

HB

157

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB 157

Revision Date: _____
 Title: An Act repealing statutes that condition
receipt of certain occupational licenses
 Sponsor: Rep. James
 Requestor: House HES

Dept. Affected: Health and Social Services
 BRU: Public Assistance
 Component: ATAP
 COMPONENT SERIAL NO. 220
 See also (SN#): _____

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY98	FY99	FY00	FY01	FY02	FY03
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 EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGES IN REVENUES ()						
-------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	(3,180.5)	(3,180.5)	(3,180.5)	(3,180.5)	(3,180.5)	(3,180.5)
1003 GF Match	4,088.3	3,437.5	3,180.5	3,180.5	3,180.5	3,180.5
1004 GF						
1005 GF/Program Receipts	(907.8)	(257.1)				
1037 GF/Mental Health						
Other (please specify)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY97) cost: \$0.0

ANALYSIS:

(Attach a separate page if necessary)

Federal welfare reform law requires the State of Alaska to revoke occupational licenses belonging to obligors who are delinquent with child support orders. Failure to comply with this provision in federal law results in a penalty of up to 5% of the federal TANF block-grant.

Federal law also stipulates that in the fiscal year following a reduction in the TANF grant due to a penalty, states must increase their state spending by an amount equal to the penalty.

We assume that the state will voluntarily replace lost federal funds in the first year and federal law mandates that the state will replace these funds in subsequent years.

The net affect of this legislation is a substantial increase in GF spending.

This legislation also decreases child support collections for ATAP children and reduces general fund program receipts for ATAP.

5/13/97
 Prepared by: Jim Nordlund Phone: 465-2860
 Division: Public Assistance Date: 03/12/97
 Approved by Commissioner: Karen Perdue Date: 3/14/97
 Agency: Department of Health & Social Services

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. CSHB157

Revision Date: _____
 Title: "An Act relating to student loan repayment provisions as they effect renewal of occupational licenses, and providing for an effective date."

Department Affected: Education
 BRU: Alaska Commission on Postsecondary Education

Sponsor: Rep. James
 Requester: H HESS

Component: Student Loan Operations
 COMPONENT SERIAL NO. 213

EXPENDITURES/REVENUES:

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUE ()	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)
------------------------------	----------------	----------------	----------------	----------------	----------------	----------------

(Thousands of Dollars)

FUND SOURCE:

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER Corp. Receipts 1022	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)
TOTAL	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)

Estimate of any current year (FY 97) cost: \$

POSITION:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This legislation repeals the authority to withhold the renewal of occupational licenses for student loan borrowers that defaulted on loans which were originated prior to July 1, 1995.

Please see attached page

Prepared by: Mike Maher, Dir. of Student Loan Operations
 Division: Student Loan Operations
 Approved by Executive Director: Diane Barrans
 Agency: Alaska Commission on Postsecondary Education

Phone: 465-6743
 Date: March 13, 1997
 Date: March 13, 1997

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. _____

ANALYSIS: (continued)

IMPACT TO ACPE:

During the 12 month period January 1996-December of 1996, the total amount of student loans in default (payments are six months or more past due), borrowed by individuals seeking to renew their occupational licenses, was \$839,700. That represents funding lost to the repayment stream of the student loan fund over a 10-15 year repayment period.

A total of 61 defaulters have been identified, of which, 48 have either made lump sum payments (of part or all of the past due amount) or have entered into alternative payment arrangements (or both) to ensure the renewal of their occupational licenses. In just one year of this licensing sanction, it has levied approximately \$63,000 in repayment.

Of these 61 defaulters, 48 have complied with ACPE requirements and had their licenses renewed. Another 13 have not attempted to renew their licenses, 10 of which have not responded to or contacted ACPE for at least two years, and the remaining 3 are known to be living outside of Alaska.

The renewal of these licenses are staggered so that approximately one-half come up for renewal each year. Therefore, the figures represented above, are expected to double (to \$126,000 yearly and \$1,679,400 in default) if the borrower compliance pattern for the first year remained consistent for the second half of the renewal cycle.

