HB

506

Adopt

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE BROWN

TO: CSHB 506(~~HES~~) L+C

Page 2, line 22 through 23: sec 3 (3)

Delete all material and renumber following subsection accordingly.

Page 6, line ~~18~~ 15 through page 7, line ~~5~~ 2: (Sec 9) Sec 10)

Delete all material and renumber following sections accordingly.

Page 7, line 7:

~~10 Section~~

Delete "sec. ~~11~~"

Insert "sec. 9"

Renumber

Adopted 4/8/94

AMENDMENT 1 NO OBJ

OFFERED IN THE HOUSE BY REPRESENTATIVE BROWN

TO: CSHB 506(L&C)

Page 2, line 11 after "the loan;":

Insert " but may not exceed 3 % above the amount determined under (1) of this section."

OFFERED IN THE HOUSE BY REPRESENTATIVE BROWN

TO: CSHB 506(L&C)

Page 1, line 9 after "if":

Insert "the borrower and"

Page 1, line 10 after "Development":

Delete "has"

Insert "have"

Page 1, line 12, after "licensee.":

Insert "[For the purposes of this section, 'default' begins] **This action may be taken no sooner than** 60 days after the commission has notified the borrower of the default status of the loan as provided in AS 14.43.120(i)."

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE BROWN

TO: CSHB 506(L&C)

Page 2, line 17, after "that":

Insert "**, if the borrower has an occupational license issued under AS 08, the license may not be renewed under AS 08.02.025 and that**"

AMENDMENT 1

OFFERED IN THE HOUSE BY REPRESENTATIVE BROWN

TO: CSHB 506(~~HES~~) L+C

Page 2, line 22 through 23:

Delete all material and renumber following subsection accordingly.

Page 6, line ~~18~~ 15 through page 7, line ~~5~~ 2: Sec 9+10

Delete all material and renumber following sections accordingly.

~~Page 7, line 7:~~

~~Delete "sec. 11"~~

~~Insert "sec. 9"~~

Renumber section

FISCAL NOTE

Bill Version: CSHB 506(HES)
(H) Publish Date: 3/11/94

STATE OF ALASKA
1994 LEGISLATIVE SESSION

Revision Date: 3/3/94
Department: Commerce and Economic Dev.
Title: 'An Act relating to student loans;....including denial of a state occupational license.....
BRU: Occupational Licensing
Component: Operations
Sponsor: House HES
Requestor: House HES
COMPONENT SERIAL NO. 1844

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	42.7	42.7	42.7	42.7	42.7	42.7
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	48.0	48.0	48.0	48.0	48.0	48.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	8.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	99.7	91.7	91.7	91.7	91.7	91.7
CAPITAL EXPENDITURES						
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other (Inter-Agency Receipts)	99.7	91.7	91.7	91.7	91.7	91.7
TOTAL	99.7	91.7	91.7	91.7	91.7	91.7

Estimate of any current year (FY 94) cost: $ None

POSITIONS

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

HB 506 amends AS 08.02 by adding a provision that would prohibit the renewal of an occupational or business license if the licensee has failed to comply with repayment provisions of the student loan program by the Alaska Commission on Postsecondary Education. Based on approximately 180 occupational licenses and 500 business licenses which may fall within the default category, the division anticipates approximately 90 cases may result in hearings for refusal to issue a renewed license based on this amendment. (Continued on attached page)

Prepared by: Jennifer Strickler, Administrative Officer — Phone: 465-2144
Division: Occupational Licensing — Date: 3/3/94
Approved by Commissioner: Paul Fuhs — Date: 3/3/94
Agency: Commerce and Economic Development

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CONTINUATION of FISCAL NOTE ANALYSIS
FOR BILL/RESOLUTION NO. HB 506

Under the provisions of HB 506, the division anticipates receiving a list from the Alaska Commission on Postsecondary Education that will identify individuals within their respective license program who are in default of student loan repayment provisions. Based on this list, the division is required not to renew the license of the individual until notice is received from the Alaska Commission on Postsecondary Education that the individual is no longer in default.

Based on information received from the Alaska Commission on Postsecondary Education, there were approximately 1,800 occupational licenses which matched their lists of student loan recipients, of which approximately 10% (180 licensees) were possibly in default. In addition, there are 66,000 current business licenses of which approximately two-thirds are held by sole proprietors, and possibly 500 of those licensees could be in default of the student loan repayment provisions. Of these statistics, the division anticipates that at least 90 cases will result in hearing over refusal by the division to renew a license. These hearings will undoubtedly result in time and cost to the division. To effectively administer the division's responsibilities under HB 506, the division will require funding for costs identified in this fiscal note.

PERSONAL SERVICES

1 - Paralegal I position, Range 13, PFT, located in Juneau $42.7

This position is anticipated to prepare the division's case against the licensee who has requested a hearing. This position will coordinate with the State's AG's, work with the hearing examiners to schedule the hearing, take the hearing examiners findings to the licensing board if applicable, monitor licensees to ensure practitioners do not continue to practice after a license has been refused renewal, and respond to public inquiries regarding the case. This position will serve as liaison between this division and the Alaska Commission on Postsecondary Education to administer and seek compliance of HB 506.

CONTRACTUAL SERVICES

Hearing Costs $45.0

Approximately 90 cases are anticipated to result in hearings at a minimum cost of $500.00 per case. Depending on the complexity of the case, the estimated cost of $500.00 per case may be extremely low.

CONTINUATION of FISCAL NOTE ANALYSIS
FOR BILL/RESOLUTION NO. HB 506

CONTRACTUAL SERVICES, continued

Other Contractual Costs	3.0

Computer configuration management (to compare database lists), communication costs, advertising hearings and licensing actions, etc.

COMMODITIES

Daily operating supplies	1.0

EQUIPMENT (one-time costs)	8.0

This funding will provide one-time equipment and office set-up costs for the one position

TOTAL:	**99.7**

FUND SOURCE: The division anticipates funding to be provided via RSA (inter-agency receipts) from the Alaska Commission on Postsecondary Education. Unlike the general fund program receipts funding from licensing fees, the requirement in this bill does not relate to regulation "of the profession", and therefore, would not be acceptable to increase licensing fees to fund activities under HB 506.

The division anticipates RSA funding for this program to be adjusted to actual on a yearly basis after the first year of operation.

If the business licensing program is to be excluded from the requirements of HB 506, the number of anticipated cases to result in hearings would be reduced. In addition, the need for a full-time position would also be reduced, possibly to a half-time position.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CS HB 506 (L&C)

Revision Date: 04 - 04 - 94
Title: An Act relating to student loans;to sanctions for defaulting on a student loan, including denial of a state . . . .
Sponsor:
Requestor:

Dept Affected: Alaska Commission on Postsecondary Education
BRU: Alaska Student Loan Corporation.
Component: Student Loan Program

COMPONENT SERIAL NO. 218

Expenditures/Revenues (thousands)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	157.2	111.4	111.4	111.4	111.4	111.4
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	157.2	111.4	111.4	111.4	111.4	111.4
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES (1022)	1,450.0	1,495.1	1,581.3	1,673.0	1,770.5	1,873.9

FUND SOURCE

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other Fund 1022	157.2	111.4	111.4	111.4	111.4	111.4
TOTAL	157.2	111.4	111.4	111.4	111.4	111.4

Estimate of any current year (FY94) costs ($): 15.1

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS (Attach a separate page if necessary): Fiscal analysis of this bill is presented by bill section:
Section 1: this section directs Alaska Department of Commerce and Economic Development to withhold renewal of professional licenses upon notice from ACPE that a person has defaulted on an Alaskan Student Loan. Estimated cost to the ACPE to provide such notice:

FY95	FY96	FY97	FY98	FY99	FY00
0.0	0.0	0.0	0.0	0.0	0.0

(continued on reverse)

Prepared by: *Douglas S. Hanon* Phone Number: *(907) 465-6757*
Division: *Alaska Commission on Postsecondary Education* Date: 4/04/94

Approved by Commissioner *Joe L. McCormick, Executive Director* Date: 4/04/94
Agency: *Alaska Commission on Postsecondary Education*

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Section 2: this section creates a variable interest rate that is tied to the cost of money.

