the funds allocated by the State legislature. The Deputy Director of Senior Services who directs the Pioneers' Homes is responsible for setting the day-to-day policies and procedures followed by the Homes. **Primary Concern:** To ensure the delivery of quality care to the residents, while obtaining a secure, stable funding source to maintain the Homes.

Organizational Structure

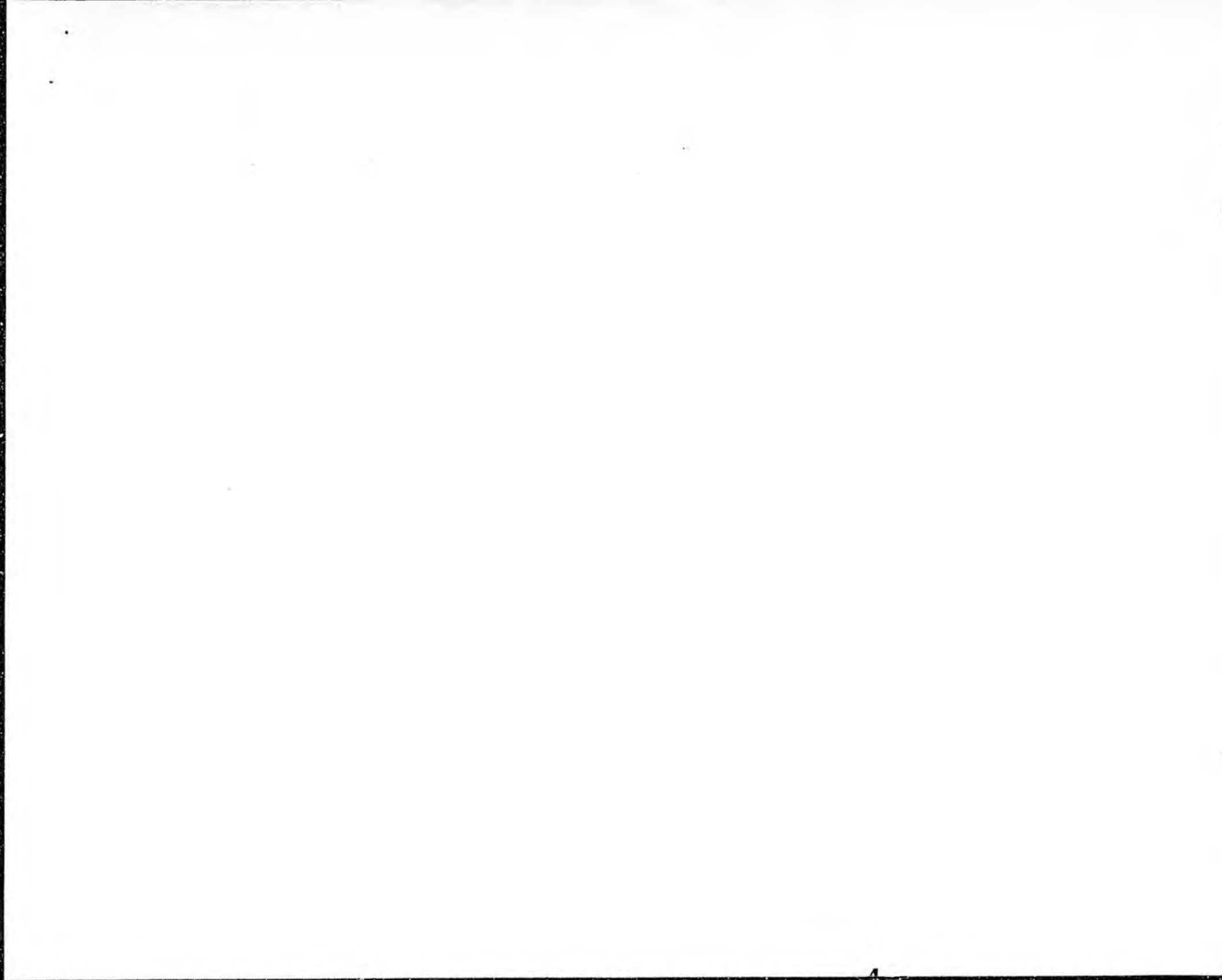
The Commissioner of the Department of Administration, as well as the Deputy Commissioner, the Director of Senior Services, the the Deputy Director of Senior Services who directs the Pioneers' Homes and the individual Homes' administrators are all positions appointed by the Governor. During the past fifteen years, the turnover rate in these positions has been relatively high. The average length in office during this time for the Commissioner, the Deputy Director of Senior Services, and the individual Homes' administrators has been as follows:

Over the Last Fifteen Years	Number of Changes in Leadership	Average Tenure
■ Commissioner of the Department of Administration	9	Two years
■ Deputy Director of Senior Services	8	Two years
■ Pioneers' Homes Administrator	5 (1)	Three years

Note: (1) Represents average change in the six Pioneers' Homes.

The complete turnover in top management of the Homes every two to three years is unusual in the long-term care industry, and is expected to make long-range planning, which is critical to adaptation to a changing health care and long-term care market, difficult.

Furthermore, the complex array of stakeholders, overseers, and advisors that participate formally or informally in the governance of the Homes is also unusual within the long-term care industry, and itself contributes to the difficulty of implementing long-range plans necessary for successful adaptation to a changing market.



Sources of Funding

IV. Financial Considerations

Sources of Funding

Pioneers' Homes are funded by resident fees and state appropriations. State appropriations consist of funds from the General Fund and the Mental Health Trust Fund. Historical revenue sources have been as follows:

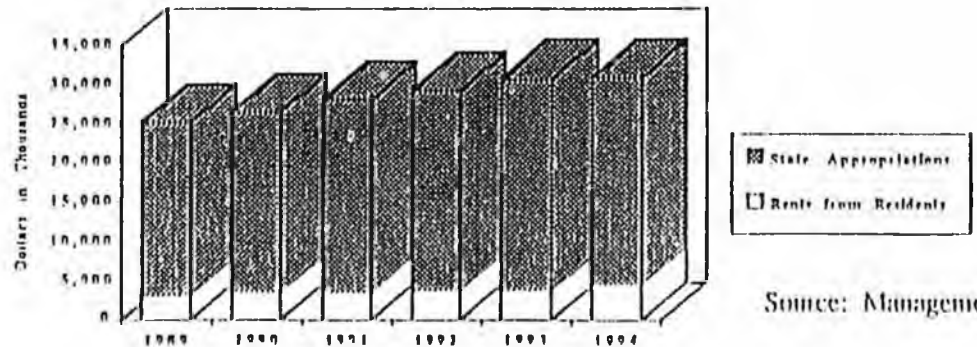
Pioneers' Homes Revenues
(000s)

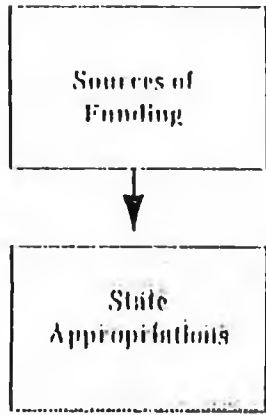
Source of Funding	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
Resident Fees	\$ 3,075	3,323	3,522	3,551	3,625	4,624
General Fund appropriations	22,139	23,325	24,840	25,838	27,292	26,270
Mental Health Trust Funds	---	---	---	---	---	210
Total	<u>\$25,414</u>	<u>26,648</u>	<u>28,362</u>	<u>29,389</u>	<u>30,917</u>	<u>31,104</u>

Source: Management

As shown by the information above, total revenues needed to operate the Homes have been increasing steadily, at an average annual rate of four percent. State funding is now starting to decrease, with a slight shift occurring from General Fund funds to mental health trust funds. While resident fees have increased, these fees still cover only 13% of the total cost of operating the Homes.

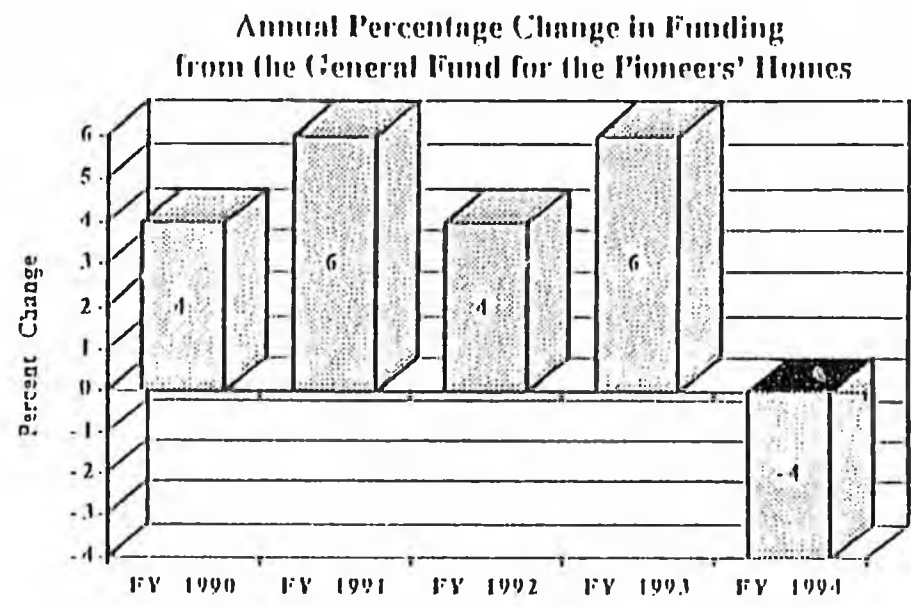
Sources of Funding for the Pioneers' Homes





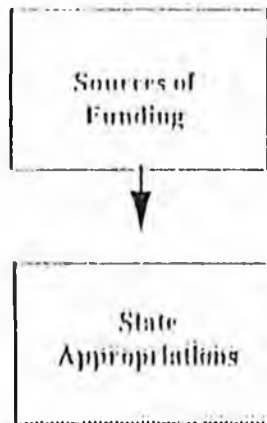
Funding from General Fund

Increases in General Fund appropriations have ranged from 4% to 6% annually from fiscal years 1990 through 1993. State appropriated funds decreased 4% in fiscal year 1994, as shown in the graph below.



Source: Management

This decrease in funding is anticipated to continue in fiscal year 1995 and beyond, causing concern as to future funding alternatives, and the potential tradeoffs between the mix of services offered and the number of residents who could receive quality care at the Homes. Such a lack of predictable levels of funding creates limitations on the ability of Management to effectively plan for the future, and respond to a changing long-term care market.



Mental Health Trust Fund

In 1956, the Mental Health Trust Fund was established to serve the following population groups with large needs for services:

- Individuals requiring hospitalization for psychiatric illness;
- The mentally retarded and defective;
- Chronic alcoholics with psychosis; and
- Senile people suffering major mental illness.

In fiscal year 1994, the legislature appropriated a total of \$130 million from the Mental Health Trust Fund.

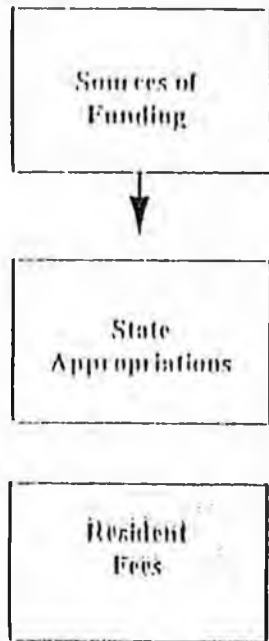
Management of the Homes would like to supplement the decreasing level of State General Funds received with monies from the State's Mental Health Trust Fund. However, according to the Older Alaskans Commission's research, only 1.5% (\$2 million) of all mental health trust funds went to programs benefiting victims of ADRD in fiscal year 1994. A total of \$210,000 of these funds were received by the Pioneers' Homes in fiscal year 1994, which was the first year such funds were ever received by the Homes. An additional \$928,000 was requested by the Homes for fiscal year 1995, however the legislature is expected to approve an amount that is considerably lower. It appears that the Pioneers' Homes should more actively seek to secure a representative distribution of these funds, to help fund the care of residents with ADRD.

Medicaid

The Pioneers' Homes do not currently participate in the Medicaid or Medicare programs. Management of the Pioneers' Homes has, in recent years, evaluated the possibility of certifying the Homes under the Medicaid program as a potential means to increase alternative funding sources. The implications of participation in the Medicaid program that need to be considered would include:

- Impact on the current resident population
- Compliance with state and federal government regulatory requirements
- Modification of current admissions policies
- Additional costs associated with increased documentation and cost reporting requirements

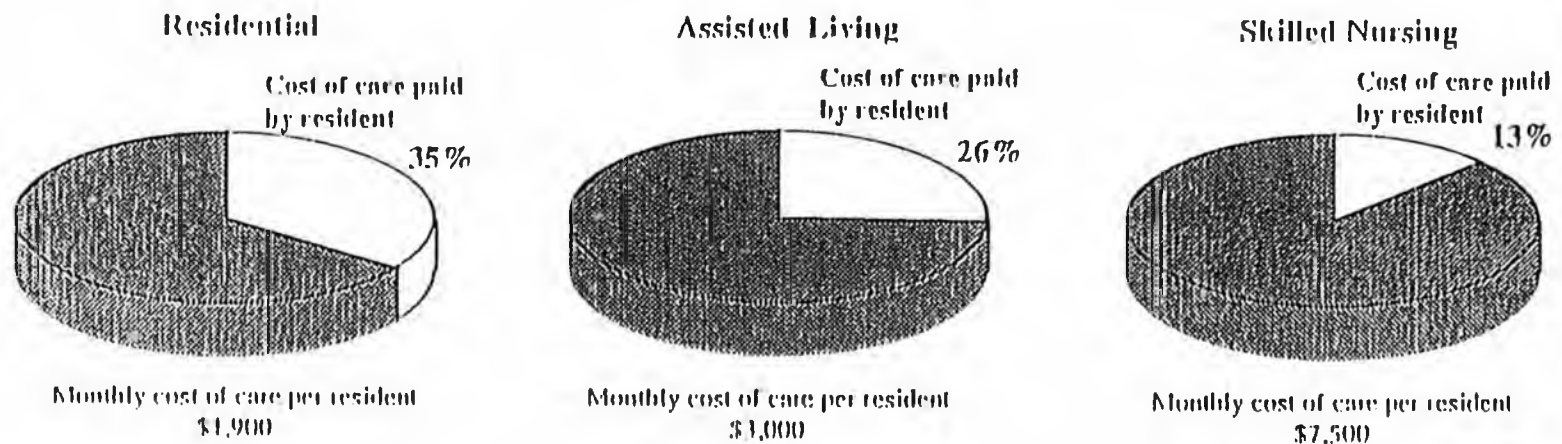
Currently, the State does not recognize ADRD as qualifying diagnoses for Medicaid placement in a nursing home. Many of the Homes' residents suffer from some form of dementia, and have no other Medicaid eligible diagnosis; therefore, many residents would not be eligible to receive Medicaid. In addition, Management believes that the income levels of the many of the Homes' residents would also disqualify them from Medicaid eligibility. Due to these conclusions, Management believes that potential incremental revenue from Medicaid would not be sufficient to warrant the increased regulatory compliance.



