

CS FOR SENATE BILL NO. 170(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 4/30/97
Referred: Finance

Sponsor(s): SENATOR TAYLOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to financial assistance for students attending certain graduate
2 education programs; and providing for an effective date."

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

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

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

12 * **Sec. 2.** AS 14.44 is amended by adding a new section to article 1 to read:

13 **Sec. 14.44.040. Repayment condition for medical education program**
14 **participants.** (a) Except as provided under (b) and (c) of this section, as a condition

1 of eligibility for receiving financial aid under AS 14.44.010 - 14.44.040, a program
 2 participant shall agree to receive a portion of the financial aid as a loan, to be repaid
 3 to the state. The portion of the financial aid received as a loan to be repaid to the
 4 state is equal to the difference between resident and nonresident tuition at the
 5 contracting postsecondary institution plus interest. The rate of interest is equal to the
 6 12th Federal Reserve District discount rate in effect on March 1 of the year in which
 7 the financial aid is received plus two percentage points. Interest imposed under this
 8 subsection begins to accrue when the person terminates studies under the graduate
 9 education program. Accrued interest shall be added to the principal balance of the
 10 loan at the time the borrower is obligated to commence repayment and at the end of
 11 a deferment period.

12 (b) If a person required to repay a loan under (a) of this section has graduated
 13 from the graduate education program for which the loan was received and is employed
 14 within the state in the field for which the person received the loan, including
 15 employment within the state in a medical residency program, the loan shall be forgiven
 16 and considered a grant in an amount equal to the following percentages plus accrued
 17 interest:

- 18 (1) one year employment, 20 percent;
- 19 (2) two years employment, an additional 20 percent;
- 20 (3) three years employment, an additional 20 percent;
- 21 (4) four years employment, an additional 20 percent;
- 22 (5) five years employment, an additional 20 percent.

23 (c) Repayment under (a) of this section is required to begin not later than six
 24 months after the person terminates studies under the graduate education program,
 25 except that a person who qualifies for forgiveness under (b) of this section is not
 26 required to begin repayment to the state as long as the person remains qualified for
 27 forgiveness under (b) of this section. A person employed in a medical residency
 28 program is not required to begin repayment to the state as long as the person remains
 29 in the medical residency program. Forgiveness under (b) of this section only applies
 30 to that portion of the loan that has not been repaid to the state.

31 (d) If a person meets the qualifying conditions under this section for

1 forgiveness after beginning repayment, the repayment requirement is deferred in the
2 month following qualification for forgiveness. Repayment shall be deferred as long
3 as the person remains qualified or until the balance of the loan has been fully forgiven.
4 If the person is delinquent or in default on the person's regular repayment schedule,
5 repayment shall continue until the person is current in payments. A period of time
6 during which the person is making past due payments may not be considered as a
7 qualifying period for the purpose of calculating forgiveness benefits.

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

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

15 (g) This section does not apply to loans received by a person under AS 14.43.

16 (h) The commission may adopt regulations to implement this section. Except
17 as provided in this section, regulations adopted under this subsection may not exempt
18 or defer a repayment required under this section.

19 * **Sec. 3. APPLICABILITY.** This Act applies to a person who begins a graduate education
20 program and who receives financial aid from the state under AS 14.44.010 - 14.44.040, or for
21 a medical education program under AS 14.42.030(d), on or after July 1, 1997.

22 * **Sec. 4.** This Act takes effect July 1, 1997.