NO Fiscal Impact. Zero (0) fiscal note.

Section 3: this section amends the provisions defining the actions of the Commission if a loan is in default.

NO Fiscal Impact. Zero (0) fiscal note.

Section 4: this section provides for loan consolidation.

NO Fiscal Impact. Zero (0) fiscal note.

Section 5: this section changes eligibility for ASL if applicant has had a previous loan discharged through bankruptcy proceedings.

NO Fiscal Impact. Zero (0) fiscal note.

Section 6: this section provides for assignment of wages on a defaulted loan.

NO Fiscal Impact. Zero (0) fiscal note.

Section 7 and **Section 8**: these sections amend the requirements for family education loans.

NO Fiscal Impact. Zero (0) fiscal note.

Section 9 and **Section 10**: these sections direct the Department of Administration to withhold payments on person who have a defaulted Alaska Student Loan. See Section 1.

NO Fiscal Impact. Zero (0) fiscal note.

These changes to the loan servicing will create significant opportunities for operational efficiencies and, more importantly, enhance the collection efforts of the program and increase the flow of student loan receipts. The following estimate of increased receipts as a result of these changes is based upon the following assumptions: 1) collection on defaulted loans increases 6 percent per year as a result of the assignment of wages, administrations withholding of payments, and Commerce's withhold renewal of professional licenses; 2) loan consolidation will reduce the number of loans going into default by 15 percent; and 3) loan consolidation will improve collection (accounts not going into default) by 2 percent per year.

Estimated increased revenues to the Corporation:

	in thousands					
	FY95	FY96	FY97	FY98	FY99	FY00
1) Increased collection vendor	250.0	259.1	282.8	308.8	337.2	368.1
2) loan consolidation	1,200.0	1,236.0	1,298.5	1,364.2	1,433.3	1,505.8
Total	1,450.0	1,495.1	1,581.3	1,673.0	1,770.5	1,873.9

Costs based on interagency RSAs with Department of Administration and Department of Commerce and Economic Development.

8-LS1752\J.1
Ford
4/7/94

Adopt

AMENDMENT 3

OFFERED IN THE HOUSE BY REPRESENTATIVE BROWN

TO: CSHB 506(L&C)

Page 2, line 17, after "that":

Insert "**, if the borrower has an occupational license issued under AS 08, the license may not be renewed under AS 08.02.025 and that**"

8-LS1752K
Ford
3/25/94

not adopt

CS FOR HOUSE BILL NO. 506( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to student loans; to sanctions for defaulting on a student loan,
2 including denial of a state occupational license or disbursement of state money;
3 to financial assistance for students attending a medical education program; and
4 providing for an effective date."

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

6 * Section 1. AS 08.02 is amended by adding a new section to read:
7 Sec. 08.02.025. COMPLIANCE WITH STUDENT LOAN REQUIREMENTS.
8 (a) A person licensed under this title shall comply with the student loan repayment
9 provisions under AS 14.43 that are applicable to the person. Notwithstanding another
10 provision of law, a license issued to a person under this title may not be renewed if
11 the Department of Commerce and Economic Development has received notice from
12 the Alaska Commission on Postsecondary Education that the licensee is in default on
13 a student loan provided to the licensee. Denial of renewal of a license shall continue
14 until the Department of Commerce and Economic Development receives notice from

1 the Alaska Commission on Postsecondary Education that the licensee is no longer in
2 default on the student loan.
3 (b) The Department of Commerce and Economic Development shall provide
4 the applicable licensing board, if any, a copy of a notice received under (a) of this
5 section.
6 * Sec. 2. AS 14.43.120(f) is repealed and reenacted to read:
7 (f) Interest on a loan made under AS 14.43.090 - 14.43.160 is equal to the
8 interest rate
9 (1) paid in each year on bonds issued by the Alaska Student Loan
10 Corporation under AS 14.42.220; and
11 (2) necessary to pay a percentage of the administrative cost of the
12 student loan program that is represented by the loan; in determining a rate of interest
13 under this paragraph, the commission shall use a method that ensures that the rate of
14 interest is as low as possible without precluding the ability of the commission to
15 administer loans made under AS 14.43.090 - 14.43.160.
16 * Sec. 3. AS 14.43.120(i) is amended to read:
17 (i) If a loan is in default, the commission
18 (1) shall notify the borrower that repayment of the remaining balance
19 is accelerated and due by sending the borrower a notice by registered or certified mail;
20 (2) may take the borrower's [. THE] permanent fund dividend [OF
21 A BORROWER MAY BE TAKEN] under AS 43.23.065(b)(3) to satisfy the balance
22 due on the defaulted loan;
23 **(3) shall provide notice of the default to the Department of**
24 **Administration as required under AS 37.10.010(b); and**
25 **(4) shall provide notice of the default to the Department of**
26 **Commerce and Economic Development, if the loan recipient is licensed under**
27 **AS 08.**
28 * Sec. 4. AS 14.43 is amended by adding a new section to read:
29 Sec. 14.43.122. CONSOLIDATION OF LOANS. (a) The commission may
30 offer
31 (1) a borrower who has received more than one loan under this chapter

1 the option of consolidating the multiple loans into a single loan; or
2 (2) to consolidate loans made to married borrowers if the married
3 borrowers agree to be jointly and severally liable for repayment of the consolidated
4 loan, regardless of the borrowers' future marital status or the death of one of the
5 borrowers.
6 (b) Notwithstanding AS 14.43.120(f), if loans are consolidated under (a) of this
7 section, the consolidated loan shall bear annual interest equal to the weighted average
8 of the interest rates on the loans being consolidated, rounded to the nearest 1/10 of a
9 percent.
10 * Sec. 5. AS 14.43.125(a) is amended to read:
11 (a) A person may apply for and obtain a scholarship loan if the person
12 (1) is
13 (A) enrolled as a full-time student in a career education,
14 associate, baccalaureate, or graduate degree program;
15 (B) enrolled as a half-time student in a career education,
16 associate, baccalaureate, or graduate degree program in
17 (i) the state; or
18 (ii) a career education, associate, baccalaureate, or
19 graduate degree program and is physically present in the state while
20 attending the career education, associate, baccalaureate, or graduate
21 degree program; or
22 (C) a graduate of a high school or the equivalent, or scheduled
23 for graduation from a high school within six months, with sufficient credits to
24 be admitted to a career education program or to an accredited college or
25 university;
26 (2) is not delinquent or in default on a previously awarded scholarship
27 loan; and
28 (3) is a resident of the state at the time of application for the loan; for
29 purposes of this section, a person qualifies as a resident of the state if at the time of
30 application for the loan the person
31 (A) has been physically present in the state for at least two

