

SB

195

<TARGET><BILL>SB 195</BILL><SUBJECT>SB
195</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/17/14

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance 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 SB 195 (FIN) 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	✓			

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
<i>Anna L. Fairclough</i>	FAIRCLOUGH	✓			
<i>Cliff Bishop</i>	BISHOP	✓			
<i>[Signature]</i>	Dunaway	✓			
<i>[Signature]</i>	Hoffman	✓			
<i>[Signature]</i>	Olson	✓			
CO-CHAIR: <i>[Signature]</i>	Hellif	✓			
CO-CHAIR: <i>[Signature]</i>	Meyer	✓			

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	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2015 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1106 ACPE Rcpts	(82.8)		(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	82.8
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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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.

CS FOR SENATE BILL NO. 195(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS FAIRCLOUGH, Stevens

A BILL

FOR AN ACT ENTITLED

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

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

8 * **Section 1.** AS 14.42.015(a) is amended to read:

9 (a) There is in the Department of Education and Early Development the
10 Alaska Commission on Postsecondary Education consisting of

11 (1) two members of the Board of Regents of the University of Alaska
12 designated by the members of that body;

13 (2) one person representing private, nonprofit, higher education in the

1 state, appointed by the governor [SELECTED BY THE BOARD OF TRUSTEES
2 OF ALASKA PACIFIC UNIVERSITY FROM AMONG ITS MEMBERSHIP];

3 (3) one person representing the Department of Education and Early
4 Development selected by the state Board of Education and Early Development;

5 (4) four persons broadly and equitably representative of the general
6 public appointed by the governor;

7 (5) one member of the Alaska Workforce Investment Board
8 established by AS 23.15.550 designated by the members of that body;

9 (6) one person from the members of the local community college
10 advisory councils appointed by the governor;

11 (7) two members from the legislature, one of whom shall be appointed
12 by the president of the senate and one by the speaker of the house of representatives;

13 (8) one person appointed in accordance with (e) of this section who is
14 a full-time student as defined in AS 14.43.160;

15 (9) one administrator appointed by the governor from a proprietary
16 institution of postsecondary education that has an authorization to operate in the state
17 issued under AS 14.48.

18 * **Sec. 2.** AS 14.42.015(d) is amended to read:

19 (d) A full-time postsecondary student shall be appointed to the Alaska
20 Commission on Postsecondary Education from a list of nominees submitted to the
21 governor. The governor shall make the appointment from the list within 60 days after
22 it is submitted. The list must consist of the names of two or more nominees from
23 private nonprofit institutions of higher education in the state [ALASKA PACIFIC
24 UNIVERSITY] and two nominees from each campus of the University of Alaska. The
25 nominees shall be selected by the students at private nonprofit institutions of higher
26 education [ALASKA PACIFIC UNIVERSITY] and each campus of the University of
27 Alaska by an election held on each campus. Elections under this subsection shall be
28 held concurrently with student regent elections required under AS 14.40.150(b) and
29 conducted under rules established by the Office of the Governor. If a private
30 nonprofit institution of higher education in the state does not have an organized
31 student governance structure to hold elections, the institution's governing board

1 may nominate a full-time student and forward the name to the governor for
 2 consideration. The term of office of the student member of the commission is two
 3 years and begins June 1 of the year in which the appointment is made. Membership on
 4 the commission is immediately forfeited by a student member who ceases to be a full-
 5 time student. Within 60 days after a vacancy occurs, the governor shall appoint a
 6 successor from those students appearing on the list of nominees to serve for the
 7 unexpired term of the original appointee. The term "campus" used in this subsection
 8 means a portion of the University of Alaska designated as a "campus" by the Board of
 9 Regents.

10 * **Sec. 3.** AS 14.42.030(e) is amended to read:

11 (e) The commission may

12 (1) adopt regulations under AS 44.62 (Administrative Procedure Act)

13 to

14 (A) carry out the purposes of

15 (i) AS 14.43.091 - 14.43.849, 14.43.990, AS 14.44, and
 16 AS 14.48; and

17 (ii) AS 14.43.910 and 14.43.920 as they relate to the
 18 purposes of AS 14.43.091 - 14.43.849, 14.43.990, AS 14.44, and
 19 AS 14.48;

20 (B) ensure compliance with the requirements imposed by state
 21 and federal statutes and regulations governing the guaranty, insurance,
 22 purchase, or other dealings in eligible loans by federal agencies,
 23 instrumentalities, or corporations; and

24 (C) establish standards for the

25 (i) administration of hearings conducted under
 26 AS 14.43.153; and

27 (ii) administrative enforcement of collection orders
 28 under AS 14.43.151 - 14.43.155;

29 (2) delegate to the executive director of the commission or a
 30 subcommittee of the commission any duty imposed on or power granted to the
 31 commission by this chapter, AS 14.43, AS 14.44, or AS 14.48, except its power to

1 adopt regulations and its duty to consider appeals under AS 14.43.100(b) and
2 AS 14.48.120;

