

SCOMM

#34:32

LESS CS 2/10

Introduced: 1/27/84
Referred: Health, Education and
Social Services,
Judiciary and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO.385

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Commission on Post-
7 secondary Education; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.43.120(k)(2) is amended to read:

11 (2) serving an initial period of up to four years on active
12 duty as a member of the armed forces of the United States.

13 * Sec. 2. AS 14.43.125 is repealed and reenacted to read:

14 Sec. 14.43.125. ELIGIBILITY OF STUDENTS. (a) A person may
15 apply for and obtain a scholarship loan if the person

16 (1) is

17 (A) enrolled as a full-time student in a career educa-
18 tion, associate, baccalaureate, or graduate degree program; or

19 (B) a graduate of a high school or the equivalent, or
20 scheduled for graduation from a high school within six months,
21 with sufficient credits to be admitted to a career education
22 program or to an accredited college or university;

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

25 (3) is a resident of the state at the time of application
26 for the loan; for purposes of this section, a person qualifies as a
27 resident of the state if at the time of application for the loan the
28 person

29 (A) has been physically present in the state for at

1 least two years immediately before the time of application for
2 the loan;

3 (B) is dependent on a parent or guardian for care, the
4 parent or guardian has been present in the state for at least two
5 years immediately before the time of application for the loan and
6 the person has been present in the state for at least one year of
7 the immediately preceding five years; or

8 (C) has been physically present in the state, or is a
9 dependent of a parent or guardian who has been physically present
10 in the state, for at least two years immediately before being
11 absent from the state and the absence is due solely to

12 (i) military service;

13 (ii) volunteer service under the Peace Corps Act;

14 (iii) volunteer service under the Domestic Volun-
15 teer Service Act of 1973;

16 (iv) attending a school as a full-time student;

17 (v) full-time employment by the state;

18 (vi) being a member of or employed full-time by
19 the state's congressional delegation;

20 (vii) required medical care for the applicant or
21 the applicant's immediate family; or

22 (viii) being a person who otherwise qualifies as a
23 resident and is accompanying a spouse who qualifies as a
24 resident under (i) -- (vii) of this paragraph.

25 (b) A person does not qualify as a resident of the state under
26 this section if the person declares or establishes residence in another
27 state during an absence from Alaska.

28 * Sec. 3. AS 14.44.025 is amended to read:

29 Sec. 14.44.025. PROVISION [PROVISIONS] OF SERVICES. State

1 participation under Articles VIII and XIII of the Western Regional
2 Higher Education Compact shall be limited to the provision of adequate
3 services and facilities in the fields of law, dentistry, medicine,
4 osteopathy, public health, veterinary medicine, pharmacy, physical
5 therapy, occupational therapy, optometry, podiatry, forestry, archi-
6 tecture, [GRADUATE NURSING, PETROLEUM ENGINEERING,] maritime tech-
7 nology, and graduate library studies.

8 * Sec. 4. AS 14.48.190 is amended to read:

9 Sec. 14.48.190. VIOLATIONS: CIVIL PENALTY. A person who vio-
10 lates the provisions of AS 14.48.020 or 14.48.060(b), or who fails or
11 refuses to deposit with the commissioner the records required by
12 AS 14.48.150 is subject to a civil penalty of not more than \$1,000 for
13 each violation. Each day's failure to comply with the provisions of
14 AS 14.48.020, 14.48.060(b), or [AND AS] 14.48.150 constitutes a sepa-
15 rate violation. The fine may be imposed by the commission in an
16 administrative proceeding or by a court of competent jurisdiction.

17 * Sec. 5. The July 1, 1985 effective date for the amendment to AS 14.-
18 44.025, enacted in sec. 3. of this Act, is to allow students enrolled as of
19 the effective date of that amendment in graduate nursing or petroleum
20 engineering studies under the Western Interstate Compact for Higher Educa-
21 tion program to complete their course of study. Between the effective date
22 of this section and July 1, 1985, no additional students may be admitted to
23 the WICHE program in the fields of graduate nursing or petroleum engineer-
24 ing.

25 * Sec. 6. Section of this Act takes effect July 1, 1985.

26 * Sec. 7. Section 5 of this Act takes effect immediately in accordance
27 with AS 01.10.070(c).

No fiscal impact.

