

**CS FOR SENATE BILL NO. 77 (HES)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE**

**Offered: 2/15/91**

**Referred: Finance**

**Sponsor(s): SENATORS POURCHOT, Sturgulewski**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to loans for half-time students, loans to attend a career education  
2 program, deferral of loan repayment, conditions of scholarship loans, and to the Alaska  
3 Postsecondary Education Commission; repealing the student financial aid committee; and  
4 providing for an effective date."

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

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

7 (b) The commission shall

8 (1) develop a comprehensive statewide plan for coordinated postsecondary  
9 education in the state and serve as the state commission on postsecondary education required  
10 under sec. 1202 of Title XII of the Higher Education Act of 1965, as amended by the Education  
11 Amendments of 1972 (P.L. 92-318, sec. 196; 86 Stat. 324);

12 (2) establish a state advisory council on community colleges and develop a  
13 comprehensive statewide plan for the expansion and improvement of the community colleges  
14 under sec. 1001 of Title X of the Higher Education Act of 1965, as amended by the Education

1 Amendments of 1972 (P.L. 92-318, sec. 186; 86 Stat. 312, 313);

2 (3) serve as the state agency required under sec. 105 of Title I (Community  
3 Service and Continuing Education), 603 of Title VI (Financial Assistance for Undergraduate  
4 Education), 704 of Title VII (Construction of Academic Facilities), and Part B of Title IV  
5 (Guaranteed Student Loan Program) of the Higher Education Act of 1965 (P.L. 89-329; 79 Stat.  
6 1220, 1262; 20 U.S.C. 1005, 1123) as authorized by sec. 1202(c) of Title XII of the Higher  
7 Education Act of 1965, as amended by the Education Amendments of 1972 (P.L. 92-318, sec.  
8 196; 86 Stat. 324);

9 (4) administer the provisions of AS 14.43.090 - 14.43.160 (student loan program)  
10 [, AND SERVE AS THE STUDENT FINANCIAL AID COMMITTEE];

11 (5) administer the provisions of AS 14.48 (regulation of postsecondary educational  
12 institutions);

13 (6) resolve any disputes that exist or arise under a consortium or other cooperative  
14 agreement between institutions of public and private higher education in the state.

15 \* Sec. 2. AS 14.42.040(a) is amended to read:

16 (a) The commission may appoint an executive director as the commission's executive  
17 officer. The executive officer is a member of the exempt service under AS 39.25.110, serves at  
18 the pleasure of the commission, and receives compensation fixed by the commission. The  
19 executive officer appoints persons to the staff positions authorized by the commission, and staff  
20 compensation is fixed by the commission. [THE EXECUTIVE OFFICER IS THE EXECUTIVE  
21 SECRETARY OF THE STUDENT FINANCIAL AID COMMITTEE.] Each employee of the  
22 commission shall elect membership either in the state teachers' retirement system (AS 14.25),  
23 if qualified, or in the public employees' retirement system (AS 39.35).

24 \* Sec. 3. AS 14.43.090(d) is amended to read:

25 (d) The commission [STUDENT FINANCIAL AID COMMITTEE CREATED UNDER  
26 AS 14.43.095] may sell or assign notes and other instruments evidencing scholarship loans to the  
27 Alaska Student Loan Corporation and enter into agreements with the corporation relating to loans,  
28 the administration of the student loan fund created under AS 14.42.210, and the payment of and  
29 security for bonds of the corporation. Proceeds from the sale or assignment of notes and other  
30 instruments shall be deposited in the scholarship revolving loan fund.

31 \* Sec. 4. AS 14.43.100(a) is amended to read:

1 (a) Applications shall be submitted to the executive director [SECRETARY] of the  
2 commission [COMMITTEE].

3 \* Sec. 5. AS 14.43.100(b) is amended to read:

4 (b) A person whose loan application is not approved [RECOMMENDED OR  
5 PRESENTED TO THE COMMITTEE] by the executive director of the commission  
6 [SECRETARY] may appeal to the commission [COMMITTEE THROUGH THE CHAIRMAN  
7 OF THE COMMITTEE] and the commission [COMMITTEE] shall consider the application.

8 \* Sec. 6. AS 14.43.105 is amended to read:

9 Sec. 14.43.105. ADMINISTRATION OF PROGRAM. The executive director  
10 [SECRETARY] shall administer the programs subject to review by the commission  
11 [COMMITTEE] and in accordance with the regulations adopted by the commission  
12 [COMMITTEE]. The adoption of these regulations is subject to the Administrative Procedure  
13 Act (AS 44.62). A summary of the regulations shall be distributed to each applicant.

