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Steve Harris

Alaska state student loan programs

Scott Sterling, interviewer

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Scott Sterling said the student loan program is the largest loan program in the social services category in state loans. He asked Steve Harris about the background of the student loan program. Harris said the program was started approximately ten years ago by several members of the legislature at that time. They felt it would be a good idea to provide some kind of loan program for both students attending college in state as well as students going out of state for college. The loan program at this time serves approximately 10,000 Alaskans. The appropriations this year was fifty-five million dollars.

Sterling asked how many people were taking advantage of the loan program at the University of Alaska Fairbanks. Harris said there are approximately a thousand students taking advantage of the program. Sterling asked why the program has grown so much and why it is so popular. Harris said part of the reason is the low interest rate at five percent. The economy also has something to do with the popularity since more people attend school when the economy is not good. Students can borrow 6,000 dollars at the undergraduate level and 7,000 dollars at the graduate level. The forgiveness clause allows students to pay back only fifty percent of the loan if they stay in the state for five years.

Sterling wondered if the program has been a boon or a burden to the university as an educational institution. Harris said it has been a boon. The enrollment has jumped tremendously. He said it seems like a lot of people who went outside of Alaska for their education have returned to the state to attend school. Along with the increase of enrollment the capital budget that goes into the university also increases. Sterling wondered if the student loan program has some kind of bearing on plans the university administration makes. Harris said definitely. The number of students using the loans at this time is significant for the plans of the administration. If the program was altered or abolished at this time he estimates that at least forty percent of the students would not be able to go to school.

Sterling asked why the loan program has become an issue for the legislature this year. Harris said there are several factors having bearing on the program. The state is in an era of declining revenues and with the threat of OPEC lowering the price of oil the state is looking at a significant drop in revenues for the years to come. He said all of the programs will be cut back, especially social programs. The student loan program directly serves a smaller number of people and therefore would be targeted by the legislature during times like these when cutbacks are needed. Indirectly it serves a lot of people at the university on faculty and staff. They are all affected by the number of people who attend the university who in turn are affected by the student loans.

Sterling asked if the student loan program is being affected by the declining oil revenues or is there a change in philosophical direction about the value of the program. Harris said the actual value of the

program is not being questioned. There is now a more conservative trends in the legislature. In the past there were more proponents of the student loan program. Now the governor has brought a lot of attention to it recently and including it in cutbacks. The conservative trend is to get back to capital projects and let the business take over for such things as mortgages and student loans. Sterling asked if it is realistic for the private sector to take over. Harris said traditionally banks will loan to students, but students on the whole can't afford the interest rate and other issues such as forgiveness like the state loan program. He questions how many people would be going to school if not for the student loans.

Sterling asked what the governor suggests for the student loan program and what are the bills regarding the program. The governor suggested the loans be reduced to 3,000 for each year, the forgiveness clause being abolished and the interest rates would rise from five percent to nine percent.

Representative Lindauer has a bill which suggests raising the interest rate to seven percent with a clause about larger loans. Senator Sackett has a similar bill with the stipulation that only Alaska high school graduates would be able to use the program.

Sterling said the state must be expecting demand for the program to increase in the future. Harris said the Alaska Student Program has been analyzed and the predictions show a steady increase of students using the program and those coming into the state. The projections using this information show the program going bust in about five years. Sterling asked if the student loan program was designed to be a revolving loan program. Harris said yes and no. The problem is with 50 percent forgiveness then it isn't a totally revolving loan fund. It would have to be subsidized by the legislature every year. Sterling said it seems to be a question about how they want to finance the program and limiting the number of people who have access to it. Harris said the main problem is the forgiveness clause. When the program was instituted a few years ago it was on a condition that each year a person stayed in the state ten percent of the loan would be forgiven up to five years. It was an incentive to keep those graduates in the state and the state would reap the benefits of having them in the state. This also applied to students who went Outside to get their education and returned to Alaska. The conservatives consider this a scholarship, grant and loan all rolled into one. They want this clause abolished or limited to less forgiven. Harris expects in the next ten years the forgiveness program will be gone. Sterling wondered if this clause is dropped how that will affect the demand for the program. Harris said it would probably drop off. He doesn't think it would last very long. He thinks the interest rate is a minor detail. From the student's point of view the future for the student loan program is dismal. A lot of people were reliant on the program as it is now.

Sterling commented about the varied types of students using the program. Harris said there are no stipulations as to level of income and is not discriminatory. Sterling asked if there will be drastic changes or small changes over time. Harris said any student receiving a loan or planning to apply should get in touch with their legislator and let them know how you feel about it. When he was down in Juneau the people he talked with were interested in incremental changes such as smaller increases in the interest rate and a roll back of the forgiveness clause to forty percent. He hopes there will be smaller changes and a review process each year. He said the legislators supporting the program were concerned that the loan program would be in effect five to ten years in the future for their children and their grandchildren.