

SB

77

SENATE FINANCE COMMITTEE REPORT

DATE TURNED IN TO OFFICE 3-8-91

2/15/91

The Finance Committee considered SB 77
loans for half-time students; efd.

and recommended:

- replace with _____ CS
 - or adopt _____ CS SB 77 (HCS)
 - attached amendment(s)
 - Finance letter of intent adopted
- same title
 - new title
 - technical title change (HB only)

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

ATTACHES NEW FISCAL NOTE(S):

- fiscal note(s) _____ Dept/Date: _____
- zero fiscal note(s) _____

APPROVES PREVIOUS:

- fiscal note(s) DOE #42.0 Dept/Date: _____
- zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Del Adamsy - No Rec
Robert H. ... No Rec
... No Rec
Diak / Study To Rec
... Depon

1. Pat Hancock do pass
Co-Chairs: Signatures

2. ... Depon
and recommendations

FISCAL NOTE

No. 1

Bill Version: SB77

(S) Publish Date: 2/19/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

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

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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						
TOTAL OPERATING	42.0	42.0	42.0	42.0	42.0	42.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Corp. Receipts	42.0	42.0	42.0	42.0	42.0	42.0
TOTAL	42.0	42.0	42.0	42.0	42.0	42.0

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.

14 Feb 91 date HAF Comte Aide (Initial)

Prepared By: Jane Byers 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

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

907-165-3712

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.

JC

CS FOR SENATE BILL NO. 77 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 2/15/91

Referred: Finance

Sponsor(s): SENATORS POURCHOT, Sturgulewski

A BILL

FOR AN ACT ENTITLED

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

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

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

7 (b) The commission shall

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (1) career education program that has been

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

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

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

13 (2) a college or university that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (1) is

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

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

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

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

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

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

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

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

1 to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (1) is a resident of Alaska;

27 (2) is either

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF ALASKA

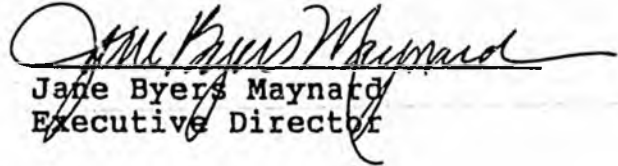
ALASKA COMMISSION ON POSTSECONDARY EDUCATION

4-24-91 Copy to
SUSIE +
H (EM)
this date
WALTER J. HICKEL, GOVERNOR

P.O. BOX FP
JUNEAU, ALASKA 99811-0599
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CS for Senate Bill No. 77

On March 29, 1991, members of the Commission on Postsecondary Education voted to continue to support legislation in the form of CSSB 77, offering a half-time Student Loan Program for those Alaskan students who are unable to pursue postsecondary education on a full time basis.


Jane Byers Maynard
Executive Director

April 15, 1991
Date

SB 77. AN ACT RELATING TO STUDENT LOANS

Broadens 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.

HALF-TIME
BOOKS, TUITION, FEES
IN-STATE SCHOOLS ONLY

FULL-TIME
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.

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE,
CO-CHAIR



Senator Pat Pourchot

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SPONSOR'S STATEMENT SB 77, RELATING TO LOANS FOR HALF-TIME STUDENTS

SB 77 would broaden the group of persons eligible for the state student loan program 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 -- the rate of interest would be 8%, repayment would begin within one year of completing study, and interest would accrue during the grace year.

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. Funds have exceeded demand the last couple of years; in addition, existing statute allows for 3% program growth annually.

STATEMENT FROM SENATOR POURCHOT ADDRESSING COMMON QUESTIONS ABOUT SB 77:

1. Number of years that loans may be obtained

Under current statute, interest accrual and loan payments are deferred while the loan recipient is enrolled in school. Senator Fischer expressed concern that individuals would continue to take out loans so they could stay in school -- enrolling in a new program as soon as one was completed -- simply to delay loan payments. I would call the committee's attention to the following provisions:

AS 14.43.120(c) 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.

Sec. 13 of SB 77 limits the number of years that a half-time borrower is eligible for loan deferral (for continuing to stay enrolled in school) to 8 years.

2. Financial impact of expanding 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 (such as the repeal of the forgiveness provision, an increase in the interest rate, and accrual of interest during the grace period) -- demand for state student loans has dropped from a high of 17,173 borrowers in FY 85 (total cost \$75.1 million) to 11,000 in FY 91 (total cost \$54 million).

During this same period of time, revenues available to the student loan program have increased. A reduced default rate (due to aggressive loan collection efforts), 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.

This mixture of funding has accommodated loan demand. 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, in the short term at least, 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 (AS 14.42.032) 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

While it is possible to determine the number of students who would be eligible for half-time loans, it is difficult to determine how many of these students would choose to apply for a loan. It is conceivable that at some point in the future loan demand will exceed available loan funds, and that full-time students will be competing with half-time students for loan funds. In my opinion, this is not necessarily a "bad" situation. The goal of the student loan program is to enhance educational opportunities for Alaskans -- students who are not able to attend school full time are no less entitled, in my opinion, to state support for their education.

