

SB

59

SFIN

FILE

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

2/16/95
(S) HES, FIN

BILL NO. SB 59

Revision Date: _____ Dept. Affected: EDUCATION
 Title: An Act authorizing the Alaska Commission on BRU: ACPE
Postsecondary Education to adopt regulations necessary to Component: Student Loan Operations
set an interest rate applicable to a student loan for which money
is disbursed on or after July 1, 1995.
 Sponsor: Senate HESS Committee
 Requestor: Senate HESS Committee COMPONENT SERIAL NO. 213

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY95) impact: \$ _____ \$0

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared by: Gillian R. Hays
 Division: Alaska Commission on Postsecondary Education
 Approved by Executive Director: [Signature]
 Agency: ACPE

Phone: 465-6740
 Date: 10-Feb-95
 Date: 2/10/95

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SENATE COMMITTEE REPORT

First Committee of Refer.

Frank

DATE: 2/1/95

FURTHER: Finance

Date of 5-Day Notice: 2/8/95
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-22-95

HES Committee considered SB 59

DLN

Authorizing the Alaska Commission on Postsecondary Education to adopt regulations necessary to determine and set an interest rate applicable to a student loan for which money is disbursed on or after July 1, 1995, and implement certain loan default sanctions and consolidation of loan provisions beginning July 1, 1995; efd.

and recommends:

- | he replaced with _____ CS _____ (_____)
- | adopt previous _____ CS _____ (_____)
- | attached amendment(s)
- | adopt Letter of Intent by _____ Committee
- | further referral to the _____ Committee

Senate Bill:
 same title
 new title
 House Bill:
 technical change
 new: SCR _____

SIGNING WITH RECOMMENDATIONS: <i>All OP</i>	DP	DNP	NR	AM
<i>Mike Miller</i>	✓			
<i>Joseph E. Sain</i>	✓			
<i>Kevin A. Lemay</i>	✓			
CHAIR: <i>Syda Green</i>	✓			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
<i>DOE-ACPE</i>	<i>2/10/95</i>	✓	

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

| APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Alaska State Legislature

Sen. Lyda Green, Chairman
Sen. Loren Leman, Vice-Chairman
Sen. Mike Miller
Sen. Johnny Ellis
Sen. Judith Salo



State Capitol
Room 423
Juneau, Alaska 99801-1182
907-465-3762

Senate Committee on Health, Education and Social Services

MEMORANDUM

TO: Senator Rick Halford, Co-Chairman
Senate Finance Committee

FROM: Senator Lyda Green, Chairman *Lyda Green*
Senate Committee on Health, Education and Social Services

DATE: February 24, 1995

RE: Scheduling Request for SB 59

I respectfully request that SB 59 be scheduled for a hearing by the Senate Finance Committee at the earliest convenience of the Chairman.

SB 59 was introduced by the Senate HESS Committee at the request of the Alaska Commission on Postsecondary Education.

SB 59 allows the Commission to implement regulations several months prior to the effective date of the legislation that passed last session (July 1, 1995), so that they can be ready to offer loans in a timely manner.

SB 59 makes no statutory changes -- it simply grants the Commission the authority to implement regulations prior to the July 1, 1995 effective date.

Thank you for your consideration. If you have any questions, please contact me or Portia in my office at 3762.

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
PHONE (907) 465-2962
FAX (907) 465-5316

MEMORANDUM

TO: ACPE Commission Members
ASLC Board Members

FROM: Joe L. McCormick *Joe L. McCormick*
Executive Director

DATE: February 10, 1995

RE: January 1995 Status Report

Legislative Status Report - HB 135 and companion bill SB59 have been introduced giving authority to the Alaska Commission on Postsecondary Education to promulgate emergency regulations to set the interest rate on Alaska Student Loans to be disbursed after July 1, 1995. This legislation must be passed as soon as possible in order to allow the ACPE to have appropriate regulations in place prior to July 1, 1995. The Alaska Commission on Postsecondary Education, at its December 1994 meeting, unanimously approved legislative changes to promote financial stability of the student loan fund and to assist in improving customer support services. ACPE staff are working closely with the Governor's Office and the Office of Management and Budget to secure the Administration's full support for these legislative proposals. The legislative changes proposed are:

- Increase Maximum Graduate Loan Limits
- Reduce Administrative Costs/Streamline Administrative Process
- Program Participation Agreement
- Modify Deferment Options
- Amend Repayment Options
- Expand Students' Financial Aid Options
- Amending definition of 'default'
- Establish Wage Garnishment Priority
- Deny Loans to Incarcerated Individuals
- Technical Amendments for Residency Requirements
- Amend WICHE for Directed Student Funding

1994 Alaska Student Loan Corporation Financial Audit Completed - final work was completed on the 1994 Alaska Student Loan Corporation Financial Audit. The ASL Corporation board will receive a full presentation of the audit at its March 1, 1995 meeting in Juneau. In a related activity, preparations for a compliance audit of the ASLP loan servicing system in February 1995 were completed. This audit is required by the insurer of the ASLC student loan bonds, AMBAC, and will focus on the operational

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aspects of servicing Alaska Student Loans and a review of the improvements made by ACPE since the last compliance audit in March of 1993.