3 (3) establish task forces, committees, or subcommittees, not
4 necessarily consisting of commission members, to advise and assist the commission in
5 carrying out its functions;

6 (4) contract with or use existing institutions of postsecondary
7 education or other individuals or organizations to make studies, conduct surveys,
8 submit recommendations, or otherwise contribute to the work of the commission;

9 (5) establish fees for the review of an out-of-state institution that

10 (A) requests approval for participation in the programs under
11 AS 14.43.091 - 14.43.750, 14.43.990, and AS 14.44; and

12 (B) is not accredited by a national or regional accreditation
13 association recognized by the Council for Higher Education Accreditation;
14 [AND]

15 (6) collect all fees and costs incurred in collection of the amount owed
16 on a loan or repayment obligation if the loan or repayment obligation becomes
17 delinquent or in default; in this paragraph, fees and costs include attorney fees, court
18 costs, and collection fees charged by a collection agency; **and**

19 **(7) if approved by the department, receive and analyze**
20 **performance data for students in grades kindergarten through 12 and enter into**
21 **contracts for the purpose of assessing education outcomes.**

22 * **Sec. 4.** AS 14.42.035 is amended to read:

23 **Sec. 14.42.035. Collection of data.** The commission may require the
24 institutions of public and private higher education and other institutions of
25 postsecondary education [,] in the state to submit data on costs, selection, and
26 retention of students, enrollments, **education outcomes**, plant capacities and use, and
27 other matters pertinent to effective planning and coordination, and shall furnish
28 information concerning these matters to the governor, to the legislature, and to other
29 state and federal agencies as requested by them.

30 * **Sec. 5.** AS 14.42.200 is amended to read:

31 **Sec. 14.42.200. General powers.** In addition to other powers granted in this

1 chapter, the corporation may

2 (1) sue and be sued in its own name;

3 (2) adopt an official seal;

4 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)

5 to carry out the purposes of this chapter;

6 (4) make and execute agreements, contracts, and other instruments
7 necessary or convenient in the exercise of the powers and functions of the corporation,
8 including contracts with a person or governmental entity;

9 (5) receive, take, hold, and administer, on behalf of the corporation and
10 for any of its purposes, any appropriation, gift, grant, bequest, devise, or donation of
11 real property or personal property [IF THAT OBLIGATION OF THE
12 CORPORATION IS NOT A DEBT OF THE STATE]; in this paragraph, "property"
13 includes

14 (A) money; and

15 (B) life estates, leases, or other interests in property;

16 (6) borrow money as provided in this chapter to carry out its corporate
17 purposes and issue its obligations as evidence of the borrowing, **if that obligation of**
18 **the corporation is not a debt of the state;**

19 (7) include in a borrowing the amounts to pay financing charges,
20 interest on the obligations for a period not exceeding one year after the date on which
21 the corporation estimates funds will otherwise be available to pay the interest,
22 consultant, advisory, and legal fees, and other expenses necessary or incident to the
23 borrowing;

24 (8) invest or reinvest, subject to its contracts with noteholders and
25 bondholders, money held by the corporation as set out in AS 37.10.071;

26 (9) set and collect interest, fees, and charges in connection with
27 education loans or repayment obligations held by the corporation and its servicing
28 agents; in this paragraph, "charges" includes costs of financing by the corporation,
29 service charges, insurance premiums, and other costs incurred by the corporation in
30 carrying out its corporate purposes;

31 (10) gather information on postsecondary education financial resources

1 available to residents of this state and disseminate the information to reasonably assure
2 that qualified residents are aware of those financial resources;

3 (11) service education loans and repayment obligations held by the
4 corporation;

5 (12) finance, purchase, or participate in the financing or purchasing
6 [PURCHASE] of education loans;

7 (13) contract in advance for the financing, purchasing, [PURCHASE]
8 or sale of education loans;

9 (14) sell or participate in the sale, either public or private and on terms
10 authorized by the board, of education loans to the Student Loan Marketing Association
11 or to other purchasers;

12 (15) collect and pay reasonable fees and charges in connection with the
13 financing, purchase, sale, and servicing of education loans and repayment obligations;

14 (16) enter into agreements with the federal government, including
15 guaranty agreements and supplemental guaranty agreements as described in 20 U.S.C.
16 1001 - 1155, as amended, as necessary to provide for the receipt by the corporation of
17 administrative allowances and other benefits available under 20 U.S.C. 1001 - 1155,
18 as amended;

19 (17) administer federal money allotted to the state involving insured
20 education loans and related administrative costs and other matters;

21 (18) enter into agreements with the commission relating to education
22 loans and repayment obligations, the administration of the financial aid and loan
23 programs under AS 14.43.091 - 14.43.750, 14.43.990, and AS 14.44, and the payment
24 of and security for bonds of the corporation;

25 (19) to the extent permitted under contracts with bondholders, consent
26 to the modification of the rate of interest, time of payment of an installment of
27 principal or interest, or other terms of an education loan or repayment obligation held
28 by the corporation;

29 (20) procure insurance against any loss in connection with the
30 operation of its programs;

31 (21) provide advisory services to borrowers and other participants in

1 the corporation's programs;

2 (22) enter into credit facility agreements and make pledges, covenants,
3 and agreements with respect to the repayment of borrowings under the credit facility
4 agreements;

5 (23) develop and implement education financing programs; in this
6 paragraph, "programs" includes

7 (A) programs listed in AS 14.42.030(b)(1);

8 (B) programs for the guaranteeing, servicing, originating, and
9 financing of education loans for borrowers located both inside and outside the
10 state; and

11 (C) federal financial aid programs made under federal law; and

12 (24) perform acts that may be necessary or appropriate to carry out
13 effectively the general objectives and purposes of the corporation under AS 14.42.100
14 - 14.42.990.