1 years immediately before the time of application for the loan;
2 (B) is dependent on a parent or guardian for care, the parent or
3 guardian has been present in the state for at least two years immediately before
4 the time of application for the loan and the person has been present in the state
5 for at least one year of the immediately preceding five years except that the
6 commission may by a two-thirds vote, acting upon a written appeal by the
7 person, grant an exemption to the requirement that the person has been present
8 in the state for one year of the immediately preceding five years;
9 (C) has been physically present in the state, or is a dependent
10 of a parent or guardian who has been physically present in the state, for at least
11 two years immediately before the applicant was absent from the state and the
12 absence is due solely to
13 (i) serving an initial period of up to six years on active
14 duty as a member of the armed forces of the United States;
15 (ii) serving for up to three years as a full-time volunteer
16 under the Peace Corps Act;
17 (iii) serving for up to three years as a full-time volunteer
18 under the Domestic Volunteer Service Act of 1973;
19 (iv) required medical care for the applicant or the
20 applicant's immediate family;
21 (v) being a person who otherwise qualifies as a resident
22 and is accompanying a spouse who qualifies as a resident under (i) -
23 (iv) of this paragraph; or
24 (D) has been physically present in the state, or is a dependent
25 of a parent or guardian who has been physically present in the state, for at least
26 two years immediately before the applicant or the parent or guardian was
27 absent from the state and the absence is due solely to
28 (i) participating in a foreign exchange student program
29 recognized by the commission;
30 (ii) attending a school as a full-time student;
31 (iii) full-time employment by the state;

1 (iv) being a member of or employed full-time by the
2 state's congressional delegation;
3 (v) being a person who otherwise qualifies as a resident
4 and is accompanying a spouse who qualifies as a resident under (i) -
5 (iv) of this paragraph; [AND]
6 (4) does not have a past due child support obligation established by
7 court order or by the child support enforcement division under AS 25.27.160 -
8 25.27.220 at the time of application; and
9 (5) has not, within the previous five years, had a scholarship loan
10 discharged or written off by the commission for any reason.
11 * Sec. 6. AS 14.43 is amended by adding a new section to read:
12 Sec. 14.43.150. ORDER TO ASSIGN WAGES FOR DEFAULTED LOAN.
13 (a) In a court proceeding regarding a defaulted loan under this chapter in which the
14 court has entered judgment in favor of the commission, the court may, on its own
15 motion or motion of the commission, after notice and an opportunity for hearing, order
16 the loan recipient to assign to the commission that portion of salary or wages due the
17 loan recipient currently and in the future in an amount sufficient to pay the amount
18 ordered by the court to be repaid to the commission.
19 (b) The order of assignment is binding upon an employer upon service of a
20 copy of the order upon the employer and until further order of the court or until the
21 employment of the obligee is terminated. The employer may, for each payment made
22 under the order, deduct $1 from other wages or salary owed to the employee.
23 (c) An employer may not terminate an employee's employment because wages
24 of the employee are subject to an order under this section.
25 * Sec. 7. AS 14.43.740(b) is amended to read:
26 (b) The provisions of AS 14.43.120(p) apply to a loan made under
27 AS 14.43.710 - 14.43.790 with respect to the borrower [FAMILY MEMBER ON
28 WHOSE BEHALF A LOAN IS MADE].
29 * Sec. 8. AS 14.43.750(a) is amended to read:
30 (a) A person may apply for and obtain a family education loan on behalf of
31 a family member if

1 (1) the borrower is a resident of the state at the time of application for
2 the loan; for purposes of this paragraph, a borrower qualifies as a resident of the state
3 if the borrower has been physically present in the state for at least one year [TWO
4 YEARS] immediately before the time of application for the loan;
5 (2) the family member [HAS BEEN CLAIMED AS A DEPENDENT
6 FOR FEDERAL TAX PURPOSES BY THE BORROWER FOR THE TAX YEAR
7 IMMEDIATELY BEFORE THE TIME OF APPLICATION AND]
8 (A) is enrolled as a full-time student in a career education,
9 associate, baccalaureate, or graduate degree program; or
10 (B) is a graduate of a high school or the equivalent, or
11 scheduled for graduation from a high school within six months, with sufficient
12 credits to be admitted to a career education program or to an accredited college
13 or university; and
14 (3) neither the borrower nor the family member is delinquent or in
15 default on a previously awarded student loan from the state.
16 * Sec. 9. AS 14.43 is amended by adding a new section to read:
17 Sec. 14.43.950. EMPLOYMENT CONDITION FOR PARTICIPANTS IN
18 MEDICAL EDUCATION PROGRAMS. As a condition of eligibility for receiving a
19 tuition differential subsidy under a medical education program offered by the
20 commission under AS 14.42.030(d), a program participant shall agree to pay to the
21 state the tuition differential subsidy received by the person plus interest as required for
22 scholarship loans under AS 14.43.120(f). Interest under this section begins to accrue
23 one year after the person completes the subsidized education program.
24 * Sec. 10. AS 37.10.010 is amended to read:
25 Sec. 37.10.010. DISBURSEMENTS. Except as provided under (b) of this
26 section, the [THE] Department of Administration shall
27 (1) disburse money only upon vouchers certified by the department,
28 establishment, or agency concerned, or an officer or employee of it authorized in
29 writing to certify the vouchers;
30 (2) make an examination of vouchers necessary to ascertain whether
31 they are in proper form, certified and approved, computed on the basis of the facts

1 certified; and

2 (3) be held accountable accordingly.

3 * Sec. 11. AS 37.10.010 is amended by adding a new subsection to read:

4 (b) The Department of Administration may not disburse money to a person
5 under (a) of this section if the disbursement is due under terms of a written contract
6 with that person and the department has received notice from the Alaska Commission
7 on Postsecondary Education that the person is in default on a student loan under
8 AS 14.43. The prohibition against disbursement required under this subsection shall
9 remain effective until the Department of Administration receives notice from the
10 Alaska Commission on Postsecondary Education that the person is no longer in default
11 on the student loan.

12 * Sec. 12. APPLICABILITY. AS 14.43.950, added by sec. 9 of this Act, applies to a
13 person who begins a medical education program and who receives a tuition differential
14 subsidy on or after January 1, 1995.

15 * Sec. 13. Sections 5, 6, 7, 8, 9, and 12 of this Act take effect July 1, 1994.

16 * Sec. 14. Except as provided under sec. 13 of this Act, this Act takes effect July 1, 1995.

AMENDMENT 2. no/obj Adopt

OFFERED IN THE HOUSE BY REPRESENTATIVE BROWN

TO: CSHB 506(~~HES~~) L+C

Page 1, line 9 after "if":

Insert "the borrower and"

Page 1, line 10 after "Development":

Delete "has"

Insert "have"

Page 1, line 12, after "licensee.":

Insert "For the purposes of this section, 'default' begins 60 days after the commission has notified the borrower of the default status of the loan as provided in AS 14.43.120(i)."

OFFERED IN THE HOUSE BY REPRESENTATIVE BROWN

TO: CSHB 506(HES)

Page 2, line 5 through line 14: (Section 2)

Delete all material and renumber following sections accordingly.

Revision Date: _____

Title: Student Loan Program

Sponsor: (H) HES

Requestor: (H) L & C

Department Affected: Administration

BRU: Finance

Component: Finance

COMPONENT SERIAL NO. 59

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	18.7	18.7	18.7	18.7	18.7	18.7
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	38.8	1.0	1.0	1.0	1.0	1.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	57.5	19.7	19.7	19.7	19.7	19.7
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING SOURCE: (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	57.5	19.7	19.7	19.7	19.7	19.7
1005 GF/Program	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	57.5	19.7	19.7	19.7	19.7	19.7

Estimate of any current year (FY 94) cost: $ 15.1

POSITIONS:

FULL-TIME						
PART-TIME	1	1	1	1	1	1
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)
(See attached).

