

**SB**

**77**

# ( ) USE COMMITTEE REPORT

(11)

Date Referred: May 13, 1991

FURTHER REFERRALS:

Date of Committee Action: 5/15/91

The FINANCE Committee considered:

CSSB 77(HES)am

CS FOR SENATE BILL NO. 77 (HES) am

STUDENT LOANS: 1/2 TIME, CAREER ED, ETC.

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

**RECOMMENDATIONS:**

be replaced with CS SB 77 (HES) am  the same title  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal impact \_\_\_\_\_

fiscal note(s) EDUCATION 2-15-91

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Mike Savane</i>	✓	<i>Eileen P. Meehan</i>		✓	
<i>MANO BAYN</i>	X	<i>Tamara Barnes</i>		X	
<i>Kay Brown</i>	✓	<i>Bob King</i>		X	
<i>Adrian</i>	✓	<i>Carol E. Coo</i>		✓	
<i>J. Ulmer</i>	X	<i>Ronald Fisher</i>		X	
		<i>George Jackson Jr</i>		X	

*Mike Savane* *E.P. Meehan*  
CHAIRMAN'S SIGNATURE

FISCAL NOTE

No. 1

Bill Version: SB77

(S) Publish Date: 2/15/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: RE: Loans for half-time students BRU: Postsecondary Education/Student Loan Corp  
 Component: Student Loan Fund. Student Loan Admi  
 Sponsor: Pourchot  
 Requestor: Senate HESS COMPONENT SERIAL NO. 

0	2	1	3
---	---	---	---

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	42.0	42.0	42.0	42.0	42.0	42.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Corp. Receipts	42.0	42.0	42.0	42.0	42.0	42.0
<b>TOTAL</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Costs for printing and mailing of loan documents.

Changes in SB77 HES  
 reflect NO FISCAL CHANGE from the original  
 fiscal note. This fiscal note is appropriate.

1/15/91 HES  
 date Comte Aide (initial)

Prepared By: Jane Bvers Maynard, Executive Director Phone: 465-2165

Division: Alaska Commission on Postsecondary Education Date: January 28, 1991

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

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

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

SB 77  
Analysis of Fiscal Impact

A. Assumptions

1. Total loan awards cannot exceed the statutorily required limit of three percent annual growth and will not exceed the FY 1992 budget appropriation.
2. A portion of borrowers who would have chosen to request a loan for full-time student status will elect to apply for a loan for half-time student status; i.e., a percentage of full-time loans will be supplanted by half-time loans.
3. Present staff level will be sufficient to service the addition of loans for half-time students.
4. New documents will be printed annually assuming annual borrower levels of up to 5,000.

#0579N

HESS  
FIN

## CS FOR SENATE BILL NO. 77 (HES) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Amended: 4/12/91  
 Offered: 2/15/91  
 Referred: Finance

Sponsor(s): SENATORS POURCHOT, Sturęulewski, Menard

## 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 (1) a career education program, college, or university in  
27 the state that meets the requirements under (b) of this section or (2) a career education  
28 program, college, or university that meets the requirements under (b) of this section and  
29 be physically present in the state while attending the career education program, college, or  
30 university. The commission shall adopt regulations defining "good standing" for purposes of this  
31 subsection.

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

2 (g) Repayment of the principal and interest on the loan begins not [NO] later than one  
3 year after the borrower's studies are terminated. The loan shall provide for repayment of the "An  
4 Act total amount owed in periodic installments in not more than 10 years from the  
5 commencement of repayment if the loan is to a full-time student, or in not more than five  
6 years from the commencement of repayment if the loan is to a half-time student, except as  
7 provided in (k) and (m) of this section. If the commission and the borrower agree to a different  
8 repayment schedule, the borrower shall repay the loan in accordance with the agreement. A  
9 borrower may make payments earlier than required by this subsection.

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

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

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

18 (2) if the borrower received a loan to attend as a half-time student, return  
19 to at least half-time student status in good standing in (A) a career education program,  
20 college, or university in the state that meets the requirements under (b) of this section or  
21 (B) a career education program, college, or university that meets the requirements under  
22 (b) of this section and the borrower is physically present in the state while attending the  
23 career education program, college, or university; a borrower is not eligible for deferral  
24 under this paragraph for a period longer than eight years;

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

27 (4) [(3)] serving, for up to three years, as a full-time volunteer under the Peace  
28 Corps Act;

29 (5) [(4)] serving, for up to three years, as a full-time volunteer under the  
30 Domestic Volunteer Service Act of 1973;

31 (6) [(5)] for a one-time period up to 12 months in which the borrower is seeking

1 and unable to find employment in the United States; or  
2 (7) during the period of disability [(6)] if the borrower becomes 50 percent or  
3 more disabled as certified by competent medical authority.

