

CS FOR SENATE BILL NO. 123(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 3/21/95
Referred: Finance

Sponsor(s): SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to student loan programs, interstate compacts for postsecondary
2 education, and fees for review of postsecondary education institutions; and
3 providing for an effective date."

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

5 * **Section 1.** AS 14.43.110 is repealed and reenacted to read:

6 Sec. 14.43.110. STUDENT LOANS. (a) In a school year, the commission
7 may make a loan not to exceed

8 (1) \$8,500 to a full-time undergraduate student or \$5,000 to a half-time
9 undergraduate student attending a college or university if the full- or half-time student
10 is otherwise eligible under AS 14.43.125;

11 (2) \$9,500 to a full-time graduate student or \$4,500 to a half-time
12 graduate student attending a college or university if the full- or half-time graduate
13 student is otherwise eligible under AS 14.43.125;

14 (3) \$5,500 to a full-time student or \$2,000 to a half-time student if the

1 full- or half-time student is attending a career education program that is nine or more
2 months in length and is otherwise eligible under AS 14.43.125;

3 (4) \$3,000 to a full-time student or \$1,000 to a half-time student if the
4 full- or half-time student is attending a career education program that is less than nine
5 months in length and is otherwise eligible under AS 14.43.125.

6 (b) The commission may make a loan for a summer term, even if the total
7 loan for the school year exceeds the limit imposed under (a) of this section if the loan
8 for the summer term is counted against the limit imposed under (a) of this section for
9 the following school year.

10 (c) The commission shall adopt regulations establishing a minimum amount
11 for which a loan may be made.

12 * **Sec. 2.** AS 14.43.120(a) is amended to read:

13 (a) Proceeds from a scholarship loan to a full-time student may only be used
14 for books, tuition and required fees, loan origination [GUARANTEE] fees, and room
15 and board. Proceeds from a scholarship loan to a half-time student may only be used
16 for books, tuition and required fees, and loan origination [GUARANTEE] fees.

17 * **Sec. 3.** AS 14.43.120(b) is amended to read:

18 (b) Scholarship loans may only be used to attend a

19 (1) career education program operating on a sound fiscal basis that
20 has [BEEN]

21 (A) operated [APPROVED BY THE COMMISSION BEFORE
22 JULY 1, 1986;

23 (B) OPERATING] for two years before the borrower attends;

24 and

25 (B) submitted an executed program participation agreement
26 as required by the commission; [OR

27 (C) OPERATING FOR ONE YEAR BEFORE THE
28 BORROWER ATTENDS AND THE COMMISSION DETERMINES THE
29 PROGRAM IS OPERATING ON A FISCALLY SOUND BASIS;] or

30 (2) a college or university that

31 (A) has operated [BEEN APPROVED BY THE

1 COMMISSION BEFORE JULY 1, 1986, OR HAS BEEN OPERATING] for
2 at least two years before the borrower attends;

3 (B) is accredited by a national or regional accreditation
4 association recognized by the Council on Postsecondary Accreditation or is
5 approved by the commission; [AND]

6 (C) if the loans are federally insured, is approved by the United
7 States Secretary of Education;

8 **(D) is a degree granting institution; and**

9 **(E) has submitted an executed program participation**
10 **agreement as required by the commission.**

11 * **Sec. 4.** AS 14.43.120(d) is amended to read:

12 (d) Scholarship loans may not be made to a student

13 (1) for more than **a total of \$42,500 for** [FIVE YEARS OF]
14 undergraduate study;

15 (2) for more than **a total of \$47,500 for** [FIVE YEARS OF] graduate
16 study;

17 (3) for more than a **combined** total of **\$79,000 for** [EIGHT YEARS
18 OF] undergraduate and graduate study;

19 (4) to attend an institution, other than a nonprofit institution, if the total
20 amount of scholarship loans made to students to attend that institution exceeds
21 \$100,000 and the default rate on those loans exceeds the program default rate by more
22 than 150 percent as defined by regulation.

23 * **Sec. 5.** AS 14.43.120(e) is repealed and reenacted to read:

24 (e) Interest on a scholarship loan accrues from the time the loan is disbursed;
25 however, the state shall pay the interest while the borrower continues to be enrolled
26 under (c) of this section.