15 * **Sec. 6.** AS 14.42.205(a) is amended to read:

16 (a) The purpose of this section is to provide for supplemental education loan
17 [PROGRAM] financing to assist qualified borrowers **with unmet costs of attendance**
18 **at a postsecondary institution approved by the commission** [IN MEETING
19 POSTSECONDARY EDUCATION COSTS FOR WHICH FEDERAL AND
20 PRIVATE FINANCIAL AID MAY BE INSUFFICIENT].

21 * **Sec. 7.** AS 14.42.205(b) is amended to read:

22 (b) The corporation may develop and establish a financing program for the
23 Alaska supplemental education loan [PROGRAM] administered by the commission
24 under AS 14.43.170 - 14.43.175.

25 * **Sec. 8.** AS 14.42.205(c) is amended to read:

26 (c) The financing program established under (b) of this section

27 (1) shall

28 (A) provide that loans under the Alaska supplemental education
29 loan program are

30 [(i)] medium-range and long-range fixed-rate and
31 variable-rate loans; [AND

1 (ii) STRUCTURED TO OPERATE AS LINES OF
2 CREDIT;]

3 (B) require terms and conditions for loans under the Alaska
4 supplemental education loan program as the corporation determines are useful
5 and feasible;

6 (C) be designed to

7 (i) assist postsecondary institutions in this state in
8 attracting and retaining students;

9 (ii) maximize the amount of financing available by
10 using private activity tax-exempt bond capacity as may be allocated by
11 the state; and

12 (2) except as limited by (1)(B) of this subsection, may provide for
13 terms and conditions that are more attractive than prevailing terms and conditions
14 available to students from other supplemental education lenders.

15 * **Sec. 9.** AS 14.42.210(a) is amended to read:

16 (a) The education loan fund is established in the corporation. The education
17 loan fund is a trust fund to be used to carry out the purposes of AS 14.42.100 -
18 14.42.990, AS 14.43.091 - 14.43.175, [14.43.400 - 14.43.420,] 14.43.600 - 14.43.700,
19 14.43.710 - 14.43.750, 14.43.990, and AS 14.44.025. The fund consists of money or
20 assets appropriated or transferred to the corporation for the fund and money or assets
21 deposited in it by the corporation. The corporation may establish separate accounts in
22 the fund.

23 * **Sec. 10.** AS 14.42.210(b) is amended to read:

24 (b) Money and other assets of the education loan fund may be used to

25 (1) secure bonds of the corporation;

26 (2) pay the costs of administration of the fund;

27 (3) invest in education loans and investments under AS 37.10.071;

28 (4) finance programs approved under AS 14.43.091 - 14.43.175,
29 [14.43.400 - 14.43.420,] 14.43.600 - 14.43.700, 14.43.710 - 14.43.750, or
30 AS 14.44.040; and

31 (5) pay the costs of administering and collecting the loans and

1 repayment obligations under the financial aid programs listed in (4) of this subsection.

2 * **Sec. 11.** AS 14.42.210 is amended by adding a new subsection to read:

3 (d) The corporation may provide for terms and conditions for use of the
4 education loan fund that are more favorable than prevailing terms and conditions
5 available to students from other education lenders.

6 * **Sec. 12.** AS 14.42 is amended by adding a new section to read:

7 **Sec. 14.42.215. Interest.** (a) The corporation shall set the interest rate on a
8 loan financed by the corporation under AS 14.43.091 - 14.43.160, 14.43.170 -
9 14.43.175, 14.43.710 - 14.43.750, and AS 14.44.040. Interest on a loan accrues from
10 the time the loan is disbursed.

11 (b) A borrower may elect to make payments of interest that accrues during the
12 borrower's term of attendance at the postsecondary institution or during authorized
13 deferment periods; however, any unpaid interest shall be capitalized as part of the
14 principal to be repaid as agreed, or upon graduation, withdrawal, or completion of the
15 deferment period.

16 * **Sec. 13.** AS 14.42.240(c) is amended to read:

17 (c) In computing the amount of a capital reserve fund for the purpose of this
18 section, securities in which all or a portion of the fund is invested and credit facilities
19 deposited in or credited to a capital reserve fund under (f) of this section shall be
20 valued by a reasonable method established by the board by resolution or by trust
21 indenture. Valuation shall include the amount of interest earned or accrued as of the
22 date of valuation.

