

**SB**

**195**

<TARGET><BILL>SB 195</BILL><SUBJECT>SB  
195</SUBJECT><COMM>HEDC28</COMM></TARGET>



# Alaska State Legislature

**Senator Anna Fairclough** — Senate District M

## MEMORANDUM

**DATE:** 02 April 2014

**TO:** Representative Lynn Gattis, Chair  
House Education Committee

**FROM:** Senator Anna Fairclough @

**RE:** Committee Substitute for Senate Bill 195 Hearing Request

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I am requesting a hearing as soon as your committee schedule will permit for CS for Senate Bill 195 relating to postsecondary education loans and grants.

Thank you for your consideration and attention to this request. Please do not hesitate to contact Kristen Pratt on my staff with any questions at 465-3777.



# Alaska State Legislature

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**Senator Anna Fairclough** — Senate District M

## Senate Bill 195-Sponsor Statement

Senate Bill 195 makes both substantive and housekeeping changes to statutes regarding the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation. These changes include allowing the commission to set favorable terms for borrowers, increase the total loan limit a student may borrow, and define "on-time" status for a student to reach completion.

With increasing amounts of debt in the state of Alaska, borrowers need to make the best and most informed decisions when they borrow for their education, as well as when they are preparing to enter repayment. By allowing the corporation to set favorable terms, Alaska's students will receive their education for the best deal.

The cost of tuition is going up at postsecondary institutions around the country; however, state education loan maximums have not been modified in almost twenty years. Increased loan limits will allow students easier access to enough financial aid from one loan servicer, thereby easing the processes of both borrowing and repayment.

National trends show students are taking longer to complete their postsecondary education. In the past, an undergraduate degree took, on average, four years to complete. Now it is more common to see students take longer to complete their degree. By staying in school longer, students are accruing more debt and delaying entry into the workforce. Defining "on-time" status as 15 credits per semester encourages students to complete their postsecondary education in a timely manner. This, in turn, will keep their debt lower, more manageable, and allow them to enter the workforce sooner.

The changes proposed in Senate Bill 195 will allow the commission to better assist Alaskans accessing higher education. It will create incentives for students to enroll in sufficient credits to expedite completion of their degree as well as begin their career as part of Alaska's workforce.

I appreciate your consideration of this legislation.



# Alaska State Legislature

**Senator Anna Fairclough** — Senate District M

## Senate Bill 195-Sectional Analysis

**\*Section 1:** Amends AS 14.42.015(a)

Broadens commission membership to clarify representation by an Alaska private, nonprofit higher education institutions' representative.

**\*Section 2:** Amends AS 14.42.015(d)

Broadens commission membership by expanding eligibility for the student commissioner position to include an Alaska private, nonprofit higher education institution's student representative.

**\*Section 3:** Amends AS 14.42.030(e)

Clarifies authority for the commission and Department of Education and Early Development to work together to assess education outcomes of public school students.

**\*Section 4:** Amends AS 14.42.035

Clarifies authority for the Commission and Department of Education and Early Development to work together to assess education outcomes of public school students.

**\*Section 5:** Amends AS 14.42.200

Corrects misplacement of language by removing from paragraph (5) and inserting in paragraph (6) and clarifies specific corporation powers in paragraphs (12), (13), and (15).

**\*Section 6:** Amends AS 14.42.205(a)

Provides that a borrower may apply for a state supplemental education loan without first having to exhaust all other federal or private education loan options.

**\*Section 7:** Conforming change to Section 6 regarding the financing program for education loans.

**\*Section 8:** Amends AS 14.42.205(c)

Clarifies that corporation education loans are not offered as lines of credit.

**\*Section 9:** Amends AS 14.42.210(a)

Clarifies that state education grants are not funded by the corporation's education loan fund.

**\*Section 10:** Amends AS 14.43.210(b)

Conforming change with Section 9.

**\*Section 11:** Amended by adding a new section (d) to AS 14.42.210

Moves corporation power to offer below-market loan terms. Provision currently limited to the supplemental education loan (see AS 14.43.205(c)(2)).

**\*Section 12:** Amended by adding a new section to AS 14.42.215

Clarifies that corporation sets the interest rates on loans it finances.