Resident Fees

While the rates charged to residents have increased three times since 1989, the percentage of total operating costs covered by these rents has remained relatively constant, due to the increasing cost of the Homes. Residents of the Homes can also be looked to as an additional source of revenues, by increasing resident fees to an amount equal to the full cost of care. Currently, the percentages of monthly costs paid by residents by level of care are as follows:

Percentage of the Cost of Care Paid by Residents



Source: Management

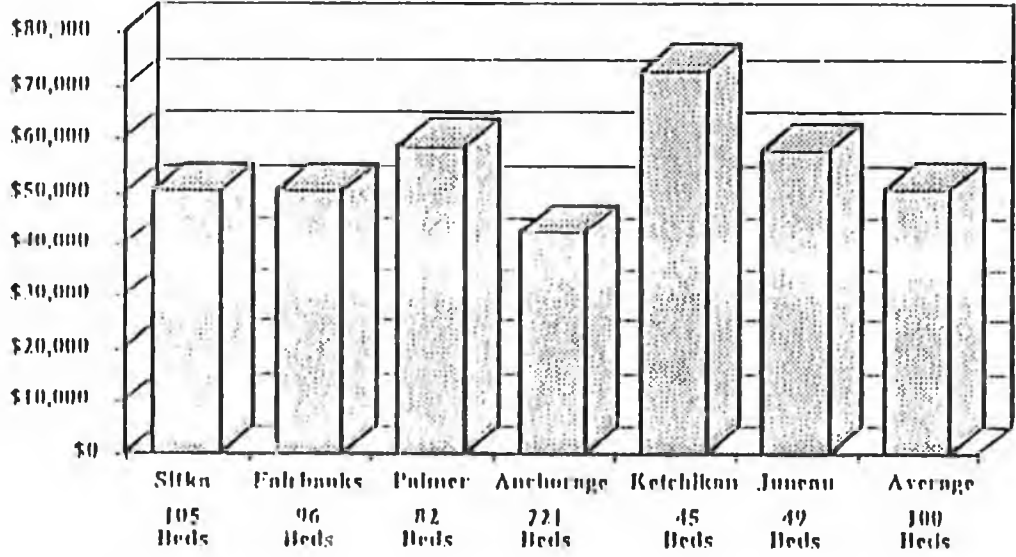
As shown above, the State is subsidizing up to 87% of the cost of care in the Homes. Increasing the monthly fee charged to residents could lower the amount of this subsidy. Management has estimated that a ten percent increase in rates at the Homes translates into only \$300,000 of additional revenues, due to the fact that few residents can afford to pay the full increase. As rates have increased, residents are expected to pay only the amount that they can afford, and the Homes continue to subsidize residents to the extent necessary.

Operating
Costs

Operating Costs

In providing care, the Pioneers' Homes incur operating costs such as salaries, benefits, dietary services, food costs, utilities, medical supplies and maintenance. Average operating costs per bed per year for each of the six Pioneers' Homes' facilities are detailed in the chart below:

Annual Cost per Bed at the Pioneers' Homes



Source: Pioneers' Homes Fiscal Year 1993 Cost of Care Analysis

Operating Costs

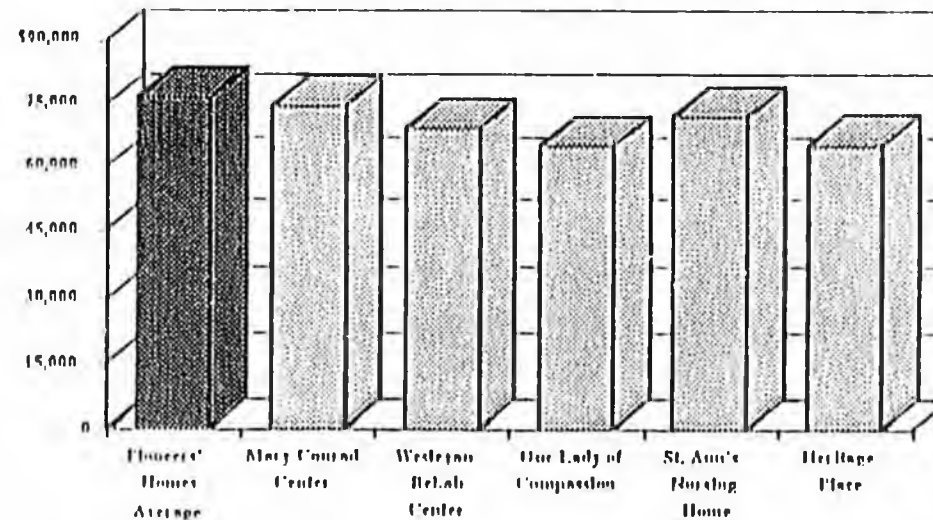
The Pioneers' Homes offer three levels of care: nursing services, assisted living services and residential services. Residential services are offered by other organizations, but it is difficult to obtain comparative cost data. Assisted living services are currently offered only at Pioneers' Homes and therefore there are no providers in Alaska to compare to the Pioneers' Homes operating costs for assisted living. Nursing services are offered by twenty other providers in Alaska.

Management of the Pioneers' Homes conducts a cost of care analysis annually and generally allocates the total operating costs of the Pioneers' Homes by the three levels of care. The Pioneers' Homes costs allocated to nursing residents were compared to the costs per resident at other nursing facilities. However, this analysis only generally compares cost structures because:

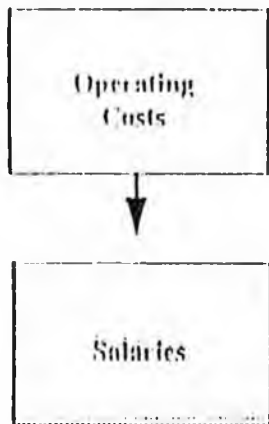
1. The Pioneers' Homes costs do not include depreciation and interest expenses; and
2. Other homes may not include costs for certain services or supplies, such as physical therapy and medication, in their cost reports whereas the Pioneers' Homes include these costs in their cost of care analysis.

Based on an analysis of the most current information available (1991 Medicare and Medicaid cost reports), it would appear that the Pioneers' Homes are the highest-cost provider of the five facilities surveyed. Cost information for five other facilities in Alaska, compared with the Pioneers Homes, is shown below. However, the following comparison should be understood to be an approximation .

1991 Average Annual Operating Cost per Nursing Resident at Pioneers' Home versus Other Alaskan Freestanding Nursing Facilities



Sources: Health Care Investment Analysts and Pioneers' Homes Fiscal Year 1991 Cost of Care Analysis

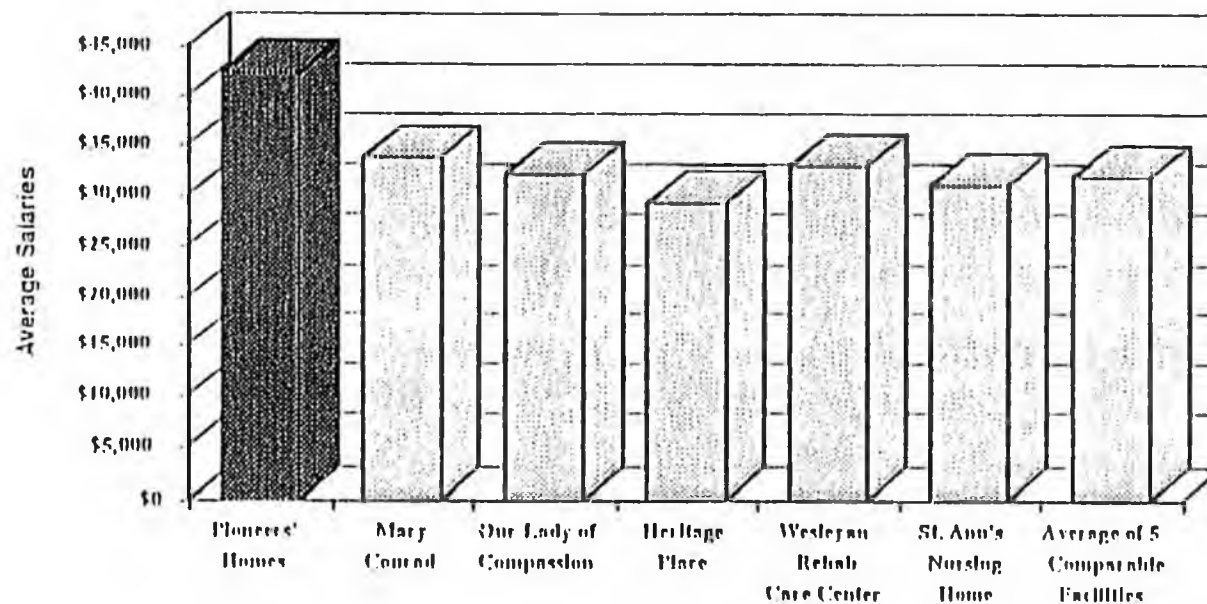


Salaries

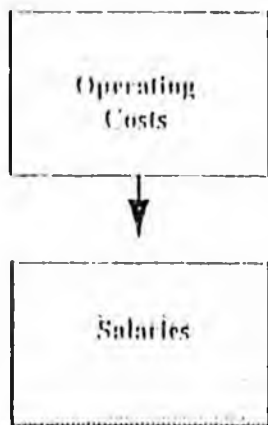
Approximately 82% of the Pioneers' Homes budget is spent on staffing costs. As this is the largest cost of operating the homes, compensation levels of the Pioneers' Homes were analyzed in comparison to State averages.

In a comparison of salaries and benefits paid to the Pioneers' Homes employees with salaries and benefits paid at other nursing facilities in the State, salaries at the Pioneers' Homes were found to be one-third higher. The graph below compares average salary per full-time equivalent employee (FTE) at the Pioneers' Homes to average salary per FTE at five other facilities in the State:

Average 1991 Salaries and Benefits per FTE



Source: Health Care Investment Analysts

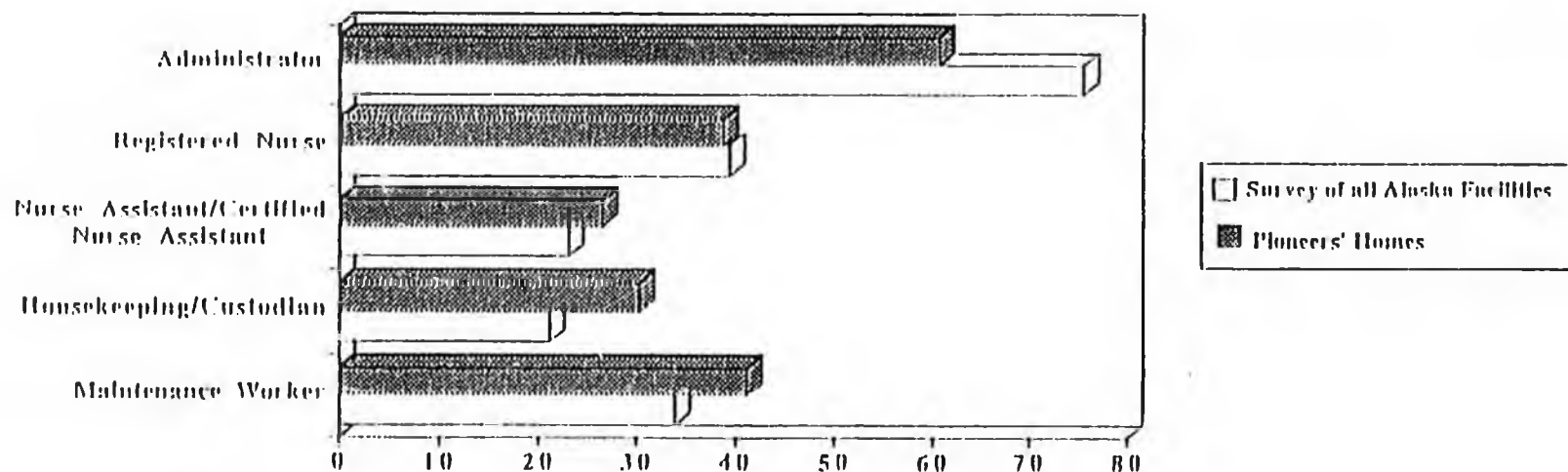


The Alaska Hospital and Nursing Home Association solicits an annual review of the compensation costs of its members through the services of an outside consulting group (Jacobson Company). In this survey, compensation levels for specific member facilities were analyzed and a statewide average was developed.

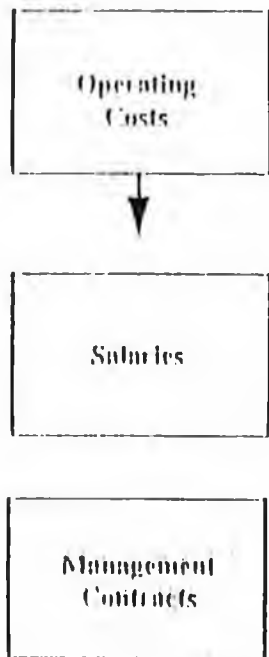
Comparing the results of this survey to compensation levels for similar departments within the Pioneers' Homes showed the following results:

- Administrators and other top level management: compensation lower at the Pioneers' Homes than at other Alaskan facilities;
- Department heads: compensation relatively equal to other Alaskan facilities;
- Support personnel, such as maintenance and housekeeping: compensation higher at the Pioneers' Homes; and
- Registered nurses: compensation approximately equal.

Average salary comparisons for selected categories are shown below.