23 * **Sec. 14.** AS 14.42.240(g) is amended to read:

24 (g) In this section, "capital reserve fund requirement" means the amount
25 required to be on deposit in the capital reserve fund as of the date of computation as
26 determined by resolution of the board or by trust indenture.

27 * **Sec. 15.** AS 14.42.250 is amended to read:

28 **Sec. 14.42.250. Validity of pledge.** It is the intention of the legislature that a
29 pledge made in respect to bonds of the corporation shall be valid, perfected, and
30 binding from the time the pledge is made; that the money or property so pledged and
31 thereafter received by the corporation shall immediately be subject to the lien of the

1 pledge without physical delivery or further act; and that the lien of the pledge shall be
2 valid and binding as against all parties having claims of any kind in tort, contract, or
3 otherwise against the corporation irrespective of whether the parties have notice.
4 Neither the resolution, trust agreement, nor other instrument by which a pledge is
5 created need be recorded or filed under the provisions of AS 45.01 - AS 45.08,
6 AS 45.12, AS 45.14, and AS 45.29 (Uniform Commercial Code) to be valid,
7 **perfected**, binding, or effective.

8 * **Sec. 16.** AS 14.43.120(b) is amended to read:

9 (b) Education loans may only be used to attend a

10 (1) career education program operating on a sound fiscal basis that has

11 (A) operated for two years before the borrower attends; and

12 (B) submitted an executed program participation agreement as
13 required by the commission; or

14 (2) [A] college or university that

15 (A) has operated for at least two years before the borrower
16 attends;

17 (B) is accredited by a national or regional accreditation
18 association recognized by the Council **for Higher Education** [ON
19 RECOGNITION OF POSTSECONDARY] Accreditation or is approved by
20 the commission;

21 (C) if the loans are federally insured, is approved by the United
22 States Secretary of Education;

23 (D) is a degree granting institution; and

24 (E) has submitted an executed program participation agreement
25 as required by the commission.

26 * **Sec. 17.** AS 14.43.122 is repealed and reenacted to read:

27 **Sec. 14.43.122. Consolidation of loans.** (a) The corporation may offer a
28 borrower who has received more than one education loan the option of consolidating
29 the multiple loans into a single loan as provided in this section.

30 (b) For a borrower to be eligible for consolidation of a loan under this section,
31 the borrower must apply on a form approved by the corporation and provide proof

1 satisfactory to the corporation that the borrower

2 (1) physically resides in the state and has maintained a domicile in the
3 state for not less than 12 consecutive months before submitting an application for
4 consolidation;

5 (2) has not been physically absent from the state for more than 60 days
6 in the 12 months before submitting an application for consolidation;

7 (3) has not declared residency in another state;

8 (4) has not received a benefit of residency in another state.

9 (c) In this section, "education loan" means a loan to finance the cost of
10 attendance at a postsecondary institution in or outside the state.

11 * **Sec. 18.** AS 14.43.160(4) is amended to read:

12 (4) "half-time student" means an undergraduate, graduate, or career
13 education student who, during the semester, is enrolled and is in regular attendance at
14 classes at one or more public or private institutions of higher education for [AT
15 LEAST A TOTAL OF] six to 11 semester credit hours or an equivalent of six to 11
16 semester credit hours, and includes a career education student enrolled and in regular
17 attendance in classes for [AT LEAST] 15 hours a week; or a graduate student who is
18 enrolled and is in regular attendance at classes for the equivalent of six to eight
19 semester hours of credit or the equivalent;

20 * **Sec. 19.** AS 14.43.160(5) is amended to read:

21 (5) "school year" means an academic period that is a minimum of 30
22 weeks of instructional time that begins between July [SEPTEMBER] 1 of one year
23 and June 30 [AUGUST 31] of the following year;

24 * **Sec. 20.** AS 14.43.170 is amended to read:

25 **Sec. 14.43.170. Creation; purpose.** There is created the Alaska supplemental
26 education loan program to provide postsecondary educational supplemental financial
27 assistance. Supplemental financial assistance is available to qualified borrowers to
28 assist with unmet costs of attendance at a postsecondary institution approved by
29 the commission [ONLY IF THE FINANCIAL AID AVAILABLE THROUGH THE
30 ALASKADVANTAGE LOAN PROGRAM IS INSUFFICIENT TO COVER THE
31 COSTS OF ATTENDANCE AT A POSTSECONDARY INSTITUTION OR IF THE

1 BORROWER DOES NOT QUALIFY FOR FINANCIAL AID UNDER THE
 2 FEDERAL GUARANTEED STUDENT LOAN PROGRAM]. The commission shall
 3 make the public aware of the Alaska supplemental education loan program to facilitate
 4 providing loans to as many eligible borrowers as possible.

5 * **Sec. 21.** AS 14.43.171 is amended to read:

6 **Sec. 14.43.171. Applicability of other laws.** The provisions of
 7 AS 14.43.120(b), 14.43.120(d)(4) [AS 14.43.120(d)(4), 14.43.122], 14.43.135,
 8 14.43.140, and 14.43.145 - 14.43.160 [, 14.43.164, 14.43.166, AND 14.43.168] apply
 9 to the loans made under AS 14.43.170 - 14.43.175 as if the loans were made under
 10 those applicable provisions.