Prepared by: Don Wanie

Phone: 465-2240

Division: Finance

Date: _____

Approved by Commissioner: Nancy Bear Usera

Agency: Department of Administration

Date: 3/31/94

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Rev 01/94

ANALYSIS: (continued)

The FY94 cost of 15.1 includes senior accountant time to setup the payroll deduction codes, build a test environment, develop a test plan, execute and verify the test plan, move the tested codes in to the production environment, and develop procedures on how to use the new deduction codes. It also includes senior analyst/programmer time to make required program changes, setup a test environment, execute the test plan, and move the changes into production. It also include 3.0 for data processing chargeback costs.

The FY95 cost of 57.5 includes a part-time Accountant III to assist staff accountants in setting up payroll deduction processing for each employee affected by the bill, to monitor and reconcile a liability account on a daily basis, and to review and monitor control type reports to ensure the process is working properly and that it is in conformance with applicable statutes and procedures. It also includes 33.8 in contractual to retain an experienced and knowledgeable programmer to modify AKSAS and to generate appropriate reports from both AKSAS and AKPAY to facilitate tracking and reconciliation of the funds withheld under the provisions of this bill. 5.0 is included to cover data processing chargeback expenditures.

FY96 and subsequent year costs of 19.7 are for a part-time Accountant III to provide on-going accounting related tasks such as reconciliation, payroll setup, payroll deduction code maintenance, liability account setup and monitoring, procedure development etc. It also includes 1.0 for expected data processing chargeback costs.

Position Title	No. of Positions	Range / Step	Barg. Unit
Accountant III	1	18A	GGU

Time Status	Staff Months	Location	Election District
Part-time	4	Juneau	4

TYPE OF EXPENDITURE		AMOUNT
Salary		14.0
Benefits		4.7
Premium Pay		
Other		
Total Personal Services	0.0	18.7
Travel		
Contractual		
Commodities		
Equipment		
Other		
Total Cost		18.7
FUNDING SOURCE FOR TOTAL COST		
Federal Receipts 1002		
G.F. Match 1003		
General Fund 1004		18.7
I-A Receipts 1007		
CIP Receipts 1061		
Other		

Justification

This position will assist staff accountants in setting up payroll deduction processing, setup and maint of a new liability account, daily reconciliation of the withheld funds, and setup and maintenance of t vendor non-disbursement process.

Request For New Position

AGENCY ADMINISTRATION

BRU Finance

COMPONENT Finance

FY 9

Page 1 of 1

Revised Date:

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM April 6, 1994

SUBJECT: Sectional Summary of CSHB 506( ). (Work Order No. 8-LS1752\K)

TO: Representative Con Bunde

FROM: Michael F. Ford
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Requires a person who holds an occupational license under AS 08 to comply with student loan repayment requirements under AS 14.43. Prohibits renewal of a license if the person has defaulted on a student loan.

Section 2. Establishes the rate of interest to be paid on a student loan.

Section 3. Requires the postsecondary commission to give certain notice of default on a student loan.

Section 4. Allows the commission to offer borrowers the option of consolidating multiple loans into one loan. Establishes the rate of interest on a consolidated loan.

Section 5. Prohibits a person from applying for a student loan if the person has had a loan discharged or written off within the previous five years.

Section 6. Allows a court to order a loan recipient to assign to the commission wages necessary to repay a defaulted loan.

Section 7. Provides that for a family education loan made under AS 14.43.710 - 14.43.790, the residency provisions of AS 14.43.120(p) apply to the loan borrower not the family member on whose behalf a loan is made.

Section 8. Removes a requirement that in order to receive a family education loan, the family member must be claimed as a dependent for purposes of federal income taxes.

Section 9. Requires that a person who receives a tuition differential subsidy under a medical education program offered under AS 14.42.030(d), must agree to repay the tuition subsidy plus interest to the state.

Section 10. Technical amendment.

Section 11. Prohibits disbursement of money by the Department of Administration to a person under a written contract if the person is in default under a student loan.

Section 12. Applicability section.

Section 13. Effective date for sections 5 - 9 and 12.

Section 14. Effective date for sections 1 - 4, 10 and 11.

MFF:pl
94-286.plm

POSITION PAPER ON HOUSE BILL 506

Alaska Commission on Postsecondary Education
March 3, 1994

House Bill 506--an act relating to student loans and to sanctions for defaulting on a student loan--has been introduced by the House Committee on Health, Education and Social Services at the request of the Alaska Commission on Postsecondary Education (ACPE). The legislation has been crafted to address several significant problems encountered in the administration of the Alaska Student Loan program; specifically, the need to protect an eroding capital base by increasing loan repayment and by lending at rates which reflect costs of capital.

This paper provides the context within which the bill should be considered as well as the rationale for each of the sections.

BACKGROUND

The Alaska Student Loan Program (ASL) began in 1971 as a student assistance program supported by the state General Fund. The program grew out of a widely-expressed desire that the state's new oil wealth be used, in part, to increase educational opportunities for Alaska students. For the first decade and a half, the program was generously supported by general fund appropriations. However, as oil prices and state oil revenues declined, full state funding could no longer be assured and a separate state entity--the Alaska Student Loan Corporation--was established by the legislature to raise alternative financing in the form of tax-exempt bonding. Since the first bond sale in spring of 1988, the Corporation has raised more than $250 million in private capital markets to support student loans.

Over its 20 plus years of existence, the ASL program has undergone numerous legislative changes:

- loan maximums have been raised from $2,500 to $5,500 for undergraduate study;
- loan interest rates have increased from 5% to 8%;
- the loan repayment period has been extended from 6 to 10 years; and
- forgiveness benefits for those borrowers returning to the state have gone from 40% to 50% and then to zero.

By and large, program changes from 1971 to 1986 were made to benefit students by providing easier access to larger amounts of postsecondary education aid. Although the program was originally created as a revolving loan fund, provisions such as forgiveness and interest subsidies while the student remained in school assured that the fund could not continue without infusions of state support. In 1986, forgiveness benefits were ended and interest subsidies were reduced in an attempt to cut back--but not eliminate--this drain on state resources.

With the advent of private funding through tax-exempt bonds, the ASL began to shift from a student-centered program to one responsible to bondholders. Loan conditions which resulted in losses to fund principle or to earned interest--such as forgiveness provisions and in-school interest subsidies--could be continued only with state general fund appropriations to replace losses. Although such appropriations did continue through FY92, the amount of the appropriation was never related to the losses incurred by mandated loan conditions. Today, the fund receives no state support. Thus, the student loan fund continues to expense forgiveness and interest subsidy benefits with no compensating revenue source.

Bad debts are a further drain on the capital base. The program has succeeded in reducing its default rates from the high levels of the mid-1980's; however, it continues to write off a portion of its portfolio as non-performing. In addition, some loans must be canceled because of death or disability of the borrower. The following table shows the annual and cumulative effect of the forgiveness and write off provisions since the program transitioned to bond funding.

Table 1
Losses to the Alaska Student Loan Fund

Fiscal Year	Forgiveness	Loan write offs
FY88	$5,612.5	$500.0
FY89	$6,050.6	$800.0
FY90	$6,598.2	$5,001.0
FY91	$8,801.4	$6,426.3
FY92	$7,894.8	$6,753.0
FY93	$7,675.9	$8,454.8
Total	**$42,633.4**	**$27,935.1**

A further erosion of the fund occurs because the statutorily-set interest rate on loans (8% simple interest since FY87) has, until this current year, resulted in a gap between the effective rate on loans and the true cost of capital. For a typical college student who borrows for four years, the effective rate over all of the loans is 5.8% because interest is deferred while the student is in school. The following table displays the difference between the bond rates and the interest received on a four-year collegiate loan.