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB 157

Revision Date: _____ Dept. Affected: Revenue
 Title: Repeal Occupational License Denial BRU: Child Support Enforcement Division
 Component: Child Support Enforcement Division
 Sponsor: Representative James
 Requestor: (H) HES COMPONENT SERIAL NO. 111

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	(132.1)	(44.0)	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	(388.2)	(120.1)	0.0	0.0	0.0	0.0
SUPPLIES	(2.4)	(0.8)	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				
TOTAL OPERATING	(622.7)	(164.9)	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	907.8	257.1	0.0	0.0	0.0	0.0
------------------------	-------	-------	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	(345.0)	(108.9)	0.0	0.0	0.0	0.0
1003 GF Match	(73.2)	(23.1)	0.0	0.0	0.0	0.0
1004 GF						
1005 GF/Program Receipts						
1008 GF/MHTIA						
1016 Federal Incentive Payments	(104.5)	(33.0)	0.0	0.0	0.0	0.0
TOTAL	(622.7)	(164.9)	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

FULL-TIME	3.0	3.0				
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The state's occupational licensing law became effective October 1, 1996. The program would increase overall child support collections by approximately 25% and generate \$3,934.8 in state-retained AFDC reimbursements during the first two years of the program. Though similar measures exist in 20 or more states and are required by federal law, this proposed bill (HB157) is aimed at repealing the legislation. The repeal of this program would place the State of Alaska in non-compliance with the 1986 Federal Welfare Reform Law (PRWORA).

HB157 could save \$96.3 in General Funds over the next two years. However, CSED would be unable then to collect \$1,164.9 in AFDC reimbursements for the State. Additionally, the State of Alaska would be penalized for non-compliance by the federal government: 1-5% of Alaska's TANF block grant (audit violation), all operating funds for CSED (violation of state plan) and an additional penalty against the TANF block grant (violation of state plan).

Prepared by: Glenda Straube, Director
 Division: Child Support Enforcement Division
 Approved by: [Signature]
 Commissioner: Wilson Condon
 Agency: Dept. of Revenue

Phone: 269-6801
 Date: 3/12/97
 Date: 3/12

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB157

Revision Date: _____
 Title: "An Act repealing statutes that condition occupation licenses on compliance with student loan repayment and support orders."

Department Affected: Education
 BRU: Alaska Commission on Postsecondary Education

Sponsor: Rep. James
 Requester: H HESS

Component: Student Loan Operations
 COMPONENT SERIAL NO. 213

EXPENDITURES/REVENUES:

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUE ()	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)
-----------------------	---------	---------	---------	---------	---------	---------

(Thousands of Dollars)

FUND SOURCE:

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER Corp. Receipts 1022	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)
TOTAL	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)	(126.0)

Estimate of any current year (FY 97) cost: \$

POSITION:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This legislation repeals the authority to withhold the renewal of occupational licenses for student loan borrowers that default on loans and obligors who are not in substantial compliance with child support orders or negotiated payment schedules.

Please see attached page

Prepared by: _____
 Division: Student Loan Operations
 Phone: 465-6743
 Date: March 11, 1997
 Approved by Executive Director: Diane Barrans
 Agency: Alaska Commission on Postsecondary Education
 Date: March 11, 1997

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

Rev: 01/97

Page 1 of 2

ANALYSIS: (continued)**IMPACT TO ACPE:**

During the 12 month period January 1996-December of 1996, the total amount of student loans in default (payments are six months or more past due), borrowed by individuals seeking to renew their occupational licenses, was \$839,700. That represents funding lost to the repayment stream of the student loan fund over a 10-15 year repayment period.

A total of 61 defaulters have been identified, of which, 48 have either made lump sum payments (of part or all of the past due amount) or have entered into alternative payment arrangements (or both) to ensure the renewal of their occupational licenses. In just one year of this licensing sanction, it has levied approximately \$63,000 in repayment.

Of these 61 defaulters, 48 have complied with ACPE requirements and had their licenses renewed. Another 13 have not attempted to renew their licenses, 10 of which have not responded to or contacted ACPE for at least two years, and the remaining 3 are known to be living outside of Alaska.

The renewal of these licenses are staggered so that approximately one-half come up for renewal each year. Therefore, the figures represented above, are expected to double (to \$126,000 yearly and \$1,679,400 in default) if the borrower compliance pattern for the first year remained consistent for the second half of the renewal cycle.