11 * **Sec. 22.** AS 14.43.172(a) is amended to read:

12 (a) For a borrower to be eligible for a loan under AS 14.43.170 - 14.43.175,
 13 the borrower must be, or be about to be, enrolled in a postsecondary institution on at
 14 least a half-time basis and must be

15 (1) a resident of this state

16 (A) attending or about to attend a postsecondary institution that
 17 has been approved by and has executed a program participation agreement
 18 with the commission; or

19 (B) attending or about to attend an approved federal
 20 guaranteed student [FAMILY EDUCATION] loan institution; or

21 (2) physically present in this state and attending or about to attend a
 22 federal guaranteed student [AN APPROVED FEDERAL FAMILY EDUCATION]
 23 loan institution located in this state.

24 * **Sec. 23.** AS 14.43.172(g) is amended to read:

25 (g) A borrower who is attending a postsecondary institution in this state that
 26 has been approved by the commission but is not an approved federal guaranteed
 27 student [FEDERAL FAMILY EDUCATION] loan institution must also comply with
 28 and meet any other requirements established by the commission.

29 * **Sec. 24.** AS 14.43.173(a) is amended to read:

30 (a) In a school year, the corporation may finance [COMMISSION MAY
 31 MAKE] a loan to an eligible borrower under AS 14.43.170 - 14.43.175 attending an

1 eligible postsecondary institution not to exceed

2 (1) \$14,000 [\$8,500] to an eligible undergraduate student attending a
3 college or university;

4 (2) \$15,000 [\$9,500] to an eligible graduate student attending a college
5 or university;

6 (3) \$8,000 [\$6,500] to an eligible student attending a career education
7 program.

8 * **Sec. 25.** AS 14.43.173(b) is amended to read:

9 (b) The corporation may finance [COMMISSION MAY NOT AWARD]
10 loans made under AS 14.43.170 - 14.43.175 to a borrower in an amount that is not
11 [FOR] more than

12 (1) a total of \$56,000 [\$42,500] for undergraduate study;

13 (2) a total of \$60,000 [\$47,500] for graduate study; or

14 (3) a combined total of \$87,000 [\$60,000] for undergraduate and
15 graduate study.

16 * **Sec. 26.** AS 14.43.173 is amended by adding a new subsection to read:

17 (d) The commission shall determine a borrower's loan award amount for a
18 specific school year based on a student's on-time, half-time, and full-time student
19 status and may not exceed the limits established in this section or the borrower's costs
20 of attendance.

21 * **Sec. 27.** AS 14.43.175 is amended to read:

22 **Sec. 14.43.175. Repayment of loans.** A borrower's obligation to commence
23 repayment of the principal of and interest on a loan under AS 14.43.170 - 14.43.175
24 begins not more than six months following the borrower's completion or other
25 termination of the postsecondary program or the date that the borrower ceases to be
26 enrolled on at least a half-time basis. [THE COMMISSION SHALL SET THE
27 REPAYMENT TERMS OF A LOAN UNDER AS 14.43.170 - 14.43.175.]

28 * **Sec. 28.** AS 14.43.400 is amended to read:

29 **Sec. 14.43.400. Purpose; creation.** There is created the Alaska
30 [ALASKADVANTAGE] education grant program to provide financial assistance to
31 eligible students to enable them to attend, or continue their attendance at,

1 postsecondary educational institutions. Funds designated by the corporation or
2 appropriated for this program may be used as matching funds for the state's
3 participation in the federal grant program under 20 U.S.C. 1070c - 1070c-4.

4 * **Sec. 29.** AS 14.43.405(a) is amended to read:

5 (a) The Alaska [ALASKADVANTAGE] education grant program created
6 under AS 14.43.400 - 14.43.420 shall be administered by the executive director of the
7 commission.

8 * **Sec. 30.** AS 14.43.410(a) is amended to read:

9 (a) The funds for the Alaska [ALASKADVANTAGE] education grant
10 program may be allocated to eligible students in accordance with [THE PROVISIONS
11 OF THE FEDERAL GRANT PROGRAM UNDER 20 U.S.C. 1070C - 1070C-4
12 AND] regulations adopted under AS 14.42.030(e), AS 14.43.105, [AND] 14.43.405,
13 and 14.43.415.

14 * **Sec. 31.** AS 14.43.415(c) is amended to read:

15 (c) The commission shall adopt regulations to establish terms and conditions
16 [A PRIORITIZATION PROCESS] for awarding grants under AS 14.43.400 -
17 14.43.420 and to establish the amounts to be awarded for on-time, full-time, and
18 half-time student status.

19 * **Sec. 32.** AS 14.43.420(a) is amended to read:

20 (a) A grant made under AS 14.43.400 - 14.43.420 may not be in an amount
21 that exceeds \$4,000 [LESS THAN \$500 NOR MORE THAN \$3,000] for each school
22 year.