Table 2
Difference Between Cost of Capital
to Program and to Borrower

School Year	True Interest Rate on Bonds	Effective Interest Rate on 4-year Loan	Difference (Subsidy)
1988/89	8.4%	5.8%	-2.6%
1989/90	8.1%	5.8%	-2.3%
1990/91	7.3%	5.8%	-1.5%
1991/92	6.7%	5.8%	-0.9%
1992/93	6.0%	5.8%	-0.2%
1993/94	5.5%	5.8%	0.3%

At the present borrowing rate, effective interest just covers the cost of capital for the most recent bond sale; however, it does not allow the fund to recover any loan awarding and servicing costs. In earlier days, administrative costs were supported by general fund appropriations. Since FY88, however, these program costs have been taken from program receipts--that is, from repayments on prior loans.

A recent legislative audit of the Alaska Student Loan Program[1] recognizes the changed fiscal situation of the program and the strains that earlier legislation and state policy have placed on maintaining fund viability. The report recommends that the loan fund be secured. The proposed legislation seeks to follow that recommendation by recognizing the true cost of capital, accounting for reasonable administrative expenses and increasing penalties for non-repayment of loans.

[1] Division of Legislative Audit, *Alaska Student Loan Corporation Organizational and Operational Efficiency and Alternatives*, October 28, 1993 (Audit Control No. 05-4466-94). The findings were echoed by the Legislative Research Agency in *Privatizing the Alaska Student Loan Program*, a January 4, 1994 research report prepared at the request of Rep. Mark Hanley (Research Request 94.068)

SECTIONAL ANALYSIS

Section 1 prohibits the Department of Commerce and Economic Development from renewing an occupational or professional license if the licensee is in default on an Alaska student loan. ACPE must notify the Department of defaulting borrowers.

Rationale: Borrowers who have received state support for education or training leading to a occupational/professional license must honor their loan repayment obligations. The legislation allows the original license to be issued in order that the borrower may earn the income necessary to repay the loan. If repayment is not made in a consistent and timely manner, however, the borrower should not continue to benefit from the state's investment.

Section 2 ties the interest rate on a student loan to 1) the cost of the private capital backing that loan and 2) a portion of the administrative expense of disbursing and servicing the loan. Under the legislation, the interest rate would be set annually by the Commission, by a method that "ensures that the rate of interest is as low as possible without precluding the ability of the commission to administer loans."

Rationale: The present interest rate of 8% bears no relationship to either the interest paid on bonds or the cost of running the loan program. Today's capital market provides a very advantageous rate to tax-exempt bond issuers. Savings from low rates should benefit students. By the same token, in times of higher rates, the costs must be passed on to the borrowers if the fund is to remain sound. And, in all cases, loan interest rates must include reasonable overhead costs. The legislation explicitly charges the commission to keep these overhead costs to minimum.

Section 3 directs the Commission to notify the Departments of Administration and of Commerce and Economic Development when a borrower is in default.

Rationale: Since these two departments are charged with withholding benefits from defaulted borrowers, it is incumbent upon the Commission to provide timely notification of default status.

Section 4 allows the Commission to consolidate a borrower's or a married couple's loans. Married borrowers must agree to be jointly and severally liable for repayment and the loan is not forgiven on the death of one of the borrowers.

Rationale: The existing loan portfolio is composed of loans of varying conditions and interest rates, as shown in the following table.

Table 3
Loan Portfolio by Loan Conditions

Type of Loan	Percent of Portfolio
5% interest	27%
8% with no grace year interest	13%
8% with grace year interest	60%

Each loan is accounted for separately. Borrowers are often confused by the billing statement and by the apportionment of the monthly payment across the various loans. In some cases, a borrower may choose to pay off a higher interest loan more rapidly than a lower interest one. In order to split payment in such cases, staff must enter the payment manually. Approximately one and three-quarters FTE staff time is directed to manual posting of these payments each month. Because the loan consolidation provided in this bill is optional on the part of the borrower, not all of these arrangements will be eliminated. However, borrowers will be encouraged to take the option and a significant decrease in special payments is anticipated.

Section 5 excludes from eligibility any borrower who has had a previous loan written off by the Commission within the previous five years.

Rationale: Currently, a borrower can have a student loan written off if the borrower is certified as 50% or more disabled by two doctors or if a loan has been discharged by a bankruptcy proceeding. Nothing in present statute prohibits a borrower from applying for and obtaining a new loan immediately. The proposed language would close this loop hole.

Section 6 allows the courts to assign to the Commission a portion of a defaulter's wages.

Rationale: Wage assignment is a powerful tool for enforcing loan repayment. In many cases, the threat of withholding wages is sufficient to encourage repayment. Where an assignment has been made, the loan fund benefits from at least partial payments.

Section 7 applies the one-year residency requirement for Family Education (FEL) to the borrower rather than the student. Current statutes require both the borrower and the student to meet the requirements.

Rationale: The Commission frequently encounters situations where a separated or divorced Alaskan resident parent wishes to borrower on behalf of a child for whom he/she does not have physical custody. In these cases, the parent with custody is often not a resident. The intent of the FEL program was to encourage parents to assist in funding a child's postsecondary education. FEL borrowers are generally very credit worthy and the default rate on these loans approaches zero. Therefore, it is in the best interests of the loan program to expand participation in this program to eligible Alaskans.

Section 8 deletes the requirement that an FEL loan can be made only on the behalf of a child who has been claimed as a dependent for federal tax purposes.

Rationale: Many potential FEL participants wish to borrow for children who are no longer claimed as dependents but who still need assistance in pursuing postsecondary education goals. Additionally, some parents object to sharing federal tax information with the loan program. The proposed changes would further encourage family responsibility and would provide relatively secure assets for the loan program without violating the financial privacy of the borrower.

Sections 9 and 10 prohibit the Department of Administration from disbursing state funds to persons who are in default on a student loan.

Rationale: Persons under contract to provide goods and services or who receive other remuneration from the state should be current on their obligations to the state. Together with wage assignment and the denial of license renewal, the threat of withholding payment puts borrowers on notice that the state takes repayment of student loans very seriously.

CONCLUSION

The Commission supports HB 506 because it provides the tools for fiscally-responsible management of the Alaska Student Loan program. Without the provisions of this bill, the fund will continue to erode. With it will erode the higher education opportunities for the coming generations of Alaskan students.

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2496

April 5, 1994

The Honorable Ron Larson
The Honorable Eileen MacLean
Co-Chairs
House Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Representatives Larson and MacLean:

Enclosed for your consideration are proposed amendments to CSHB 506 (L&C) which is scheduled for hearing by House Finance on April 6, 1994.

Although I understand Post Secondary's interest in collecting delinquent student loans, I do not believe the administrative processes which will be required by certain sections of this bill are going to be sufficiently effective to justify their costs.

I would, of course, be pleased to brief you further on these proposed amendments in advance of the hearing if you wish.

Thank you.

