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STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
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MEMORANDUM

February 18, 1985

SUBJECT: Sectional analysis of HB 185 (student loans)
Representative Niilo Koponen
Chairman, Health, Education and Social
Services Committee

FROM: Keith B. Levy
Legislative Counsel

The following is a sectional analysis of HB 185, relating to the student loan program.

Section 1. Existing law allows a deferral of the repayment of student loans for certain activities including service on active duty as a member of the armed forces. This section limits the military service deferral to an initial period of service of up to six years (AS 14.43.120(k)).

Section 2. This section rewrites the eligibility requirements for a student loan (AS 14.43.125). To be eligible, a person must meet three requirements. First, the person must either be enrolled as a full-time student in a career education, associate, baccalaureate, or graduate program, or a high school graduate, or scheduled for graduation from high school within six months. Second, the person may not be delinquent or in default on a previously awarded loan. Third, the person must be a resident of the state at the time of application. To qualify as a resident, the person must either (1) have been physically present in the state for two years before applying; (2) have been present in the state for one year of the preceding five and be dependent on a parent or guardian who has been present in the state for two years before the application; or (3) have been present in the state for two years or be dependent on a parent or guardian who has been present in the state for two years before the person was absent from the state if the absence was due solely to one of the justifications listed in the statute. The justifications for absence include

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military service, Peace Corps service, volunteer service under the Domestic Volunteer Service Act of 1973, participating in a foreign exchange student program, attending school as a full-time student, full-time employment by the state, working as or being employed full-time by the state's congressional delegation, medical care for the applicant or the applicant's immediate family, and accompanying a spouse who qualifies under these provisions. A person does not qualify as a resident if that person establishes residence in another state during the absence.

Section 3. This section provides for an immediate effective date.

KBL:mkr
110:WKJ11

REPORTS OF SPECIAL COMMITTEESHB 161

The House Special Committee on State Loans has considered HOUSE BILL NO. 161 (relating to student loans; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 161 (Loans):

"An Act relating to the interest rate, forgiveness provisions, eligibility requirements, and conditions of scholarship loans; and providing for an effective date."

and reports it back as follows: Fuller recommends do pass; Duncan recommends do not pass; Sund (Chairman), Uehling and Cotten have no recommendation. A fiscal note is forthcoming.

HB 161 was referred to the Health, Education & Social Services Committee.

HB 185

The House Special Committee on State Loans has considered HOUSE BILL NO. 185 (relating to student loans; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 185 (Loans):

"An Act relating to the maximum loan amounts, eligibility requirements, and conditions of scholarship loans; and providing for an effective date."

and reports it back as follows: Sund (Chairman), Duncan, Fuller, Uehling and Cotten recommend do pass. A zero fiscal note was attached.

HB 185 was referred to the Health, Education & Social Services Committee.

INTRODUCTION OF CITATIONS

The following citations were received:

Honoring - the Volunteer Firefighters
of Alaska
by Representative Marrou

Honoring - Kris Thorsness
by Representatives Clocksin, Hanley and
Pearce and Senator V. Fischer

The citations were referred to the Rules Committee for placement on the calendar.

INTRODUCTION, FIRST READING AND REFERENCEOF HOUSE RESOLUTIONSHCR 16

HOUSE CONCURRENT RESOLUTION NO. 16 by Hurley, Adams, Grussendorf, Clocksin, Koponen, Larson, Sund, Taylor and Boucher:

Relating to the longevity bonus program.

was read the first time and referred to the Rules Committee.

INTRODUCTION, FIRST READING AND REFERENCEOF HOUSE BILLSSSHB 20

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 20 by Goll, Sund, Marrou, Gruenberg and Taylor, entitled:

"An Act relating to interest on deposits collected by public utilities."

was read the first time and referred to the Labor & Commerce and Finance Committees.

HB 258

HOUSE BILL NO. 258 by the Community & Regional Affairs Committee, entitled:

"An Act relating to the reduction of airline passenger fares; and providing for an effective date."

was read the first time and referred to the Community & Regional Affairs, Transportation and Finance Committees.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 3/5/85

REQUEST

Bill/Resolution No.: CS HB 185
Title: Conditions of Student Loans

Sponsor: Koponen, Goll, Sund, Et Al.
Requestor: House Loan Comm.
Date of Request: 3/4/85

FISCAL DETAIL

Agency Affected: Education
Program Category Affected: Postsecondary Education
BRU, Program or Subprogram(s) Affected: Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	N.A.	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	N.A.	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	N.A.	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Kerry D. Romeshko, Executive Director Phone: 465-2854
Division: Alaska Commission on Postsecondary Education Date: _____
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

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

7/1/84

Alaska State Legislature

Representative Nillo Koponen

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HOUSE BILL 185

House Bill 185 is legislation requested by the Postsecondary Commission. Last year it was introduced as SB 385. HB 185 is a shortened version of the final version of SB 385 (CSSB 385(Fin) am).