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

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

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

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

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

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

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

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

14 (1) is

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

17 (B) enrolled as a half-time student in a career education, associate,  
18 baccalaureate, or graduate degree program in

19 (i) the state; or

20 (ii) a career education, associate, baccalaureate, or graduate  
21 degree program and is physically present in the state while attending the  
22 career education, associate, baccalaureate, or graduate degree program; or

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

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

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

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

1 (B) is dependent on a parent or guardian for care, the parent or guardian  
2 has been present in the state for at least two years immediately before the time of  
3 application for the loan and the person has been present in the state for at least one year  
4 of the immediately preceding five years except that the commission may by a two-thirds  
5 vote, acting upon a written appeal by the person, grant an exemption to the requirement  
6 that the person has been present in the state for one year of the immediately preceding  
7 five years;

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

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

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

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

18 (iv) required medical care for the applicant or the applicant's  
19 immediate family;

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

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

27 (i) participating in a foreign exchange student program recognized  
28 by the commission;

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

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

31 (iv) being a member of or employed full-time by the state's

1 congressional delegation;

2 (v) being a person who otherwise qualifies as a resident and is  
3 accompanying a spouse who qualifies as a resident under (i) - (iv) of this  
4 paragraph; and

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

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

9 (7) "half-time student" means an undergraduate, graduate, or career education  
10 student who during the semester is enrolled and is in regular attendance at classes at one or more  
11 public or private institutions of higher education for at least a total of six semester credit hours  
12 or an equivalent of six semester credit hours, and includes a career education student enrolled  
13 and in regular attendance in classes for at least 15 hours a week.

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

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

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

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

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

29 (a) The educational incentive grant program established under AS 14.43.400 - 14.43.500  
30 shall be administered by the executive director of the commission [SECRETARY OF THE  
31 STUDENT FINANCIAL AID COMMITTEE UNDER AS 14.43.095 - 14.43.105], subject to

1 teacher scholarship loans; the form shall include a requirement that the applicant supply a high  
2 school academic transcript and a statement of intent to enter a teaching career at the elementary  
3 or secondary school level in the state.

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

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

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

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

10 (3) meet the conditions set by the student's local school board with respect to the  
11 district's requirements for teachers in particular subject areas;

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

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

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

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

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

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

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

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

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

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

# ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE,  
CO-CHAIR



ANCHORAGE  
P.O. BOX 104836  
ANCHORAGE, AK 99510  
(W) (907) 561-7623  
(H) (907) 338-2425

JUNEAU  
P.O. BOX V  
STATE CAPITOL  
JUNEAU, AK 99811  
(907) 465-3712

Senator Pat Pourchot

## MEMORANDUM

TO: Representative Navarre, Co-Chair  
Representative MacLean, Co-Chair  
House Finance Committee

FROM: Senator Pourchot *Pat*

RE: Scheduling of SB 77, Half-Time Student Loans

DATE: May 13, 1991

I am writing to request that you calendar SB 77, which would expand the use of existing state student loan funds to include certain half-time students.

The bill is intended to address the needs of the "serious" half-time student; students who because of work, family, a disability, or some other demand are unable to devote themselves to full-time study but who have as much interest in, can benefit as much by, and certainly are as entitled to higher education as are those able to attend school full-time. "Seriousness" is ensured by the requirement that the half-time student be enrolled in good standing in at least six semester credit hours in a career education or degree program.

Eligibility requirements for half-time loans would be the same as for full-time loans. Loan terms would be less than half what they are for full-time students. In contrast to the full-time loan, half-time loan funds could be used only at in-state schools and only for tuition, books, and fees. All other provisions of the current loan program would apply to half-time loans.