Sincerely,

Nancy Bear Usera
Commissioner

NBU/nl
Enclosure
cc: Legislative Liaison
Office of the Governor

HB 506

Department of Administration
Proposed Amendments to CSHB506(L&C)

1. **Amend Sec. 3 on page 2 by deleting lines 22 and 23.**

2. **Amend pages 6 and 7 by deleting Secs. 9 and 10 in their entirety.**

3. **Renumber Secs. 6-12 to reflect deletion of Secs. 9 and 10.**

As written the bill charges the Department of Administration (DOA) with responsibility for performing the research to make absolutely certain payments are withheld from the right person. While this can probably be accomplished by a computer match of the social security number (SSN) on the DOA vendor file, it will require initial computer program revisions as well as continuing support. Also, to help ensure the correct vendor's payments are withheld, there will need to be a mechanism to verify that the SSN matched against the Alaska Commission on Postsecondary Education (ACPE) file is for the correct individual by comparing the names on each file. This may require a manual process due to name variations (nicknames) as well as situations where the individuals name has changed due to marriage, etc.

Inasmuch as many vendors use an employer tax identification number (EIN) rather than a SSN, it is highly likely that a fair amount of effort will be put into setting up an automated process which, we believe, has a low probability of success; especially once vendors who currently use a SSN realize that they can avoid detection by using an EIN. Also, late payment charges will be incurred if the wrong vendor's funds are withheld due to a SSN error.

As an alternative, if ACPE believes this is an important tool, language could be included under Title 14 of the Alaska statutes which would have the same effect. ACPE could do a more thorough research of the files and go beyond the SSN search to identify vendors. This has a greater likelihood of success. This would allow ACPE to provide DOA a list of specific individuals (vendors) whom they have identified as being delinquent on student loans.

In addition, the current language proposed in CSHB506(L&C) only allows DOA to **not** pay the vendor. It does not address what is to be done with the funds. This forces DOA to track these funds owed to the vendor so that when ACPE releases them, the vendor can be paid. For budgetary control purposes as well as for tax reporting, DOA cannot hold off on posting the charge against the appropriation. Therefore, this requires another accounting procedure to be implemented.

Inasmuch as current law already allows ACPE to collect funds from an individual with a delinquent student loan, we do not believe additional administrative processes as proposed in this bill will facilitate collection of delinquencies. Under Title 9, ACPE can get a court order to withhold payments from a vendor. This provides a legal mechanism whereby the payments would be withheld from the vendor and submitted to ACPE to be applied against the student loan.

SECTIONAL ANALYSIS

Section 1 prohibits the Department of Commerce and Economic Development from renewing an occupational or professional license if the licensee is in default on an Alaska student loan. ACPE must notify the Department of defaulting borrowers.

Rationale: Borrowers who have received state support for education or training leading to a occupational/professional license must honor their loan repayment obligations. The legislation allows the original license to be issued in order that the borrower may earn the income necessary to repay the loan. If repayment is not made in a consistent and timely manner, however, the borrower should not continue to benefit from the state's investment.

Section 2 ties the interest rate on a student loan to 1) the cost of the private capital backing that loan and 2) a portion of the administrative expense of disbursing and servicing the loan. Under the legislation, the interest rate would be set annually by the Commission, by a method that "ensures that the rate of interest is as low as possible without precluding the ability of the commission to administer loans."

Rationale: The present interest rate of 8% bears no relationship to either the interest paid on bonds or the cost of running the loan program. Today's capital market provides a very advantageous rate to tax-exempt bond issuers. Savings from low rates should benefit students. By the same token, in times of higher rates, the costs must be passed on to the borrowers if the fund is to remain sound. And, in all cases, loan interest rates must include reasonable overhead costs. The legislation explicitly charges the commission to keep these overhead costs to minimum.

Section 3 directs the Commission to notify the Departments of Administration and of Commerce and Economic Development when a borrower is in default.

Rationale: Since these two departments are charged with withholding benefits from defaulted borrowers, it is incumbent upon the Commission to provide timely notification of default status.

Section 4 allows the Commission to consolidate a borrower's or a married couple's loans. Married borrowers must agree to be jointly and severally liable for repayment and the loan is not forgiven on the death of one of the borrowers.

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Rationale: The Commission frequently encounters situations where a separated or divorced Alaskan resident parent wishes to borrower on behalf of a child for whom he/she does not have physical custody. In these cases, the parent with custody is often not a resident. The intent of the FEL program was to encourage parents to assist in funding a child's postsecondary education. FEL borrowers are generally very credit worthy and the default rate on these loans approaches zero. Therefore, it is in the best interests of the loan program to expand participation in this program to eligible Alaskans.

Section 8 deletes the requirement that an FEL loan can be made only on the behalf of a child who has been claimed as a dependent for federal tax purposes.

Rationale: Many potential FEL participants wish to borrow for children who are no longer claimed as dependents but who still need assistance in pursuing postsecondary education goals. Additionally, some parents object to sharing federal tax information with the loan program. The proposed changes would further encourage family responsibility and would provide relatively secure assets for the loan program without violating the financial privacy of the borrower.

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CONCLUSION

The Commission supports HB 506 because it provides the tools for fiscally-responsible management of the Alaska Student Loan program. Without the provisions of this bill, the fund will continue to erode. With it will erode the higher education opportunities for the coming generations of Alaskan students.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BOX 110505
JUNEAU, ALASKA 99811-0505
PHONE (907) 465-2962
FAX (907) 586-4002

SUBJECT: AN ACT RELATING TO TERMS AND CONDITIONS OF THE ALASKA STUDENT LOAN PROGRAM

The following is a synopsis of the legislative recommendations of the Alaska Commission on Postsecondary Education as included in House Bill 506:

1) Variable Interest Rate. Recommend that AS 14.43.120 (f) be amended so that the annual rate of interest on Alaska Student Loans will be set each year by adding to the true interest rate for that year's tax exempt bonds an additional percentage designed to cover the administrative costs of the program. Included in the amendment should be language mandating that the Commission insure that the effective borrower interest rate be as low as possible without threatening their ability to properly service loans.

2) Restricted Loan Eligibility After a Write-off. Recommend that AS 14.43 be amended so that a loan applicant would be considered ineligible to receive a new Alaska Student Loan for no less than five (5) years subsequent to having any portion of a prior Alaska Student Loan discharged or written-off for any reason.

3) Wage Garnishment. Recommend that AS 14.43 be amended to include a section authorizing income withholding for borrowers in default on their Alaska Student Loan. The effect of this amendment would be that any judgment or court order regarding a defaulted borrower must contain an income withholding order.

4) Denial of State License Renewals. Recommend that AS 14.43 and AS 08.01 be amended so that borrowers in default on their Alaska Student Loans would be ineligible to renew an existing license to do business or practice an occupation in Alaska until the Department of Commerce is notified by the Commission that the applicant's loan account has been brought current.

5) Denial of State Warrants. Recommend that no State warrant shall be issued to a borrower who is in default on an Alaska Student Loan. Any and all warrants resulting from business done with the State would be withheld until the affected department is notified by the Commission that the applicant's loan account has been brought current.

6) Refinancing Alaska Student Loans. Recommend that AS 14.43. be amended so that the Commission could offer borrowers the option to collapse variable term loans into a single loan. The interest rate on the refinanced loan would be the weighted average of all loans included. A married couple may consolidate their individual loans if they agree to be held jointly and separately liable for repayment of the refinanced loan regardless of the amount of their previously individual debts, and in spite of any future change in their marital status. The loan is not dischargeable in the event that one spouse dies.

7) Expand Family Education Loan Eligibility. Recommend that AS 14.43. 750 and AS 14.43.740 be amended to remove the dependency requirement which would allow one family member to borrow on behalf of another member of their immediate family, and to clarify that it is the borrower only who must meet the Alaska residency requirement.

