

**HB**

**27**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/30/99

FURTHER:

DATE TURNED  
IN TO OFFICE: 4/12/99

Finance Committee considered

CS FOR HOUSE BILL NO. 27(HES)

GRADUATE STUDENT LOANS

and recommends:

- be replaced with 5 CS CS HB 27 (FIN)
- adopt previous \_\_\_\_\_ CS
- attached amendment(s) forthcoming
- adopt Letter of Intent by SCS
- further referral to the \_\_\_\_\_

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
Education/Student <sup>learn</sup>	2/1/99		*

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

A M E N D M E N T

OFFERED IN THE SENATE  
TO: CSHB 27(HES)

SENATE FINANCE  
COMMITTEE #1  
Amendment Number: #1  
Bill Number: CSHB 27 (HES)  
Sponsor: Wilken Date: 4/10/99  
Logged In By: J. Kollani

moved by Sen. Wilken  
w/o obj! ADOPTED.

1 Page 1, following line 13:

2 Insert a new bill section to read:

3 **\*\* Sec. 2.** AS 14.42.210(a) is amended to read:

4 (a) The student loan fund is established in the corporation. The student loan  
5 fund is a trust fund to be used to carry out the purposes of AS 14.42.100 - 14.42.390,  
6 AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, [AND] 14.43.710 - 14.43.750, and  
7 AS 14.44.025. The fund consists of money or assets appropriated or transferred to  
8 the corporation for the fund and money or assets deposited in it by the corporation.  
9 The corporation may establish separate accounts in the fund."

10 Renumber the following bill sections accordingly.

11 Page 4, line 1, following "participants.":

12 Insert "(a)"

13 Page 4, following line 5:

14 Insert a new subsection to read:

15 "(b) A repayment under this section shall be paid into the student loan fund  
16 created under AS 14.42.210."

17 Page 4, line 6:

18 Delete "Section 4"

19 Insert "Section 5"

20 Page 4, line 9:

1 Delete "sec. 8"

2 Insert "sec. 9"

3 Page 4, line 13:

4 Delete "Section 6"

5 Insert "Section 7"

6 Page 4, line 14:

7 Delete "sec. 7"

8 Insert "sec. 8"



**REPRESENTATIVE ELDON MULDER**  
DISTRICT 23 MULDOON-Ft. RICHARDSON



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES

## **Sponsor Statement**

### **House Bill 27**

### **Graduate Student Loans and the WICHE Program**

House Bill 27 amends statute to allow state student loan monies to be loaned through the Western Interstate Commission on Higher Education (WICHE) and repaid to the State of Alaska.

While our current budget situation does not allow Alaska to return to making grants, as we did prior to 1997. The state can make this change allowing for loans and provide a significant benefit to students. Alaska needs WICHE to take advantage of the reduced tuition (limited to 1.5 times the resident rate compared with up to 5 times the resident rate) and class spots which are restricted without our participation in WICHE.

The State of Alaska for more than 40 years has used student exchange programs of the WICHE to augment professional and other post secondary education. The State of Alaska's participation in WICHE's Professional Student Exchange Program began quickly after ratification of the Western Interstate Education compact in 1953. Alaska participated until monetary pressure forced suspension of Alaska's participation in the program in 1997.

Since the inception of the program 1,136 students participated in all professional fields with almost half returning to the state to live and practice their chosen profession

A handwritten signature in cursive, likely belonging to Representative Eldon Mulder.

This bill would meet several ongoing needs such as provide for a long-term professional workforce, especially in health professions while easing access to affordable professional education for Alaskans. This is noteworthy as particular growth is expected in the elderly population.

This bill would also avoid large expenditures to build and operate professional schools in challenged financial times.

Definite reasons indicate participation is cost effective and viable strategy for the State.

1. State occupational projections indicate expected growth in numerous professional fields, resulting in the need for reliable replacement professionals.
2. Alaska residents continue to find it difficult to gain access to professional schools in most fields included in the Professional Student Exchange Program.
3. Demand for professional education remains in demand by Alaska residents
4. WICHE affords a cost-effective alternative to the creation of new schools and new programs in Alaska.