23 * **Sec. 33.** AS 14.43.420(c) is amended to read:

24 (c) A student may receive not more than a total of \$16,000 [\$12,000] in grants
25 awarded under AS 14.43.400 - 14.43.420.

26 * **Sec. 34.** AS 14.43.420 is amended by adding a new subsection to read:

27 (d) The commission may apply the amounts awarded under AS 14.43.400 -
28 14.43.420 to a state match required by federal grant programs under 20 U.S.C. 1070c-
29 2.

30 * **Sec. 35.** AS 14.43.620(a) is repealed and reenacted to read:

31 (a) The teacher education revolving loan fund is created for the purpose of

1 making education loans to students selected under AS 14.43.600 - 14.43.700. The fund
 2 consists of money or assets appropriated or transferred to the commission for deposit
 3 into the fund, money or assets deposited into the fund by the commission, and
 4 earnings on investments of money held in the fund.

5 * **Sec. 36.** AS 14.43.620 is amended by adding a new subsection to read:

6 (c) The commission may make a new loan under this section only if sufficient
 7 money or assets are available in the fund established under (a) of this section. If no
 8 new loans are issued in a fiscal year under this subsection, the commission shall use
 9 deposits for the year in the succeeding year.

10 * **Sec. 37.** AS 14.43.640 is amended by adding a new subsection to read:

11 (g) The commission shall set the interest rate on a teacher education loan
 12 made from the teacher education revolving loan fund established under AS 14.43.620.

13 * **Sec. 38.** AS 14.43.740(a) is amended to read:

14 (a) The provisions of AS 14.43.100, 14.43.120(a) - (c), (m), and (r) - (u),
 15 14.43.122, 14.43.135, 14.43.145 - 14.43.155, 14.43.173, and 14.43.910 - 14.43.990
 16 apply to a loan made under AS 14.43.710 - 14.43.750.

17 * **Sec. 39.** AS 14.43.750(a) is amended to read:

18 (a) A person may apply for and obtain a family education loan on behalf of a
 19 family member if

20 (1) the borrower and the family member

21 (A) are residents [IS A RESIDENT] of the state at the time of
 22 application for the loan; for purposes of this paragraph, a borrower and family
 23 member qualify [QUALIFIES] as residents [A RESIDENT] of the state if the
 24 borrower and the family member have [HAS] been physically present in the
 25 state for at least one year immediately before the time of application for the
 26 loan with the intent to remain indefinitely or, if not physically present in the
 27 state, the borrower and family member have [HAS] not declared or
 28 established residency in another state, intend [INTENDS] to return
 29 permanently to the state, and the absence meets the requirements imposed
 30 under AS 14.43.125(a)(3)(C)(i) - (vi);

31 (B) satisfies the requirements of AS 14.43.125(a)(6) - (9);

1 (2) the family member

2 (A) is enrolled as a full-time student in a career education,
3 associate, baccalaureate, or graduate degree program; or

4 (B) is a graduate of a high school or the equivalent, or
5 scheduled for graduation from a high school within six months, who, at the
6 time of loan disbursement, will be enrolled in compliance with (A) of this
7 paragraph; and

8 (3) neither the borrower nor the family member

9 (A) is delinquent or has ever been in default on a loan
10 previously awarded by the commission **unless the defaulted loan has been**
11 **voluntarily paid in full;**

12 (B) is past due on a child support obligation established by
13 court order or by the child support services agency under AS 25.27.160 -
14 25.27.220 at the time of application or loan disbursement;

15 (C) has, within the previous five years, had a loan discharged
16 or written off by the commission for any reason.

17 * **Sec. 40.** AS 14.43.915(a) is amended to read:

18 (a) The **Alaska** [ALASKADVANTAGE] education grant account is created
19 as an account in the general fund. Money may be appropriated to the account from the
20 Alaska higher education investment fund under AS 37.14.750 and from other sources.
21 The commission may use the money in the account to pay grants awarded under
22 AS 14.43.400 - 14.43.420 **and to pay the cost of administration of the Alaska**
23 **education grant program created under AS 14.43.400.**

24 * **Sec. 41.** AS 14.43.990 is amended by adding a new paragraph to read:

25 (7) "on-time student" means an undergraduate who is enrolled and is in
26 regular attendance at classes for 15 or more semester hours of credit or the equivalent
27 during the semester; any combination of semester hours of credit or the equivalent
28 aggregating to the requisite number of semester hours and undertaken during a
29 semester at two or more public or private institutions of higher education constitutes
30 on-time student status.