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BOX 110505
JUNEAU, ALASKA 99811-0505
PHONE: (907) 465-2962

MEMORANDUM

TO: MEMBERS OF THE COMMISSION

FROM: JOE L. MCCORMICK
EXECUTIVE DIRECTOR Joe L. McCormick

SUBJECT: AN ACT RELATING TO TERMS AND CONDITIONS OF THE ALASKA STUDENT LOAN PROGRAM

DATE: FEBRUARY 8, 1994

The following is a synopsis of the legislative recommendations, resulting from this morning's work session teleconference. These recommendations will be formally forwarded to our legislative members, Senator Phillips and Representative Bunde, effective Thursday, February 10th, for submission to the legislative drafters.

1) Variable Interest Rate. Recommend that AS 14.43.120 (f) be amended so that the annual rate of interest on Alaska Student Loans will be set each year by adding to the true interest rate for that year's tax exempt bonds an additional percentage designed to cover the administrative costs of the program. Included in the amendment should be language mandating that the Commission insure that the effective borrower interest rate be as low as possible without threatening their ability to properly service loans.

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7) Expand Family Education Loan Eligibility. Recommend that AS 14.43. 750 and AS 14.43.740 be amended to remove the dependency requirement which would allow one family member to borrow on behalf of another member of their immediate family, and to clarify that it is the borrower only who must meet the Alaska residency requirement.

This will be the Commission's final review of these recommendations prior to transmittal to our legislative members. If you have any comments or concerns that must be dealt with prior to transmittal, contact me before noon tomorrow, Wednesday, February 9th, 1994.

Again, your attention and speedy responses during this process have been truly appreciated and I look forward to a successful legislative session. We should be proud of the steps we're taking to strengthen and secure this valuable state program.

cc: Alaska Student Loan Corporation

Alaska University and College Student Leaders 1993-1994

University of Alaska
System Governance

Updated January 10, 1994

Coalition of Student Leaders (The Net)

Spokesperson: Scott Otterbacher

University of Alaska Anchorage

Mike Kiser, President — *Doug DeCourcie, Advisor*
Prince William Sound Community College — *835-2723*
Student Association
P.O. Box 97, Valdez, AK 99686
Phone 1-800-478-8800 Fax: 835-2593

Amy Johnson, President — *Liz Jacobik, Advisor*
Kachemak Bay Branch Student Association — *235-7743/INEAJ*
533 Pioneer Avenue
Homer, AK 99603
Phone: 235-7743 Fax: 235-6376 c/o INEAJ

Thomas Goldston, President — *Chris Jamin, Advisor*
Kodiak College Student Association — *486-4161 /DFCFJ*
117 Benny Benson Drive
Kodiak, AK 99615
Phone: 486-4161 Fax: 486-4166 DSTHG

Mark Ewing, President
Matanuska-Susitna Student Government
P.O. Box 2889
Palmer, AK 99645
Phone: 745-9726 Fax 745-9711 PSMAE

Nicholas Schoolcraft, President
Union of Students of Kenai Peninsula College
38420 College Drive
Soldotna, AK 99669

For further information, contact Pat Ivey, System Governance Office University of Alaska 209C Butrovich, Fairbanks AK 99775, 474-7323, Fax 474-5131, SYGA2 or SNPMI

Phone: 262-0339 Fax: 262-9280 ISNLS

Kevin Gallagher, President
Union of Students of the
University of Alaska Anchorage
7421 Huckleberry Circle
Anchorage, AK 99502
Phone: 248-6311 Fax: 786-1291 AYUNION

Beth Overfelt, Advisor
786-1371/ANMBO

University of Alaska Fairbanks

Karlin Itchoak, President
Associated Students of the
University of Alaska Fairbanks
Wood Center, UAF
Fairbanks, AK 99775
Phone: 474-5896 Fax: 474-5157 FSKJI

Sabra Phillips, Adm Asst.
474-7355/FNSDP

Dario Notti, President
Kuskokwim Campus Student Government
P.O. Box 2175
Bethel, AK 99559
Phone: 543-3072 Fax: 543-4527

Carol Woodmancy, President,
Bristol Bay Campus Student Association
P.O. Box 135
King Salmon, AK 99649
Phone: 246-8218 Fax: 246-4286

Tracy Buie, contact for the
Northwest Campus student body
Box 947
Nome, AK 99762
Phone: 443-2836 Fax: 443-5602

University of Alaska Southeast

Alaska University and College Student Leaders 1993-1994

Chris Delez, President
United Students of the
University of Alaska Southeast-Juneau
P.O. Box 32365
Juneau, AK 99665
Phone: 465-6517 Fax: 465-6358 JYPRES

Jan Trigg, Adm. Asst.
465-6517

Lisa Walker, President
United Students of the
University of Alaska Southeast-Ketchikan
7th & Madison
Ketchikan, AK 99901
Phone: 225-6177 Fax: 225-3624 KSLAW

Cris Turner, President
United Students of the
University of Alaska Southeast-Sitka
1332 Seward Avenue
Sitka,AK 99835
Phone: 747-6653 Fax: 747-7747. TSGOV

Brian Smith, advisor
747-6010

University of Alaska Board of Regents

Scott A. Otterbacher
Student Regent, UA Board of Regents
P.O. Box 581
Palmer, AK 99645
Phone: 373-4628 Fax: 373-7363 FSSAO

Alaska Commission on Postsecondary Education

Patricia A MacPike (ex-officio)
Student Representative
Alaska Commission on Postsecondary Education
Sheldon Jackson College
105 Burkhart #11B
Sitka, AK 99835
Phone: 747-5960 Fax: 747-5212

For further information, contact Pat Ivey, System Governance Office University of Alaska 209C Butrovich, Fairbanks AK 99775, 474-7323, Fax 474-5131, SYGA2 or SNPMI

Alaska University and College Student Leaders 1993-1994

Open Learning Cooperative student representative

Alice Orth, UAA Mat-Su
HCO4 9754
Palmer, AK 99645 PSATO

Sheldon Jackson College

Wayne Treadwell (ex-officio)
President, Sheldon Jackson College Student Council
801 Lincoln St
Sitka, AK 99835
Phone: 747-5246 Fax: 747-5212

Alaska Pacific University

Sean Murphy (ex-officio)
Chair, Alaska Pacific University Student Council
4101 University Dr.
Anchorage, AK 99504
Phone: 564-8283 Fax: 562-4276

For further information, contact Pat Ivey, System Governance Office University of Alaska 209C Butrovich, Fairbanks AK 99775, 474-7323, Fax 474-5131, SYGA2 or SNPMI

Headquarters:
217 2nd Street, Suite 201
Juneau, Alaska 99801
(907) 586-2323 FAX 463-5515

Regional Office:
415 E Street, Suite 201
Anchorage, Alaska 99501
(907) 278-2722 FAX 278-6643

ALASKA STATE CHAMBER OF COMMERCE

ALASKA STATE CHAMBER OF COMMERCE

Resolution 94 - 4

Alaska Student Loan Program Reforms

WHEREAS resident college students finance their educational expenses in large part through the Alaska Student Loan Program; and

WHEREAS, the Legislature set the interest rate for the loans more than eight years ago at 8% fixed, a good rate at the time; and

WHEREAS, present loan rates are well below this on the market; and

WHEREAS, delays in processing checks have routinely forced students to pay tuition deferral charges; and

WHEREAS, the Alaska Student Loan Corporation's telephone lines are constantly busy during registration weeks at all campuses; and

WHEREAS, all student loan recipients are residents of Alaska and are preparing, in large part, to join the Alaskan economy as business owners, lenders and professionals;

THEREFORE, be it resolved that the ASCC urges the Legislature to review and revamp the interest rate statute to reflect current conditions and rates;

THEREFORE, be it further resolved that the ASCC believes the interest rate for Alaska Student Loans should be set at a floating formula, tied to prime rate and other reliable indices;

THEREFORE, be it further resolved that the ASCC sees it as vital that regulatory and policy impediments that currently cause long processing delays or slows service be corrected to serve the interests of these Alaska residents.