Source: Alaska Hospital and Nursing Home Association 1994 Total Compensation Survey, and Management

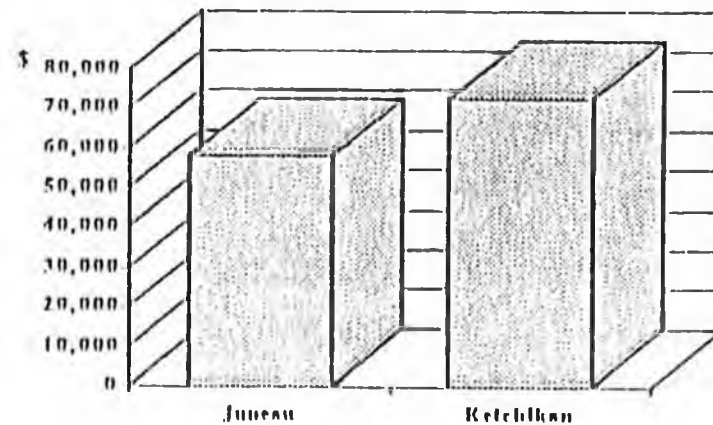


Management Contracts

Management contracts are in effect at all of the Homes for the provision of dietary services. In addition, the Juneau Home also contracts out housekeeping and laundry services.

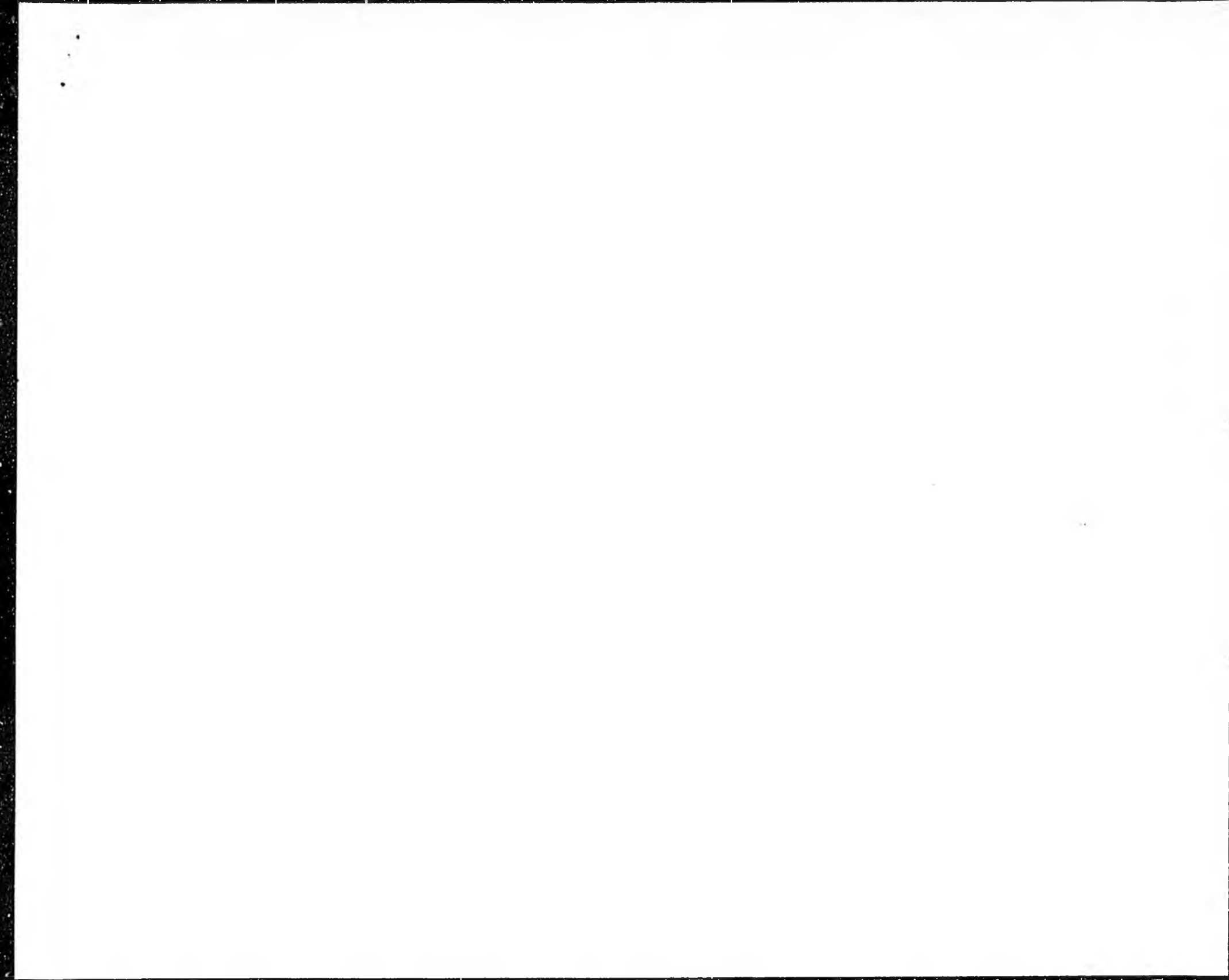
The graph below shows that two homes that are comparable in size - Ketchikan with 42 beds and Juneau with 49 beds. These homes have a cost differential of almost \$15,000 per bed, annually.

Annual Cost per Bed at the Juneau and Ketchikan Pioneers' Homes



Source: Pioneers' Homes Fiscal Year 1993 Cost of Care Analysis

It would appear that the lower costs at the Juneau Home can be attributed to savings related to the management contracts; however, reliable cost allocations by department are difficult to ascertain, and further analysis would be required to determine the exact amount of savings attributable to the contracts. Per discussion with Management, the model for contracting services at the Juneau Home appears to be working well, and we would encourage further analysis and implementation wherever possible.



V. Recommendations

Based upon the analysis presented herein, and within the guidelines of the strategic alternatives evaluated during this process, KPMG presents the following recommendations with regard to the future direction of the Pioneers' Homes:

Recommendation: Mission

We recommend that the Pioneers' Homes concentrate efforts on serving the population that is most in need of care, both medically and financially. This population includes those over 65 years of age, who have a need for care that is not readily available in their current home setting, with preference given to those who have the least amount of financial resources. From analysis of the current unmet needs of elderly Alaskans, it appears that the greatest need exists for individuals with ADRD, and assisted living personal services. We recommend that the Pioneers' Homes focus on providing these two forms of care, in particular, while continuing to provide skilled nursing care services, as needed. Furthermore, we recommend that residential services be de-emphasized to enable the Homes to concentrate on serving those with the greatest needs.

With a shift in emphasis to assisted living and dementia care, the Pioneers' Homes must also change the mix of available beds. The Pioneers' Homes are currently in the process of adding special Alzheimer's care units at all of the Homes. The most likely source for additional assisted living beds would be from the conversion of existing residential and skilled care beds.

A further consequence of concentrating efforts in the assisted living and dementia care areas will be a shift in staff resources. Residents in these units both require a lower level of care, which can be provided by certified nurse aides, rather than registered nurses.

In accordance with the above, we recommend that the Pioneers' Homes refine their mission statement to read as follows (emphasis added):

The Pioneers' Homes seek to provide specialized services in a residential setting for elderly Alaskans who are most in need of long term care services, with preference given to those who have the least amount of financial resources. These services are designed to maximize independence and quality of life by addressing the physical, psychosocial, and spiritual needs of older Alaskans, through assisted living, and skilled nursing care services, with a particular emphasis in assisted living and dementia care.

Recommendation: Organizational Structure

The citizens of Alaska have historically felt a strong sense of ownership with regard to the Pioneers' Homes. Many options for management and operations for the Homes have been evaluated by the State, including privatization and contract management of certain services. In the interest of preserving the traditional feeling of ownership within the population, we do not recommend that the Homes be privatized at this time.

However, it is still desirable to find an organizational structure that will allow for reliable levels of annual funding, enable management to effectively implement long-range plans, and provide for more definitive and focused levels of oversight. We recommend consideration of the alternatives below as effective means to accomplish these objectives. Each alternative is based upon the premise of establishing an intermediary between the Governor and State legislature and the Pioneers' Homes.

- **Option One: Classify certain Pioneers' Homes administrative positions. (Limited change from current)** To allow for continuity in delivery of services, and to provide the opportunity to implement programs and changes when necessary, the positions of the Deputy Director of the Division of Senior Services who is in charge of the Pioneers' Homes, as well as the individual Homes' administrators would become classified, rather than appointed, positions.
- **Option Two: Quasi-governmental control similar to a Board of Regents. (Moderate change)** Under this alternative, the Pioneers' Homes would be privately incorporated, with governance vesting in a Board of Directors that acts as an intermediary between the Homes, and the State legislature and Governor. Again, the Board could be self-perpetuating with several voting members appointed by virtue of their position, and additional members appointed by the Governor from various stakeholder groups.
- **Option Three: Shift control of each Home to the citizens of each respective community. (Comprehensive change)** A local Board of Directors could be formed in each of the six towns where the Pioneers' Homes are located. Various community leaders and citizens at-large with health care or related qualifications would be represented on the Board. We recommend that the Board be self-perpetuating, with a majority of voting members, appointed by virtue of their position (for example, the mayor, the Home's administrator, or the president of the Pioneers' Home Foundation). The Board could also include voting members from the Department of Administration, as well as members appointed by the Governor (or nominated by the Board and approved by community stakeholders) from the stakeholder groups described earlier. The administration of the Home would report directly to the Board.

Recommendation: Actions for Revenue Enhancement and Cost Savings

Throughout our process of analysis of the Pioneers' Homes, several operational issues came to our attention. The issues raised, and our subsequent recommendations, are listed below.

- **Issue: Should the Pioneers' Homes become Medicaid certified?** Under the current Medicaid regulations in Alaska, ADRI are not qualifying diagnoses for Medicaid-eligible admission into a nursing home. Management believes that the income levels of many of the Homes' residents would also disqualify them from Medicaid eligibility. While we do not recommend that the Homes pursue Medicaid certification at this time, we do recommend that Management of the Homes gathers the necessary information from residents to conduct an annual review of the costs and benefits with respect to participation in the Medicaid program. Also, if Alzheimer's Disease becomes a qualifying diagnosis for nursing home Medicaid eligibility, the Homes should reconsider their participation.

- **Issue: Could the Pioneers' Homes utilize management contracts to provide any of the services that are currently provided by employees of the State?** While Management of the Pioneers' Homes has conducted some analysis as to whether the management contracts currently in place at the Homes effectively minimize costs, we recommend further detailed financial analysis be performed to ascertain the feasibility of implementing management contracts wherever possible. In addition, per discussion with Management, it appears that the current union contracts may have to be renegotiated in order to allow further contracting out of services.

- **Issue: Should the Pioneers' Homes increase the monthly rate charged to residents to more fully cover the cost of care?** Yes. With limited state funds available, large unmet needs, and with available fee-for-service options, justification for continuing to subsidize care for 3% of the population is not apparent. If funding from the State continues to decrease, it will be necessary to maximize the amount of funding from alternative sources. Currently, residents pay only 13% of the total cost of care. Increasing rates would generate additional revenues to offset possible decreased State funding. It is important to note that if rates are increased, the Homes would still expect residents to pay only that which they can afford. No individual would be turned away or discharged from a Home due to a lack of ability to pay.



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111



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

PLEASE! PROVIDE
ALL REQUESTED
INFORMATION. THANKS

SUBJECT OF MEETING:

HB 246: OPERATION OF
PIONEERS' HOME

DATE: APRIL 26

PLACE: Capitol Room 106

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Rupe Andrews	AARP	Jensen	99801	789-7422		<input checked="" type="radio"/>	N	HB 246
						<input type="radio"/>	N	
						<input type="radio"/>	N	
						<input type="radio"/>	N	
						<input type="radio"/>	N	
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						<input type="radio"/>	N	

04/26/95 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
08:27:33 PARTICIPANT LIST (TESTIFIERS ONLY) BY:MAT
TCN:50634 SCHEDULED FOR:04/26/95 08:30 TO 10:00 FOR:MAT

PUBLIC HEARING HOUSE HEALTH, EDUCATION & SOCIAL SERVICE

LOCATION: MATSU

HB 246 / MR. ED LYNCH / TESTIFY

04/26/95 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
08:35:20 PARTICIPANT LIST (ALL PARTICIPANTS) BY:KTN
TCN:50634 SCHEDULED FOR:04/26/95 08:30 TO 10:00 FOR:KTN

PUBLIC HEARING HOUSE HEALTH, EDUCATION & SOCIAL SERVICE

LOCATION: KETCHIKAN

HB 246 / MRS. GLADYS KLOSE / TESTIFY

04/26/95 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
08:30:17 PARTICIPANT LIST (ALL PARTICIPANTS) BY:SOL
TCN:50634 SCHEDULED FOR:04/26/95 08:30 TO 10:00 FOR:SOL

PUBLIC HEARING HOUSE HEALTH, EDUCATION & SOCIAL SERVICE

LOCATION: KEN/SOL

HB 246 / MRS. VIRGINIA WALTERS / AARP / TESTIFY ✓
HB 246 / MR. FOSTER WALTERS / AARP / TESTIFY ✓
HB 246 / MS. SYLVIA JOHNSON / AARP / TESTIFY ✓
HB 246 / MR. CHARLES QUARRE / AARP / TESTIFY ✓

04/26/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

08:47:56

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BY:FBX

TCN:50634

SCHEDULED FOR:04/26/95 08:30 TO 10:00

FOR:FBX

PUBLIC HEARING HOUSE HEALTH, EDUCATION & SOCIAL SERVICE

UPDATE - REPLACES THE
PREVIOUS LIST

LOCATION: FAIRBANKS

HB 246

MR

GERALD

BOHMS

TESTIFY

HB 246

MR

LEE

CARMAN

AARP

TESTIFY

Kathy Dietrick!

HB 246 TELECONFERENCE

4-26-95 TESTIMONY

SIGN-UP

AUCHTOYAGE
PIONEERS' HOME
923 W. 11TH
AUCHTOYAGE, AK

1. DR. Jean Bonar

~~JEAN BONAR~~

2. Betty Thielson

~~BETTY THIELSON~~

3. John A Gibbons

~~JOHN GIBBONS~~

4. Emely Du Beau

~~EMELY DER BEAU~~ ✓

5. MARCY BUTLER

~~MARCY BUTLER~~ ✓

6. Mr. B B O'Hara ^{both?}

?

✓

~~7. William Johnson~~

~~WILLIAM JOHNSON~~

✓ 8. Margaret Newell

~~MARGARET NEWELL~~ ✓

✓ 9. Inez Wells

~~INEZ WELLS~~ ✓ _{Sax 2}

✓ 10. Robert Waldron

11. ~~Marcy Butler~~

12.