This bill deals with two sections of AS 14.43. The first (AS 14.43.120(k)), deals with "Conditions of Loans" - specifically deferral of repayment. The second section (AS 14.43.125) deals with eligibility for the student loan program.

DEFERRAL OF REPAYMENT - This bill defines a maximum length of time (6 years) for which a person can have repayment of their student loan deferred because they are on active duty as a member of the armed forces of the United States.

SB 385 originally had a deferral period of 4 years. This was increased to 6 years in the Senate Finance amended version after discussion in committee of initial service periods which last 6 years rather than 4.

ELIGIBILITY - Language is added making certain provisions by which a person could have been out of state within the last two years and still be eligible for a student loan. These provisions include required medical care, attendance school outside of Alaska as a fulltime student etc. Currently, military service is one of the only allowable absences.

At present the Postsecondary Commission has no statutory authority to grant Alaska Student Loan eligibility to anyone who has been out of the state in the 2 years immediately prior to applying for a student loan. There is a Postsecondary Commission regulation to allow absences out of state of not more than 8 consecutive weeks or no more than 16 total weeks, but even students who have been receiving Alaska student loans and who have been going to school fulltime outside the state are not, under current statute made clearly eligible for the Alaska Student Loan program.

In Section 3 (B) a dependent must have been present in the state for at least one year of the immediately preceding 5 years because that is a requirement Senate Judiciary included in the omnibus residence bill (HB323). (Now AS 14.43.125)

I have included a copy of the referenced existing statutes for your convenience.

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031.

Effect of amendments. — The 1981 amendment substituted "\$7,000" for "\$5,000" following "not to exceed."

Sec. 14.43.120. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

(b) The loans may only be used to attend a career education program or a college or university approved by the commission, and, if the loans are federally insured, by the United States Commissioner of Education.

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section. The commission shall adopt regulations defining "good standing" for purposes of this subsection.

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

- (1) for more than five years of undergraduate study;
- (2) for more than five years of graduate study;
- (3) for more than a total of eight years of undergraduate and graduate study.

(e) Loans are interest bearing while a student is enrolled under (c) of this section or is receiving a deferment of payments under (k) of this section; however, a student is entitled to have a portion of the interest paid in accordance with (1) of this section.

(f) Interest on a loan given under AS 14.43.090 — 14.43.160 is at the rate of five per cent a year.

(g) Repayment of the principal and interest on the loan begins no later than one year after the borrower's studies are terminated. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

(h) Security may not be required for the loans; however, provision shall be made for payment of attorney fees and costs of court if either or both are incurred in collection of the amount owed on the loan.

(i) If a loan is in default, the commission shall notify the borrower that repayment of the remaining balance is accelerated and due by sending the borrower a notice by registered or certified mail.

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower is a resident of the state for at least two years. The portion of the loan that shall be paid by the state is the following percentages of the total loan received plus interest up to a total of 50 percent of the total loan:

(1) two — three years residence in the state, 10 percent;

(2) three — four years residence in the state, an additional 10 percent;

(3) four — five years residence in the state, an additional 10 percent;

(4) five — six years residence in the state, an additional 10 percent;

(5) over six years residence in the state, an additional 10 percent.

(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 (1) of this section during any of the following:

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

(2) serving on active duty as a member of the armed forces of the United States;

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

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

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

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

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

(1) the period before the beginning of the repayment period of the loan; and

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

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

(n) Repealed by § 11 ch 89 SLA 1981.

(o) The provisions of (j) of this section do not apply to a loan to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure payment of the unpaid balance of a loan made under AS 14.43.110 or 14.43.115.

(p) For purposes of this section, a person qualifies as a resident if the person is physically present in the state with the intent to remain permanently in the state or, if not physically present in the state, the person intends to return to the state and is absent due to military service. (§ 1 ch 98 SLA 1971; am § 4 ch 156 SLA 1972; am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974; am §§ 1—4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979; am §§ 3 — 9, 11 ch 89 SLA 1981; AS 14.40.763)

Revisor's notes. — In ch. 98, SLA 1971, AS 14.43.120(j)(2) read "four — five years . . ." This was a typographical error occurring for the first time in the enrolled version of the bill (CSHB 415 Finance am

Sl) and has been corrected here.

Effect of amendments. — The 1979 amendment deleted "approved by the commission" following "career education program" and substituted the language

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beginning "approved by the commission" for "accredited by the accreditation association for the region in which the college or university is located" in subsection (b), substituted "interest" for "non-interest" in subsection (e), added the language beginning "however, a student shall be entitled" to the end of subsection (e), rewrote subsection (g), and in subsection (j), substituted "paid on behalf of the borrower by the state" for "considered a grant," "borrower" for "grantee," and "three years" for "two years" in the first sentence, substituted "paid by the state" for "regarded as a grant" and "interest for up to a total of 40 percent" for "accrued interest" in the introductory language of the second sentence, and substituted "an additional 10 percent" for "20 percent" in paragraph (2), for "30 percent" in paragraph (3), and for "40 percent" in paragraph (4). The amendment also rewrote subsection (k) and added subsections (l), (m), and (n).