ADOPTED

BY Sheri Schlotfeldt
President

BY Kathy Soderberg
Chair, Board of Directors

February 20, 1994

University of Alaska

Coalition of Student Leaders

OFFICIAL POSITION

Regarding

Student Loan Reform

The Coalition of Student Leaders of the University of Alaska accepts the recommendations of the Alaska Commission on Postsecondary Education as its official position, except for the following modifications:

1. That in the first recommendation, we believe that the interest rates for student loans should never exceed eight percent; and

2. That in recommendations four and five, provisions should be included so that debtors in default can make appeals for exceptions to these proposed measures.

For further information, contact:

Scott Otterbacher, Student Regent & Coalition Spokesperson, 373-4628, Fax 373-7363;
Brian Brubaker, Coordinator, 474-5214;
or Pat Ivey, System Governance, 474-7323, Fax 474-5131

C — 3/28/94

IOUSE COMMITTEE REP RT

(7)

Date Referred: March 11, 1994

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/24/94

The LABOR AND COMMERCE Committee considered: HB 506

HOUSE BILL NO. 506 STUDENT AN PROGRAM

"An Act relating to student loans; to sanctions for defaulting on a student loan, including denial of a state occupational license or disbursement of state money; and providing for an effective date."

RECOMMENDATIONS: be replaced with CS HB 506(L+C) [X] the same title [ ] a new title

[ ] have attached amendments(s)

[X] do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

[X] fiscal impact Administration

[ ] zero fiscal note _____

APPROVES PREVIOUS: (Dept/Date) 3/11/94

[X] fiscal note(s) Commerce + Economic Devel.

[X] zero fiscal note(s) Dept. of Ed. 3/11/

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Porter	✓				
Sitton	✓				
Mulder	✓				
Green	✓				
Hudson	✓				
	5				

Bill Hudson Hudson

CHAIRMAN'S SIGNATURE

HOUSE COMMITTEE REPORT

(9)

Date Referred: February 16, 1994 FURTHER REFERRALS: Labor & Commerce
Finance

Date of Committee Action: 3/8/94

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: HB 506

HOUSE BILL NO. 506 STUDENT LOAN PROGRAM

"An Act relating to student loans; to sanctions for defaulting on a student loan, including denial of a state occupational license or disbursement of state money; and providing for an effective date."

RECOMMENDATIONS: [X] the same title
be replaced with CS HB 506 HESS [ ] a new title

[ ] have attached amendments(s)

[ ] do pass

[ ] do not pass

[X] no recommendations

[ ] individual recommendations

[ ] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Dept/Date)

[X] fiscal impact CED [ ] fiscal note(s) _____

[X] zero fiscal note Postsecondary [ ] zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
				X	
	✓			✓	
	✓				X
	✓			X	
					X
				✓	

CHAIRMAN'S SIGNATURE

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 28, 1994 FURTHER REFERRALS:

Date of Committee Action: 4/8/94 pm

The FINANCE Committee considered: HB 506

HOUSE BILL NO. 506 STUDENT LOAN PROGRAM

"An Act relating to student loans; to sanctions for defaulting on a student loan, including denial of a state occupational license or disbursement of state money; and providing for an effective date."

RECOMMENDATIONS: [ ] the same title
be replaced with CS HB 506 (FIN) [ ] 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)
[X] fiscal impact DOE
[ ] zero fiscal note

APPROVES PREVIOUS: (Dept/Date)
[ ] fiscal note(s)
[ ] zero fiscal note(s)

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Eileen B. Macharg McLean	✓				
Ronald Larson					
Jan Rydell	X	Mike Harley Harley		X	
Parnell		Terry Martin Martin needs amendments			✓
		~~Jan Rydell~~		~~X~~	
		Ben Grussendorf Grussendorf		X	
		Jim Hoffman Hoffman		X	
		Tom Brown Brown		✓	
		Eric Phillips Thomas		X	

Ronald Larson Eileen B. Macharg

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CS HB 506 (L&C)

Revision Date: 04 - 04 - 94
Title: An Act relating to student loans:to sanctions for defaulting on a student loan, including denial of a state . . . .
Sponsor:
Requestor:

Dept Affected: Alaska Commission on Postsecondary Education
BRU: Alaska Student Loan Corporation.
Component: Student Loan Program

COMPONENT SERIAL NO. 218

Expenditures/Revenues (thousands)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	157.2	111.4	111.4	111.4	111.4	111.4
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	157.2	111.4	111.4	111.4	111.4	111.4
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGES IN REVENUES (1022)	1,450.0	1,495.1	1,581.3	1,673.0	1,770.5	1,873.9

FUND SOURCE

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other Fund 1022	157.2	111.4	111.4	111.4	111.4	111.4
TOTAL	157.2	111.4	111.4	111.4	111.4	111.4

Estimate of any current year (FY94) costs ($): 15.1

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS (Attach a separate page if necessary): Fiscal analysis of this bill is presented by bill section:
Section 1: this section directs Alaska Department of Commerce and Economic Development to withhold renewal of professional licenses upon notice from ACPE that a person has defaulted on an Alaskan Student Loan. Estimated cost to the ACPE to provide such notice:

FY95	FY96	FY97	FY98	FY99	FY00
0.0	0.0	0.0	0.0	0.0	0.0

(continued on reverse)

Prepared by: *Douglas S. Hanon*
Phone Number: *(907) 465-6757*
Division: *Alaska Commission on Postsecondary Education*
Date: 4/04/94

Approved by Commissioner *Joe L. McCormick, Executive Director* J L McC
Date: 4/04/94
Agency: *Alaska Commission on Postsecondary Education*

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Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM April 9, 1994

SUBJECT: CSHB 506(FIN) (8-LS1752\O)

TO: Representative Ron Larson
Co-Chair, House Finance Committee
Attn: Louanne

FROM: Pam Finley
Assistant Revisor

Enclosed is CSHB 506(FIN) as you requested. Because both you and Mike Ford were in the committee hearing at the time I received the bill, I have taken the liberty of making the following changes without speaking to you first:

1. The phrase "**or disbursement of state money**" was deleted from the title to reflect the deletion of secs. 9 and 10 of the (L&C) version.

2. In AS 08.02.025(a) (bill sec. 1), the reference to "AS 14.43.120(l)" was changed to "AS 14.43.120(i)" to correct what I think is a typographical error carried over from previous versions.

3. In AS 14.43.120(f)(2) (bill sec. 2), I changed the new language from "but may not exceed three percent above the amount determined under (1) of this section" to "but the amount under this paragraph may not exceed three percent of the amount determined under (1) of this subsection" because I believe that language states what I assume to be the intent of the amendment more clearly.

Also, the notice required under AS 14.43.120(i)(1) (bill sec. 3) is not entirely accurate since the nonrenewal does not take effect for 60 days under AS 08.02.025(a) (bill sec. 1), but I assumed you may not want to require the commission to tell the borrower that, and so left the language alone. Please let Mike Ford know if any of my changes were incorrect.

PLF:pl
94-298.plm
Enclosure