31 * **Sec. 42.** AS 14.48.030(b) is amended to read:

1 (b) Except as provided under AS 14.48.165, the commission may exempt the
 2 following educational programs, and educational institutions only providing programs
 3 exempt under (a) of this section and this subsection, from some or all of the provisions
 4 of this chapter:

5 (1) a program operated by a state or a political subdivision of a state;

6 (2) instruction sponsored by a bona fide trade, business, labor,
 7 professional, or fraternal association or organization, recognized by the commission,
 8 and conducted only for that association's or organization's membership;

9 (3) nonprofit postsecondary educational institutions offering
 10 undergraduate or graduate educational programs, from a facility in this state, that are
 11 acceptable for credit toward an associate, bachelor's, or graduate degree;

12 (4) a program that is provided without a fee, other than the actual cost
 13 of materials, to students;

14 (5) a program that does not offer education credentials;

15 (6) a short course of study that is not more than 15 [10] days or 120
 16 [80] hours in duration;

17 (7) a program offered within the state by an out-of-state institution that
 18 is authorized to operate by the state in which it is located and is nationally or
 19 regionally accredited;

20 (8) a program or institution that is regulated by another agency or
 21 political subdivision of the state regarding the quality of course contents, facilities, and
 22 operation.

23 * **Sec. 43.** AS 14.48.050 is amended to read:

24 **Sec. 14.48.050. Powers and duties of commission.** The commission shall

25 (1) establish minimum criteria consistent with AS 14.48.060 including
 26 quality of education, ethical and business practices, health and safety, and fiscal
 27 responsibility that applicants for authorization to operate, or for an agent's permit,
 28 must meet before the authorization or permit is issued;

29 (2) receive, investigate, and act upon applications for authorization to
 30 operate postsecondary educational institutions and applications for agent's permits;

31 (3) maintain a list of postsecondary educational institutions and agents

1 authorized to operate in the state under this chapter;

2 (4) keep current and make available as public information the list of
3 institutions and agents;

4 (5) enter into interstate reciprocity agreements [WITH SIMILAR
5 AGENCIES IN OTHER STATES,] if, in the judgment of the commission, the
6 agreements will be helpful in carrying out the purposes of this chapter;

7 (6) receive and maintain as a permanent file, copies of academic
8 records maintained in accordance with AS 14.48.060(b)(6);

9 (7) adopt regulations and procedures necessary or appropriate for the
10 conduct of its work and the implementation of this chapter under AS 44.62
11 (Administrative Procedure Act);

12 (8) investigate on its own initiative or in response to a complaint
13 lodged with it, persons subject to, or reasonably believed by the commission to be
14 subject to, the jurisdiction of this chapter; and in connection with the investigation
15 subpoena persons, books, records, or documents related to the investigation; require
16 answers in writing under oath to questions propounded by the commission and
17 administer oaths or affirmations to persons in connection with the investigation; and,
18 for the purpose of examination at all reasonable times, shall have access to, and the
19 right to copy, documentary evidence of a corporation that is under investigation or
20 being proceeded against;

21 (9) exercise other necessary powers and duties in conformity with the
22 provisions of this chapter that, in the judgment of the commission, are necessary to
23 carry out the provisions of this chapter.

24 * **Sec. 44.** AS 14.48.165(b) is amended to read:

25 (b) A student attending a postsecondary educational institution **and who is**
26 **physically present on the campus of the postsecondary educational institution**
27 shall sign a document provided by the institution indicating that the student has
28 received

29 (1) an immunization against meningococcal disease; or

30 (2) the notice described under (a) of this section.

31 * **Sec. 45.** AS 14.43.120(f), 14.43.120(v), 14.43.174, 14.43.410, 14.43.415(b), 14.43.620(b),

1 and 14.43.740(g) are repealed.

2 * **Sec. 46.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 TEACHER EDUCATION LOAN INTEREST RATE; TRANSITION;
5 APPLICABILITY. (a) AS 14.43.640(g), added by sec. 37 of this Act, applies to loans made
6 under AS 14.43.640 on or after the effective date of this Act.

7 (b) The Alaska Student Loan Corporation shall set the interest rate on a loan made
8 under AS 14.43.640 before the effective date of this Act and on loans made to a borrower who
9 was issued a loan before the effective date of this Act under AS 14.43.640 that are financed
10 by the corporation and are not funded from the teacher education revolving loan fund under
11 AS 14.43.620.

12 * **Sec. 47.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 ALASKADVANTAGE GRANT PROGRAM; REGULATIONS. To the extent
15 current regulations are consistent with this Act, the regulations previously adopted by the
16 Alaska Commission on Postsecondary Education implementing the AlaskAdvantage
17 education grant program created under AS 14.43.400, as that section read before the
18 amendment in sec. 28 of this Act, shall be construed to apply to the Alaska education grant
19 program under AS 14.43.400 - 14.43.420, as amended by secs. 28 - 34 of this Act, until the
20 regulations are amended to change the name as provided in this Act.

21 * **Sec. 48.** This Act takes effect immediately under AS 01.10.070(c).