14 \* Sec. 7. AS 14.43.110 is amended to read:

15 Sec. 14.43.110. UNDERGRADUATE LOANS. The commission [STUDENT  
16 FINANCIAL AID COMMITTEE] may make a loan, not to exceed \$5,500 in a [ANY ONE]  
17 school year [,] to a full-time [AN] undergraduate student, and not to exceed \$2,000 in a school  
18 year to a half-time undergraduate student, eligible under AS 14.43.125. The commission  
19 [COMMITTEE] may make a loan for a summer term, even if the total loan for the school year  
20 exceeds the \$5,500 or \$2,000 maximum, if the loan for the summer term is counted against the  
21 \$5,500 or \$2,000 maximum for the following school year. The commission shall adopt  
22 regulations establishing a minimum amount for which a loan may be made.

23 \* Sec. 8. AS 14.43.115 is amended to read:

24 Sec. 14.43.115. GRADUATE LOANS. The commission [STUDENT FINANCIAL AID  
25 COMMITTEE] may make a loan, not to exceed \$6,500 in a [ANY ONE] school year [,] to a  
26 full-time graduate student, and not to exceed \$2,500 in a school year to a half-time graduate  
27 student, who is eligible under AS 14.43.125 and is pursuing an advanced degree. The  
28 commission [COMMITTEE] may make a loan for a summer term, even if the total loan for the  
29 school year exceeds the \$6,500 or \$2,500 maximum, if the loan for the summer term is counted  
30 against the \$6,500 or \$2,500 maximum for the following school year. The commission shall  
31 adopt regulations establishing a minimum amount for which a loan may be made.

1 \* Sec. 9. AS 14.43.120(a) is amended to read:

2 (a) Proceeds from a scholarship loan to a full-time student [LOANS] may only be used  
3 for books, tuition and required fees, and for room and board. Proceeds from a scholarship loan  
4 to a half-time student may only be used for books and tuition and required fees.

5 \* Sec. 10. AS 14.43.120(b) is amended to read:

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

7 (1) career education program that has been

8 (A) approved by the commission before July 1, 1986;

9 (B) [, OR HAS BEEN] operating for two years before the borrower  
10 attends; or

11 (C) operating for one year before the borrower attends and the  
12 commission determines the program is operating on a fiscally sound basis; or

13 (2) a college or university that

14 (A) has been approved by the commission before July 1, 1986, or has been  
15 operating for at least two years before the borrower attends;

16 (B) is accredited by a national or regional accreditation association  
17 recognized by the Council on Postsecondary Accreditation or is approved by the  
18 commission; and

19 (C) if the loans are federally insured, is approved by the United States  
20 Secretary of Education.

21 \* Sec. 11. AS 14.43.120(c) is amended to read:

22 (c) To maintain a loan awarded to a full-time student the student must continue to be  
23 enrolled as a full-time student in good standing in a career education program, college, or  
24 university that meets the requirements [DESIGNATED] under (b) of this section. To maintain  
25 a loan awarded to a half-time student, the student must continue to be enrolled as a half-  
26 time student in good standing in a career education program, college, or university in the  
27 state that meets the requirements under (b) of this section. The commission shall adopt  
28 regulations defining "good standing" for purposes of this subsection.

29 \* Sec. 12. AS 14.43.120(g) is amended to read:

30 (g) Repayment of the principal and interest on the loan begins not [NO] later than one  
31 year after the borrower's studies are terminated. The loan shall provide for repayment of the "An

1 Act total amount owed in periodic installments in not more than 10 years from the  
2 commencement of repayment if the loan is to a full-time student, or in not more than five  
3 years from the commencement of repayment if the loan is to a half-time student, except as  
4 provided in (k) and (m) of this section. If the commission and the borrower agree to a different  
5 repayment schedule, the borrower shall repay the loan in accordance with the agreement. A  
6 borrower may make payments earlier than required by this subsection.

7 \* Sec. 13. AS 14.43.120(k) is amended to read:

8 (k) Periodic installments of principal shall be deferred, but interest shall accrue and be  
9 paid unless the borrower [STUDENT] is eligible for interest payment benefits under (l) of this  
10 section, during any of the following periods:

11 (1) if the borrower received a loan to attend as a full-time student, return to  
12 full-time student status in good standing in a career education program, college, or university  
13 that meets the requirements under (b) of this section [AS PROVIDED IN (c) OF THIS  
14 SECTION];

15 (2) if the borrower received a loan to attend as a half-time student, return  
16 to at least half-time student status in good standing in a career education program, college,  
17 or university in the state that meets the requirements under (b) of this section; a borrower  
18 is not eligible for deferral under this paragraph for a period longer than eight years;

19 (3) serving an initial period of up to six years on active duty as a member of the  
20 armed forces of the United States;

21 (4) [(3)] serving, for up to three years, as a full-time volunteer under the Peace  
22 Corps Act;

23 (5) [(4)] serving, for up to three years, as a full-time volunteer under the  
24 Domestic Volunteer Service Act of 1973;

25 (6) [(5)] for a one-time period up to 12 months in which the borrower is seeking  
26 and unable to find employment in the United States; or

27 (7) during the period of disability [(6)] if the borrower becomes 50 percent or  
28 more disabled as certified by competent medical authority.