Student Loan
Program

*JUDICIARY
version
language for
foreign exchange
students
not for
registering for
the draft.*

SENATE BILL NO. 385, by the Rules Committee by request of the Governor. Proposes several amendments to laws governing Alaska's student loan program: places a maximum four-year limit on the deferral of loan payments by a member of the armed forces; rewrites section on eligibility of students for loans; eliminates the fields of graduate nursing and petroleum engineering as eligible areas of study for the WICHE (Western Regional Higher Education Compact) program; makes it clear that there is a civil penalty for violation by an educational institution of laws governing minimum standards. Effective date for change to WICHE program is July 1, 1985 in order to allow WICHE students presently enrolled in graduate nursing or petroleum engineering to complete their studies. No additional students could be admitted to the WICHE program in those fields, effective immediately. No effective date is provided for the remaining sections of the bill. See Governor's letter, below.

Introduced January 27 and referred to Health, Education & Social Services, Judiciary and Finance.

In his message transmitting the bill to the Senate for consideration, Governor Sheffield stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Commission on Postsecondary Education.

Section 1 of the bill limits to a period of up to four years the deferral of the repayment of the principal of a student loan for members of the armed forces of the United States who are on active duty.

Section 2 clarifies the eligibility requirements for students applying for a scholarship loan, especially in regard to residency. Provisions are added to make clear that a person who has not properly repaid a previous student loan is not eligible for another loan, and to set out the circumstances under which a person may be absent from the state and still qualify for a student loan.

Section 3 continues the practice of ceasing to support students under the WICHE (Western Interstate Commission for Higher Education) program when a similar program of study becomes available in the State of Alaska. Graduate nursing and petroleum engineering are now available through the University of Alaska. This section, in conjunction with the delayed effective date in sec. 6 and the provisions in sec. 5, will provide for an equitable phasing out of those two WICHE programs.

Finally, sec. 4 will make it clear that a violation of the minimum standards for postsecondary educational institutions set out in AS 14.48.060(b) may subject an institution to a civil penalty.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 681

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to student loans that are in default. These amendments seek to reduce the number of loans that go into default and to enhance collection efforts.

Section 1 of the bill allows the Commission on Post-secondary Education to charge the costs of collecting student loans that are in default against the scholarship revolving loan fund if those costs are not recovered from the student.

Section 2 broadens the class of those who forfeit their entitlement to forgiveness of a portion of their loan. Under existing law, a borrower loses forgiveness benefits only upon being named a defendant in a suit for collection brought by the state. Under the proposed amendment, a borrower would lose forgiveness benefits once the loan becomes 120 days past due.

Section 3 provides that once a loan is in default, the interest rate increases from five percent a year to 10 percent a year.

Sincerely,

A handwritten signature in cursive script, reading "Bill Sheffield".

Bill Sheffield
Governor

FISCAL NOTE FOR: HB 181, An Act relating to default on and collection of student loans.

1. The fiscal impact of this bill does not lend itself to the standard fiscal note form, so this memorandum is intended to serve as the impact statement.
2. Assumptions:
 - a. Collection fees (those charged by private collection agencies, attorneys, courts, etc.) will be charged to the loan borrower and will simply increase the total debt.
 - b. Additional interest will be generated by the new 120-day "trigger" clause, but this will not be a factor for a number of years, since it will not generate revenue until the FY85 borrowers are out of school, through their grace year, into repayment, and then in default on their repayment schedule. This will be a number of years into the future -- as many as five or six for many borrowers. Hence, it is not reflected on the normal fiscal impact projection.

3. Fiscal impact:

Fiscal Year	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>
Collection Costs	\$120.00	\$300.00	\$750.00	\$1,800.00	\$3,000.00
Add'l Program Receipts	<u>[120.00]</u>	<u>[300.00]</u>	<u>[750.00]</u>	<u>[1,800.00]</u>	<u>[3,000.00]</u>
Subtotal	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Add'l Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>[.5]</u>	<u>[8.5]</u>
Total	\$ -0-	\$ -0-	\$ -0-	\$ [.5]	\$ [8.5]

Prepared By: Kerry D. Romesburg 
Division: Alaska Commission on Postsecondary Education

Phone: 465-2854
Date: February 10, 1984

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99801
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

Memorandum

Date: March 27, 1984
To: Members, Special Committee on State Loans
From: Rep. Rick Uehling, Chair
Subject: CS HB681 (Loans)

I have asked staff to prepare the following memorandum outlining changes to CS HB681 (Loans). The title has been changed to "An Act relating to certain State Loan Programs and providing for an effective date", from an Act relating to default on an collection of Student Loans. The Committee Substitute incorporates technical changes to the Student Loan Program and the Alaska Industrial Development Authority.