This bill will allow Alaska to renew our participation in the WICHE Professional Student Exchange program.



**REPRESENTATIVE ELDON MULDER**  
DISTRICT 23 MULDOON-Ft. RICHARDSON



**ALASKA STATE LEGISLATURE**  
**HOUSE OF REPRESENTATIVES**

**MEMORANDUM**

**SUBJECT:** Sectional Summary of HB 27

**TO:** file

**FROM:** David S. Pree, Legislative Aide to Representative Mulder

**DATE:** 2/19/99

- 
- Section 1. Changes language to add the word "degree".
- Section 2. Moves WAMI Program repayment to place it with other related repayment language at the request of Alaska Commission on Postsecondary Education. No substantive changes are made in Section 1 or Section 2.
- Section 3. Regulatory language allowing Alaska Commission on Postsecondary Education to adopt regulations to implement A.S. 14.44.010 – A.S. 14.44.040.
- Section 4. Allows for the repayment of Alaska State Student Loan monies distributed through Western Interstate Commission on Higher Education (WHICHE) graduate program to be repaid to the State of Alaska by the recipient student
- Section 5. Applicability under A.S. 14.44.040
- Section 6. Transition Regulations necessary to implement the Act on the effective date.
- Section 7. Allows Section 6 to take effect immediately.
- Section 8. Effective Date July 1, 1999, except as noted in Section 7.

## CS FOR HOUSE BILL NO. 27(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 2/8/99

Referred: Finance

Sponsor(s): REPRESENTATIVE MULDER

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to financial aid received for medical education and financial aid  
 2 received by students participating in the Western Interstate Commission on Higher  
 3 Education Professional Student Exchange Program; relating to the Western  
 4 Regional Higher Education Compact; and providing for an effective date."

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

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

7 (d) The commission may enter into agreements with government or  
 8 postsecondary education officials of this state or other states to provide postsecondary  
 9 educational services and programs to Alaska residents pursuing a medical education  
 10 degree. An agreement with another state must be limited to services and programs  
 11 that are unavailable in Alaska. The commission shall require a person participating  
 12 in a medical education program offered under this subsection to agree to the repayment  
 13 condition imposed under AS 14.43.510 [AS 14.44.040].

14 \* Sec. 2. AS 14.43 is amended by adding a new section to read:

**Article 6A. Medical Education Support.**

**Sec. 14.43.510. Repayment condition for medical education program participants.** (a) Except as provided under (b) and (c) of this section, as a condition of participating in a medical education program under AS 14.42.030(d), a program participant shall agree to repay the financial support provided by the state on behalf of the student. The financial support to be repaid is equal to the difference between resident and nonresident tuition at the contracting postsecondary institution, plus interest, including any differential for the first year of the program delivered at the University of Alaska, Anchorage. The rate of interest is equal to the 12th Federal Reserve District discount rate in effect on March 1 of the year in which the financial support is provided plus two percentage points. Interest imposed under this subsection begins to accrue when the person terminates studies under the medical education program. Accrued interest shall be added to the principal balance of the repayment obligation at the time the borrower is obligated to commence repayment and at the end of a deferment period.

(b) If a program participant under (a) of this section has graduated from the medical education program for which the financial support was received and is employed in the state in the field for which the person received the financial support, including employment in the state in a medical residency program, the repayment obligation shall be forgiven and considered a grant in an amount equal to the following percentages plus accrued interest:

- (1) one year employment, 20 percent;
- (2) two years employment, an additional 20 percent;
- (3) three years employment, an additional 20 percent;
- (4) four years employment, an additional 20 percent;
- (5) five years employment, an additional 20 percent.

(c) Repayment under (a) of this section is required to begin not later than six months after the person terminates studies under the medical education program, except that repayment shall be deferred for a person who (1) qualifies for forgiveness under (b) of this section for as long as the person remains qualified for forgiveness under (b) of this section; (2) is employed in a medical residency program in the state

1 for as long as the person remains in the medical residency program; or (3) is  
 2 performing a service obligation imposed by the National Health Service Corps, the  
 3 Indian Health Service, or the Uniformed Service Scholarship Program for as long as  
 4 the person is performing the service. Forgiveness under (b) of this section only applies  
 5 to that portion of the repayment obligation that has not been repaid to the state.