29 \* Sec. 14. AS 14.43.120(l) is amended to read:

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

1 (1) the period in which the borrower is a full-time or half-time student;

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

3 \* Sec. 15. AS 14.43.120(m) is amended to read:

4 (m) In case of hardship, the commission [COMMITTEE] may extend repayment of a  
5 loan for an additional period of up to five years in increments no longer than 12 months each.

6 \* Sec. 16. AS 14.43.125(a) is amended to read:

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

8 (1) is

9 (A) enrolled as a full-time student in a career education, associate,  
10 baccalaureate, or graduate degree program; [OR]

11 (B) enrolled as a half-time student in a career education, associate,  
12 baccalaureate, or graduate degree program in the state; or

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

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

17 (3) is a resident of the state at the time of application for the loan; for purposes  
18 of this section, a person qualifies as a resident of the state if at the time of application for the  
19 loan the person

20 (A) has been physically present in the state for at least two years  
21 immediately before the time of application for the loan;

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

29 (C) has been physically present in the state, or is a dependent of a parent  
30 or guardian who has been physically present in the state, for at least two years  
31 immediately before the applicant was absent from the state and the absence is due solely

1 to

2 (i) serving an initial period of up to six years on active duty as a  
3 member of the armed forces of the United States;

4 (ii) serving [,] for up to three years as a full-time volunteer under  
5 the Peace Corps Act;

6 (iii) serving [,] for up to three years as a full-time volunteer under  
7 the Domestic Volunteer Service Act of 1973;

8 (iv) required medical care for the applicant or the applicant's  
9 immediate family;

10 (v) being a person who otherwise qualifies as a resident and is  
11 accompanying a spouse who qualifies as a resident under (i) - (iv) of this  
12 paragraph; or

13 (D) has been physically present in the state, or is a dependent of a parent  
14 or guardian who has been physically present in the state, for at least two years  
15 immediately before the applicant or the parent or guardian was absent from the state and  
16 the absence is due solely to

17 (i) participating in a foreign exchange student program recognized  
18 by the commission;

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

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

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

23 (v) being a person who otherwise qualifies as a resident and is  
24 accompanying a spouse who qualifies as a resident under (i) - (iv) of this  
25 paragraph; and

26 (4) does not have a past due child support obligation established by court order  
27 or by the child support enforcement division under AS 47.23.160 - 47.23.220 at the time of  
28 application.

29 \* Sec. 17. AS 14.43.160 is amended by adding a new paragraph to read:

30 (7) "half-time student" means an undergraduate, graduate, or career education  
31 student who during the semester is enrolled and is in regular attendance at classes at one or more

1 public or private institutions of higher education for at least a total of six semester credit hours  
2 or an equivalent of six semester credit hours, and includes a career education student enrolled  
3 and in regular attendance in classes for at least 15 hours a week.

4 \* **Sec. 18.** AS 14.43.255(c) is amended to read:

5 (c) The commission [STUDENT FINANCIAL AID COMMITTEE CREATED UNDER  
6 AS 14.43.095] may sell or assign notes and other instruments evidencing memorial scholarship  
7 loans to the Alaska Student Loan Corporation and enter into agreements with the corporation  
8 relating to loans, the administration of the student loan fund created under AS 14.42.210, and the  
9 payment of and security for bonds of the corporation. Proceeds from the sale or assignment of  
10 a note or other instrument shall be deposited in the appropriate memorial scholarship loan fund  
11 account.

12 \* **Sec. 19.** AS 14.43.320(a) is amended to read:

13 (a) The memorial scholarship loans provided for under AS 14.43.250 - 14.43.325 shall  
14 be administered by the executive director [SECRETARY] of the commission [STUDENT  
15 FINANCIAL AID COMMITTEE UNDER AS 14.43.095 AND 14.43.105], subject to review by  
16 the commission [COMMITTEE] and to those regulations the commission [COMMITTEE] may  
17 prescribe to carry out the purposes of AS 14.43.250 - 14.43.325.

