



# Alaska State Legislature

## Representative Matt Claman

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### House Bill 86 Sponsor Statement

*An act to limit the state's authority to prevent the renewal of licenses after default on student loans.*

House Bill 86 repeals current statutes that allow the Alaska Commission on Postsecondary Education (ACPE) to threaten nonrenewal of occupational licenses for individuals who have defaulted on their student loans. Effectively, nonrenewal of an occupational license could obstruct an individual's main source of income and make repayment of the defaulted loan difficult if not impossible. The ACPE has not used this power since 2010, and prior to 2010, only 155 instances were listed. Repealing this authority will allow licensed individuals to continue their practice, earn an income, and pay back their defaulted loans without the fear of losing their occupational license and their income from that occupation.

Delinquency and default have serious consequences. Loss of an occupational license may take away a debtor's best means to pay off their student loan. Student loan default can harm the borrower's credit and continued loan debt can create late fees, additional interest, potential court costs, collection fees, attorney's fees, and other costs associated with the collection process. Failure to repay a student loan may result in liens on property and adverse reports to consumer reporting agencies. An initial default can have a domino effect that increases the challenge of getting out of debt.

The current statute (AS 14.43.145 (4)) states that the commission has the authority to provide notice to a licensing authority for nonrenewal of a license. If the ACPE posts such, the licensing entity may not renew said license during the next renewal cycle. Affected occupations include licenses for nurses, pharmacists, social workers, veterinarians, dentists, attorneys, teachers (K-12), EMS workers, and correctional officers.

In the 1990s and early 2000s, Congress passed legislation to give states the authority to revoke, suspend, or refuse to renew a variety of licenses in the instance of defaults on loans, as student aid was often provided by states. There are currently 21 states with similar statutes in place. Last year, Montana became the first state to repeal statutes that allowed the state to revoke a license in the event of a student loan default.

Due to the potential barriers that current Alaska statutes may cause, passing HB 86 will allow borrowers, who may already be struggling, the opportunity to maintain their practice while addressing their financial challenges.