

**HOUSE BILL NO. 256 am**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE DAVIS

**Amended: 5/5/97**

**Introduced: 4/21/97**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to calculation of the default rate for purposes of the student  
2 loan program and to regulation of postsecondary educational institutions; and  
3 providing for an effective date."

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

5 \* **Section 1.** AS 14.43.120(d) is amended to read:

6 (d) Scholarship loans may not be made to a student  
7 (1) for more than a total of \$42,500 for undergraduate study;  
8 (2) for more than a total of \$47,500 for graduate study;  
9 (3) for more than a combined total of \$60,000 for undergraduate and  
10 graduate study;  
11 (4) to attend an institution [,] if the total amount of scholarship loans  
12 made to students to attend that institution exceeds \$100,000 and the default rate on  
13 those loans is (A) greater than 20 percent but less than 25 percent, and the institution  
14 is unable to reduce its default rate within 24 months after the rate determination; or

(B) equal to or greater than 25 percent for two consecutive calendar years; for purposes of this paragraph, the default rate shall [ANNUALLY] be determined by the commission **for each annual group of** [FROM] loans required to be repaid under (g) of this section on or after July 1, 1996; if a scholarship loan is refused based on the provisions of this paragraph and, under a subsequent default rate determination, an institution's default rate does not exceed the limits established under this paragraph, the commission may not refuse to issue a scholarship loan to attend that institution based on the provisions of this paragraph.

**9** \* **Sec. 2.** AS 14.48.030 is repealed and reenacted to read:

15 (2) a program operated by the United States;

16 (3) a program that does not offer educational credentials and is  
17 provided only to prepare individuals to take graduate examinations; and

18 (4) a program that does not offer educational credentials and is only  
19 avocational or recreational in nature.

20 (b) The commission may exempt the following educational programs, and  
21 educational institutions only providing programs exempt under (a) of this section and  
22 this subsection, from some or all of the provisions of this chapter:

23 (1) a program operated by a state or a political subdivision of a state;  
24 (2) instruction sponsored by a bona fide trade, business, labor,  
25 professional, or fraternal association or organization, recognized by the commission,  
26 and conducted only for that association's or organization's membership;

(3) nonprofit postsecondary educational institutions offering undergraduate or graduate educational programs, from a facility in this state, that are acceptable for credit toward an associate, bachelor's, or graduate degree;

10 (c) In this section, "nonprofit" means an organization that is exempt under 26  
11 U.S.C. 501(c)(3).

12 \* Sec. 3. AS 14.48.090 is repealed and reenacted to read:

**16** \* Sec. 4. AS 14.48.120 is repealed and reenacted to read:

28 (c) Authorization for an institution to operate and a permit for an agent  
29 representing that institution are canceled 30 days after the institution ceases to operate  
30 as a postsecondary educational institution. The commission shall give the institution  
31 and the agent 15 days' written notice, by certified mail, sent return receipt requested,

1 to the last known address of the institution and agent.

2 (d) The institution or the agent may appeal a cancellation under (c) of this  
 3 section by filing an appeal in writing with the commission within 30 days after the  
 4 cancellation showing that the institution has not ceased operating as a postsecondary  
 5 educational institution.

6 \* **Sec. 5.** AS 14.48.130(c) is repealed and reenacted to read:

7 (c) If, based on the evidence at a hearing, the commission finds that a  
 8 postsecondary educational institution or its agent, or both, has engaged in an act or  
 9 practice that violates this chapter or regulations adopted under this chapter, the  
 10 commission

11 (1) shall serve on the institution or agent, or both, an order requiring  
 12 the institution or agent, or both, to cease and desist from the act or practice;

13 (2) may award the individual or class of individuals named in the  
 14 complaint full or partial restitution for damage or loss if the commission finds that the  
 15 individual or class of individuals has suffered loss or damage as a result of the act or  
 16 practice;

17 (3) may impose the penalties provided for in AS 14.48.190;

18 (4) may assess a civil fine, not to exceed \$5,000, for costs of  
 19 investigating and adjudicating a matter under this section; and

20 (5) may, based on its own investigation and the evidence presented at  
 21 the hearing, begin an action to revoke an institution's authorization to operate or an  
 22 agent's permit.

23 \* **Sec. 6.** AS 14.48.130 is amended by adding a new subsection to read:

24 (d) If the commission makes an award under (c)(2) of this section to an  
 25 individual who owes principal or interest to a lender for a loan received for the  
 26 purpose of financing education provided by the institution, the institution, or surety,  
 27 if applicable, shall pay the amount of the award that does not exceed the outstanding  
 28 loan balance to the lender to be credited against the loan. Notwithstanding this  
 29 subsection, the commission may, for good cause shown, order that all of the award be  
 30 paid to an individual who receives an award from the commission.

31 \* **Sec. 7.** AS 14.48.210(3) is amended to read:

(3) "authorization to operate" means approval of the commission to operate or to contract to operate a postsecondary educational institution **that provides education or grants educational credentials** in the state;

4 \* Sec. 8. AS 14.48.210(5) is amended to read:

5 (5) "education," [OR] "educational program or services," **"instruction,"**  
6 **or "instructional program"** [OR LIKE TERM] includes any class, course, or  
7 program of training, instruction, or study;

**8** \* Sec. 9. AS 14.48.210(8) is amended to read:

17 \* Sec. 10. AS 14.48.210(11) is amended to read:

23 \* **Sec. 11. TRANSITIONAL PROVISIONS.** (a) Until a new fee schedule is adopted by  
24 regulation under AS 14.48.030, as amended by sec. 3 of this Act, the commission may charge  
25 the fees set out in the following schedule for an authorization to operate an institution in this  
26 state and for an agent's permit related to activities for postsecondary educational institutions:

27	(1) authorization to operate	\$100;
28	(2) renewal of authorization to operate	\$100;
29	(3) an agent's permit	\$ 50;
30	(4) renewal of an agent's permit	\$ 50.

**31** \* **Sec. 12.** The commission may immediately proceed to adopt regulations necessary to

- 1 implement the changes made by this Act. The regulations take effect under AS 44.62
- 2 (Administrative Procedure Act), but not before the effective date set out in sec. 14 of this Act.
- 3     \* **Sec. 13.** Section 12 of this Act takes effect immediately under AS 01.10.070(c).
- 4     \* **Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect July 1, 1997.