**\*Section 13:** Amends AS 14.42.240(c)

Permits corporation's trust indenture to govern the size of its capital reserve.

**\*Section 14:** Amends AS 14.42.240(g)

Conforming change with Section 13.

**\*Section 15:** Amends AS 14.42.250

Incorporates the term "perfected", a term of art for uniform commercial code purposes as recommended by the corporation's bond counsel.

**\*Section 16:** Amends AS 14.43.120(b)

Updates the name of an institutional accreditation organization.

**\*Section 17:** Repeals and reenacts AS 14.43.122

Clarifies corporation authority to offer consolidation loans to state residents. Removes option for joint consolidation of married borrowers.

**\*Section 18:** Amends AS 14.43.160(4)

Clarifies definition of "half-time student" for undergraduates and adds a definition for graduate students.

**\*Section 19:** Amends AS 14.43.160(5)

Revises school year definition to align with state fiscal year and to conform to standard education lending year.

**\*Section 20:** Amends AS 14.43.170

Clarifies that, subject to the annual loan limits, a borrower may receive loans up to the amount of their unmet cost of education without regard to other loans that may be available, leaving the choice up to the consumer.

**\*Section 21:** Provides for applicability of institutional standards for participation in state education loan programs.

**\*Section 22:** Amends AS 14.43.172(a)

Updates reference to federal education loans.

**\*Section 23:** Amends AS 14.43.172(g)

Updates reference to federal education loans.

**\*Section 24:** Amends AS 14.43.173(a)

Clarifies corporation funds the loan and revises upwards the annual maximum loan amount a person may borrow.

**\*Section 25:** Amends AS 14.43.173(b)

Revises upwards the aggregate maximum borrowing limit to conform to Section 24.

**\*Section 26:** Amends by adding a new section (d) to AS 14.43.173

Clarifies that the commission determines the amount a loan applicant may borrow based upon their enrollment status and not to exceed costs of attendance.

**\*Section 27:** Amends AS 14.43.175

Amends maximum length of a post-enrollment deferment period.

**\*Section 28:** Amends AS 14.43.400

Simplifies name for ease of use and identification as a state funded grant.

**\*Section 29:** Amends AS 14.43.405(a)

Conforming to Section 28—program name change.

**\*Section 30:** Amends AS 14.43.410(a)

Conforming to Section 28—program name change; incorporates by reference commission's existing authority to promulgate program regulations.

**\*Section 31:** Amends AS 14.43.415(c)

Permits the commission to set grant terms and conditions. Directs the commission to establish annual grant maximums relative to a student's enrollment status.

**\*Section 32:** Amends AS 14.43.420(a)

Revises upwards the annual grant maximum.

**\*Section 33:** Amends AS 14.43.420(c)

Revises upwards the aggregate grant amount a person may receive to conform to Section 32.

**\*Section 34:** Amends by adding a new section (d) to AS 14.43.420

Enables the commission to designate grant awards as state match in the event federal funds for education grants are available and require such match.

**\*Section 35:** Amends by repealing and reenacting AS 14.43.620(a)

Clarifies that the revolving loan fund for Teacher Education Loans is administered by the commission.

**\*Section 36:** Amends by adding a new section to AS 14.43.620

Conforms to Section 35—loans to new borrowers may only be made if sufficient funds are available.

**\*Section 37:** Amends AS 14.43.640

Clarifies that the commission sets the Teacher Education Loan interest rate on loans financed from the fund established in Section 35.

**\*Section 38:** Amends AS 14.43.740(a)

Increases upwards the annual and aggregate loan amounts available to a borrower under the Family Education Loan.

**\*Section 39:** Amends AS 14.43.750(a)

Clarifies that to be eligible for the Family Education Loan, both the borrower and student must be Alaska residents.

**\*Section 40:** Amends AS 14.43.915(a)

Conforms to Section 30—program name change; permits the administrative costs of the state grant program to be paid from the education grant account.

**\*Section 41:** Amends AS 14.43.990

Amends general definitions to incorporate “on-time” enrollment status.

**\*Section 42:** Amends AS 14.48.030(b)

Modifies the institutional authorization exemption of short education or training courses by increasing the maximum number of days or total hours of a course.