Section 1 and Section 2 are from the HESS Committee substitute for HB681. These are technical changes which will allow the Postsecondary Education Commission to more effectively deal with loans which are in default.

Section 3 has been added at the request of the Postsecondary Education Commission to the Loans Committee Substitute in order to clarify repayment deferment for members of the Armed Forces of the United States.

Section 4 and 5 are from the HESS Committee Substitute for HB681. These are further technical changes which will clarify the status of loans in default.

Section 6 has been added at the request of the Postsecondary Education Commission in order to clarify the eligibility of students to apply for scholarship loans. This section parallels much of the work the House Loans Committee did in this area in the last Session.

Section 7 has been added to the CS HB681 (Loans). This language is the same as SB362, which is currently in the Loans Committee. This language would allow a student to attend more than one institution simultaneously.

Section 8 is language which has been requested by the Alaska Industrial Development Authority as a technical change which would allow them to charge a lower interest rate to their borrowers.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99801
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDT

House Special Committee on State Loans

Memorandum

Date: March 27, 1984
To: Members, Special Committee on State Loans
From: Rep. Rick Uehling, *RUEHLING* Chair
Subject: HB681

I have asked staff to prepare the following memorandum outlining HB681 and CS HB681 (HESS).

Section 1 of the bill allows the Commission on Postsecondary Education to charge the costs of collecting student loans that are in default against the scholarship revolving loan fund if those costs are not recovered from the student.

Section 2 broadens the class of those who forfeit their entitlement to forgiveness of a portion of their loan. Under existing law, a borrower loses forgiveness benefits only upon being named a defendant in a suit for collection brought by the state. Under the proposed amendment, a borrower would lose forgiveness benefits once the loan becomes 120 days past due.

Section 3 provides that once a loan is in default, the interest rate increases from five percent a year to 10 percent a year.

Section 4 of the CS HB681 (HESS) divides Section 3 of HB681 into two sections for clarification.

Introduced: 1/20/84
Referred: Health, Education and
Social Services

1 IN THE SENATE

BY KERTTULA

2

SENATE BILL NO. 362

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the applicability of the scholar-

7

ship loan program to students attending more than one

8

postsecondary educational institution; and providing

9

for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 14.43.160(2) is amended to read:

12

(2) "full-time student" means an undergraduate or career

13

education student who is enrolled and is in regular attendance at

14

classes for at least 12 semester hours of credit or the equivalent

15

during the semester or a graduate student who is enrolled and is in

16

regular attendance at classes for at least nine semester hours of

17

credit or the equivalent; any combination of semester hours of credit,

18

or the equivalent, aggregating to the requisite number of semester

19

hours and undertaken during a semester at two or more public or pri-

20

vate institutions of higher education [OPERATING UNDER A CONSORTIUM]

21

constitutes full-time student status;

22

* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

23

10.070(c).

*3/23. Phoned request for
a work draft. combined
HB 681 and SB 362.*

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99801
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDT

House Special Committee on State Loans

Memorandum

To: Senator Jay Kertulla
From: Rep. Rick Uehling *RUH*
Subject: Changes to the Scholarship Loan Program
Date: March 23, 1984

The House Special Committee on State Loans will be considering HB 681, pertaining to default and collection on Student Loans on Tuesday, March 27, 1984.

In an effort to take a comprehensive approach with amendments to the Statutes on the Scholarship Loan Program we have drafted a committee substitute which adds the language in SB 362, relating to the applicability of the loan program to students attending more than one postsecondary institution, which you sponsored.

We have contacted Dr. Kerry Romesburg from the Alaska Commission on Postsecondary Education concerning these issues, and we would be pleased to have you or someone from your office attend our hearing on Tuesday.

Asner
3/27/84

Original sponsor: Rules/Governor

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

IN THE HOUSE

CS FOR HOUSE BILL NO. 681 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to certain state loan programs; and
providing an effective date."