To handle any potential competition, the Postsecondary Education Commission will likely set aside a portion of funds (perhaps 15%) specifically for half-time borrowers. The Commission now sets aside 20% for vocational loans. This serves as a maximum amount; if demand for vocational loans in any given year is less, the funds are loaned to full-time students.

3. Cost of half-time attendance

Please find attached a memorandum prepared by the Postsecondary Education Commission addressing award cost data requested by the committee.

SECTIONAL SUMMARY
CSSB 77(HESS), 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. 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. 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 COMMISSION ON POSTSECONDARY EDUCATION

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M E M O R A N D U M

TO: Members of the Senate HESS Committee

The Honorable Arliss Sturgulewski, Chair
 The Honorable Sam Cotten
 The Honorable Paul Fischer
 The Honorable Lyman Hoffman
 The Honorable Curt Menard

FROM: Jane Byers Maynard, Executive Director *JBM*
 Alaska Commission on Postsecondary Education

THROUGH: The Honorable Pat Pourchot
 Alaska State Senate

SUBJECT: SB 77: Half-Time Loans

DATE: February 8, 1991

This information is in response to the Committee's request for half-time loan award cost data. The following are examples of maximum allowable costs based on actual expenses at the campuses listed.

SCHOOL	UNDERGRADUATE		GRADUATE
	6 CREDIT HRS.	9 CREDIT HRS.	6 CREDIT HRS.
<u>University of Alaska Anchorage</u>			
Tuition/Fees	\$ 635	\$ 953	\$1,154
Books/Supplies	<u>220</u>	<u>330</u>	<u>220</u>
Total Costs	\$ 855	\$1,283	\$1,374
Maximum Award	\$ 850	\$1,250	\$1,350
<u>University of Alaska Fairbanks</u>			
Tuition/Fees	\$ 552	\$1,060	\$1,080
Books/Supplies	<u>150</u>	<u>225</u>	<u>150</u>
Total Costs	\$ 702	\$1,285	\$1,230
Maximum Award	\$ 700	\$1,250	\$1,200
<u>Alaska Pacific University</u>			
Tuition/Fees	\$2,724	\$4,086	\$3,096
Books/Supplies	<u>250</u>	<u>375</u>	<u>250</u>
Total Costs	\$2,974	\$4,461	\$3,346
Maximum Award	\$2,000	\$2,000	\$2,500

Members of the Senate HESS Committee
February 8, 1991
Page 2

We are unable to provide an adequate answer to the Committee concurring potential delinquency and default rates of half-time borrowers. An assumption could be made that since most of these individuals are currently employed and since many are seeking training to upgrade their skills for better employment opportunities, they should have adequate ability to repay loans after program completion.

We have no reason to suspect that this borrowing population's payback record would be less than that of full-time borrowers. Since the total borrowing is expected to remain about the same, the default rate should not be adversely affected.

Finally, federal loan default rates are not delineated for half-time versus full-time borrowers, so there appears to be no historical data to rely on to fully address this concern.

#4350T

From Jayne Maynard
2-11-91

SB 77 Fiscal Note Worksheet
Based on est. 5000 awards

Prom. Notes	1250
<i>One prom. note @ .25 per award</i>	
Warrants	3500
<i>Three warrants per award @ .23 ea.</i>	
Applications	3500
<i>Three apps. per award @ .23 ea.</i>	
Postage	5000
Statements	25000
<i>Twelve monthly billing statements @ .42 per statement inc. postage</i>	
Mailer	3750
<i>Three mailers per award @ .25 ea.</i>	
TOTAL	\$42,000


STEVE COWPER, GOVERNOR

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Senate Bill No. 77

The members of the Commission on Postsecondary Education endorse the concept of a half-time Student Loan Program to provide opportunities for those Alaskan students who are unable or disinclined to pursue postsecondary education on a full-time basis.


Jane Byers Maynard
Executive Director

More States Are Providing Aid to Those Who Study Part Time

By GOLDIE BLUMENSTYK

Pamela J. Powell has a demanding schedule. A single parent of two grade-school-aged children, she commutes 30 minutes each way to her job at a drug company, and spends two evenings a week and Saturday afternoons in classes at the Newark campus of Rutgers University.

Fortunately for Ms. Powell, who aspires to be a lawyer, New Jersey's student financial-aid policies no longer force her to choose between a job and a college education. Ms. Powell, whose load of three courses a semester makes her a part-time student, can continue to receive state financial aid under a special program started this year.

Changing Nature of Student Body

Unluckily for Jennifer J. Daniels, the State of Washington does not have a similar program. Ms. Daniels is blind and says it is too difficult for her to attend Tacoma Community College full time because transportation poses special problems and she would need to spend an extra \$760 a semester to pay people to read to her.

But students like Ms. Daniels could soon receive help. This year state lawmakers are expected to approve a new program that would provide money to needy part-time students.

"It's really a recognition of the changing composition of the student body," says State Rep. Ken G. Jacobsen, chairman of the Higher Education Committee.

