

SB

195

<TARGET><BILL>SB 195</BILL><SUBJECT>SB
195</SUBJECT><COMM>SEDC28</COMM></TARGET>

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/24/14

FURTHER: Finance

Date of 5-Day Notice: 3/6/14
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 3/17/14

Education Committee considered SENATE BILL NO. 195

SB 195-POSTSECONDARY EDUCATION LOANS/GRANTS

"An Act relating to the membership and authority of the Alaska Commission on Postsecondary Education; relating to the Alaska Student Loan Corporation; relating to teacher education loans; relating to interest on and consolidation of postsecondary education loans; relating to Alaska supplemental education loans; relating to AlaskAdvantage grants; relating to the Alaska family education loan program; relating to postsecondary educational institutions; and providing for an effective date."

and recommends:

- be replaced with CS _____ (_____) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
EED	✓			1

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Gardner			X	
	Huggins			X	
	Dismore	✓			
	STEVENS	✓			



Alaska State Legislature

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 35.

***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 38—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 38.

***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 before enactment of this bill.

***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.



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

**Alaska Commission on
Postsecondary Education**

EXECUTIVE OFFICE

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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