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

* Section 1. AS 14.43.090(a) is amended to read:

(a) There is created a scholarship revolving loan fund. The fund shall be used to make scholarship loans to students selected under AS 14.43.090 - 14.43.160 and to pay the costs of collecting scholarship loans that are in default if those costs are not recovered from the student. All repayments of principal and interest on scholarship loans shall be paid into the scholarship revolving loan fund [SHALL BE USED TO MAKE NEW SCHOLARSHIP LOANS]. If money estimated to be [FUNDS] available from scholarship loan repayments is [ARE] inadequate to fully fund estimated scholarship loans for any fiscal year, additional funding from the general fund may be requested and appropriated for that year.

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

(f) Interest on a loan given under AS 14.43.090 - 14.43.160 is at the rate of five percent a year unless the loan is in default. Interest on a loan that is in default is 10 percent a year.

* [REDACTED] AS 14.43.120(k) is amended to read:

(k) Periodic installments of principal shall be deferred, but interest shall accrue and be paid unless the student is eligible for interest payment benefits under (l) of this section during any of the following:

1 (1) return to student status as provided in (c) of this
2 section;

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

5 (3) serving, for up to three years, as a full-time volun-
6 teer under the Peace Corps Act;

7 (4) serving, for up to three years, as a full-time volun-
8 teer under the Domestic Volunteer Service Act of 1973;

9 (5) for a one-time period up to 12 months in which the
10 borrower is seeking and unable to find employment in the United
11 States; or

12 (6) if the borrower becomes 50 percent or more disabled as
13 certified by competent medical authority.

14 * Sec. 4. AS 14.43.120(o) is amended to read:

15 (o) The provisions of (j) of this section do not apply to a loan
16 that is in default [TO A BORROWER NAMED IN A COMPLAINT AS A DEFENDANT
17 IN AN ACTION BY THE STATE OR BY THE COMMISSION TO SECURE PAYMENT OF
18 THE UNPAID BALANCE OF A LOAN MADE UNDER AS 14.43.110 OR 14.43.115].

19 * Sec. 5. AS 14.43.120 is amended by adding a new subsection to read:

20 (q) For the purposes of this section a loan is in default if a
21 loan payment is 120 or more days past due.

22 * REDACTED AS 14.43.125 is repealed and reenacted to read:

23 Sec. 14.43.125. ELIGIBILITY OF STUDENTS. (a) A person may
24 apply for and obtain a scholarship loan if the person

25 (1) is

26 (A) enrolled as a full-time student in a career educa-
27 tion, associate, baccalaureate, or graduate degree program; or

28 (B) a graduate of a high school or the equivalent, or
29 scheduled for graduation from a high school within six months,

1 with sufficient credits to be admitted to a career education
2 program or to an accredited college or university;

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

5 (3) is a resident of the state at the time of application
6 for the loan; for purposes of this section, a person qualifies as a
7 resident of the state if at the time of application for the loan the
8 person

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

12 (B) is dependent on a parent or guardian for care, the
13 parent or guardian has been present in the state for at least two
14 years immediately before the time of application for the loan and
15 the person has been present in the state for at least one year of
16 the immediately preceding five years; or

17 (C) has been physically present in the state, or is a
18 dependent of a parent or guardian who has been physically present
19 in the state, for at least two years immediately before being
20 absent from the state and the absence is due solely to

21 (i) military service;

22 (ii) volunteer service under the Peace Corps Act;

23 (iii) volunteer service under the Domestic Volun-
24 teer Service Act of 1973;

25 (iv) attending a school as a full-time student;

26 (v) full-time employment by the state;

27 (vi) being a member of or employed full-time by
28 the state's congressional delegation;

29 (vii) required medical care for the applicant or

1 the applicant's immediate family; or

2 (viii) being a person who otherwise qualifies as a
3 resident and is accompanying a spouse who qualifies as a
4 resident under (i) - (vii) of this paragraph.

5 (b) A person does not qualify as a resident of the state under
6 this section if the person declares or establishes residence in another
7 state during an absence from Alaska.