Post-It™ brand fax transmittal memo 7671		# of pages ▶ 1 of 1	
To	LIO/HESS	From	ROB SMITH
Co.	CGMITHCO	Co.	276-3919
Dept.	465-6790	Phone #	278-6006
Fax #	278-1261	Fax #	27



SITKA PIONEERS HOME
LEGISLATIVE TELECONFERENCE NETWORK
SIGN-IN SHEET

TCN **50634**

SPONSOR: HHS
 SUBJECT: HB 246
 START/END TIME: _____ DATE: 4/26/95

TOTAL P. 01

907 747 5807 P. 01

SITKA LEGISLATIVE INFO

APR-26-1995 08:48

	Signature	Printed Name/Representing	Mailing Address/City	Phone	Bill #	Testify	Observe
1	✓	Art Nielsen	SITKA Pioneers Home		HB 246		
2	✓	Althea Buckingham	..		HB 246		
3	✓	Carol Klane	..		HB 246		
4	✓	John Olsen			HB 246		
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05/11/95 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1401
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 TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN
 SPONSOR: HHES HOUSE HEALTH, EDUCATION & SOCIAL SERVICE CHAIRS: TOOHEY
 PURPOSE: PUB PUBLIC-HEARING LEGISLATIVE BUNDE
 1ST ITEM: HB 246 OPERATION OF PIONEERS' HOME 1 ITEMS ON AGENDA
 CONTACT: LYNNE SMITH TEL: (907)465-6825 MODERATOR: ZZZ
 LOCATION STAFF
 CHAIRING SITE: JUNEAU CAPITOL ROOM: CAP106 PRINTER: L300
 PARTICIPATING LIOs: 8 VOLUNTEER SITES: 0 OFFNETS: 2
 SPONSOR REMARKS(PUBLIC): TESTIMONY ALLOWED: Y 3 MINUTE LIMIT:
 TESTIMONY WILL BE TAKEN WITH A 3 MINUTE LIMIT.

BACKUP MATERIAL: N

UPDATE NO: 7 ENTERED BY: LHSCHES LAST UPDATED BY: LIOCELI
 REQUESTED ON: 04/20/95 ON: 04/20/95 ON: 04/27/95
 MSG:
 ENTER Pg# 02 PF2 NextC# ynnnn PF3 Exit PF4 Menu PF6 Print PF12 Quit

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 TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN

* LIO	NAME	ROOM ADDRESS	ROOM#	MODERATOR
ANC	ANCHORAGE	716 W 4TH, #200	ZZZ	ZZZ LOCATION STAFF
FBX	FAIRBANKS	119 N CUSHMAN ST	ZZZ	ZZZ LOCATION STAFF
HOM	HOMER	126 W PIONEER #4	ZZZ	ZZZ LOCATION STAFF
* JNU	JUNEAU	CAPITOL	CAP106	ZZZ LOCATION STAFF
KTN	KETCHIKAN	352 FRONT STREET	ZZZ	ZZZ LOCATION STAFF
MAT	MATSU	165 E PARKS HWY.	ZZZ	ZZZ LOCATION STAFF
SIT	SITKA	210 LAKE STREET	ZZZ	ZZZ LOCATION STAFF
SOL	KEN/SOL	145 MAIN ST LOOP	ZZZ	ZZZ LOCATION STAFF

MSG: 1410 NO FURTHER INFORMATION

ENTER Pg# 04 PF2 NextC# ynnnn PF3 Exit PF4 Menu PF5 Update PF7 Bwd PF8 Fwd

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 10:51:41 N CONFERENCE DISPLAY PAGE 04 - VOLUNTEER & OFF-NET SITES L362
 TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN

* LIO	VTS	NAME	ADDRESS	CONTACT	TELEPHONE
ZZZ	OF1	OFFNET 1	ANCHORAGE	PIONEERS HOME	907 999 9999
ZZZ	OF2	OFFNET 2	SIT PIONEERS HM	CAROL MONACO	907 747 3213

MSG: 1410 NO FURTHER INFORMATION

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05/11/95 LEGISLATIVE TELECONFERENCE NETWORK LTN1405
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TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN
SITE: LIO ANC VTS ANCHORAGE
1 _____ DAVID WASHBURN _____ O 01 HB 246
(907)000-0000
2 _____ GRETA BUTCHER _____ O 01 HB 246
12820 SUMMER DR ANCHORAGE AK 99516 (907)345-1663

MSG: 1410 NO FURTHER INFORMATION

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05/11/95 LEGISLATIVE TELECONFERENCE NETWORK LTN1405
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TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN
SITE: LIO FBX VTS FAIRBANKS
1 MR. GERALD BOHMS _____ T 01 HB 246
PO BOX 80155 FAIRBANKS AK 99708 (907)479-6970
2 MR. LEE CARMAN AARP T 01 HB 246
712 BENTLEY DR FAIRBANKS AK 99701 (907)452-6296
3 MS. KATHY DIETRICH ASEA T 01 HB 246
1951 RED LEAF RD FAIRBANKS AK 99709 (907)455-6064
4 MR. WALT SCHUETTE _____ O 01 HB 246
2221 EAGAN ST FAIRBANKS AK 99701 (907)452-2008
5 MR. ARTHUR JEPPESEN _____ O 01 HB 246
2221 EAGAN ST FAIRBANKS AK 99701 (907)452-4471
6 MS. DOROTHY SYLSBERRY _____ O 01 HB 246
PO BOX 83054 FAIRBANKS AK 99708 (907)479-7890
7 MS. LOIS MEIER _____ O 01 HB 246
455 3RD AVE., #721 FAIRBANKS AK 99701 (907)452-3638
8 MS. REVA SHIRCEL TANANA CHIEFS O 01 HB 246
122 1ST AVE., SUITE 600 FAIRBANKS AK 99701 (907)452-8251

MSG:

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05/11/95 LEGISLATIVE TELECONFERENCE NETWORK LTN1405
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TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN
SITE: LIO FBX VTS FAIRBANKS
9 MS. EILEEN MONTANA PIONEERS HOME O 01 HB 246
2221 EAGAN ST FAIRBANKS AK 99701 (907)456-4372
10 MS. SANDRA MCCLARY _____ O 01 HB 246
3040 DAVIS RD A3 FAIRBANKS AK 99709 (907)474-4619

MSG: 1410 NO FURTHER INFORMATION

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TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN
SITE: LIO KTN VTS KETCHIKAN

1 MRS. GLADYS KLOSE		T 01 HB 246
822 JACKSON STREET	KETCHIKAN	AK 99901 (907)225-4770
2 MR. JIM WATSON		O 01 HB 246
PO BOX 6612	KETCHIKAN	AK 99901 (907)225-6406

MSG: 1410 NO FURTHER INFORMATION

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TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN
SITE: LIO MAT VTS MATSU

1 MR ED LYNCH		T 01 HB 246
250 FIREWEED	PALMER	AK 99645 (907)746-0320
2 MS. AVERILL HORVATH		O 01 HB 246
PO BOX 871381	WASILLA	AK 99687 (907)376-2528

MSG: 1410 NO FURTHER INFORMATION

ENTER Pg# 09 PF2 NextC# ynnnn PF3 Exit PF5 Update PF7 Bwd PF8 Fwd PF12 Quit

05/11/95 LEGISLATIVE TELECONFERENCE NETWORK LTN1405
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 SITE: LIO SOL VTS KEN/SOL

1	MRS. VIRGINIA	WALTERS	AARP	T 01 HB 246
	214 BIRCH ST.	KENAI	AK 99611	(907)283-7305
2	MR. FOSTER	WALTERS	AARP	T 01 HB 246
	214 BIRCH ST.	KENAI	AK 99611	(907)283-7305
3	MS. SYLVIA	JOHNSON	AARP	T 01 HB 246
	PO BOX 152	KENAI	AK 99611	(907)283-4751
4	MR. CHARLES	QUAPRE'	AARP	T 01 HB 246
	HC1 BOX 3336	STERLING	AK 99672	(907)262-2115
5	MR. DENNIS	MURRAY	LHS	U 01 HB 246
	232 ROCKWELL	SOLDOTNA	AK 99669	(907)262-2545

MSG: 1410 NO FURTHER INFORMATION
 ENTER Pg# 09 PF2 NextC# ynnnn PF3 Exit PF5 Update PF7 Bwd PF8 Fwd PF12 Quit

05/11/95 LEGISLATIVE TELECONFERENCE NETWORK LTN1410
 10:52:50 N CONFERENCE DISPLAY PAGE 10 - FINAL STATS L362
 TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN

LIO VTS	NAME	STATUS	STARTED	ENDED	PARTICIPANTS
ANC	ANCHORAGE	3 STATS IN	08:30	10:00	2
FBX	FAIRBANKS	3 STATS IN	08:30	09:58	10
HOM	HOMER	2 NO INTEREST			0
JNU	JUNEAU	3 STATS IN	08:31	09:58	19
KTN	KETCHIKAN	3 STATS IN	08:35	10:00	2
MAT	MATSU	3 STATS IN	08:30	10:00	2
SIT	SITKA	2 NO INTEREST			0
SOL	KEN/SOL	3 STATS IN	08:35	10:00	5
ZZZ OF1	OFFNET 1	3 STATS IN	08:28	10:00	45
ZZZ OF2	OFFNET 2	3 STATS IN	08:26	10:01	25

MSG: 1410 NO FURTHER INFORMATION
 ENTER Pg# 01 PF2 NextC# ynnnn PF3 Exit PF4 Menu PF5 Update PF7 Bwd PF8 Fwd

05/11/95 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1401
 10:52:57 N CONFERENCE DISPLAY PAGE 01 - ORDER SUMMARY L362
 TCN 50634 T/C DATE: 04/26/95 TIME: 08:30 to 10:00 STATUS: 7 STATS IN
 SPONSOR: HHES HOUSE HEALTH, EDUCATION & SOCIAL SERVICE CHAIRS: TOOHEY
 PURPOSE: PUB PUBLIC-HEARING LEGISLATIVE BUNDE
 1ST ITEM: HB 246 OPERATION OF PIONEERS' HOME 1 ITEMS ON AGENDA
 CONTACT: LYNNE SMITH TEL: (907)465-6825 MODERATOR: ZZZ
 LOCATION STAFF

CHAIRING SITE: JUNEAU CAPITOL ROOM: CAP106 PRINTER: L300
 PARTICIPATING LIOS: 8 VOLUNTEER SITES: 0 OFFNETS: 2
 SPONSOR REMARKS(PUBLIC): TESTIMONY ALLOWED: Y 3 MINUTE LIMIT:
 TESTIMONY WILL BE TAKEN WITH A 3 MINUTE LIMIT.

HB

257

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HB 257

Revision Date: _____ Dept. Affected: Education
 Title: An Act relating to student loan programs . . . BRU: ACPE
 Component: Program Administration
 Sponsor: (H)HESS
 Requester: Rep. Bunde COMPONENT SERIAL NO. 212

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Gillian R. Hays, Legislative Liaison Phone: 465-6718
 Division: Alaska Commission on Postsecondary Education Date: 3/16/95
 Approved by Executive Director: Joe L. McCormick Date: 3/16/95
 Agency: Alaska Commission on Postsecondary Education

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FINANCE COMMITTEE REPORT

(7)
 Date Referred: March 15, 1995 FURTHER REFERRALS: Finance

Date of Committee Action: 3/21/95

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: HB 257

HOUSE BILL NO. 257 POSTSECONDARY EDUCATION PROGRAMS/LOANS

"An Act relating to student loan programs, interstate compacts for postsecondary education, and fees for review of postsecondary education institutions; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 257(HES) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) Education zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Charles Robinson</i>	✓			
<i>Tommy Starnes</i>			✓	
<i>William Kelley</i>				✓
<i>Car Beards</i>	✓			
<i>[Signature]</i>	✓			

CHAIR'S SIGNATURE *Car Beards*

CS FOR HOUSE BILL NO. 257(HES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to student loan programs, interstate compacts for postsecondary
2 education, and fees for review of postsecondary education institutions; and
3 providing for an effective date."

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

5 * Section 1. AS 14.43.110 is repealed and reenacted to read:

6 Sec. 14.43.110. STUDENT LOANS. (a) In a school year, the commission
7 may make a loan not to exceed

8 (1) \$8,500 to a full-time undergraduate student or \$5,000 to a half-time
9 undergraduate student attending a college or university if the full- or half-time student
10 is otherwise eligible under AS 14.43.125;

11 (2) \$9,500 to a full-time graduate student or \$4,500 to a half-time
12 graduate student attending a college or university if the full- or half-time graduate
13 student is otherwise eligible under AS 14.43.125;

14 (3) \$5,500 to a full-time student or \$2,000 to a half-time student if the

1 full- or half-time student is attending a career education program that is nine or more
2 months in length and is otherwise eligible under AS 14.43.125;

3 (4) \$3,000 to a full-time student or \$1,000 to a half-time student if the
4 full- or half-time student is attending a career education program that is less than nine
5 months in length and is otherwise eligible under AS 14.43.125.

6 (b) The commission may make a loan for a summer term, even if the total
7 loan for the school year exceeds the limit imposed under (a) of this section if the loan
8 for the summer term is counted against the limit imposed under (a) of this section for
9 the following school year.

10 (c) The commission shall adopt regulations establishing a minimum amount
11 for which a loan may be made.

12 * Sec. 2. AS 14.43.120(a) is amended to read:

13 (a) Proceeds from a scholarship loan to a full-time student may only be used
14 for books, tuition and required fees, loan origination [GUARANTEE] fees, and room
15 and board. Proceeds from a scholarship loan to a half-time student may only be used
16 for books, tuition and required fees, and loan origination [GUARANTEE] fees.

17 * Sec. 3. AS 14.43.120(b) is amended to read:

18 (b) Scholarship loans may only be used to attend a
19 (1) career education program operating on a sound fiscal basis that
20 has [BEEN]

21 (A) operated [APPROVED BY THE COMMISSION BEFORE
22 JULY 1, 1986;

23 (B) OPERATING] for two years before the borrower attends;

24 and

25 (B) submitted an executed program participation agreement
26 as required by the commission; [OR

27 (C) OPERATING FOR ONE YEAR BEFORE THE
28 BORROWER ATTENDS AND THE COMMISSION DETERMINES THE
29 PROGRAM IS OPERATING ON A FISCALLY SOUND BASIS;] or

30 (2) a college or university that

31 (A) has operated [BEEN APPROVED BY THE

1 COMMISSION BEFORE JULY 1, 1986, OR HAS BEEN OPERATING] for
2 at least two years before the borrower attends;

3 (B) is accredited by a national or regional accreditation
4 association recognized by the Council on Postsecondary Accreditation or is
5 approved by the commission; [AND]

6 (C) if the loans are federally insured, is approved by the United
7 States Secretary of Education;

8 (D) is a degree granting institution; and

9 (E) has submitted an executed program participation
10 agreement as required by the commission.