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB 157

Revision Date: _____	Department: <u>Commerce and Economic Development</u>
Title: <u>An Act repealing statutes that condition receipt of certain occ. licenses on compliance w/ student loan...</u>	BRU: <u>Occupational Licensing</u>
Sponsor: <u>Representative James</u>	Component: <u>Operations</u>
Requestor: <u>House HESS</u>	COMPONENT SERIAL NO. <u>1844</u>

Expenditures/Revenues	(Thousands of Dollars)					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
OPERATING EXPENDITURES						
PERSONAL SERVICES	(21.0)	(21.0)	(21.0)	(21.0)	(21.0)	(21.0)
TRAVEL						
CONTRACTUAL	(48.6)	(48.6)	(48.6)	(48.6)	(48.6)	(48.6)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	(69.6)	(69.6)	(69.6)	(69.6)	(69.6)	(69.6)
CAPITAL EXPENDITURES						
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1070 IAR	(69.6)	(69.6)	(69.6)	(69.6)	(69.6)	(69.6)
TOTAL	(69.6)	(69.6)	(69.6)	(69.6)	(69.6)	(69.6)

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

HB 157 repeals the provision in AS 14.43.120(i)(1) requiring occupational licenses *not* be renewed for licensees in default with the student loan program. This repeal will eliminate occupational licensing's participation in assisting the student loan program to collect default payments; therefore, the inter-agency receipts authorized in the FY 96 operating budget to support division activities for this program will not be necessary. The personal services reduction eliminates half the funding for an existing Paralegal I position shared with the Child Support Enforcement program. The reduction in contractual services is funding authorized for hearings and computer-related costs to compare database information between agencies.

Prepared by:	Jennifer Strickler, Administrative Manager	Phone: <u>465-2144</u>
Division:	Occupational Licensing	Date: <u>3/7/97</u>
Approved by Commissioner:	William L. Hensley	Date: <u>3-7-97</u>
Agency:	Commerce and Economic Development	

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

0-LS0626\B
Lauterbach
3/7/97

CS FOR HOUSE BILL NO. 157()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE JAMES

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to student loan repayment provisions as they affect renewal of
2 certain occupational licenses; and providing for an effective date."

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

4 * Section 1. AS 08.02.025 is amended by adding a new subsection to read:

5 (c) This section applies only to a student loan issued on or after July 1, 1995.

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



STATE OF ALASKA

THE ALASKA STATE LEGISLATURE

House of Representatives

Representative Jeannette James

Chair of House State Affairs Committee

Chair of Joint Admin. Regulation Review Committee

Capitol Building

Juneau, AK 99801

(907) 465-3743 ph

(907) 465-2381 fax

MEMO

March 11, 1997

HB 157 SPONSOR STATEMENT

Rep. Jeannette James

REPEAL DENIAL OF OCCUPATIONAL LICENSING FOR DEBTS

Currently when a student defaults on a Post Secondary Education Commission student loan, the Department may after 60 days turn the person's name into the Dept. of Commerce, Occupational Licensing Division. Commerce will not issue, or renew occupational licenses while the loan is delinquent.

This may be reasonable for students delinquent on loans made after the license provision in law was added, effective 7-1-95, however the loans made prior to the provision being added should not be held to that standard.

Retroactive application of the law is not reasonable or fair.

There is a negative fiscal note.

Post Secondary Education Commission, Executive Director, Diane Barrans is opposed to the change .

Please contact me 3743, or Walt Wilcox 6819 if there are any questions.

TONY KNOWLES, GOVERNOR

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
VOICE (800) 441-2962
In Juneau 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

Some Facts About Leveraging Improved Alaska Student Loan Repayment with State-issued Occupational/Professional Licenses:

- **No initial license is withheld based upon an Alaska Student Loan Default status.** The Commission only has the authority to intervene in the renewal of a license issued by the Division of Occupational Licensing.
- **A license renewal will not be denied unless the borrower has defaulted on a loan and refused or failed to make a payment arrangement.** The Commission provides defaulters with at least four to six months advance notice that their failure to either pay their loan current or demonstrate compliance with a payment arrangement will result in the non-renewal of their license. **If a loan is in default but the borrower is making good faith efforts to repay, their license renewal is not denied.**
- **No license renewal is denied simply because a payment is delinquent.** Default occurs when borrowers allow payments to be at least six months past due. This is an extremely serious arrearage that requires extensive staff time/labor involved in collection efforts.
- **Currently seven state legislatures, other than Alaska, have enacted similar laws, applicable to all defaulters.** Several other states have legislation under consideration. If application of student loan collection tools is limited to prospective application only, the approximately \$100,000,000 in unsecured loans which are currently in 'default' status will have a higher level of 'uncollectable' debt than the loan program can afford.
- **Promissory notes for the loans have always indicated that the agency (or its representatives) 'may institute legal action to force' repayment of the loan.** The Commission would hope to be able to continue to expand the legal means available to force borrowers to comply with their promise to repay this debt to the State.