8 * Sec. 7. AS 14.43.160(2) is amended to read:

9 (2) "full-time student" means an undergraduate or career
10 education student who is enrolled and is in regular attendance at
11 classes for at least 12 semester hours of credit or the equivalent
12 during the semester or a graduate student who is enrolled and is in
13 regular attendance at classes for at least nine semester hours of
14 credit or the equivalent; any combination of semester hours of credit,
15 or the equivalent, aggregating to the requisite number of semester
16 hours and undertaken during a semester at two or more public or private
17 institutions of higher education [OPERATING UNDER A CONSORTIUM]
18 constitutes full-time student status;

19 * Sec. 8. AS 44.88.159(c) is amended to read:

20 (c) The interest rate on a loan purchased by the authority with
21 money in the small enterprise loan account that is not from the proceeds
22 of the sale of a series of bonds is the lesser of (1) the prevailing
23 prime rate adopted by the United States Small Business Admin-
24 istration, or (2) [EQUAL TO] the most recent index of Aa corporate
25 bond yield averages as published by Moody's Investors Service, except
26 that if an interest rate established under this subsection would be
27 less than 10 percent, the interest rate is 10 percent.

28 * Sec. 9. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).

March 16, 1984

The Honorable Mae Tischer, Chair
Health, Education, and Social
Services Committee
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Re: Draft CS for HB 681 (HESS)
-- default on and col-
lection of student loans
Our file: 377-114-84

Dear Representative Tischer:

At the request of Bill Lovell, of your staff, I have reviewed Legislative Counsel Lynn Asper's February 29, 1984 draft of a committee substitute for HB 681, which Bill delivered to me this morning. The draft CS makes no substantive change from the original HB 681, and the Department of Law has no objection to it on that basis.

The draft CS makes two minor style changes: (1) it changes the word "which" to the word "that" in two places, which is good; and (2) in the bill's sec. 2, the draft deletes our subsec. (f)'s reference to default "under (o) of this section," while adding to (f) a sentence stating that default occurs if a loan payment is 120 or more days past due. That new sentence in (f) repeats our new sentence in (o) and adds the phrase "under this subsection" in both places. Basically, that looks okay.

Regarding the latter, my only concern is that, when an identical provision is placed in two different locations in the statutes, there is always the potential for one of them to be amended in the future while the other one is overlooked; this could cause confusion and litigation. Lynn's objection to our version is based on his feeling that where our subsec. (f) refers to "default under (o) of this section" it is not really accurate since, although (o) contains what is essentially a definition of "default," default is not really occurring under that subsection. It's a fairly subtle point, but a third approach that would meet both of our concerns would be to change both (f) and (o) to refer to "default as defined in (q) of this section." Then add a new section to the bill that would add a new AS 14.43.120(q) to read "For the purposes of this section, a loan is in default if a loan

The Honorable Mae Tischer
377-114-84

March 16, 1984
Page 2

payment is 120 or more days past due." (Or perhaps this definition could be added to the definition section for AS 14.43's art. 4 -- AS 14.43.160.)

Thank you for this opportunity to comment.

Yours truly,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By:

Arthur H. Peterson
Assistant Attorney General

AHP/jb

cc: Kerry Romesburg
Executive Director
Alaska Commission on Post-
secondary Education
Department of Education

*called
11:11 a.m.*

Lynn Asper
Legislative Counsel
Legislative Affairs Agency

Linda Scoccia
Assistant Attorney General
Juneau

*Original
Picked up
by Bill Lovell
3/16/84
11: a.m.*

Offered: 3/19/84
Referred: House Special Committee
on State Loans and Finance

Original sponsor: Rules/Governor

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 681 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to default on and collection of
7 student loans."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 14.43.090(a) is amended to read:

10 (a) There is created a scholarship revolving loan fund. The
11 fund shall be used to make scholarship loans to students selected
12 under AS 14.43.090 - 14.43.160 and to pay the costs of collecting
13 student loans that are in default if those costs are not recovered
14 from the student. All repayments of principal and interest on schol-
15 arship loans shall be paid into the scholarship revolving loan fund
16 [SHALL BE USED TO MAKE NEW SCHOLARSHIP LOANS]. If money estimated to
17 be [FUNDS] available from scholarship loan repayments is [ARE] inade-
18 quate to fully fund estimated scholarship loans for any fiscal year,
19 additional funding from the general fund may be requested and appro-
20 priated for that year.

21 * Sec. 2. AS 14.43.120(f) is amended to read:

22 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
23 at the rate of five percent a year unless the loan is in default.

