

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
4 system; and

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

7 WHEREAS the Alaska Commission on Postsecondary Education did not promulgate
8 20 AAC 15.925 (Program and Institutional Default Rates) until November 1995, eight years
9 after the legislature authorized the regulation; and

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

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

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

16 WHEREAS 20 AAC 15.925 (Program and Institutional Default Rates) does not take
17 into account new owners of private vocational education schools who have a substantially

1 lower default rate than the schools' previous owners and the regulation calculates the schools'
2 average default rate over the life of the school; and

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

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

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

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

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

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

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

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

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

31 **BE IT RESOLVED** that the Governor is respectfully requested to urge the Alaska

1 Commission on Postsecondary Education to immediately cease implementation of 20 AAC
2 15.925 (Program and Institutional Default Rates) and take whatever action is necessary to
3 rescind the regulation; and be it

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