

SENATE CS FOR CS FOR HOUSE BILL NO. 27(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/12/99

Referred: Rules

Sponsor(s): REPRESENTATIVES MULDER, Kempen

SENATOR Ellis

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to financial aid received for medical education and financial aid
2 received by students participating in the Western Interstate Commission on Higher
3 Education Professional Student Exchange Program; relating to the Western
4 Regional Higher Education Compact; and providing for an effective date."

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

6 * **Section 1.** AS 14.42.030(d) is amended to read:

7 (d) The commission may enter into agreements with government or
8 postsecondary education officials of this state or other states to provide postsecondary
9 educational services and programs to Alaska residents pursuing a medical education
10 degree. An agreement with another state must be limited to services and programs
11 that are unavailable in Alaska. The commission shall require a person participating
12 in a medical education program offered under this subsection to agree to the repayment
13 condition imposed under AS 14.43.510 [AS 14.44.040].

14 * **Sec. 2.** AS 14.42.210(a) is amended to read:

(a) The student loan fund is established in the corporation. The student loan fund is a trust fund to be used to carry out the purposes of AS 14.42.100 - 14.42.390, AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, [AND] 14.43.710 - 14.43.750, and AS 14.44.025. The fund consists of money or assets appropriated or transferred to the corporation for the fund and money or assets deposited in it by the corporation. The corporation may establish separate accounts in the fund.

* **Sec. 3.** AS 14.43 is amended by adding a new section to read:

Article 6A. Medical Education Support.

Sec. 14.43.510. Repayment condition for medical education program participants. (a) Except as provided under (b) and (c) of this section, as a condition of participating in a medical education program under AS 14.42.030(d), a program participant shall agree to repay the financial support provided by the state on behalf of the student. The financial support to be repaid is equal to the difference between resident and nonresident tuition at the contracting postsecondary institution, plus interest, including any differential for the first year of the program delivered at the University of Alaska, Anchorage. The rate of interest is equal to the 12th Federal Reserve District discount rate in effect on March 1 of the year in which the financial support is provided plus two percentage points. Interest imposed under this subsection begins to accrue when the person terminates studies under the medical education program. Accrued interest shall be added to the principal balance of the repayment obligation at the time the borrower is obligated to commence repayment and at the end of a deferment period.

(b) If a program participant under (a) of this section has graduated from the medical education program for which the financial support was received and is employed in the state in the field for which the person received the financial support, including employment in the state in a medical residency program, the repayment obligation shall be forgiven and considered a grant in an amount equal to the following percentages plus accrued interest:

- (1) one year employment, 20 percent;
- (2) two years employment, an additional 20 percent;
- (3) three years employment, an additional 20 percent;

1 (4) four years employment, an additional 20 percent;

2 (5) five years employment, an additional 20 percent.

3 (c) Repayment under (a) of this section is required to begin not later than six
4 months after the person terminates studies under the medical education program,
5 except that repayment shall be deferred for a person who (1) qualifies for forgiveness
6 under (b) of this section for as long as the person remains qualified for forgiveness
7 under (b) of this section; (2) is employed in a medical residency program in the state
8 for as long as the person remains in the medical residency program; or (3) is
9 performing a service obligation imposed by the National Health Service Corps, the
10 Indian Health Service, or the Uniformed Service Scholarship Program for as long as
11 the person is performing the service. Forgiveness under (b) of this section only applies
12 to that portion of the repayment obligation that has not been repaid to the state.

13 (d) If a person meets the qualifying conditions under this section for
14 forgiveness after beginning repayment, the repayment requirement is deferred in the
15 month following qualification for forgiveness. Repayment shall be deferred as long
16 as the person remains qualified or until the balance of the repayment obligation has
17 been fully forgiven. If the person is delinquent or in default on the person's regular
18 repayment schedule, repayment shall continue until the person is current in payments.
19 A period of time during which the person is making past due payments may not be
20 considered as a qualifying period for the purpose of calculating forgiveness benefits.

21 (e) For purposes of qualifying for forgiveness under this section, a person must
22 be a full-time employee for a period of at least six months in order to qualify for a
23 prorated forgiveness benefit. In this subsection, "full-time employee" does not include
24 seasonal or temporary employment.

25 (f) A person's obligation to repay under this section ends if the person dies
26 and is deferred during any period in which a physician certifies that the person is
27 totally disabled.

28 (g) This section does not apply to loans received by a person under
29 AS 14.43.010 - 14.43.160 or 14.43.710 - 14.43.750.

30 (h) The commission may adopt regulations to implement this section. Except
31 as provided in this section, regulations adopted under this subsection may not exempt

1 or defer a repayment required under this section.

2 * **Sec. 4.** AS 14.44.035 is amended to read:

3 **Sec. 14.44.035. Administration.** The Alaska Commission on Postsecondary
4 Education shall administer the state's participation in the Western Regional Higher
5 Education Compact. **The Alaska Commission on Postsecondary Education may**
6 **adopt regulations to implement AS 14.44.010 - 14.44.040.**

7 * **Sec. 5.** AS 14.44.040 is repealed and reenacted to read:

8 **Sec. 14.44.040. Repayment condition for program participants.** (a) As a
9 condition of eligibility for receiving financial support from the state under the
10 Professional Student Exchange Program of the Western Interstate Commission on
11 Higher Education, a program participant shall agree to repay to the state the support
12 provided by the state on behalf of that person, plus interest.

13 (b) A repayment under this section shall be paid into the student loan fund
14 created under AS 14.42.210.

15 * **Sec. 6. APPLICABILITY.** Section 5 of this Act applies to a person who receives
16 financial support from the state under the Professional Student Exchange Program of the
17 Western Interstate Commission on Higher Education on or after July 1, 1999.

18 * **Sec. 7. TRANSITION: REGULATIONS.** Notwithstanding sec. 9 of this Act, the Alaska
19 Commission on Postsecondary Education may immediately proceed to adopt regulations
20 necessary to implement this Act. The regulations take effect under AS 44.62 (Administrative
21 Procedure Act), but not before July 1, 1999.

22 * **Sec. 8.** Section 7 of this Act takes effect immediately under AS 01.10.070(c).

23 * **Sec. 9.** Except as provided in sec. 8 of this Act, this Act takes effect July 1, 1999.