27 * **Sec. 6.** AS 14.43.120(g) is amended to read:

28 (g) **A borrower's obligation to commence repayment** [REPAYMENT] of
29 the principal and interest on the loan begins **six months** [NOT LATER THAN ONE
30 YEAR] after the **borrower is no longer enrolled under (c) of this section. The**
31 **borrower shall repay** [BORROWER'S STUDIES ARE TERMINATED. THE LOAN

1 SHALL PROVIDE FOR REPAYMENT OF] the total amount owed in periodic
2 installments **of at least \$50 a month over a period of** [IN] not more than **15** [10]
3 years from the commencement of **the** repayment **obligation** [IF THE LOAN IS TO
4 A FULL-TIME STUDENT, OR IN NOT MORE THAN FIVE YEARS FROM THE
5 COMMENCEMENT OF REPAYMENT IF THE LOAN IS TO A HALF-TIME
6 STUDENT, EXCEPT AS PROVIDED IN (k) AND (m) OF THIS SECTION]. If the
7 commission and the borrower agree to a different repayment schedule, the borrower
8 shall repay the loan in accordance with the agreement. A borrower may make
9 payments earlier than required by this subsection **or the agreement**.

10 * **Sec. 7.** AS 14.43.120(h) is amended to read:

11 (h) Security may not be required for a loan; however, a loan **origination**
12 [GUARANTEE] fee, as specified in (u) of this section, shall be **deducted**
13 [CHARGED] at the time that the loan is **disbursed** [AWARDED]. Additionally, **the**
14 **borrower shall pay** [PROVISION SHALL BE MADE FOR PAYMENT OF] all fees
15 and costs incurred in collection [OF THE AMOUNT OWED] on the loan if it becomes
16 delinquent or in default.

17 * **Sec. 8.** AS 14.43.120(i) is amended to read:

18 (i) If a loan is in default, the commission

19 (1) shall notify the borrower that, if the borrower has an occupational
20 license issued under AS 08, the license may not be renewed under AS 08.02.025 and
21 that repayment of the remaining balance is accelerated and due by **mailing**
22 [SENDING] the borrower a notice **at the most recent address provided to the**
23 **commission by the borrower** [BY REGISTERED OR CERTIFIED MAIL];

24 (2) may take the borrower's permanent fund dividend under
25 AS 43.23.065(b)(3) to satisfy the balance due on **a** [THE] defaulted loan; and

26 (3) shall provide notice of the default to the Department of Commerce
27 and Economic Development, if the loan recipient is licensed under AS 08.

28 * **Sec. 9.** AS 14.43.120(k) is amended to read:

29 (k) **A borrower's obligation to make periodic payments** [PERIODIC
30 INSTALLMENTS] of principal shall be deferred, but **the borrower's obligation to**
31 **pay** interest shall **continue unless the state pays the interest by appropriation**

1 **under (t)** [ACCRUE AND BE PAID UNLESS THE BORROWER IS ELIGIBLE FOR
2 INTEREST PAYMENT BENEFITS UNDER (l)] of this section, during any of the
3 following periods:

4 (1) [IF THE BORROWER RECEIVED A LOAN TO ATTEND AS A
5 FULL-TIME STUDENT,] return to full-time student status in good standing in a career
6 education program, college, or university that meets the requirements under (b) of this
7 section;

8 (2) if the borrower received a loan to attend as a half-time student,
9 return to at least half-time student status in good standing in

10 (A) a career education program, college, or university in the
11 state that meets the requirements under (b) of this section, or

12 (B) a career education program, college, or university that meets
13 the requirements under (b) of this section, and the borrower is physically
14 present in the state while attending the career education program, college, or
15 university; a borrower is not eligible for deferral under this paragraph for a
16 period longer than eight years;

17 (3) serving an initial period of up to **three** [SIX] years on active duty
18 as a member of the armed forces of the United States;

19 (4) serving, for up to three years, as a full-time volunteer under the
20 Peace Corps Act;

21 (5) serving, for up to three years, as a full-time volunteer under the
22 Domestic Volunteer Service Act of 1973;

23 (6) for a one-time period up to 12 months in which the borrower is
24 seeking and unable to find employment in the United States; or

25 (7) during the period of disability if, **after the loan is disbursed,** the
26 borrower becomes **totally** [50 PERCENT OR MORE] disabled as certified by
27 competent medical authority.