**\*Section 43:** Amends AS 14.48.050

Clarifies that the commission may enter into multi-state reciprocity agreements for the purposes of regulating the delivery of education and training programs in Alaska.

**\*Section 44:** Amends AS 14.48.165(b)

Limits the mandatory meningococcal immunization notice requirement to students who are physically present on an institution’s campus.

**\*Section 45:** Repeals AS 14.43.120(f), 14.43.120(v), 14.43.174, 14.43.410, 14.43.415(b), 14.43.620(b), and 14.43.740(g)

Repeals AS 14.43.120(f) and (v) and 14.43.174 relating to setting of loan interest rates which are governed by AS 14.42.200(9); repeals AS 14.43.410 to remove reference to defunded federal grant program; repeals AS 14.43.415(b), grant prioritization for certain programs of study; repeals AS 14.43.620(b), eliminating the use of corporation funds for Teacher Education Loans; and, repeals AS 14.43.740(g), by which the commission was authorized to set Family Education Loan limits in regulation—those limits will now be aligned with the general state education loan limits (as per Section 41, AS 14.43.740(a)).

**\*Section 46:** Transition Section

Commission to set Teacher Education Loan interest rate upon enactment.

Corporation to set interest rates on loans made before enactment of this bill and on loans financed by the Corporation and made to a borrower who received a loan prior to the bill’s enactment.

**\*Section 47: Revisor's Instructions**

Grant administrators retain existing regulations until new act is implemented.

**\*Section 48 Effective Date**

The provisions in this bill are effective immediately.



# Alaska State Legislature

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**Senator Anna Fairclough** — Senate District M

CS for Senate Bill 195- House Education Witness List

Diane Barrans, Executive Director, Alaska Commission on Postsecondary Education



# Alaska State Legislature

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**Senator Anna Fairclough** — Senate District M

## Senate Bill 195-Summary of Changes

The following changes were made in the Senate Finance Committee:

**\*Section 46:** Transition Section

The Alaska Commission on Postsecondary Education will set the Teacher Education Loan interest rate upon enactment.

The Alaska Student Loan Corporation will set interest rates on loans made before enactment of this bill and on loans financed by the Corporation and made to a borrower who received a loan prior to the bill's enactment.

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: SB 195  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB195CS(FIN)-EED-ACPE-3-26-14  
Title: POSTSECONDARY EDUCATION  
LOANS/GRANTS  
Sponsor: FAIRCLOUGH  
Requester: (S) FIN

Department: Department of Education and Early Development  
Appropriation: Alaska Postsecondary Education Commission  
Allocation: Program Administration & Operations  
OMB Component Number: 2738

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

1106 ACPE Rcpts	(82.8)		(82.8)	(82.8)	(82.8)	(82.8)	(82.8)
1226 High Ed	82.8		82.8	82.8	82.8	82.8	82.8
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2014) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2015) cost:** 460.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/15

**Why this fiscal note differs from previous version:**

This fiscal note assumes no General Fund monies will be appropriated to the teacher education revolving loan fund as set out in Sec. 35 of the bill. Additionally, the annual software maintenance costs for the aid management system have been reduced to reflect increased efficiencies the Commission expects to achieve by replacing the current GrantPro system.

Prepared By: Diane Barrans, Executive Director	Phone: (907)465-6740
Division: ACPE	Date: 03/26/2014 02:00 PM
Approved By: Diane Barrans, Executive Director	Date: 03/26/14
Agency: ACPE	

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. CSSB 195(FIN)

### Analysis

Through this legislation the financial cost associated with administering Alaska Education Grants is transferred from the Alaska Student Loan Corporation to the State of Alaska and may be paid out of the Alaska Higher Education Investment Fund which is the funding source for the state grant awards.

Annual software maintenance costs for the student aid management system are estimated at \$82.8 thousand which is a reduction from current costs of \$112.5 thousand paid from Corporation receipts. This is the servicing system through which the grants are administered and which supports the electronic transmission of data between the agency and postsecondary institutions participating in the grant program.

