CS FOR HOUSE CONCURRENT RESOLUTION NO. 24(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 2/2/96
Referred: Rules
Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE

A RESOLUTION

1 Relating to student loan default rates at vocational education schools.

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

3 WHEREAS private vocational education is an integral part of Alaska’s education system; and

4 WHEREAS the statutory authority for promulgating 20 AAC 15.925 (Program and Institutional Default Rates) was enacted by the legislature in 1987; and

5 WHEREAS the Alaska Commission on Postsecondary Education did not promulgate 20 AAC 15.925 (Program and Institutional Default Rates) until November 1995, eight years after the legislature authorized the regulation; and

6 WHEREAS 20 AAC 15.925 (Program and Institutional Default Rates) applies only to private vocational education schools; and

7 WHEREAS the Alaska Commission on Postsecondary Education has no authority to conduct credit checks on potential borrowers; and

8 WHEREAS The Alaska Student Loan Program has changed dramatically from 1987 to 1995; and

9 WHEREAS 20 AAC 15.925 (Program and Institutional Default Rates) does not take into account new owners of private vocational education schools who have a substantially
lower default rate than the schools’ previous owners and the regulation calculates the schools’
average default rate over the life of the school; and

WHEREAS 20 AAC 15.925 (Program and Institutional Default Rates) does not give
private vocational education schools a grace period to bring down default rates, and the
regulation immediately prohibits a school whose default rate is greater than 1.5 times the
average default rate from participating in the Alaska Student Loan Program; and

WHEREAS 20 AAC 15.925 (Program and Institutional Default Rates) does not
provide a mechanism for a private vocational education school to reenter the Alaska Student
Loan Program once the school has been prohibited from participating in the program; and

WHEREAS the executive director of the Alaska Commission on Postsecondary
Education has stated in writing that the reason the regulation was promulgated was at the
direction of the legislature in 1995; further, in testimony before the House Labor and
Commerce Committee, the executive director’s assistant said the direction from the legislature
for promulgating this regulation came from a letter of intent attached to legislation that did
not pass the legislature; and

WHEREAS the Alaska Commission on Postsecondary Education has had no
systematic loan default management program; and

WHEREAS solving the default rate problem of the Alaska Student Loan Program will
require examination of all the loans of the program and not just those loans made to
vocational education students; and

WHEREAS 20 AAC 15.925 (Program and Institutional Default Rates) is unfair to the
private vocational education students in the state; and

WHEREAS ameliorating the Alaska Student Loan Program default rate would be
assisted by soliciting and utilizing the knowledge and expertise of those who are actively
involved in the state’s private vocational school industry; and

WHEREAS the private vocational education schools have expressed willingness to
cooperate fully with the commission to lower default rates; and

WHEREAS immediate implementation of 20 AAC 15.925 (Program and Institutional
Default Rates) will cause irrevocable harm to private vocational education in the state and is
not in the best interests of the students, the schools, or the state;

BE IT RESOLVED that the Governor is respectfully requested to urge the Alaska
Commission on Postsecondary Education to immediately cease implementation of 20 AAC 15.925 (Program and Institutional Default Rates) and take whatever action is necessary to rescind the regulation; and be it

FURTHER RESOLVED that the Governor is respectfully requested to urge the Alaska Commission on Postsecondary Education to work and consult with all affected parties in order to achieve a satisfactory resolution of the issues raised by student loan default rates and to craft a more equitable loan default regulation.