28 * **Sec. 10.** AS 14.43.120(l) is amended to read:

29 (l) The state shall pay the interest on that portion of a loan that is not federally
30 insured during

31 (1) the period **while** [IN WHICH] the borrower **continues to be**

1 enrolled under (c) of this section [IS A FULL-TIME OR HALF-TIME STUDENT];
2 and

3 (2) deferments under (k) of this section.

4 * **Sec. 11.** AS 14.43.120(m) is amended to read:

5 (m) In case of hardship, the commission may extend repayment of a loan for
6 an additional period of up to five years [IN INCREMENTS NO LONGER THAN 12
7 MONTHS EACH].

8 * **Sec. 12.** AS 14.43.120(q) is amended to read:

9 (q) For the purposes of this section, a loan is in default if a loan payment is
10 180 [120] or more days past due.

11 * **Sec. 13.** AS 14.43.120(t) is amended to read:

12 (t) Payment of interest under (l) of this section and forgiveness
13 [FORGIVENESS] under (s) of this section are [IS] subject to appropriation by the
14 legislature. Money obtained from the sale of bonds by the Student Loan Corporation
15 under AS 14.42.220 may not be appropriated for the payment of interest or the
16 forgiveness of loans.

17 * **Sec. 14.** AS 14.43.120(u) is amended to read:

18 (u) The commission by regulation shall set a [A] loan origination
19 [GUARANTEE] fee, not to exceed five [OF ONE] percent of the total scholarship
20 loan amount, to [SHALL] be assessed upon a scholarship loan that is funded from the
21 student loan fund of the Alaska Student Loan Corporation. The loan origination
22 [GUARANTEE] fee shall be deducted at the time [ADDED AS A FINANCE
23 CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT AWARDED,
24 NOTWITHSTANDING THE LOAN LIMITS SET OUT AT AS 14.43.110 AND
25 14.43.115]. Subject to appropriation, the loan origination [GUARANTEE] fees shall
26 be deposited into an origination [A GUARANTEE] fee account within the student
27 loan fund of the Alaska Student Loan Corporation, and subsequently used
28 [TRANSFERRED] by the corporation [COMMISSION TO LOAN ACCOUNTS
29 WITHIN THE STUDENT LOAN FUND] to offset losses incurred [DUE TO
30 STUDENT LOAN DEBT CANCELLATION] as a result of death, disability, default,
31 or bankruptcy of the borrower [STUDENT].

1 * **Sec. 15.** AS 14.43.125(a) is amended to read:

2 (a) A person may apply for and obtain a scholarship loan if the person

3 (1) is

4 (A) enrolled as a full-time student in a career education,
5 associate, baccalaureate, or graduate degree program;

6 (B) enrolled as a half-time student in a career education,
7 associate, baccalaureate, or graduate degree program [IN]

8 (i) in the state; or

9 (ii) out of the state [A CAREER EDUCATION,
10 ASSOCIATE, BACCALAUREATE, OR GRADUATE DEGREE
11 PROGRAM] and is physically present in this [THE] state while
12 attending that [THE CAREER EDUCATION, ASSOCIATE,
13 BACCALAUREATE, OR GRADUATE DEGREE] program; or

14 (C) a graduate of a high school or the equivalent, or scheduled
15 for graduation from a high school within six months, with sufficient credits to
16 be admitted to a career education program or to an accredited college or
17 university;

18 (2) is not delinquent or in default on a previously awarded scholarship
19 loan; and

20 (3) is a resident of the state at the time of application for the loan; for
21 purposes of this section, a person qualifies as a resident of the state if at the time of
22 application for the loan the person

23 (A) has been physically present in the state for at least one year
24 [TWO YEARS] immediately before the time of application for the loan;