24 Interest on a loan that is in default is 10 percent a year. - INCREASED

25 * Sec. 3. AS 14.43.120(o) is amended to read:

26 (o) The provisions of (j) of this section do not apply to a loan
27 that is in default [TO A BORROWER NAMED IN A COMPLAINT AS A DEFENDANT
28 IN AN ACTION BY THE STATE OR BY THE COMMISSION TO SECURE PAYMENT OF
29 THE UNPAID BALANCE OF A LOAN MADE UNDER AS 14.43.110 OR 14.43.115].

See J.
is the frequent
Section

How much is the collection?
DEFAULT RATE

THROUGH AG'S OFFICE
CSHB 681(HESS)

R.F.P.
COLLECTION

NO - COLLECTIONS

1 * Sec. 4. AS 14.43.120 is amended by adding a new subsection to read:
2 (q) For the purposes of this section a loan is in default if a
3 loan payment is 120 or more days past due.

Introduced: 2/13/84
Referred: Health, Education and
Social Services, House Special Committee
on State Loans and Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

HOUSE BILL NO. 681

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to default on and collection of
student loans."

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

* Section 1. AS 14.43.090(a) is amended to read:

(a) There is created a scholarship revolving loan fund. The
fund shall be used to make scholarship loans to students selected
under AS 14.43.090 -- 14.43.160 and to pay the costs of collecting
student loans which are in default if those costs are not recovered
from the student. All repayments of principal and interest on schol-
arship loans shall be paid into the scholarship revolving loan fund
[SHALL BE USED TO MAKE NEW SCHOLARSHIP LOANS]. If money estimated to
be [FUNDS] available from scholarship loan repayments is [ARE] inade-
quate to fully fund estimated scholarship loans for any fiscal year,
additional funding from the general fund may be requested and appro-
priated for that year.

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

(f) Interest on a loan given under AS 14.43.090 -- 14.43.160 is
at the rate of five percent a year unless the loan is in default under
(o) of this section. Interest on a loan that is in default is 10
percent a year.

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

(o) The provisions of (j) of this section do not apply to a loan
which is in default. A loan is in default if it is 120 or more days
past due [TO A BORROWER NAMED IN A COMPLAINT AS A DEFENDANT IN AN

1 ACTION BY THE STATE OR BY THE COMMISSION TO SECURE PAYMENT OF THE
2 UNPAID BALANCE OF A LOAN MADE UNDER AS 14.43.110 OR 14.43.115].
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STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

April 12, 1984

SUBJECT: Exclusion of aliens from eligibility for
permanent fund dividends (CSHB 555 (Finance))

TO: Representative Randy Phillips

FROM: Linn H. Asper
Legislative Counsel

You have asked for an opinion on the constitutionality of excluding aliens from eligibility for permanent fund dividends.

It is my opinion that aliens who are lawfully present in the United States and who meet state residency requirements may not be excluded from programs such as the permanent fund dividend program. This result is dictated by a long line of cases that includes Takahashi v. Fish & Game Commission, 92 L. Ed. 1478 (U.S. Supreme Court, 1948).

In my opinion, although this proposition is not entirely settled, illegal aliens may be excluded from eligibility for permanent fund dividends. In Plyler v. Doe, 72 L.Ed. 2d 786, (U.S.C. Supreme Court, 1982) a 5-4 decision of the United States Supreme Court held that a state may not refuse to extend its free public education benefits to children who have not been legally admitted to the country. A first reading of this case seems to indicate that a state may not deny state benefits such as permanent fund dividends to illegal aliens if the aliens meet applicable state residence requirements. In fact, the Plyler case seems to be limited almost to the precise facts of the case, that is, to a denial of free public education to person's whose illegal immigration status is involuntary. It seems clear that in almost any other factual situation the denial of state benefits to an illegal alien would have been upheld by the court, and even in Plyler a strongly worded dissent was filed by the four justices in the minority. Given the limited extent of the holding in Plyler, and the recognition by the court that a state does not normally have to extend

AMENDMENT #2

OFFERED IN THE HOUSE:

By: Clackson

To: CS HOUSE BILL No. 681 (Fin)

SENATE BILL No. _____

PAGE: 1

LINE: 24

After "a year" insert "for the
period the loan is in default."

10%

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Representative Randy Phillips

Page 2

April 12, 1984

state benefits to persons who are illegally present in the state, the probable result is that a denial of permanent fund dividend benefits to illegal aliens would be upheld if enacted and subsequently challenged.

J6/028

LHA:ojb

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