Loans would be administered by the Postsecondary Education Commission as part of the existing full-time student loan portfolio. An increase in program funding would not be required -- loan funds would come from repayment of existing loans and state general funds appropriated annually to the program. While it is hard to predict what the demand for half-time loans might be, it is anticipated that any competition between half-time and full-time students for loan funds would be minimal as funds have exceeded demand the last couple of years. In the future, should demand increase, existing statute allows for 3% program growth annually.

The Senate adopted a letter of intent regarding allocation of loan funds between half-time and full-time students, and a small fiscal note (corporate receipts) to cover the cost of preparing forms specific to the half-time loan.

Thank you for your consideration.

SB 77. AN ACT RELATING TO STUDENT LOANS

Broader: is the group of persons eligible for the student loan program to include the serious half-time student.

MUST BE ENROLLED IN GOOD STANDING IN A CAREER EDUCATION, ASSOCIATE, BACCALAUREATE, OR GRADUATE DEGREE PROGRAM

MUST TAKE AT LEAST 6 SEMESTER CREDIT HOURS OR BE IN REGULAR ATTENDANCE IN CAREER EDUCATION CLASSES AT LEAST 15 HOURS A WEEK

Loan terms would be less than half what they are for full-time students.

	<u>HALF-TIME</u>	<u>FULL-TIME</u>
UNDERGRAD MAXIMUM	\$2,000/YR.	\$5,500/YR.
GRADUATE MAXIMUM	\$2,500/YR.	\$6,500/YR.
REPAYMENT	5 YEARS	10 YEARS
INTEREST	8%	8%

Two major differences.

<u>HALF-TIME</u>	<u>FULL-TIME</u>
BOOKS, TUITION, FEES IN-STATE SCHOOLS ONLY	BOOKS, TUITION, FEES, ROOM, BOARD IN-STATE AND OUT-OF-STATE SCHOOLS

Half-time loans would be awarded within the statutory cap (AS 14.42.032 allows 3% growth above the prior year's award). Applications would be processed by existing staff. Fiscal note of \$42,000 (corporate receipts) to print half-time loan application forms.

Minimal competition between half-time and full-time students. Loan funds have exceeded demand the last several years as demand has declined. No clear estimate of the number of half-time applicants. The Postsecondary Education Commission will likely set aside a portion of funds specifically for half-time loans (currently set aside 20% for vocational students).

Bond counsel has determined that the bill will have no impact on the indenture or other financing documents used in connection with the issuance of the corporation's bonds.

Legislative Legal Division finds no Constitutional problem with limiting half-time loans to attendance at schools in the state.

Postsecondary Education Commission has endorsed the concept of half-time loans.

SECTIONAL SUMMARY

CSSB 77(HESS)am, RELATING TO HALF-TIME STUDENT LOANS

Sec. 1-6 Delete references to the Student Financial Aid Committee, which has not been operative for several years. Duties have all been assumed by the Postsecondary Education Commission.

Sec. 7 Establishes the undergraduate loan limit for half-time students at \$2,000 (full-time limit is \$5,500). Requires that regulations be adopted establishing the minimum amount for which a loan may be made.

Sec. 8 Establishes the graduate loan limit for half-time students at \$2,500 (full time limit is \$6,500). Requires adoption of regulations establishing minimum loan amount.

Sec. 9 Limits the use of half-time loan funds to books, tuition, and required fees. Full-time loan funds may also be used for room and board.

Sec. 10 Allows loans to be made to institutions that have been operating only one year if the commission determines the program is operating on a fiscally sound basis. Current statute requires two years of operation.

Sec. 11 Requires that half-time loan recipients be enrolled in good standing in a career education program, college, or university in the state or in an "external degree program" (enrolled in an out-of-state school but physically present in the state). These are the same requirements that full-time students must meet, except that full-time loan recipients may attend school out of state.

Sec. 12 Requires repayment of a half-time loan within five years from the commencement of repayment. This is half of the 10 year repayment period for full-time loans.

Sec. 13 Allows for deferral of principal and interest when a half-time borrower returns to school (this same deferral provision applies to full-time students). Specifies that deferral of a half-time loan may not exceed eight years (no such limitation applies to full-time loans). Clarifies that the student must be enrolled full-time, not half-time, in order to defer a full-time loan.

Sec. 14 Allows for deferral of interest payments while the half-time borrower is in school (Sec. 13 applies only to a borrower who returns to school). This general deferral currently applies to full-time students.

Sec. 15 Conforming amendment per defunct Student Financial Aid Committee.