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

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

13 (1) for more than a total of \$42,500 for [FIVE YEARS OF]
14 undergraduate study;

15 (2) for more than a total of \$47,500 for [FIVE YEARS OF] graduate
16 study;

17 (3) for more than a combined total of \$79,000 for [EIGHT YEARS
18 OF] undergraduate and graduate study;

19 (4) to attend an institution, other than a nonprofit institution, if the total
20 amount of scholarship loans made to students to attend that institution exceeds
21 \$100,000 and the default rate on those loans exceeds the program default rate by more
22 than 150 percent as defined by regulation.

23 * Sec. 5. AS 14.43.120(e) is repealed and reenacted to read:

24 (e) Interest on a scholarship loan accrues from the time the loan is disbursed;
25 however, the state shall pay the interest while the borrower continues to be enrolled
26 under (c) of this section.

27 * Sec. 6. AS 14.43.120(g) is amended to read:

28 (g) A borrower's obligation to commence repayment [REPAYMENT] of
29 the principal and interest on the loan begins six months [NOT LATER THAN ONE
30 YEAR] after the borrower is no longer enrolled under (c) of this section. The
31 borrower shall repay [BORROWER'S STUDIES ARE TERMINATED. THE LOAN

1 SHALL PROVIDE FOR REPAYMENT OF] the total amount owed in periodic
2 installments of at least \$50 a month over a period of [IN] not more than 15 [10]
3 years from the commencement of the repayment obligation [IF THE LOAN IS TO
4 A FULL-TIME STUDENT, OR IN NOT MORE THAN FIVE YEARS FROM THE
5 COMMENCEMENT OF REPAYMENT IF THE LOAN IS TO A HALF-TIME
6 STUDENT, EXCEPT AS PROVIDED IN (k) AND (m) OF THIS SECTION]. If the
7 commission and the borrower agree to a different repayment schedule, the borrower
8 shall repay the loan in accordance with the agreement. A borrower may make
9 payments earlier than required by this subsection or the agreement.

10 * Sec. 7. AS 14.43.120(h) is amended to read:

11 (h) Security may not be required for a loan; however, a loan origination
12 [GUARANTEE] fee, as specified in (u) of this section, shall be deducted
13 [CHARGED] at the time that the loan is disbursed [AWARDED]. Additionally, the
14 borrower shall pay [PROVISION SHALL BE MADE FOR PAYMENT OF] all fees
15 and costs incurred in collection [OF THE AMOUNT OWED] on the loan if it becomes
16 delinquent or in default.

17 * Sec. 8. AS 14.43.120(i) is amended to read:

18 (i) If a loan is in default, the commission

19 (1) shall notify the borrower that, if the borrower has an occupational
20 license issued under AS 08, the license may not be renewed under AS 08.02.025 and
21 that repayment of the remaining balance is accelerated and due by mailing
22 [SENDING] the borrower a notice at the most recent address provided to the
23 commission by the borrower [BY REGISTERED OR CERTIFIED MAIL];

24 (2) may take the borrower's permanent fund dividend under
25 AS 43.23.065(b)(3) to satisfy the balance due on a [THE] defaulted loan; and

26 (3) shall provide notice of the default to the Department of Commerce
27 and Economic Development, if the loan recipient is licensed under AS 08.

28 * Sec. 9. AS 14.43.120(k) is amended to read:

29 (k) A borrower's obligation to make periodic payments [PERIODIC
30 INSTALLMENTS] of principal shall be deferred, but the borrower's obligation to
31 pay interest shall continue unless the state pays the interest by appropriation

1 under (t) [ACCRUE AND BE PAID UNLESS THE BORROWER IS ELIGIBLE FOR
2 INTEREST PAYMENT BENEFITS UNDER (l)] of this section, during any of the
3 following periods:

4 (1) [IF THE BORROWER RECEIVED A LOAN TO ATTEND AS A
5 FULL-TIME STUDENT,] return to full-time student status in good standing in a career
6 education program, college, or university that meets the requirements under (b) of this
7 section;

8 (2) if the borrower received a loan to attend as a half-time student,
9 return to at least half-time student status in good standing in

10 (A) a career education program, college, or university in the
11 state that meets the requirements under (b) of this section, or

12 (B) a career education program, college, or university that meets
13 the requirements under (b) of this section, and the borrower is physically
14 present in the state while attending the career education program, college, or
15 university; a borrower is not eligible for deferral under this paragraph for a
16 period longer than eight years;

17 (3) serving an initial period of up to three [SIX] years on active duty
18 as a member of the armed forces of the United States;

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

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

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

25 (7) during the period of disability if, after the loan is disbursed, the
26 borrower becomes totally [50 PERCENT OR MORE] disabled as certified by
27 competent medical authority.

28 * Sec. 10. AS 14.43.120(l) is amended to read:

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

31 (1) the period while [IN WHICH] the borrower continues to be

1 enrolled under (c) of this section [IS A FULL-TIME OR HALF-TIME STUDENT];
2 and

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

4 * Sec. 11. AS 14.43.120(m) is amended to read:

5 (m) In case of hardship, the commission may extend repayment of a loan for
6 an additional period of up to five years [IN INCREMENTS NO LONGER THAN 12
7 MONTHS EACH].

8 * Sec. 12. AS 14.43.120(q) is amended to read:

9 (q) For the purposes of this section, a loan is in default if a loan payment is
10 180 [120] or more days past due.

11 * Sec. 13. AS 14.43.120(t) is amended to read:

12 (t) Payment of interest under (l) of this section and forgiveness
13 [FORGIVENESS] under (s) of this section are [IS] subject to appropriation by the
14 legislature. Money obtained from the sale of bonds by the Student Loan Corporation
15 under AS 14.42.220 may not be appropriated for the payment of interest or the
16 forgiveness of loans.

17 * Sec. 14. AS 14.43.120(u) is amended to read:

18 (u) The commission by regulation shall set a [A] loan origination
19 [GUARANTEE] fee, not to exceed five [OF ONE] percent of the total scholarship
20 loan amount, to [SHALL] be assessed upon a scholarship loan that is funded from the
21 student loan fund of the Alaska Student Loan Corporation. The loan origination
22 [GUARANTEE] fee shall be deducted at the time [ADDED AS A FINANCE
23 CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT AWARDED,
24 NOTWITHSTANDING THE LOAN LIMITS SET OUT AT AS 14.43.110 AND
25 14.43.115]. Subject to appropriation, the loan origination [GUARANTEE] fees shall
26 be deposited into an origination [A GUARANTEE] fee account within the student
27 loan fund of the Alaska Student Loan Corporation, and subsequently used
28 [TRANSFERRED] by the corporation [COMMISSION TO LOAN ACCOUNTS
29 WITHIN THE STUDENT LOAN FUND] to offset losses incurred [DUE TO
30 STUDENT LOAN DEBT CANCELLATION] as a result of death, disability, default,
31 or bankruptcy of the borrower [STUDENT].

1 * Sec. 15. AS 14.43.125(a) is amended to read:

2 (a) A person may apply for and obtain a scholarship loan if the person

3 (1) is

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

6 (B) enrolled as a half-time student in a career education,
7 associate, baccalaureate, or graduate degree program [IN]

8 (i) in the state; or

9 (ii) out of the state [A CAREER EDUCATION,
10 ASSOCIATE, BACCALAUREATE, OR GRADUATE DEGREE
11 PROGRAM] and is physically present in this [THE] state while
12 attending that [THE CAREER EDUCATION, ASSOCIATE,
13 BACCALAUREATE, OR GRADUATE DEGREE] program; or

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

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

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

23 (A) has been physically present in the state for at least one year
24 [TWO YEARS] immediately before the time of application for the loan;

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

1 five years;

2 (C) has been physically present in the state [, OR IS A
3 DEPENDENT OF A PARENT OR GUARDIAN WHO HAS BEEN
4 PHYSICALLY PRESENT IN THE STATE,] for at least one year [TWO
5 YEARS] immediately before the applicant was absent from the state and the
6 absence is due solely to

7 (i) serving an initial period of up to three [SIX] years
8 on active duty as a member of the armed forces of the United States;

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

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

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

15 (v) being a person who otherwise qualifies as a resident
16 and is accompanying a spouse who qualifies as a resident under (i) -
17 (iv) of this paragraph; [OR]

18 (vi) an absence allowed under (D)(i) - (iv) of this
19 paragraph; or

20 (D) [HAS BEEN PHYSICALLY PRESENT IN THE STATE,
21 OR] is a dependent of a parent or guardian who has been physically present in
22 the state [,] for at least one year [TWO YEARS] immediately before [THE
23 APPLICANT OR] the parent or guardian was absent from the state and the
24 absence is due solely to

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

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

28 (iii) full-time employment by the state;

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

31 (v) being a person who otherwise qualifies as a resident

1 and is accompanying a spouse who qualifies as a resident under (i) -
2 (iv) of this paragraph;

3 (4) does not have a past due child support obligation established by
4 court order or by the child support enforcement division under AS 25.27.160 -
5 25.27.220 at the time of application; and

6 (5) has not, within the previous five years, had a scholarship loan
7 discharged or written off by the commission for any reason.

8 * Sec. 16. AS 14.43.125(c) is amended to read:

9 (c) A person may not be awarded a scholarship loan under AS 14.43.090 -
10 14.43.160 [IF A FAMILY EDUCATION LOAN IS MADE ON BEHALF OF THAT
11 PERSON UNDER AS 14.43.710 - 14.43.790 OR] if that person receives a teacher
12 scholarship loan under AS 14.43.600 - 14.43.700 for the same period of attendance
13 [SCHOOL YEAR].

14 * Sec. 17. AS 14.43.125 is amended by adding a new subsection to read:

15 (d) A person incarcerated full-time in a correctional facility may not be
16 awarded a scholarship loan under AS 14.43.090 - 14.43.160 if the person's scheduled
17 release date is more than two months after the scheduled completion date of the career
18 education or degree program for which the loan is requested. In this subsection,
19 "correctional facility" has the meaning given in AS 33.30.901.

20 * Sec. 18. AS 14.43.150 is amended by adding a new subsection to read:

21 (d) An assignment of wages authorized under this section that is made under
22 court order has priority, as against an attachment, execution, or other assignment,
23 except for an assignment for payment of child support under AS 25.27.070 or as
24 otherwise ordered by the court.

25 * Sec. 19. AS 14.43.300(g) is amended to read:

26 (g) The commission by regulation shall set a [A] loan origination
27 [GUARANTEE] fee, not to exceed five [OF ONE] percent of the total memorial
28 scholarship loan amount, to [SHALL] be assessed upon a memorial scholarship loan.
29 The loan origination [GUARANTEE] fee shall be deducted at the time [ADDED
30 AS A FINANCE CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT
31 AWARDED]. Subject to appropriation, the loan origination [GUARANTEE] fee shall

1 be deposited into an origination [A GUARANTEE] fee account within the memorial
2 scholarship revolving loan fund, and subsequently transferred by the commission to the
3 appropriate memorial scholarship accounts within the memorial scholarship revolving
4 loan fund to offset losses incurred due to loan debt cancellation as a result of death,
5 disability, or bankruptcy of the student.

6 * Sec. 20. AS 14.43.640 is amended by adding a new subsection to read:

7 (e) Teacher scholarship loans made to a student may not exceed a total of
8 \$37,500.

9 * Sec. 21. AS 14.43.650(c) is amended to read:

10 (c) A student may not be awarded a teacher scholarship loan under
11 AS 14.43.600 - 14.43.700 [IF A FAMILY EDUCATION LOAN IS MADE ON
12 BEHALF OF THE STUDENT UNDER AS 14.43.710 - 14.43.790 OR] if the student
13 receives a scholarship loan under AS 14.43.090 - 14.43.160 for the same period of
14 attendance [SCHOOL YEAR].

15 * Sec. 22. AS 14.43.740(a) is amended to read:

16 (a) The provisions of AS 14.43.100, 14.43.110, [14.43.115,] 14.43.120(a) - (d),
17 (i), (m), and (r) - (u), and 14.43.135 apply to a loan made under AS 14.43.710 -
18 14.43.790.

19 * Sec. 23. AS 14.43.790(a)(1) is amended to read:

20 (1) "default" means a loan that is 180 [120] days or more past due in
21 repayment;

22 * Sec. 24. AS 14.43 is amended by adding a new section to read:

23 Sec. 14.43.920. UNAUTHORIZED SCHOLARSHIPS, LOANS, AND
24 GRANTS. If a person receives a scholarship, loan, or grant under this title for which
25 the person is not eligible under the provisions of this title, the scholarship, loan, or
26 grant is void and the entire balance of money paid is immediately due to the
27 scholarship, loan, or grant fund. This section is in addition to any penalty that may
28 be imposed according to another provision of law.

29 * Sec. 25. AS 14.44.025 is amended to read:

30 Sec. 14.44.025. PROVISIONS OF SERVICES. State participation under
31 Articles VIII and XIII of the Western Regional Higher Education Compact shall be

1 limited to the provision of adequate services and facilities in the professional fields
2 of study available through the Professional Student Exchange Program
3 administered by the Western Interstate Commission on Higher Education. The
4 Alaska Commission on Postsecondary Education shall establish funding priorities
5 under AS 14.44.035 for the available fields of study by analyzing student access
6 and state labor needs [FIELDS OF LAW, DENTISTRY, MEDICINE,
7 OSTEOPATHY, PUBLIC HEALTH, VETERINARY MEDICINE, PHARMACY,
8 PHYSICAL THERAPY, OCCUPATIONAL THERAPY, OPTOMETRY, PODIATRY,
9 FORESTRY, ARCHITECTURE, GRADUATE NURSING, PETROLEUM
10 ENGINEERING, MARITIME TECHNOLOGY, AND GRADUATE LIBRARY
11 STUDIES].

12 * Sec. 26. AS 14.48.050 is amended by adding a new paragraph to read:

13 (10) establish fees for the review of institutions requesting approval for
14 participation in the scholarship loan program under AS 14.43.120(b)(2)(B).

15 * Sec. 27. AS 14.42.032; AS 14.43.115, and 14.43.750(b) are repealed.

16 * Sec. 28. TRANSITION. The Alaska Commission on Postsecondary Education may
17 proceed to adopt regulations necessary to implement this Act. The regulations take effect
18 under AS 44.62 (Administrative Procedure Act), but not before July 1, 1995.

19 * Sec. 29. APPLICABILITY. A borrower's obligation to pay interest on a student loan,
20 as required by AS 14.43.120(k), amended in sec. 9 of this Act, applies to a scholarship loan
21 disbursed after June 30, 1995.