6 (d) If a person meets the qualifying conditions under this section for  
 7 forgiveness after beginning repayment, the repayment requirement is deferred in the  
 8 month following qualification for forgiveness. Repayment shall be deferred as long  
 9 as the person remains qualified or until the balance of the repayment obligation has  
 10 been fully forgiven. If the person is delinquent or in default on the person's regular  
 11 repayment schedule, repayment shall continue until the person is current in payments.  
 12 A period of time during which the person is making past due payments may not be  
 13 considered as a qualifying period for the purpose of calculating forgiveness benefits.

14 (e) For purposes of qualifying for forgiveness under this section, a person must  
 15 be a full-time employee for a period of at least six months in order to qualify for a  
 16 prorated forgiveness benefit. In this subsection, "full-time employee" does not include  
 17 seasonal or temporary employment.

18 (f) A person's obligation to repay under this section ends if the person dies  
 19 and is deferred during any period in which a physician certifies that the person is  
 20 totally disabled.

21 (g) This section does not apply to loans received by a person under  
 22 AS 14.43.010 - 14.43.160 or 14.43.710 - 14.43.750.

23 (h) The commission may adopt regulations to implement this section. Except  
 24 as provided in this section, regulations adopted under this subsection may not exempt  
 25 or defer a repayment required under this section.

26 \* Sec. 3. AS 14.44.035 is amended to read:

27 **Sec. 14.44.035. Administration.** The Alaska Commission on Postsecondary  
 28 Education shall administer the state's participation in the Western Regional Higher  
 29 Education Compact. The Alaska Commission on Postsecondary Education may  
 30 adopt regulations to implement AS 14.44.010 - 14.44.040.

31 \* Sec. 4. AS 14.44.040 is repealed and reenacted to read:

1           **Sec. 1.44.040. Repayment condition for program participants.** As a  
2           condition of eligibility for receiving financial support from the state under the  
3           Professional Student Exchange Program of the Western Interstate Commission on  
4           Higher Education, a program participant shall agree to repay to the state the support  
5           provided by the state on behalf of that person, plus interest.

6           \* **Sec. 5. APPLICABILITY.** Section 4 of this Act applies to a person who receives  
7           financial support from the state under the Professional Student Exchange Program of the  
8           Western Interstate Commission on Higher Education on or after July 1, 1999.

9           \* **Sec. 6. TRANSITION: REGULATIONS.** Notwithstanding sec. 8 of this Act, the Alaska  
10          Commission on Postsecondary Education may immediately proceed to adopt regulations  
11          necessary to implement this Act. The regulations take effect under AS 44.62 (Administrative  
12          Procedure Act), but not before July 1, 1999.

13          \* **Sec. 7.** Section 6 of this Act takes effect immediately under AS 01.10.070(c).

14          \* **Sec. 8.** Except as provided in sec. 7 of this Act, this Act takes effect July 1, 1999.

# FISCAL NOTE

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

BILL NO. CSHB 27 (HES)

Revision Date 2/8/99  
Title "An Act relating to graduate student loans; and providing for an effective date."

Dept. Affected Education  
BRU ACPE

Sponsor Rep. Mulder  
Requester (H) FIN

Component Student Loan Operations  
Component Serial No. 213

**Expenditures/Revenues**

(Thousand Of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Personal services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUE ( )</b>						
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**FUND SOURCE**

(Thousand of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type) 1106 P-Sec Rec						
<b>TOTAL</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>

Estimate of any current year (FY 99) cost: \_\_\_\_\_

**POSITIONS**

Full-Time						
Part-Time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

It should be noted that inclusion of forgiveness benefits would require a general fund appropriation. The information provided in this fiscal analysis is predicated upon statements that no forgiveness benefits are intended in HB 27, and that the assistance provided to Professional Student Exchange Program participants in the form of support fees are to be incurred under terms and conditions of loans. \*Program funds disbursed as student loans are not subject to the Executive Budget Act, therefore an appropriation is not required.