Sec. 16 Amends the eligibility provisions of the student loan program to include half-time, as well as full-time, enrollment in a career education, associate, baccalaureate, or graduate degree program in the state or in an "external degree program" (enrolled in an out-of-state school but physically present in the state). Full-time students may enroll out of state also.

Sec. 17 Defines half-time student as an undergraduate, graduate, or career education student enrolled and in regular attendance at classes for at least six semester credit hours, or a career education student enrolled and in regular attendance at classes for at least 15 hours a week. The definition of a full-time student is enrollment and regular attendance in at least 12 semester credit hours or the equivalent of undergraduate or career study, or 9 hours of graduate study.

Sec. 18-27 Conforming amendments per defunct Student Financial Aid Committee.

Sec. 28 Defines "commission" as the Alaska Postsecondary Education Commission.

Sec 29 Two repealers per defunct Student Financial Aid Committee.

Sec. 30 Effective date of July 1, 1991.

NOTE: All sections of CSSB 77(HESS) amend sections of existing law. Provisions of existing law that currently apply to full-time students but that are not referenced in SB 77 would apply to half-time students as well (8% interest, interest accrual during grace period, begin repayment within one year of completing study, default at 120 days, maximum five years worth of loans except eight years if obtain loans for both undergraduate and graduate study, garnishment of Permanent Fund dividends for defaulted loans, two year residency requirement).

# Alaska State Legislature

Sen. Pat Pourchot, Co-Chairman  
Sen. Jay Kerttula, Co-Chairman

Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffman  
Sen. Dick Shultz  
Sen. Rick Uehling



P.O. Box V  
State Capitol  
Juneau, Alaska 99811

907-465-3712

## Senate Finance Committee

### CSSB77 (HES)

It is the intent of the Legislature that the Postsecondary Education Commission adopt regulations establishing a percentage of total loan funds that may be loaned to half-time students in any fiscal year. Under current policy, the Commission sets aside 20% of loan funds for career education students. This serves both to limit the amount of money that may be loaned to vocational students, and to ensure that vocational students have access to state student loan funds. If demand for vocational loans in any given year is less than the allocation, the funds are loaned to full-time students.

It is the intent of the Legislature that a similar allocation system be adopted for half-time students.

Further, it is not the intent of the Legislature that future program modifications be made that would allow students attending school less than half time to receive state student loans.

**FREQUENTLY ASKED QUESTIONS ABOUT CSSB 77(HES):**

**1. What is the financial impact of expanding the student loan program to include half-time students?**

Due to a number of occurrences in the late 1980's -- probably including the downturn in the state's economy and changes made to the student loan program to accommodate bonding (repeal of forgiveness, increased interest rate, and accrual of interest during the grace period) -- demand for student loans has dropped.

During this same period, revenues available to the program have increased. A reduced default rate and the fact that loans made in the high volume years are coming due have resulted in increased loan repayments. Repayments have been supplemented with bond proceeds since 1988, and an annual general fund appropriation of \$10 million.

Evensen Dodge, Inc., the financial advisor to the Student Loan Corporation, predicts that if this funding pattern continues and loan demand remains static, the loan fund will be revolving by the year 2000-2002. It is conceivable that demand for half-time and full-time loans combined will not result in total program growth -- full-time demand may continue to decline; current full-time borrowers may convert to half-time borrowing.

Under no circumstance will borrowing grow unchecked. Current statute limits loan awards to a total value that exceeds by no more than 3% the loans awarded the previous year, regardless of demand. Even with the inclusion of half-time borrowers, it is unlikely that demand will grow in the near term at this rate.

According to Evensen Dodge, Inc., with an annual \$10 million general fund appropriation and 8% default rate:

	<u>1% Decline</u>	<u>No Growth</u>	<u>1.5% Growth</u>	<u>3% Growth</u>
Last year for bonds	1998	1999	2003	2006
Last year for GF	2000	2002	2004	2006

**2. What if loan demand (half-time and full-time combined) exceeds the amount of loan funds available?**

The amount of loan money available is controlled by the statutory limit on growth and by legislative appropriations to the fund. It is not anticipated that additional money would be appropriated, but rather that available funds would be allocated between half-time and full-time students, which is the current practice for vocational loans. A Senate Finance Committee letter of intent addresses this allocation.