22 * Sec. 30. Section 28 of this Act takes effect immediately under AS 01.10.070(c).

23 * Sec. 31. Except as provided in sec. 30 of this Act, this Act takes effect July 1, 1995.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

FY 96 Budget Overview

**Dr. Joe L. McCormick
Executive Director**

March 1995
(revised 3-17-95)

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**ACPE 1995 - 1996
OPERATION/SERVICE OBJECTIVES**

The Alaska Student Loan Program (ASLP) is funded solely by corporate receipts. No general fund dollars have been appropriated to the program since FY 1992. As a result the Corporation has had to absorb losses due to the following statutory provisions:

- Interest paid by the State while borrower is in school and authorized deferred periods
- Forgiveness of principal and interest for eligible borrowers
- Payment of third-party collection vendors not recovered from defaulted borrowers
- Write-offs due to death, disability, and uncollectible loans
- Bond issuance costs paid from bond proceeds
- Difference between the yield on bonds outstanding (interest paid by the Corporation) and the yield on loans in the portfolio (interest earned on loans in the portfolio)

Finally, the Alaska Student Loan Program has suffered for a number of years with serious problems related to its loan servicing system software. After serious audit deficiencies were identified and the ASLC lost its insurance on the 1993 student loan bonds, ACPE has taken dramatic steps to resolve its loan servicing system problems. This FY96 budget request, as well as ACPE's 1995 Legislative Proposals, reflects the continuing effort of the commission to finally resolve these problems by meeting three major objectives in the coming year:

- To maintain a high level of customer satisfaction and service in the programs administered by the ACPE
- To enhance the financial stability now and for the long term in the ASLP
- To improve the ASLP loan servicing system to reduce defaults through enhanced repayment activity supported by a new up-to-date, fully automated loan servicing system

ACPE Objective One: Maintenance of high levels of customer satisfaction and service

Over the past two years, ACPE has made major progress toward improving its customer service and overall program administration. Staff has been reorganized on a more horizontal and functional basis; procedures have been revamped to improve efficiency and effectiveness; and changes to law and regulations that would improve program administration have been aggressively pursued. Outlined below are some of the major achievements in 1994 that have greatly contributed to ACPE's improved levels of customer service:

- **A New Executive Director** - Dr. Joe L. McCormick, Executive Officer of the Corporation became Executive Director of the Commission on December 1, 1993. Dr. McCormick comes to the Corporation with more than 25 years of experience in the student loan industry at both the national and state level.
- **Restructuring Commission Staff** - Since December 1, 1993, the Executive Director has taken the following actions:
 - **Hired an internal auditor** to monitor all Commission functions and assess progress toward corrective loan servicing functions on January 18, 1994.
 - **Hired a new finance officer** to oversee the Commission's accounting department in April of 1994.
 - **Reassigned functions of the Commission staff.** Effective April 1, 1994 the commission was restructured and organized to maximize the efficiency and effectiveness of the workforce and to "flatten the organizational structure" of the Commission staff as follows:
 - **Finance division** includes the Finance Officer, accounting staff, administrative support staff, and personnel staff.
 - **Student Financial Aid Program division** directs all financial aid programs including the award function of the ASLP, all institutional authorization and compliance functions, Veterans Affairs, special program, and all policy research functions.

- **Information Support Services, a new division, directs all functions related to the management of the information of the computer mainframe and network of the entire Corporation. In addition, this division is responsible for resolution of special problems due to the 1991 computer conversion and records management functions.**
- **Loan Servicing division directs the communications between the borrowers, payment and deferment processing, forgiveness provisions, skip tracing, and collections on delinquent loans.**
- **Identified a solution to long standing ASLP loan servicing problems and now actively seeking funds to implement a permanent solution to a fully automated, up-to-date loan servicing system. (Total commission staff is 98 permanent positions and 6 temporary positions).**
- **Issued \$50.0 million in student loan bonds fully insured by AMBAC (the 1993 student loan bonds were uninsured).**
- **Initiated a 72-hour turnaround time for processing ASLP applications (in prior years the commission took up to eight weeks to process loan applications).**
- **Backlogs in correspondence, processing deferments, and paid-in-full accounts have all but been eliminated.**
- **Telephone Service at ACPE has greatly improved to the point the commission now has a 98+% answer rate every month.**

The FY96 Budget Request reflects a level of funding to allow the commission to maintain the high standards of customer service that have been implemented these past several months. *Funds are requested to allow ACPE to install a 1/800 telephone number to assist borrowers who must communicate with our office.* In addition, funds are requested to replace some very old modular furniture that now represents a serious work hazard to employees.

ACPE Objective Two: Enhance the financial stability and secure a strong financial future for the program

New statutory authority will allow the Corporation to:

- Tie the interest rate on loans to the interest paid on bonds and the cost of servicing
- Restrict borrower's ability to receive a loan if previous loans were written off
- Restrict renewal of state occupational licenses for defaulted ASLP borrowers
- Receive an assignment of wages from borrowers with defaulted loans by a court of law

Proposed 1995 Legislative Proposals

- Increase loan limits for students
- Begin charging interest on loans during deferment periods
- Change the definition of default from 120 days to 180 days to be consistent with other servicers in the industry and to allow for more time to perform due diligence on the loan
- Reduce the grace period from twelve months to six months
- Implement a required per loan minimum payment of \$50 per month
- Reduce the military deferment period from six years to three years
- Change the language, a "guarantee fee" to a loan origination fee of up to five percent of the loan amount. Fee used to offset losses due to death, disability and loan write-offs
- Alter the terms of repayment to allow for fifteen year repayment and a \$50 minimum payment
- Allow student and family member to have both ASLP and FELP in same year
- Prohibit loans to incarcerated students
- Various technical amendments

ACPE Objective Three: Improve loan servicing to reduce defaults through enhanced repayment activity

The Commission's most significant issue is to provide Alaska student borrowers an up-to-date, fully automated loan servicing system. The FY 96 budget has requested funding for a Capital Budget Request of \$1.4 million to provide ACPE the necessary resources to implement a fully automated student loan servicing system. In December 1994, the Legislative Budget and Audit Committee authorized ACPE \$250,000 to find the loan servicing software required to complete this effort. The capital budget request will provide the resources necessary to modify the software to the ASLP and implement the new system to a fully operational status as follows:

- \$ 250,000 Personnel costs related to the hiring of four temporary programming staff.
- \$ 5,050 Contractual services to assist with modification and conversion issues.
- \$ 1,144,950 Equipment costs to purchase hardware, software and installation services.

This project is vital to the Commission as the current software does not have the capacity to meet the needs of the Commission in properly servicing loans and will not meet future needs of the Alaska Student Loan Program. Current system deficiencies include:

- Inadequate audit trails
- Labor intensive procedures requiring multiple screens to perform basic tasks
- Poor support of interest accrual and billing cycles
- A collection module which cannot handle a large volume of accounts
- Highly labor intensive, manual tasks required to service loans properly
- Inability to reconcile system transactions and verify accuracy of data
- Maintenance of the current system is an unacceptable, high risk to the ASLC

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
FY96 BUDGET SUMMARY AND COMPARISON
(Narrative Explanation of Budget Components to follow)

	<u>FY95 Budget</u>	<u>FY96 Request</u>
Operating Budget		
General Fund:		
WICHE Administration	\$79,000	\$ --
WICHE Student Exchange	579,800	474,600
WAMI Medical Program	1,162,400	1,307,000
Federal Student Aid (State Match)	329,500	369,100
Total General Fund	\$2,150,700	\$2,150,700
Corporate Receipts:		
Postsecondary Commission:		
Program Administration	\$635,100	\$717,900
Loan Operations	4,465,100	6,451,500
Data and Word Processing	843,700	--
Student Loan Corporation	382,200	--
Total Corporate Receipts	\$6,326,100	\$7,169,400
Federal Funds:		
Program Administration:		
Veterans Administration	\$176,800	\$148,100
State Postsecondary Review Entity (SPRE) Program	150,000	100,000
Federal Student Aid (SEIG)	163,500	163,500
Governors Council on Vocational Ed.	160,700	160,100
Total Federal Receipts	\$651,000	\$571,700
Total Operating	\$9,127,800	\$9,891,800
Capital Projects (All Corporate Receipts):		
Intelligent Dialing System	\$185,500	\$ --
Expanded System Network and DP Enhancement	400,000	--
Microfiche Replacement Equipment	130,000	--
Feasibility Study	100,000	--
Office Furniture	--	0
New Loan Servicing Software	--	1,400,000
Total Capitol Projects	\$815,500	\$1,400,000
TOTAL	\$9,943,300	\$11,291,800

ACPE OPERATIONAL BUDGET COMPONENTS

GENERAL FUND PROGRAMS

WICHE (Western Interstate Commission on Higher Education) Student Exchange Program

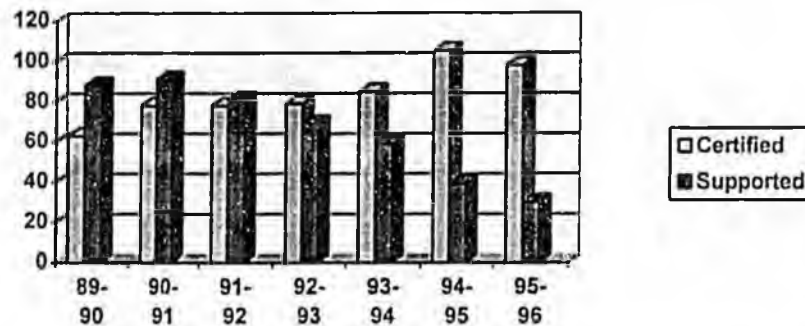
The goal of this component is to provide professional education opportunities to Alaskan students in fields for which there are no programs operating in Alaska and to encourage them, through State labor data, to return and practice in Alaska. The Commission participates in three student exchange programs: Western Undergraduate (WUE), Professional Student (PSEP) and Western Regional Graduate (WRGP).

The Commission anticipates funding 15 continuing students and 15 new students in nine separate fields from an applicant field of approximately 98 students in the PSEP WICHE program. Total WICHE funds requested for FY96 is \$474,600. The Commission anticipates passage of related legislation modifying the program to include physician assistant as a new field.

WICHE Changes from FY95 authorized budget requested in the FY96 Budget:

- \$ 79,000 Transfer the WICHE Administration component into this component
- \$ 0 Line item transfer from grants to fund travel and supply expenditures
- \$144,600) Transfer to the WAMI Medical Education component to cover the increase in the commission's contractual obligation
- (\$ 39,600) Transfer of Federal Student Aid component to fund additional need-based awards

WICHE PSEP STUDENTS



* Due to budget cuts, no new participants are supported in the current year 1994-1995.

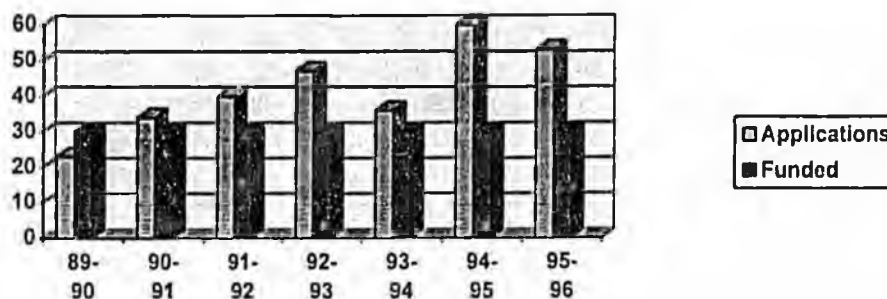
WAMI (Washington, Alaska, Montana and Idaho) Medical Education

This program provides guaranteed access to a medical school for ten (new) Alaskan residents per year. The University of Washington School of Medicine (UWSM) acts as the regional medical school for Washington, Alaska, Montana and Idaho by reserving a predetermined number of class places each year. Alaska currently contracts and pays for thirty places, ten in each year of study. Students attend the first year of training at the University of Alaska, Anchorage campus before transferring to the University of Washington campus. Funding request for WAMI in FY96 is \$1,307,000.

WAMI Changes from FY 95 authorized budget:

\$144,600 Transfer from the WICHE Student Exchange component to cover the cost of living increase in the Commission's contractual obligation.

WAMI STUDENTS



CORPORATE RECEIPTS

Program Administration (FY96 funding request \$717,900)

This component has two goals: to provide overall administration and policy direction to the Commission programs and staff and to exercise review and oversight of postsecondary programs and institutions operating in the state, with the exception of the University of Alaska system. This component administers the Veterans Administration and SPRE program. In addition, the component contains funding for the Commission to set policy, the Office of the Executive Director to implement policy and the Institutional Authorization staff, which enforces the Commission's regulations and policy directives. Sources of funding include corporate and federal receipts.

Changes from FY95 authorized budget:

- \$ 0 Combination of two part-time positions into one full-time position.
- \$ 0 Line item transfers to align federal authorization with expenditures.
- \$82,800 Increase in Corporate receipts to fully fund anticipated expenditures based on actual expenditures incurred in past years and anticipated activity for the coming year.
- (\$78,700) Decrement in federal authorization to more closely reflect actual grant receipts.

Alaska Student Loan Operations (FY96 funding request \$6,451,500)

The goals of this component are to provide low cost financing to the Alaska Student Loan Program (ASLP), disburse low-cost loans to eligible Alaskans enabling them to pursue postsecondary education and training and to service the outstanding loan portfolio in a manner which maximizes repayment to the Student Loan fund and protects the financial integrity of the Alaska Student Loan Program. This component is funded solely from corporate receipts.

In FY96 the following FY95 components were combined with this component in an effort to eliminate unnecessary components and to combine all related activity into one component:

- Data and Word Processing
- Alaska Student Loan Corporation

Other changes from the FY95 authorized budget:

- \$843,700 Transfer of Data and Word Processing component into this component.
- \$374,200 Transfer of Alaska Student Loan Corporation appropriation to this component.
- \$250,000 Addition of four CIP funded positions for implementation of the new loan servicing system requested through a capital project budget.
- \$292,000 Funding for a 1-800 number for borrower use.
- \$ 8,000 Increase in the cost of services to be provided by the Department of Commerce and Economic Development to implement new legislation passed in HB506.
- \$218,500 Increase in other line item expenditures based on actual expenditures in past years and anticipated activity for the coming year.

Federal Funds

The Veteran Affairs program and the State Postsecondary Review Entity (SPRE) are federal funds located in the Program Administration component of the ACPE budget. Under the VA program, ACPE certifies schools eligibility for VA benefits; in the SPRE program, ACPE acts as an oversight agency for the U.S. Department of Education for all Alaska Schools that participate in federal student aid programs.