Capital costs of \$460.0 thousand, to be paid from the Alaska Higher Education Investment fund (1226 High Ed), is for replacement of the current grant and financial aid management system, to reduce long-term costs and ensure ongoing system stability. GrantPro, the current system, is an off-the-shelf servicing option, which vendors have attempted to customize to Alaska's requirements. Over the years it has been extensively customized as Alaska's grants and scholarships have both expanded substantially and been subject to modified requirements. Operation and maintenance now requires expensive programming to maintain essential functionality. As a result, the system life is severely limited and the ability to meet students' and participating institutions' needs is compromised. A new system would be designed for scalability and flexibility, including local, in-house programming and business user interfaces, as well as designed to operate in less-expensive local IT environments. The long-term result will be increased functionality and decreases in total costs of ownership.

Pursuant to Sec. 31 of the bill the Commission will adopt regulations setting annual grant award levels to correspond with students' level of enrollment in their postsecondary education and training programs.



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Alaska Commission on  
Postsecondary Education**

EXECUTIVE OFFICE

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Juneau, Alaska 99811-0505  
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April 1, 2014

Senator Anna Fairclough  
State Capitol Room 514  
Juneau, Alaska 99801

Re: Resolution of Support for SB195 and SJR23

Dear Senator Fairclough,

Please find enclosed the Commission's Resolution expressing support for Senate Bill 195 and Senate Joint Resolution 23. The resolution was unanimously adopted by the Commission at their spring quarterly meeting on March 31, 2014.

Please feel free to contact me with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Rochelle Rogers".

Rochelle Rogers  
Commission Secretary

Enclosure



## Alaska Commission on Postsecondary Education

P.O. Box 110505  
Juneau, Alaska 99811-0505

Customer Service Center  
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### Resolution of Support for SB195 and SJR23

**WHEREAS**, Improving Alaska's postsecondary completion outcomes is critical to the state's economic future, to the cost effectiveness of Alaska postsecondary institutions, and to the career opportunities and earning potential of Alaskans who enroll in postsecondary education and training.

**WHEREAS**, Alaska has the lowest overall on time college completion rate in the nation at 23%. Among Alaska's adult population, 30% have some postsecondary training, but no degree.

**WHEREAS**, Postsecondary completion is influenced by a wide variety of factors: academic preparation, degree advising, course availability, and access to merit and need-based financial aid; yet a single cross-cutting factor that clearly stands out is students' enrollment intensity. The differences in completion rates for students who enroll exclusively part-time, exclusively full-time, or who alternate between full-time and part-time enrollment are striking.

**WHEREAS**, More than three-quarters (78%) of Alaska's exclusively part-time students stop attending postsecondary education – in Alaska or at any other institution in the U.S. - without achieving credentials and only 8% of part-time students achieve any credential within six years.

**WHEREAS**, In contrast, 50% of Alaska's exclusively full-time students complete their degrees within six years – making full-time students five times more likely to complete than part-time students.

**WHEREAS**, Public and private costs of high failure rates associated with part-time study are noteworthy. Federal and/or state financial aid goes to more than half of part-time students and those students are also investing their time and personal funds on education which, statistically, is unlikely to result in a credential. Moreover, 44% of part-time students also borrow to pay education costs—20% borrowing in excess of \$12,000, debt that must be repaid regardless of degree completion.

**WHEREAS**, Policies, including financial aid, should encourage and enable part-time students to increase to full-time (12 semester credits or equivalent) or on-time (15 semester credits or equivalent) enrollment to produce better outcomes for Alaskan students who enroll part time at very high rates.

**WHEREAS**, Data clearly show part-time study inhibits student success. It's time to do more to encourage and enable Alaskans to acquire credentials by enrolling at the full-time or on-time levels which are positively associated with completion.

**THEREFORE BE IT RESOLVED**, the ALASKA COMMISSION ON POSTSECONDARY EDUCATION fully supports passage of Senate Bill 195, an act relating to the Commission, the Alaska Student Loan Corporation and Commission membership, duties and financial aid programs—and Senate Joint Resolution 23, placing before the Alaskan voters a proposition to amend the Alaska Constitution to allow the incurring of general obligation debt for education loans—which will fund Alaska education loans at the lowest possible cost to students and with no additional cost to the State.