**3. What has loan demand been the last several years?**

Highest year	FY 85	75.1 million	(17,173 borrowers)
	FY 86	75.0 m	(15,983)
	FY 87	71.6 m	(16,566)
	FY 88	68.6 m	(16,453)
	FY 89	61.1 m	(14,625)
	FY 90	55.4	(13,065)
	FY 91	54.0 m	(11,000)
Estimate	FY 92	56.0 m	

**4. What is the program's default rate?**

7.5%

**5. What is the definition of a half-time borrower?**

A student must be enrolled in good standing in a career education, associate, baccalaureate, or graduate degree program and must be taking at least 6 semester credit hours or be in regular attendance in career education classes at least 15 hours a week.

**6. How many half-time borrowers are we talking about?**

While it is hard to predict how many students would actually seek a half-time loan, we do know that there are many students currently attending school half-time. Fall 1989 University of Alaska students taking 6-12 credit hours:

Undergraduate	2,847	(average age 31)
Graduate	190	(average age 31)

**7. What would the loan terms be?**

Loan terms would be less than half what they are for full-time students.

	<u>HALF-TIME</u>	<u>FULL-TIME</u>
UNDERGRAD MAXIMUM	\$2,000/YR.	\$5,500/YR.
GRADUATE MAXIMUM	\$2,500/YR.	\$6,500/YR.
REPAYMENT	5 YEARS	10 YEARS
INTEREST	8%	8%

In addition, there are two major differences in the use of loan funds.

<u>HALF-TIME</u>	<u>FULL-TIME</u>
BOOKS, TUITION, FEES	BOOKS, TUITION, FEES, ROOM, BOARD
IN-STATE SCHOOLS ONLY	IN-STATE & OUT-OF-STATE SCHOOLS

**8. What is the average cost of half-time attendance?**

Use of half-time loan funds is limited by SB 77 to books, tuition, and fees. Loan awards are based on each student's actual costs.

	<u>6 Credits</u>	<u>9 Credits</u>	<u>6 Graduate</u>
UAA	\$855	\$1,283	\$1,374
UAF	\$702	\$1,285	\$1,230
APU	\$2,974	\$4,461	\$3,346

**9. How many years would a borrower be able to receive a half-time student loan?**

Current statute limits the number of years that a borrower may receive a loan to 5 years of undergraduate study, 5 years of graduate study, or not more than 8 years of undergraduate and graduate study combined. Half-time borrowing or a combination of half-time and full-time borrowing would be limited to these same maximums.

**10. Does limiting use of half-time loans to in-state schools present a Constitutional problem?**

No, according to an opinion released by the Legislative Legal Division.

**11. What is the effect of the amendment made in Senate HESS (add Sec. 14)?**

Under current statute, interest accrual on loans is delayed (the statute reads "the state shall pay the interest"; this has always been implemented as a simple delay in payments) until the student leaves school. Sec. 14 would apply this same provision to half-time students. This was the original intent of the sponsor; Sec. 14 corrects an oversight in the original bill.

**12. What is the effect of the amendment made on the Senate floor?**

Language was added in Sections 11, 13, and 16 to allow half-time loans to be made for enrollment in "external degree programs." These are programs offered by out-of-state institutions that allow students to study in their home state. These programs differ from ineligible correspondence study programs in that they require regular attendance for a time certain at the out-of-state campus each semester. Currently, loans are made to full-time students enrolled in external degree programs.

**13. What is the role of the Student Loan Corporation?**

The corporation was created in 1987 to finance student loans through the issuance of bonds, notes, or other obligations. Its 5-member board of directors is appointed by the Governor. 1990 was the third year the corporation issued bonds.

**14. What is the make-up of the Postsecondary Education Commission?**

Established in 1974, the commission has 14 members representing public and private postsecondary education in Alaska.

**DOCUMENTS WHICH HAVE NOT BEEN FILMED BUT ARE  
AVAILABLE IN THE ORIGINAL FILE INCLUDE:**

**CORRESPONDENCE AND STATEMENTS OF SUPPORT FROM:**

- 1. UNIVERSITY OF ALASKA, ANCHORAGE, 2/11/91**
- 2. UNIVERSITY OF ALASKA, STATEWIDE  
SYSTEM, 2/7/91**
- 3. ASSOCIATED STUDENTS, UNIVERSITY OF  
ALASKA, FAIRBANKS, 2/6/91**