

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

4/26/84

Date 5/4/84

Mr. President

The Committee on FINANCE considered CSHB 681(Fin)am

default on and collection of student loans; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

*V. Fisher*  
\_\_\_\_\_  
*[Signature]*  
\_\_\_\_\_  
*[Signature]*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Signature]*  
Chairman  
*[Signature]*  
Chairman recommendation

STATE OF ALASKA 1984 LEGISLATIVE SESSION

FISCAL NOTE

*Fiscal Note accompanied bill into committee*

*Handwritten initials and numbers: "C" and "4-10"*

Revision Date: \_\_\_\_\_

Page 1 of 2

**REQUEST**

Bill/Resolution No. CSHB 681(FIN)

Title: Default and Collection of Student Loans

Sponsor: Rules/Governor

Requestor: House HESS

Date of Request: 3/15/84

**FISCAL DETAIL**

Agency Affected: Education

Program Category Affected: Postsecondary Commission

BRU, Program or Subprogram(s) Affected: Student Financial Aid/Loans

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>N.A.</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>CAPITAL</b>					<b>(.5)</b>	<b>(8.5)</b>
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	N.A.	-0-	-0-	-0-	(.5)	(8.5)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>N.A.</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

See attached.

**ANALYSIS:** Attach a separate page for analysis

Prepared By: Kerry D. Romesburg, Executive Director Phone: 465-2854  
 Division: Alaska Commission on Postsecondary Ed. Date: 3/15/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE FOR: 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 collections 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]

Offered: 4/6/84  
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
2 CS FOR HOUSE BILL NO. 681 (Finance) am  
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; and providing for an effective date."  
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 for the  
25 period the loan is in default.  
26 \* Sec. 3. AS 14.43.120(o) is amended to read:  
27 (o) The provisions of (j) of this section do not apply to a loan  
28 that is in default [TO A BORROWER NAMED IN A COMPLAINT AS A DEFENDANT  
29 IN AN ACTION BY THE STATE OR BY THE COMMISSION TO SECURE PAYMENT OF

1 THE UNPAID BALANCE OF A LOAN MADE UNDER AS 14.43.110 OR 14.43.115].

2 \* Sec. 4. AS 14.43.120 is amended by adding a new subsection to read:

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

5 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
6 10.070(c).

BILL SHEFFIELD  
GOVERNOR



HOB 681

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

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 that reads "Bill Sheffield".

Bill Sheffield  
Governor

**COMMITTEE REPORT**  
**SENATE**

FURTHER: FINANCE

4/13/84

Date April 25, 1984

Mr. President

The Committee on HESS considered CSHB 681(Fin) am  
default on and collection of student loans; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
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MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

Kirk Halford  
Greg Joseph  
Perry  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

Chairman

Chairman recommendation

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

Page 1 of 2

REQUEST

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Program Category Affected: Postsecondary  
Commission

BRU, Program or Subprogram(s) Affected:

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POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

See attached.

ANALYSIS: Attach a separate page for analysis

Prepared By: Kerry D. Romesburg, Executive Director Phone: 465-2854

Division: Alaska Commission on Postsecondary Ed. Date: 3/15/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_

Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

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- Office of Management and Budget
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12/1/83

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Total	\$ -0-	\$ -0-	\$ -0-	\$ [.5]	\$ [8.5]

BILL SHEFFIELD  
GOVERNOR



HB 681

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 13, 1984

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Alaska House of Representatives  
Pouch V  
Juneau, AK 99811

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Bill Sheffield  
Governor

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

4/13/84

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[ ] new title
[ ] same title and recommends
[ ] and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
[ ] reports it back without recommendation
[ ] recommends referral to Committee

MEMBERS SIGNING DO PASS

MEMBERS HAVING OTHER RECOMMENDATIONS

Handwritten signatures: Rick Halford, Dan J. ... , Peggy ...

Empty lines for other recommendations.

Chairman

Chairman recommendation

# Alaska State Legislature

OFFICIAL BUSINESS

CHAIRMAN  
RULES COMMITTEE



Senate

JAN FAIKS  
POUCH V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

## MEMORANDUM

TO: All Members  
Senate Finance Committee

FROM: Senator Jan Faiks

RE: House Bill 681

DATE: May 4, 1984

House Bill 681 was introduced by the Governor to enhance the collection efforts of student loans in default.

Section 1. This section 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 the costs are not recovered from the student. Currently these costs are absorbed by the Department and the Attorney General's Office. If the bill passes, the appropriate funds will be turned over to the Department of Law via an inter-agency transfer once a year.

Section 2. Interest on a loan is 5%. Interest on a loan in default is 10% for the period of time that the loan is in default. (for the period the loan is in default was an amendment by Clocksin adopted on the House floor)

Section 3. The forgiveness section of this statute does not apply to a loan in default. Current law says the forgiveness section does not apply only if the borrower is named in a complaint as a defendant in an action to secure payment of a loan made under this section.

Section 4. A loan in default is defined a loan 120 days or more past due.

Section 5. Immediate effective date.

The bill passed the House on April 11th by a vote of 27-9-4 and passed on reconsideration by 32-5-3.