Alaska Student Loan Volume for 1994-1995 by Participating Schools - over \$53.0 million in ASLP awards have been made as of 1-31-95 for this current school year 1994-1995. Approximately \$31.4 million has been awarded to Alaska students attending Alaska schools; approximately \$21.7 million has been awarded to Alaska students attending out-of-state schools. Listed below is a breakdown of the ten schools in Alaska currently receiving the most ASLP funds:

<u>Alaska Schools</u>	<u>Total # of Students</u>	<u>Total \$Amount Loaned</u>
University of Alaska - Anchorage	3,213	\$12,069,063
University of Alaska - Fairbanks	1,952	\$ 8,222,668
University of Alaska - Southeast	349	\$ 1,478,391
University of Alaska -MSC	343	\$1,264,058
Alaska Pacific University - Anchorage	210	\$ 888,473
University of Alaska - Kenai	220	\$ 770,887
Alaska Computer Institute	143	\$ 712,652
Charter College	154	\$ 584,304
Alaska Junior College	133	\$ 547,652
Alaska Vo-Tech Center	123	\$ 496,117

Loan Servicing System Update - ACPE staff completed the bid process for the selection of a firm to assist staff in the search and selection of the new software needed to fully update the current ASLP loan servicing system. Only one bid was received that fully met the requirements to conduct a national search and evaluation of the appropriate software.

It is anticipated to take no more than 60 to 90 days to complete this phase of the project. As reported in the December 1994 Monthly Status Report, the Legislative Budget and Audit Committee approved ACPE to expend \$250,000 of corporate receipts as part of a larger project request (in the capital budget) for an additional \$1.4 million to fully revamp the existing student loan servicing system and replace it with an up-to-date, fully automated system. ACPE is now working with the Governor's Office and the Office of Management and Budget to secure the remaining \$1.4 million funding for the rest of the project.

Critical Dates

February 13, 1995	Loan Servicing Compliance Audit begins
February 20, 1995	President's Day - ACPE Holiday
February 28, 1995	Institutional Authorization Committee meets - Juneau
March 1, 1995	Alaska Student Loan Corporation meets - Juneau
March 1&2, 1995	Alaska Commission on Postsecondary Education meets - Juneau
March: 27, 1995	Seward's Day - ACPE Holiday

cc: Management Team

MEMORANDUM

State of Alaska
Department of Law

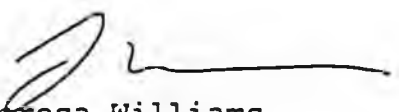
TO: Gillian Hays
Alaska Commission on
Postsecondary Education

DATE: January 13, 1995

FILE NO:

TEL. NO: 269-5200

SUBJECT: Transition provisions
regarding ch. 112, SLA 1994


FROM: Teresa Williams
Assistant Attorney General
Commercial Section -- Anchorage

I am writing to explain the necessity for the legislature to immediately adopt transition provisions regarding ch. 112, SLA 1994.

The current interest rate of 8% for Alaska Student Loans is repealed effective July 1, 1995, and the commission has the duty to set the interest rate for money disbursed after that time. Ch. 112, SLA 1994. Before the commission can enter into student loans for the summer and 1995-96 terms, it must set an interest rate. The commission attempted to begin that process in November, 1994. However, the Department of Law's Regulation Attorney has determined that, in the absence of transitional regulation authority, the commission cannot move forward to adopt regulations to establish the elements of the new interest rate until the new legislation becomes effective July 1, 1995.

Commission staff have advised me that loan packets are sent to students and schools in the spring of each year, and students sign promissory notes for student loans during that time for the following school year. However, this year, the students cannot be advised of the interest rate. Under the Federal Truth in Lending law, student loan programs are required to notify students of the interest rate at which they are borrowing money. Additionally, in making decisions about which loan programs to pursue, students need to know the cost of each.

This office has drafted the attached bill language to correct the problem. Section 1 gives the commission authority to immediately begin the adoption process for regulations that will give the commission authority to set the interest rate for money disbursed after July 1, 1995. The bill would allow the regulations to take effect as soon as that project could be completed under the APA, even if that date is before July 1, 1995. In order to meet the commission's schedule for printing and distribution of loan packets for loans disbursed after July 1, 1995, the regulations must be adopted as early as possible.

Gillian Hays
Alaska Commission on
Postsecondary Education

January 13, 1995
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Section 2 of the bill gives the commission standard transition regulatory authority to immediately begin the process to adopt regulations for other provisions of ch. 112, SLA 1994, relating to loan default procedures and consolidation of loans. Regulations adopted under section 2 may not take effect before July 1, 1995, when the enabling statute becomes effective.

I will be out of the country from January 15 - February 11 and April 1 - 20. If any questions arise during that time about this problem or other issues, please direct them to AAG Linda Kesterson or to AAG Linda O'Bannon, my supervisor.

TEW:mh

Attachment

CS FOR HOUSE BILL NO. 135(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 2/15/95

Referred: Rules

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

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the Alaska Commission on Postsecondary Education to adopt
2 regulations necessary to determine and set an interest rate applicable to a student
3 loan for which money is disbursed on or after July 1, 1995, and regulations
4 necessary to implement certain loan default sanctions and consolidation of loan
5 provisions beginning July 1, 1995; and providing for an effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * **Section 1.** The Alaska Commission on Postsecondary Education may immediately
8 proceed to adopt regulations necessary to

9 (1) determine and set an interest rate applicable to a loan for which money is
10 disbursed on or after July 1, 1995, required under AS 14.43.120(f), as repealed and reenacted
11 in sec. 2, ch. 112, SLA 1994, and under AS 14.43.120(v), as enacted in sec. 4, ch. 112, SLA
12 1994; and

13 (2) implement AS 14.43.120(i), as amended by sec. 3, ch. 112, SLA 1994, and

1 AS 14.43.122, as enacted by sec. 5, ch. 112, SLA 1994; regulations authorized by this
2 paragraph may not take effect before July 1, 1995.

3 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).