25 (B) is dependent on a parent or guardian for care, the parent or
26 guardian has been present in the state for at least one year [TWO YEARS]
27 immediately before the time of application for the loan, and the person has
28 been present in the state for at least one year of the immediately preceding five
29 years except that the commission may by a two-thirds vote, acting upon a
30 written appeal by the person, grant an exemption to the requirement that the
31 person has been present in the state for one year of the immediately preceding

1 five years;

2 (C) has been physically present in the state [, OR IS A
3 DEPENDENT OF A PARENT OR GUARDIAN WHO HAS BEEN
4 PHYSICALLY PRESENT IN THE STATE,] for at least one year [TWO
5 YEARS] immediately before the applicant was absent from the state and the
6 absence is due solely to

7 (i) serving an initial period of up to three [SIX] years
8 on active duty as a member of the armed forces of the United States;

9 (ii) serving for up to three years as a full-time volunteer
10 under the Peace Corps Act;

11 (iii) serving for up to three years as a full-time volunteer
12 under the Domestic Volunteer Service Act of 1973;

13 (iv) required medical care for the applicant or the
14 applicant's immediate family;

15 (v) being a person who otherwise qualifies as a resident
16 and is accompanying a spouse who qualifies as a resident under (i) -
17 (iv) of this paragraph; [OR]

18 (vi) an absence allowed under (D)(i) - (iv) of this
19 paragraph; or

20 (D) [HAS BEEN PHYSICALLY PRESENT IN THE STATE,
21 OR] is a dependent of a parent or guardian who has been physically present in
22 the state [,] for at least one year [TWO YEARS] immediately before [THE
23 APPLICANT OR] the parent or guardian was absent from the state and the
24 absence is due solely to

25 (i) participating in a foreign exchange student program
26 recognized by the commission;

27 (ii) attending a school as a full-time student;

28 (iii) full-time employment by the state;

29 (iv) being a member of or employed full-time by the
30 state's congressional delegation;

31 (v) being a person who otherwise qualifies as a resident

1 and is accompanying a spouse who qualifies as a resident under (i) -
2 (iv) of this paragraph;
3 (4) does not have a past due child support obligation established by
4 court order or by the child support enforcement division under AS 25.27.160 -
5 25.27.220 at the time of application; and
6 (5) has not, within the previous five years, had a scholarship loan
7 discharged or written off by the commission for any reason.

8 * **Sec. 16.** AS 14.43.125(c) is amended to read:

9 (c) A person may not be awarded a scholarship loan under AS 14.43.090 -
10 14.43.160 [IF A FAMILY EDUCATION LOAN IS MADE ON BEHALF OF THAT
11 PERSON UNDER AS 14.43.710 - 14.43.790 OR] if that person receives a teacher
12 scholarship loan under AS 14.43.600 - 14.43.700 for the same **period of attendance**
13 [SCHOOL YEAR].

14 * **Sec. 17.** AS 14.43.125 is amended by adding a new subsection to read:

15 (d) A person incarcerated full-time in a correctional facility may not be
16 awarded a scholarship loan under AS 14.43.090 - 14.43.160. In this subsection,
17 "correctional facility" has the meaning given in AS 33.30.901.

18 * **Sec. 18.** AS 14.43.150 is amended by adding a new subsection to read:

19 (d) An assignment of wages authorized under this section that is made under
20 court order has priority as against an attachment, execution, or other assignment,
21 except for an assignment for payment of child support under AS 25.27.070 or as
22 otherwise ordered by the court.

23 * **Sec. 19.** AS 14.43.300(g) is amended to read:

24 (g) **The commission by regulation shall set a** [A] loan **origination**
25 [GUARANTEE] fee, **not to exceed five** [OF ONE] percent of the total memorial
26 scholarship loan amount, **to** [SHALL] be assessed upon a memorial scholarship loan.
27 The loan **origination** [GUARANTEE] fee shall be **deducted at the time** [ADDED
28 AS A FINANCE CHARGE TO] the [TOTAL] loan **is disbursed** [AMOUNT
29 AWARDED]. Subject to appropriation, the loan **origination** [GUARANTEE] fee shall
30 be deposited into **an origination** [A GUARANTEE] fee account within the memorial
31 scholarship revolving loan fund, and subsequently transferred by the commission to the

1 appropriate memorial scholarship accounts within the memorial scholarship revolving
2 loan fund to offset losses incurred due to loan debt cancellation as a result of death,
3 disability, or bankruptcy of the student.