Prepared by Mike Maher, Director of Student Loan Operations  
Division Student Loan Operations

Phone 465-6743  
Date/Time 2/8/99 10:42 AM

Approved by Exec. Director, Diane Barrans  
Agency Alaska Commission on Postsecondary Education

Date 2/8/99

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FISCAL NOTE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

BILL NO. IIB 27

**ANALYSIS:** (continued)

Yearly support fees projected for the '99-'2000 school year range from a low of \$4.2 for the Physician Assistant field to a high of \$22.8 for Medicine. The cost to the loan fund of Alaska's participation in the program again will vary significantly depending on the number of applicants awarded loans, and the professional fields approved.

In order to determine a reasonable level of participation, the WICHE Administrative Office was asked to review Alaska's historical participation level in the Professional Student Exchange Program (PSEP) as well as state professional workforce projections and provide recommendations regarding the professional fields and number of students. Their analysis is as follows:

	No. of students
Dentistry	3
Physical Therapy	6
Occupational Therapy	4
Optometry	2
Podiatry	1
Physician Assistant	3
Total	<u>19</u>

The cost of this level of participation would be \$157,300 in the first year and rise to \$530,628 when all fields are fully enrolled.

5<sup>th</sup> February, 1999

Representative Eldon Mulder  
Capital Building  
Juneau, Alaska  
99801

Dear Sir:

I am writing in support  
of House Bill 27.

Within this past week I recently  
heard a radio news Broadcast in  
which I learned you are  
sponsoring a legislative bill  
facilitating our Alaska residents  
to pursue higher educational  
opportunities; through the use  
of the WICHE program. (Which I  
understand Alaska has not  
participated in since 1997.)

As a concerned resident  
and parent, I encourage our  
State to assist our young people  
to develop professionally; thereby,  
bringing needed services to  
our State.

I am intimately aware of  
two young people wishing to  
go into the medical field.

One - our son - now 24 years  
old, obtained a degree from  
Michigan State University and  
sought to enroll in a Master's  
Program in Physical Therapy.

He qualifies for such based on his undergraduate studies.

His friend, also near the same age, decides to enroll in Medical School having obtained her undergraduate degree.

Both young people have Alaska residency, however neither of the programs are available in Alaska.

The cost of the programs are also prohibitive without some financial assistance to them. They both had plans to apply & enroll in the WCHH program - only to learn Alaska no longer participates.

Our son has also applied to an "outside" school only to be told the school was not accepting out of state residents.

Therefore, it appears my son & his friend will be forced to leave Alaska, establish residency in another State in order to pursue their higher education; and to make it somewhat affordable (by not having to pay out of state tuition).

I would encourage our State of Alaska to facilitate & support our young people in pursuit of higher education especially in fields not available through our Universities in Alaska.

In return, I believe, they would encourage our young people, in their sense of appreciation and dedication, and more likely have their return to Alaska.

Both of these individuals are very hard working, industrious and would bring credit to the people of this State. (Let's not send all our young people away due to the lack of availability.)

Thanking you for seeing this need; your time; support and interest in sponsoring House Bill 27.

Sincerely,  
Lena Lyle  
PO Box 870589  
Wasilla, Alaska  
99687

(907) 376-6414

**Subject: Thank you for work done on HB 27**

**Date: Fri, 05 Mar 1999 14:49 -0900**

**From: "Representative Eldon Mulder" <Representative\_Eldon\_Mulder@legis.state.ak.us>**

**To: "lhscmul@laa\_mail.legis.state.ak.us" <representative\_Eldon\_Mulder@legis.state.ak.us>**

----- Forwarded -----

From: criskids@ptialaska.net (Kevin O'Sullivan) at CC2MHS1

Date: 2/23/99 7:07PM

To: Representative Eldon Mulder at LAA\_TRANS

Subject: Thank you for work done on HB 27

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Just wanted you to know that we really appreciate your efforts to bring back W<sup>T</sup> IE. Now the family can remain in the state while I pursue professional training through this program - not an option till now (or an option that will soon be!)

Many thanks.

Kevin O'Sullivan