**BE IT FURTHER RESOLVED**, the ALASKA COMMISSION ON POSTSECONDARY EDUCATION respectfully urges the Alaska Legislature to take favorable action in passing the related legislation during this, the Second Session of the 28<sup>th</sup> Legislature.

University of Alaska System  
Vice President for Academic Affairs  
202-1 Butrovich Building  
P.O. Box 755000  
Fairbanks, Alaska 99775-5000



UNIVERSITY  
*of* ALASKA  

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Many Traditions One Alaska

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March 8, 2014

Senator Anna Fairclough  
State Capitol Room 514  
Juneau AK, 99801  
Email: [Senator.Anna.Fairclough@akleg.gov](mailto:Senator.Anna.Fairclough@akleg.gov)

Senator Fairclough:

The University of Alaska (UA) strongly supports SJR 23 and SB 195.

SJR 23, if passed by the legislature and supported by a public vote, will allow the Alaska Student Loan Corporation to issue general obligation bonds, which will result in lower interest rates for student loans. UA strongly supports this bill because it will reduce student debt, make it easier for students to successfully pay off their loans, and lower default rates. This bill clearly supports higher education in Alaska.

The second bill, SB 195, makes needed substantive changes to statute regarding the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation. UA is working hard to improve college completion rates in Alaska and this bill clearly supports that endeavor. In addition, the bill addresses the Alaska Education Grant to help qualified low income students and several ACPE housekeeping issues such as clarifying the process for nominating the student commissioner.

These two bills, if passed, will improve postsecondary education in Alaska. Thank you for your work on these important actions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dana L. Thomas'.

Dana L. Thomas, Ph.D.  
Vice President for Academic Affairs

Cc: Patrick Gamble, President  
Tom Case, Chancellor, UAA  
John Pugh, Chancellor, UAS  
Brian Rogers, Chancellor, UAF  
Chris Christensen, Associate Vice President for State Relations  
Michelle Rizk, Associate Vice President for Budget



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Alaska Commission on  
Postsecondary Education

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February 28, 2014

The Honorable Anna Fairclough  
State Capitol, Room 514  
Juneau, AK 99801

RE: Letter of Support for SB195

Dear Senator Fairclough,

In my capacity as the Alaska Student Loan Corporation's (ASLC) Executive Officer and as Executive Director of the Alaska Commission on Postsecondary Education (ACPE), I am writing to thank you for your sponsorship and express support for SB195 – an act relating to ACPE, ASLC and education loans and grants.

More than ever before in our nation's history it is critical to our citizens' economic well-being and to the overall health of our economy to focus on education and training attainment beyond high school. It is important then, to administer our state student financial aid resources in ways that not only provide access to postsecondary programming but also encourage and support student behaviors which correlate to completion.

While SB195 proposes both housekeeping and administrative changes in the ACPE, ASLC and financial aid program statutes, its key substantive components relate to Alaska's loan and grant programs. SB195 establishes, applicable to loan and grant award amount eligibility, an "on-time" student enrollment status. Under the bill, for the first time in almost 20 years, annual and aggregate state loan limits would be increased in response to the escalating cost of postsecondary programs. Similarly, there is an increase in the annual and maximum state education grant.

The combined effect of these amendments permits the Commission to set available financial aid award amounts to enrollment intensity, with the highest amounts available to students enrolled at the "on time" level; that is enrolled in sufficient credits each term to complete two-year and four-year degrees in two and four years, respectively. Analysis of college completion data shows enrollment intensity correlates strongly with student persistence and, not surprisingly, timely completion of a program of study. Unfortunately, in Alaska, a disproportionately small share of students enrolled in state, do so on an exclusively full-time basis. This no doubt is a contributing factor to Alaska's record of having amongst the lowest college graduation rates in the country.

I applaud your action and leadership in sponsoring this legislation. With its passage, the Commission will be better equipped to deliver on its mission of supporting Alaskans' access to and success in postsecondary education and training.

Sincerely,

A handwritten signature in cursive script, appearing to read "Diane Barrans", followed by a horizontal line extending to the right.

Diane Barrans  
Executive Officer/Director