The Federal Student Aid component includes the State Student Educational Incentive Grant program and the Paul Douglas Teacher Scholarship program. The State Student Educational Incentive Grant program utilizes federal and state funding to provide \$1,500 need-based grants to eligible low-income students enrolled in full-time undergraduate programs. Each year approximately 1,400 students apply for this grant as it is the only need-based student aid program offered by the State of Alaska. The Commission funded 319 grants in FY94 and anticipates funding 296 and 325 in FY95 and FY96 respectively. The state matching fund request for FY96 is \$369,100.

The Commission acts as Alaska's administrative and fiscal agent for the federal Paul Douglas teacher scholarship loan program. This program is funded exclusively by the federal government. The Commission provided seven loans in FY 94 and anticipates providing ten and eight loans in FY95 and FY96 respectively.

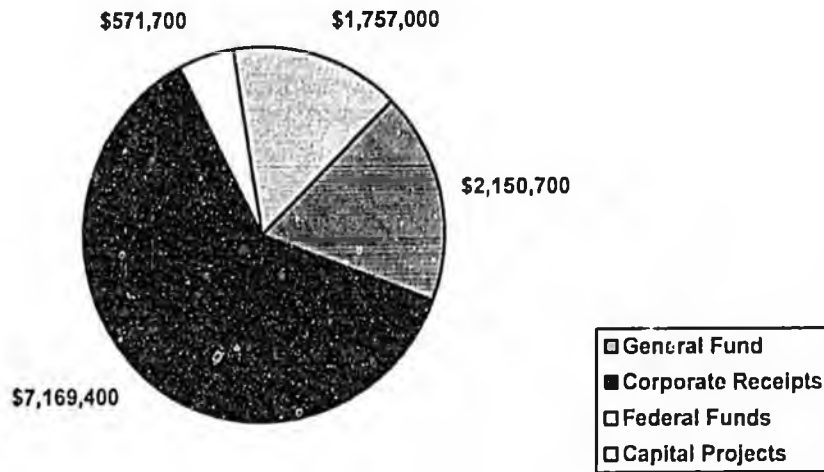
Finally, the Commission acts as an administrator of the federal funds allocated to the Governor's Council on Vocational Education. FY96 funding request is \$160,100. The goal of the governor's council on Career and Vocational Education is to expand and improve the delivery of vocational educational opportunities to Alaskan citizens.

Federal Student Aid Changes from FY95 authorized budget:

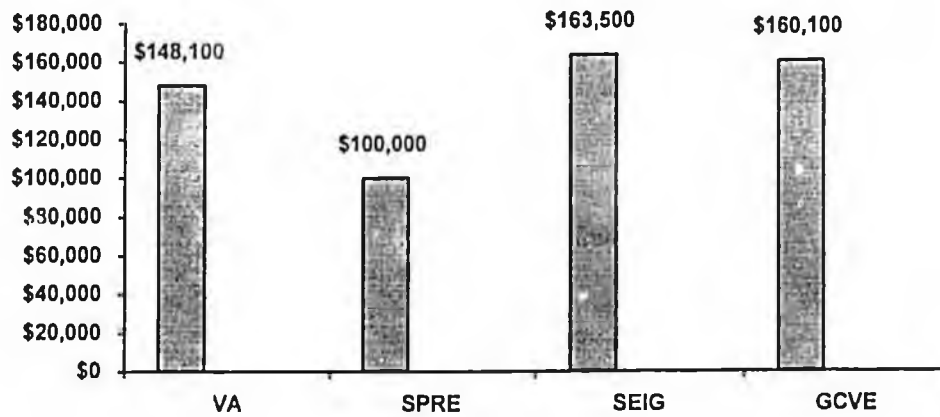
- \$39,600 Transfer from the WICHE SEP to fund additional need-based awards
- (\$600) Decrement in federal authorization to more closely reflect actual grant receipts

ACPE FUNDING SOURCES ILLUSTRATED

FY96 BUDGET



FEDERAL FUNDS



APPENDIX

- 1. Alaska Commission on Postsecondary Education Members**
- 2. Alaska Student Loan Corporation Members**
- 3. Alaska Student Loan Portfolio Analysis**
- 4. History of Changes to the Alaska Student Loan Program**

Alaska Commission on Postsecondary Education

Members

Tom Wagoner, Chair	General Public
Stuart Bowdoin	General Public
Bobette Bush	General Public
Debbie Fullenwider	General Public
Vacant	General Public
Senator Johnny Ellis	Alaska State Senate
Rep. Con Bunde	Alaska House of Representatives
Roger Jarvis	Board of Education
Eric Forrer	Board of Regents
Mary Jane Fate	Board of Regents
Marie Becker	Governor's Council
Helen Finney	Private Higher Education
Milton Byrd	Proprietary Education
Patricia MacPike	Student

Alaska Student Loan Corporation

Members

Tom Wagoner	Postsecondary Commission
Vacant	Postsecondary Commission
Will Condon	Commissioner of Revenue
Mark Boyer	Commissioner of Administration
Willie Hensley	Commissioner of Commerce and Economic Development

GENERAL DUTIES AND RESPONSIBILITIES

Alaska Commission on Postsecondary Education (ACPE)

- Consumer Protection
 - Monitor school advertising and contracts with students.
 - Handle customer complaints.
 - Help to assure loan/tuition refunds and student teach-outs when schools close.
- Institutional Authorization
 - Provide biennial review and re-authorization for approximately 100 postsecondary institutions.
 - Regulate program and degree offerings.
 - Approve institutions for Alaska and Veterans student loans.
- Student Financial Aid
 - Full-time, half-time, teacher scholarship, and family education loans.
 - Special state and federal scholarship loans.
 - State and federal grants for low income students.
 - Tuition subsidy for professional programs not available in Alaska: WICHE Professional Exchange and WAMI Medical Programs.
 - Tuition breaks for Alaskans enrolled in certain regional undergraduate and graduate programs.
- State Postsecondary Review Entity (SPRE) Program to insure continuing availability of Federal Title IV eligible Alaska institutions.
- Administrative support provided to the Governor's Council on Vocational Education.

Alaska Student Loan Corporation (ASLC)(AS 14.42.200)

- Collect from a borrower amounts owed with respect to a student loan the corporation has purchased or originated.
- Service student loans held by the Corporation.
- Enter into agreements with the federal government, including guaranty agreements and supplemental guaranty agreements as described in the United States Higher Education Act of 1965.
- Administer federal dollars allotted to the state involving insured student loans and related administrative costs and other matters.
- Borrow money to carry out the purpose of the corporation and issue obligations as evidence of the borrowing.
- Invest or reinvest money held by the Corporation.
- Gather information on student loans available to residents of Alaska and disseminate the information to reasonably assure that qualified residents are aware of financial resources available to those attending or desiring to attend institutions for which the corporation can make loans.
- Enter into agreements with the Alaska Commission on Postsecondary Education relating to student loans, the administration of the student loan fund, and the payment of and security for bonds of the corporation.

ALASKA STUDENT LOAN PROGRAM

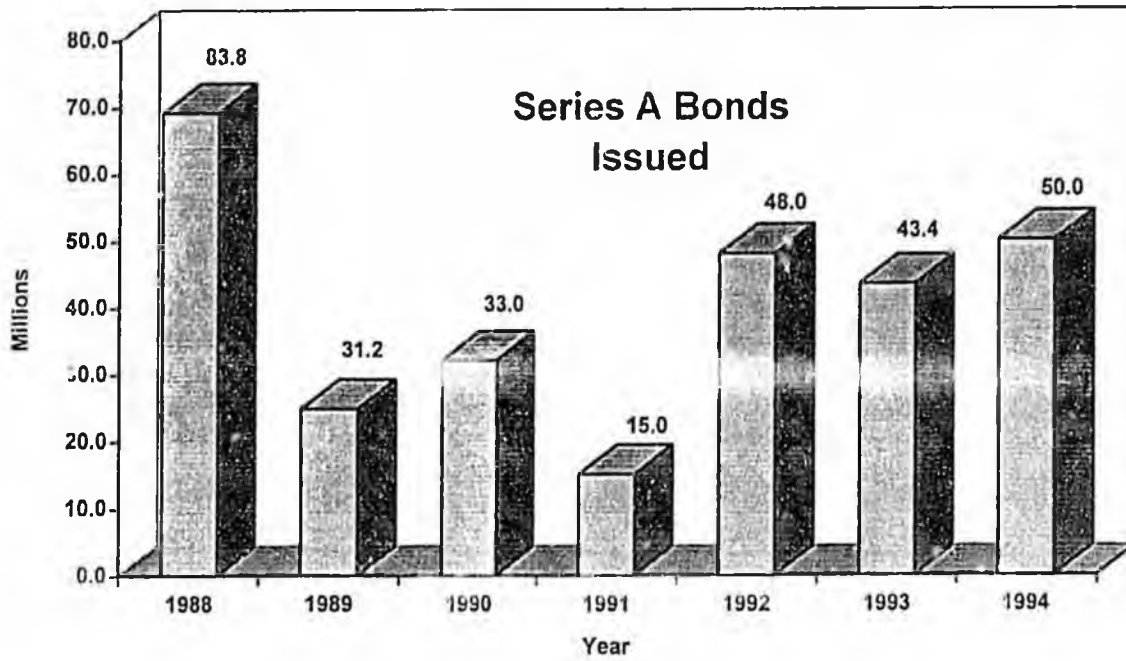
**PORTFOLIO
CHARACTERISTICS**

March 1995
(revised 3-17-95)

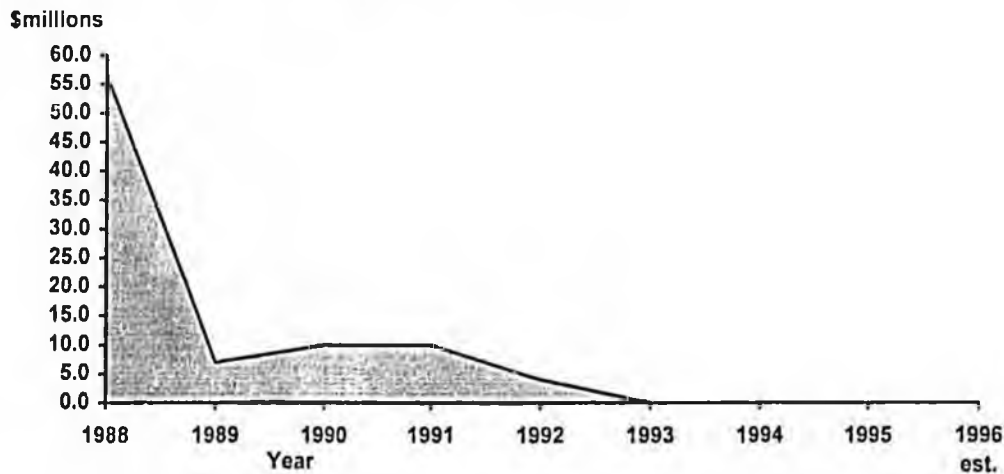
Fund History

The Alaska Student Loan Corporation (Corporation) was created in 1987 through an act of the Legislature. A public corporation and a governmental instrumentality, the corporation was specifically established for the purpose of financing student loans through the issuance of bonds, notes, or other debt instruments.

The corporation must determine the funding for Alaska student loans on an annual basis. The Alaska Student Loan Fund consists of a blend of funds from tax-exempt bonds, loan repayments and prior years State of Alaska general fund support. Repayments are used to make new loans, to pay debt service on the outstanding bonds, and to pay operating expenses of the Corporation. The chart below illustrates the amount of previous bond issuance by the Corporation.



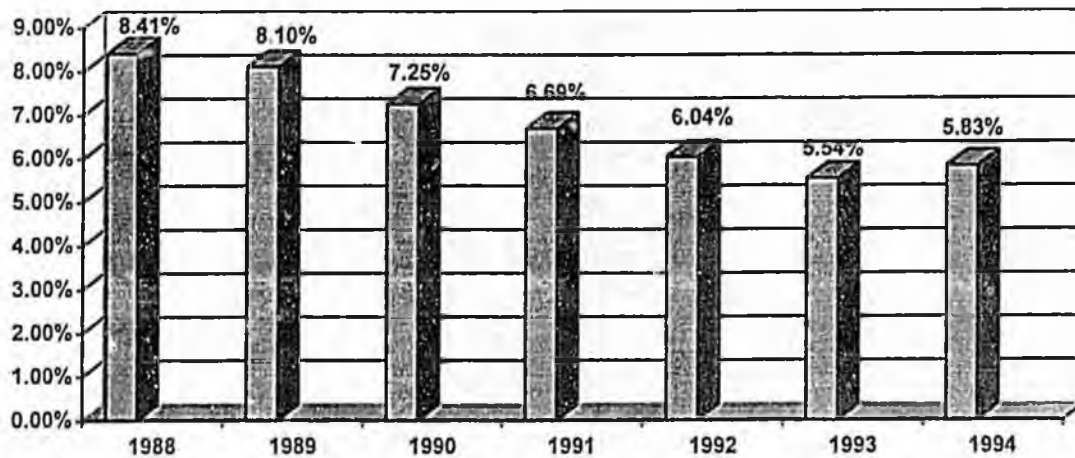
State Appropriations to ASLP



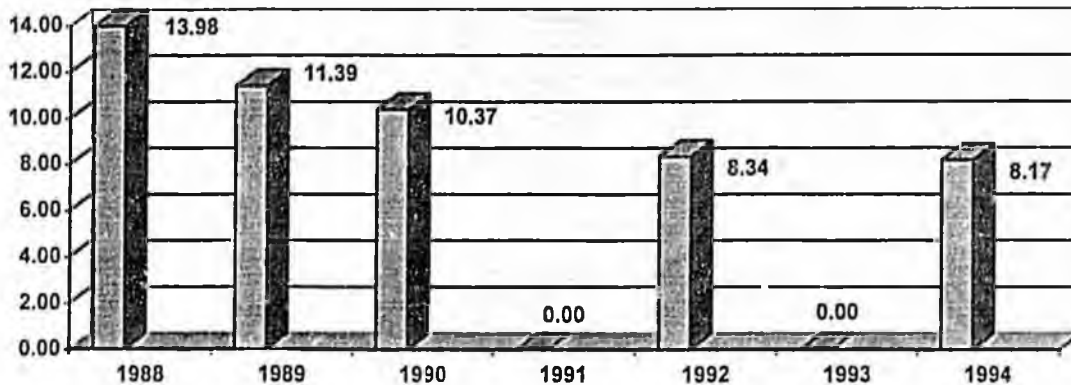
The 1994 Bond Issue:

The 1994 offering was viewed by all parties as successful with ASLC incurring favorably low debt service costs. In comparing the Series 1994 bonds with the 1993 issue, it should be noted that AMBAC agreed to insure the 1994 issue after refusing to insure the 1993 bonds. AMBAC's participation in the 1994 issue was primarily due to their confidence in the new senior management's ability to rectify the servicing difficulties which have persisted over the years. Even though the 1994 issue was offered during weak market conditions, the true interest costs (TIC) of the transaction was among the lowest ever achieved. See Chart A below. In addition, the 1994 underwriter's discount compared favorably to discounts previously paid by the corporation (competitive or negotiated) and resulted in an aggregate discount of \$449,500 versus the budgeted discount of \$750,000 producing a savings of \$300,500. See Chart B for a summary of the corporation's historical bond insurance costs.

