

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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February 4, 2010

The Honorable Paul Seaton
Chair, Education Committee
Alaska House of Representatives
State Capitol, Room 102
Juneau, Alaska 99801

Subject: CSHB 235 - An Act relating to the professional student exchange program...

Dear Representative Seaton:

At the February 1, 2010 committee meeting you posed two questions which required some additional analysis on my part to provide a response.

First you asked what, if any, impact would there be for borrowers of education loans if both CSHB 235 and CSHB 58(EDC) were to be enacted. As you know, CSHB 235 proposes to provide forgiveness benefits of up to a 50% discharge of the loan principal to certain borrowers in the Professional Student Exchange Program (PSEP).

CSHB 58(EDC) provides for repayment benefits to a much broader category of education loan borrowers, and is specifically described as an employee recruitment program. In that legislation, the Commissioners of Administration and Labor and Workforce Development are empowered to jointly identify professional fields and occupations for which there are worker shortages in Alaska. New employees in Alaska (subsequent to the date of enactment) serving in relevant positions and who have outstanding education loan debt could apply for repayment benefits in accordance with either of the two benefit schedules included in the bill. One schedule provides for full repayment of outstanding loans over four years in non-rural areas, and the other provides for full repayment over six years for employment in rural areas.

The bill does indicate that loans which are otherwise eligible for repayment benefits under another program are *not* eligible for benefits under CSHB 58(EDC). The net result, in my opinion, is that the PSEP borrowers would be eligible to apply for benefits under the other program only on *other* education loans they may have, or on their PSEP loan *after* they had exhausted their forgiveness benefits under the PSEP loan contract.

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The other issue you raised was whether, under the current bill language, ACPE would be unable to make non-forgivable loans to applicants in the three referenced fields in the event the Legislature failed to provide the funding for the loans. In fact, that would be problematic without some explicit provision to do so. Please find enclosed a copy of the advice I requested from the Department of Law on this matter.

I hope this information is responsive to your inquiry. Do not hesitate to contact me if there is other information I can provide.

Sincerely,

A handwritten signature in black ink, appearing to read "Diane Barrans", with a long, sweeping horizontal line extending to the right.

Diane Barrans
Executive Director

Enclosure

MEMORANDUM

State of Alaska Department of Law

TO: Diane Barrans, Executive Director
Alaska Commission on
Postsecondary Education

DATE: February 2, 2010

FILE NO.: AN2009103894

FROM: Mary Ellen Beardsley *MEB*
Assistant Attorney General
Commercial/Fair Business Section
Anchorage AGO

TEL. NO.: 269-5213

SUBJECT: HB 235

You have asked me to look at HB 235 (and the draft CS for this bill) to determine what impact it will have on the Alaska Commission on Postsecondary Education (ACPE). I have reviewed the draft CS and the statutes being amended by this legislation.

AS 14.44.025 currently requires ACPE to establish funding priorities for the Professional Student Exchange Program (PSEP) that is administered by WICHE for certain fields of study. Participants in PSEP are required to repay the State the support provided to them under PSEP and the money repaid by the participants is placed in the education loan fund created under AS 14.42.210. There is currently no forgiveness provision in AS 14.44.040(a)

HB 235 proposes to establish a forgiveness provision in PSEP. HB 235 would require ACPE to forgive up to 50% of the total PSEP loan amount should the participant fulfill the requirements set out in AS 14.44.041. The language of HB 235 is mandatory and does not allow ACPE to issue PSEP loans without the loan forgiveness benefit. There is a funding concern as it relates to this mandatory language. There needs to be an ability on the part of ACPE to issue PSEP loans to participants without the loan forgiveness benefit in the event the legislature does not provide funding for loans containing the forgiveness benefit. Without this ability, ACPE might be required to exclude these fields from the PSEP in the years in which there is no funding since there would be no provision for offering PSEP loans that have no forgiveness benefit.

If I can be of further assistance please let me know.

MEB/