Washington is not alone. Increasingly, state officials are

dealing with the financial needs of the fastest-growing segment of the higher-education market by expanding their financial-aid programs so that working people, parents, and students with disabilities who must attend college part time can receive state aid. Today at least 30 states offer some kind of financial aid for part-timers, although some of the programs are restricted to certain kinds of students.

For example, the New Jersey program that serves Ms. Powell is only for students accepted under special conditions and who require academic help and counseling.

More than half of the 11,000 students in the program come from families with annual incomes of less than \$6,000, and even though they also qualify for federal financial aid, "there's pressure on them to pick up some additional money," says Kwaku Armah, executive director of the program.

Some students, like Ms. Powell, seek to study on a part-time basis, so that they can take a better-paying job, he says. Others are advised to take a lighter course load to help them adjust to college work. But until the state changed its financial-aid policy for them, they could not afford to do so.

In several other states—including Maryland, where the Higher Education Commission will re-evaluate its entire range of state student-aid programs next summer—coordinating boards are considering proposals to create such programs.

State Action Called Overdue

The federal government has made Pell Grants available since 1980 to students carrying at least a "half load" of courses. Beginning in 1990 needy students enrolled for less than half a course load also would be eligible, although it is still unclear whether or there will be enough money in the

budget to meet the demand after first satisfying the needy full- and half-time students.

Typically, the financial aid for part-time students provided by states is available only to students taking at least a half load, although Vermont provides aid for students not pursuing a degree if they are taking courses related to their job, and Iowa next year will expand its part-time aid program to include students who take even one course.

For many advocates of financial aid to part-time students, state action of any kind is long overdue.

Students who are working or supporting families "need the help the most," says Joseph S. Murphy, chancellor of the City University of New York and a leading proponent of government support for part-time students.

New York has had such a program for five years. Even so, CUNY lobbyists this year hope to remove some of what Mr. Murphy calls the program's "onerous" requirements. If the student fails to maintain a passing grade-point average, the colleges must return most of the aid to the state, a cumbersome and expensive process. As a result, Mr. Murphy says, institutions are reluctant "to advertise the program, make it widely available, or even participate."

Lawrence N. Gold, a lobbyist in Washington who used to be employed by CUNY and worked to expand the Pell Grant program to students attending less than half time, says the problems with the New York program illustrate a more troublesome issue. Even in states where officials have committed substantial resources—\$11-million in the case of New York—other factors can undermine the effectiveness of programs.

Working students often cannot go to a financial-aid office during regular business hours, and sometimes program budgets do not provide enough money for those offices to maintain

evening hours. Also, Mr. Gold says, some financial-aid officials are reluctant to promote the programs. They require more work than preparing an aid package for a full-time student, since smaller sums are distributed to a greater number of students.

To overcome such barriers, states such as Michigan, which spent \$2-million for aid to part-time students last year, sponsor special campaigns to publicize the programs, including public-service announcements on radio and television stations.

Still, in some states, lawmakers and higher-education officials have rejected the idea of using state money for such programs altogether.

In some of those states, the officials believe the part-time student "is probably not a very serious student, whatever serious means," says Jerry S. Davis, director of policy and research analysis for the Pennsylvania Higher Education Assistance Authority. He compiles an annual survey on state financial-aid programs.

In Pennsylvania, for example, a bill to establish an aid program for part-time students has failed to win support from the General Assembly for each of the last three years, although the state does have an extensive financial-aid program for full-timers.

'A Solomon-Like Decision'

Lawmakers believe "their need isn't as great because they have a job and they're only paying half the tuition and most of them are attending lower-cost community colleges," Mr. Davis says.

Others see the need to help part-time students, but believe that the states should not be the ones to meet it.

W. Ann Reynolds, chancellor of the California State University System, contends that it is a much more appropriate role for the federal government. She notes that many states, including California, are constrained financially by laws that restrict state spending and by cyclical economic conditions.

"We don't have the funding" to pay for the needs of both full-time and part-time students, she says. Deciding which group to serve would present "a Solomon-like decision for us and kind of an awful one."

Ms. Reynolds says California already assists part-time students with its low college costs.

The opposite is true in Vermont, a state with a policy of charging high tuition in public colleges and matching it with large financial-aid awards for needy students.

The Vermont experience also illustrates another problem for state financial-aid programs. Before Vermont started its aid program for part-time students, it was able to meet 60 per cent of the financial-aid needs of full-timers. Today it can afford to meet only 40 per cent of those needs.

Suzanne A. Valenti, executive director of the Vermont Higher Education Planning Commission, says that is the reason she was initially uneasy about the program, now in its fourth year.

"I had some questions about divvying up the pie," she says. "I think it has hurt in that regard."

But Ms. Valenti says she also realizes that not every student "needs or wants a degree," and that many of the part-time students—81 per cent of whom are women—could not have had a college experience without the state program.

"There was obviously an erosion of aid for traditional students," she says, but "it's probably helping the people who need it most."