**CHART A
TRUE INTEREST COST on ASLC BONDS**



**CHART B
ASLC BOND INSURANCE COSTS
(per \$1,000 in bonds)**



Overcollateralization of the Alaska Student Loan Fund - One of the questions most frequently asked about the Alaska Student Loan Program has to do with its financial solvency and ability to retire the bond debt that now exists in the loan fund. The following summary clearly indicates that the total assets of the ASLP Loan Fund remain at over twice the amount of student loan bond debt to be retired. The tremendous support of the Alaska Legislature in the early years of the loan program created this highly overcollateralized fund. However,

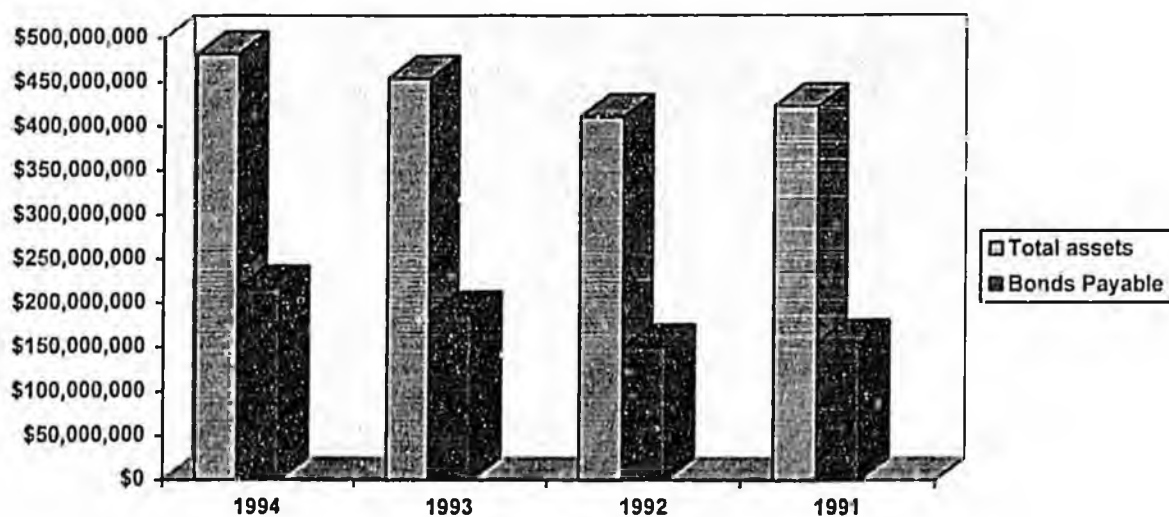
since 1992 no General Fund Revenue has been appropriated to the ASLP. In order to remain financially solvent, the ASLP will have to continue to eliminate certain losses to the loan fund due to lost interest, defaults, and forgiveness benefits. The ACPE 1995 Legislative Proposals and the FY96 budget plan are designed to secure the future financial solvency of the ASLP.

Summary of Overcollateralization of the Alaska Student Loan Fund

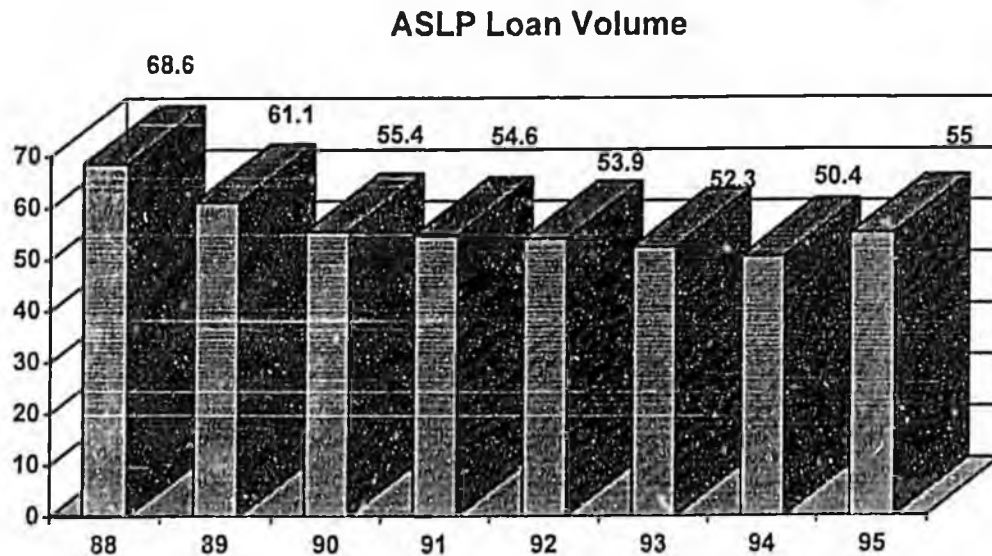
	1994	1993	1992	1991
Loans receivable	490,615,743	486,836,311	483,959,466	479,681,427
Less allowances for:				
Doubtful Loans:	96,503,198	93,158,000	100,534,190	102,144,000
Forgiveness	<u>12,880,026</u>	<u>18,709,788</u>	<u>26,385,723</u>	<u>29,588,948</u>
Net Loans receivable	<u>381,232,519</u>	<u>374,986,523</u>	<u>357,039,553</u>	<u>347,948,479</u>
Cash and equivalents	13,185,091	8,146,615	11,083,015	5,584,929
Investments held by trustee	<u>87,239,970</u>	<u>70,951,944</u>	<u>42,701,143</u>	<u>69,222,894</u>
	<u>100,425,061</u>	<u>79,098,559</u>	<u>53,784,158</u>	<u>74,807,823</u>
Total assets	<u>481,657,580</u>	<u>454,067,082</u>	<u>410,823,711</u>	<u>422,756,302</u>
Bonds payable, net of bond discounts	216,889,540	188,407,638	150,988,410	156,032,505
Total Assets Net of Loan Allowance/Bond payable	<u>2.22%</u>	<u>2.41%</u>	<u>2.72%</u>	<u>2.71%</u>

(ratio is showing that our assets by far exceed bonds payable)

Total Assets to Total Bonds Payable Compared



Alaska Student Loan Volume - the level of lending in the ASLP for the past several years has remained stable in the \$50.0 million range. All demand for ASLP loans has been met each year. The chart below illustrates the loan activity since FY88.



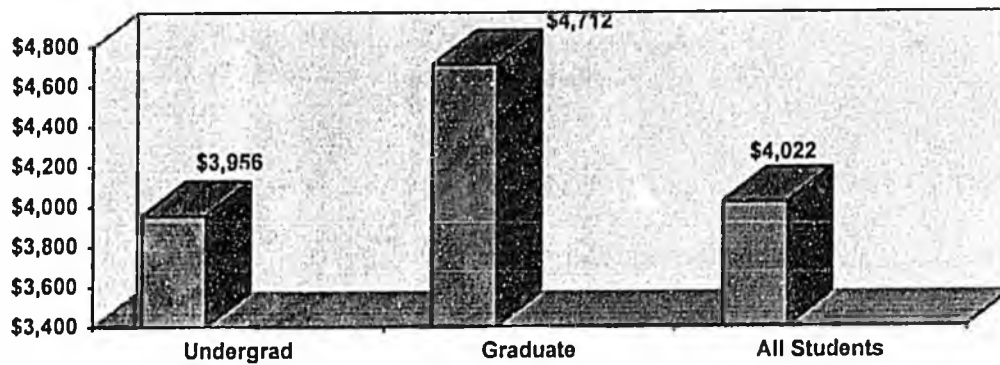
Profile of the 1994 Alaska Student Loan Portfolio

<u>Type of Students</u>	<u>Number of Students</u>	<u>Total \$ Loans 1994</u>	<u>Average Loan per Borrower</u>
Undergraduates	11,418	\$45,181,000	\$3,956
Graduate	1,075	\$5,065,000	\$4,712
Total	12,535	\$50,246,000	\$4,022

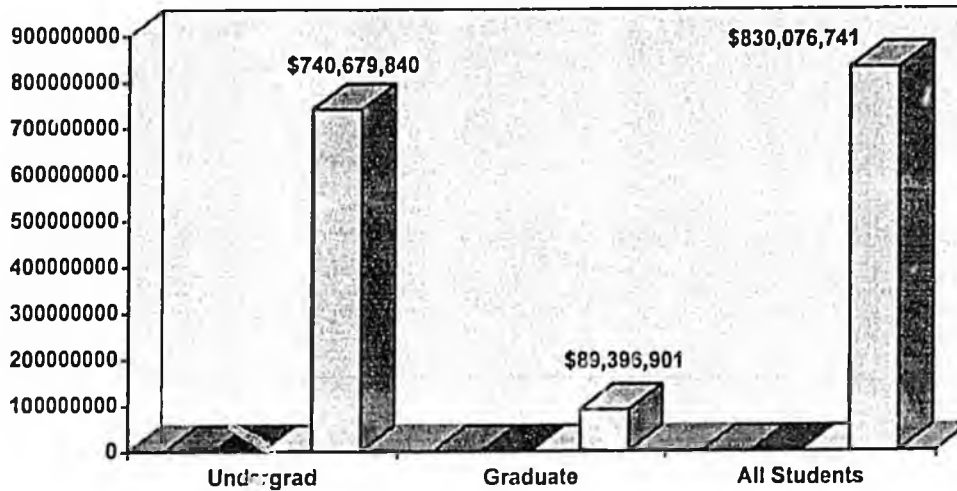
<u>Residency</u>	<u>Total Portfolio</u>	<u>Undergraduates</u>	<u>Graduate</u>
In-state	62.6%	65.5%	32.3%
Out-of-state	37.4%	34.5%	67.7%

<u>Type of Students</u>	<u>Total Cumulative #Students</u>	<u>Total Cumulative \$Dollars</u>	<u>Alaska Students Percentage</u>	<u>Out-of-State Students Percentage</u>
Total	208,772	\$830,076,741	52.2%	47.8%
Undergrad	190,285	\$740,679,840	55.4%	44.6%
Graduate	18,487	\$89,396,901	23.5%	76.5%

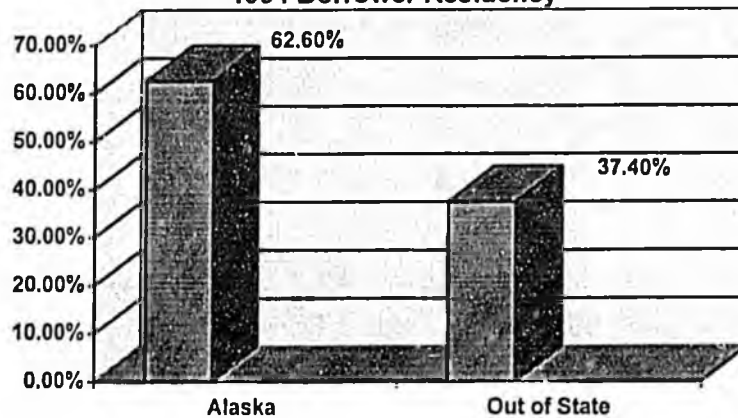
Average ASLP Loan



Cumulative ASLP Loan Volume

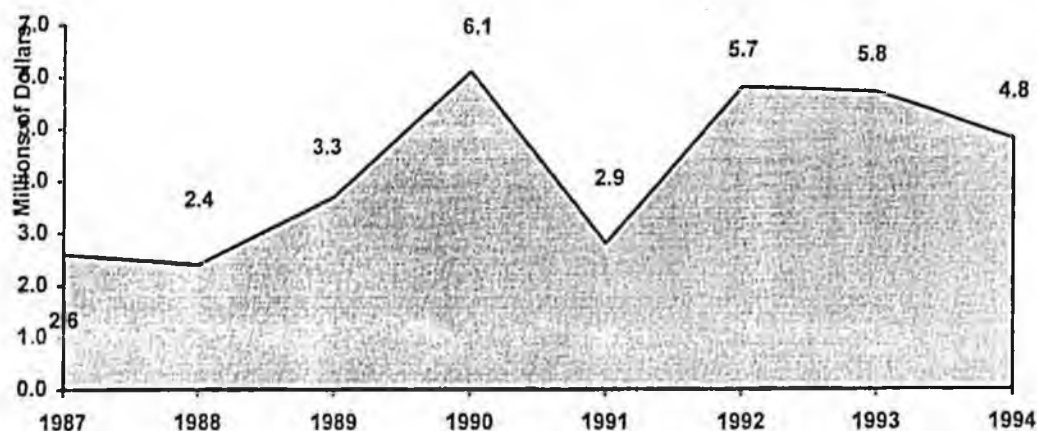


1994 Borrower Residency



The Permanent Fund Dividend - According to AS 43.23.065 (b)(3) to satisfy the balance of a defaulted loan, the Commission can garnish an Alaskans Permanent Fund Dividend. The Alaska Permanent Fund is a fund held and managed by the state which was established by an amendment to the constitution of the State in 1976. The Alaskan Permanent Fund may be taken to satisfy the balance of a defaulted loan. Through this garnishment process, approximately 33.5 million dollars have been garnished since 1987, from defaulted borrowers. During dividend year 1994, to date, 4.83 million has been collected.

Permanent Fund Dividend Garnishments



Loan Forgiveness Provisions - A rather unique feature of the Alaska Student Loan Program is that loans made prior to July 1, 1987 are eligible for forgiveness benefits. If a borrower completes the program of study for which a loan is made and then lives in Alaska after completion of study, the borrower may be eligible to have up to 50% of the loan forgiven (canceled). Forgiveness benefits are earned in 10% increments for each year of residency after the second year following completion of study.