4 * **Sec. 20.** AS 14.43.640 is amended by adding a new subsection to read:

5 (e) Teacher scholarship loans made to a student may not exceed a total of
6 \$37,500.

7 * **Sec. 21.** AS 14.43.650(c) is amended to read:

8 (c) A student may not be awarded a teacher scholarship loan under
9 AS 14.43.600 - 14.43.700 [IF A FAMILY EDUCATION LOAN IS MADE ON
10 BEHALF OF THE STUDENT UNDER AS 14.43.710 - 14.43.790 OR] if the student
11 receives a scholarship loan under AS 14.43.090 - 14.43.160 for the same **period of**
12 **attendance** [SCHOOL YEAR].

13 * **Sec. 22.** AS 14.43.740(a) is amended to read:

14 (a) The provisions of AS 14.43.100, 14.43.110, [14.43.115,] 14.43.120(a) - (d),
15 (i), (m), and (r) - (u), and 14.43.135 apply to a loan made under AS 14.43.710 -
16 14.43.790.

17 * **Sec. 23.** AS 14.43.790(a)(1) is amended to read:

18 (1) "default" means a loan that is **180** [120] days or more past due in
19 repayment;

20 * **Sec. 24.** AS 14.43 is amended by adding a new section to read:

21 Sec. 14.43.920. UNAUTHORIZED SCHOLARSHIPS, LOANS, AND
22 GRANTS. If a person receives a scholarship, loan, or grant under this title for which
23 the person is not eligible under the provisions of this title, the scholarship, loan, or
24 grant is void and the entire balance of money paid is immediately due to the
25 scholarship, loan, or grant fund. This section is in addition to any penalty that may
26 be imposed according to another provision of law.

27 * **Sec. 25.** AS 14.44.025 is amended to read:

28 Sec. 14.44.025. PROVISIONS OF SERVICES. State participation under
29 Articles VIII and XIII of the Western Regional Higher Education Compact shall be
30 limited to the provision of adequate services and facilities in the **professional fields**
31 **of study available through the Professional Student Exchange Program**

1 administered by the Western Interstate Commission on Higher Education. The
2 Alaska Commission on Postsecondary Education shall establish funding priorities
3 under AS 14.44.035 for the available fields of study by analyzing student access
4 and state labor needs [FIELDS OF LAW, DENTISTRY, MEDICINE,
5 OSTEOPATHY, PUBLIC HEALTH, VETERINARY MEDICINE, PHARMACY,
6 PHYSICAL THERAPY, OCCUPATIONAL THERAPY, OPTOMETRY, PODIATRY,
7 FORESTRY, ARCHITECTURE, GRADUATE NURSING, PETROLEUM
8 ENGINEERING, MARITIME TECHNOLOGY, AND GRADUATE LIBRARY
9 STUDIES].

10 * **Sec. 26.** AS 14.48.050 is amended by adding a new paragraph to read:

11 (10) establish fees for the review of institutions requesting approval for
12 participation in the scholarship loan program under AS 14.43.120(b)(2)(B).

13 * **Sec. 27.** AS 14.42.032; AS 14.43.115, and 14.43.750(b) are repealed.

14 * **Sec. 28.** TRANSITION. The Alaska Commission on Postsecondary Education may
15 proceed to adopt regulations necessary to implement this Act. The regulations take effect
16 under AS 44.62 (Administrative Procedure Act), but not before July 1, 1995.

17 * **Sec. 29.** APPLICABILITY. A borrower's obligation to pay interest on a student loan,
18 as required by AS 14.43.120(k), amended in sec. 9 of this Act, applies to a scholarship loan
19 disbursed after June 30, 1995.

20 * **Sec. 30.** Section 28 of this Act takes effect immediately under AS 01.10.070(c).

21 * **Sec. 31.** Except as provided in sec. 30 of this Act, this Act takes effect July 1, 1995.