18 \* **Sec. 20.** AS 14.43.405(a) is amended to read:

19 (a) The educational incentive grant program established under AS 14.43.400 - 14.43.500  
20 shall be administered by the executive director of the commission [SECRETARY OF THE  
21 STUDENT FINANCIAL AID COMMITTEE UNDER AS 14.43.095 - 14.43.105], subject to  
22 review by the commission [COMMITTEE] and to those regulations the commission  
23 [COMMITTEE] may adopt to carry out the purposes of AS 14.43.400 - 14.43.500.

24 \* **Sec. 21.** AS 14.43.415(a) is amended to read:

25 (a) A student may apply for an educational incentive grant if the student

26 (1) is a resident of Alaska;

27 (2) is either

28 (A) enrolled as a full-time undergraduate student in a degree program in  
29 an accredited postsecondary educational institution; or

30 (B) eligible to be admitted to an accredited postsecondary educational  
31 institution; and

1 (3) establishes financial need in accordance with standards for determining  
2 financial need adopted by the commission [COMMITTEE] under 20 U.S.C. 1070c-2.

3 \* Sec. 22. AS 14.43.415(b) is amended to read:

4 (b) The commission [STUDENT FINANCIAL AID COMMITTEE] shall, by regulation,  
5 establish a system of priority in the selection of recipients of grants under AS 14.43.400 -  
6 14.43.500 under which students from "low income" families or whose incomes are considered  
7 "low income" shall be given preference in the award of the educational incentive grants.

8 \* Sec. 23. AS 14.43.620(b) is amended to read:

9 (b) The commission [STUDENT FINANCIAL AID COMMITTEE CREATED UNDER  
10 AS 14.43.095] may sell or assign notes and other instruments evidencing teacher scholarship  
11 loans to the Alaska Student Loan Corporation and enter into agreements with the corporation  
12 relating to loans, the administration of the student loan fund created under AS 14.42.210 and the  
13 payment of and security for bonds of the corporation. Proceeds from the sale or assignment of  
14 the notes or other instruments shall be deposited in the teacher scholarship revolving loan fund.

15 \* Sec. 24. AS 14.43.630(a) is amended to read:

16 (a) The teacher scholarship loan program shall be administered by the commission  
17 [STUDENT FINANCIAL AID COMMITTEE (AS 14.43.095)] in accordance with regulations  
18 adopted by the commission [COMMITTEE]. The commission [COMMITTEE] shall

19 (1) allocate the loan awards available for teacher scholarship loans annually to  
20 local school boards giving a preference to rural school districts; and

21 (2) develop and distribute to the local school boards an application form for  
22 teacher scholarship loans; the form shall include a requirement that the applicant supply a high  
23 school academic transcript and a statement of intent to enter a teaching career at the elementary  
24 or secondary school level in the state.

25 \* Sec. 25. AS 14.43.650(a) is amended to read:

26 (a) To be eligible for a teacher scholarship loan, a student must

27 (1) be a graduate of a public or private high school in the state, with sufficient  
28 credits to be admitted to an accredited college or university;

29 (2) be enrolled in or show evidence of intent to enroll in a degree program  
30 directed at a teaching career at the elementary or secondary school level;

31 (3) meet the conditions set by the student's local school board with respect to the

1 district's requirements for teachers in particular subject areas;

2 (4) submit to the local school board an application provided by the commission  
3 [STUDENT FINANCIAL AID COMMITTEE] under AS 14.43.630(a)(2); an application may be  
4 submitted six months before graduation from high school; and

5 (5) not have a past due child support obligation established by court order or by  
6 the child support enforcement division under AS 25.27.160 - 25.27.220 at the time of application.

7 \* Sec. 26. AS 14.43.720(b) is amended to read:

8 (b) The commission [STUDENT FINANCIAL AID COMMITTEE CREATED UNDER  
9 AS 14.43.095] may sell or assign notes and other instruments evidencing family education loans  
10 to the Alaska Student Loan Corporation and enter into agreements with the corporation relating  
11 to loans, the administration of the student loan fund created under AS 14.42.210, and the  
12 payment of and security for bonds of the corporation. Proceeds from the sale or assignment of  
13 notes and other instruments shall be deposited in the family education loan account.

14 \* Sec. 27. AS 14.43.730 is amended to read:

15 Sec. 14.43.730. ADMINISTRATION. The family education loan program shall be  
16 administered by the commission [STUDENT FINANCIAL AID COMMITTEE (AS 14.43.095)]  
17 under regulations that it adopts [ADOPTED BY THE COMMITTEE].

18 \* Sec. 28. AS 14.43 is amended by adding a new section to article 9 to read:

19 Sec. 14.43.990. DEFINITION. In this chapter, "commission" means the Alaska  
20 Postsecondary Education Commission.

21 \* Sec. 29. AS 14.43.095 and 14.43.160(2) are repealed.

22 \* Sec. 30. This Act takes effect July 1, 1991.