The 1981 amendment, added the second sentence of subsection (c). In subsection (d), the amendment added paragraphs (1) and (2) and in paragraph (3), substituted "a total of eight" for "six" preceding "years" and added "of undergraduate and graduate study" following "years." In subsection (i), the amendment substituted "shall" for "may" and "borrower" for "student." In subsection (m), the amendment substituted "12" for "six" preceding "months" and deleted "within the 15-year requirement of (g) of this section" following "months each." The amendment also rewrote subsections (g) and (j), added subsections (o) and (p) and repealed subsection (n) which read "Each year spent

attending a college or university in Alaska qualifies as a year of employment and residency under (j) of this section, if the borrower resides no less than three years in Alaska after completion of the course for which the loan was granted, and has a total Alaskan residency of ten years time."

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01-5.031(c) and § 4, Chapter 58, SLA 1982.

Section 8, ch. 99, SLA 1977 provides: "The change in the repayment period of student loans set out in AS 14.40.763(g) [now 14.43.120(g)] as amended by sec. 3 of this Act and the additional basis for granting a deferment of repayment of a student loan set out in AS 14.40.763(k) [now 14.43.120(k)] as enacted by sec. 4 of this Act shall, upon request of the loan recipient, be applied retroactively to the outstanding balance of principal of and accrued interest on loans made under AS 14.40.751 — 14.40.806 [now 14.43.090 — 14.43.160] as they read before the effective date of this Act."

Section 12 of ch. 89, SLA 1981, provides: "The reenactment of AS 14.40.763(j) [now 14.43.120(j)] in sec. 7 of this Act applies to any student who has obtained a scholarship loan under AS 14.40.751 — 14.40.806 [now 14.43.090 — 14.43.160] since July 1, 1971."

Legislative history reports. — For a report of legislative intent concerning the loan forgiveness provisions of ch. 89, SLA 1981 (FCCSSB 120), see 1981 Senate Journal p. 1560, 1580; 1981 House Journal p. 2289.

Sec. 14.43.125. Eligibility of students. (a) A person may apply for and obtain a scholarship loan if the person

(1) is a resident of the state at the time of application for a scholarship loan;

(2) meets the requirements of (b) of this section; and

(3) is

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

(B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university.

(b) In addition to the requirements of (a) of this section, to obtain a scholarship loan a person must have been a resident of the state for at least two years at the time of application for the loan. For purposes of

this subsection, a person qualifies as a resident of the state if at the time of application for the loan the person

(1) has been present in the state for at least two years unless an absence from the state during any part of the two years was due to military service; or

(2) is a person who is dependent on a parent or guardian for care, and the parent or guardian has been present in the state for at least two years. (§ 1 ch 98 SLA 1971; am § 10 ch 89 SLA 1981; AS 14.40.765)

Effect of amendments. — The 1981 amendment rewrote this section. remove personal pronouns in conformity with AS 01.05.031(c) and § 4, ch. 58, SLA

Editor's notes. — This section was redrafted by the revisor of statutes to 1982.

Sec. 14.43.130. Selection criteria. (a) The selection committee shall grant loans based on total point accumulations under the subsection with priority going to those applicants with the highest point accumulations, except as provided in (b) of this section for loan applications completed before May 15 of each year. Points shall be awarded to applicants based upon student status and continuous Alaskan residency, according to the following schedule:

(1) student status:

- (A) continuing undergraduate and graduate students with existing Alaska scholarship loans 4 points
- (B) continuing undergraduate and graduate students without existing Alaska scholarship loans 3 points
- (C) freshmen 2 points
- (D) new graduate students without existing Alaska scholarship loans 1 point

(2) continuous Alaskan residency:

- (A) students with continuous Alaskan residency of 10 years or more 3 points
- (B) students with continuous Alaskan residency of at least 5 years and less than 10 years 2 points
- (C) students with continuous Alaskan residency of more than 2 years and less than 5 years 1 point
- (3) students attending Alaska colleges or universities . . . 1 point

(b) In awarding loans the selection committee shall award loans to applicants based upon the earliest date of completed applications if

(1) the applicant has accumulated at least 5 points under (a) of this section; and

(2) the applicant has filed a completed application not later than May 15 of the year for which the loan is requested. (§ 1 ch 98 SLA 1971; am § 2 ch 87 SLA 1979; AS 14.40.767)

Effect of amendments. — The 1979 amendment rewrote this section. 1979 provides: "The legislature determines that

Editor's notes. — Section 1, ch. 87, SLA "(1) there are no incentives in the

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