ADOPTED
3/26/14

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Mischel
3/17/14

CS FOR SENATE BILL NO. 195(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS FAIRCLOUGH, Stevens

A BILL

FOR AN ACT ENTITLED

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

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

8 * **Section 1.** AS 14.42.015(a) is amended to read:

9 (a) There is in the Department of Education and Early Development the
 10 Alaska Commission on Postsecondary Education consisting of

11 (1) two members of the Board of Regents of the University of Alaska
 12 designated by the members of that body;

13 (2) one person representing private, nonprofit, higher education in the

1 state, **appointed by the governor** [SELECTED BY THE BOARD OF TRUSTEES
2 OF ALASKA PACIFIC UNIVERSITY FROM AMONG ITS MEMBERSHIP];

3 (3) one person representing the Department of Education and Early
4 Development selected by the state Board of Education and Early Development;

5 (4) four persons broadly and equitably representative of the general
6 public appointed by the governor;

7 (5) one member of the Alaska Workforce Investment Board
8 established by AS 23.15.550 designated by the members of that body;

9 (6) one person from the members of the local community college
10 advisory councils appointed by the governor;

11 (7) two members from the legislature, one of whom shall be appointed
12 by the president of the senate and one by the speaker of the house of representatives;

13 (8) one person appointed in accordance with (e) of this section who is
14 a full-time student as defined in AS 14.43.160;

15 (9) one administrator appointed by the governor from a proprietary
16 institution of postsecondary education that has an authorization to operate in the state
17 issued under AS 14.48.

18 * **Sec. 2.** AS 14.42.015(d) is amended to read:

19 (d) A full-time postsecondary student shall be appointed to the Alaska
20 Commission on Postsecondary Education from a list of nominees submitted to the
21 governor. The governor shall make the appointment from the list within 60 days after
22 it is submitted. The list must consist of the names of two **or more** nominees from
23 **private nonprofit institutions of higher education in the state** [ALASKA PACIFIC
24 UNIVERSITY] and two nominees from each campus of the University of Alaska. The
25 nominees shall be selected by the students at **private nonprofit institutions of higher**
26 **education** [ALASKA PACIFIC UNIVERSITY] and each campus of the University of
27 Alaska by an election held on each campus. Elections under this subsection shall be
28 held concurrently with student regent elections required under AS 14.40.150(b) and
29 conducted under rules established by the Office of the Governor. **If a private**
30 **nonprofit institution of higher education in the state does not have an organized**
31 **student governance structure to hold elections, the institution's governing board**

1 may nominate a full-time student and forward the name to the governor for
2 consideration. The term of office of the student member of the commission is two
3 years and begins June 1 of the year in which the appointment is made. Membership on
4 the commission is immediately forfeited by a student member who ceases to be a full-
5 time student. Within 60 days after a vacancy occurs, the governor shall appoint a
6 successor from those students appearing on the list of nominees to serve for the
7 unexpired term of the original appointee. The term "campus" used in this subsection
8 means a portion of the University of Alaska designated as a "campus" by the Board of
9 Regents.

10 * Sec. 3. AS 14.42.030(e) is amended to read:

11 (e) The commission may

12 (1) adopt regulations under AS 44.62 (Administrative Procedure Act)

13 to

14 (A) carry out the purposes of

15 (i) AS 14.43.091 - 14.43.849, 14.43.990, AS 14.44, and
16 AS 14.48; and

17 (ii) AS 14.43.910 and 14.43.920 as they relate to the
18 purposes of AS 14.43.091 - 14.43.849, 14.43.990, AS 14.44, and
19 AS 14.48;

20 (B) ensure compliance with the requirements imposed by state
21 and federal statutes and regulations governing the guaranty, insurance,
22 purchase, or other dealings in eligible loans by federal agencies,
23 instrumentalities, or corporations; and

24 (C) establish standards for the

25 (i) administration of hearings conducted under
26 AS 14.43.153; and

27 (ii) administrative enforcement of collection orders
28 under AS 14.43.151 - 14.43.155;

29 (2) delegate to the executive director of the commission or a
30 subcommittee of the commission any duty imposed on or power granted to the
31 commission by this chapter, AS 14.43, AS 14.44, or AS 14.48, except its power to

1 adopt regulations and its duty to consider appeals under AS 14.43.100(b) and
2 AS 14.48.120;

3 (3) establish task forces, committees, or subcommittees, not
4 necessarily consisting of commission members, to advise and assist the commission in
5 carrying out its functions;

6 (4) contract with or use existing institutions of postsecondary
7 education or other individuals or organizations to make studies, conduct surveys,
8 submit recommendations, or otherwise contribute to the work of the commission;

9 (5) establish fees for the review of an out-of-state institution that

10 (A) requests approval for participation in the programs under
11 AS 14.43.091 - 14.43.750, 14.43.990, and AS 14.44; and

12 (B) is not accredited by a national or regional accreditation
13 association recognized by the Council for Higher Education Accreditation;
14 [AND]

15 (6) collect all fees and costs incurred in collection of the amount owed
16 on a loan or repayment obligation if the loan or repayment obligation becomes
17 delinquent or in default; in this paragraph, fees and costs include attorney fees, court
18 costs, and collection fees charged by a collection agency; and

19 (7) if approved by the department, receive and analyze
20 performance data for students in grades kindergarten through 12 and enter into
21 contracts for the purpose of assessing education outcomes.

22 * **Sec. 4.** AS 14.42.035 is amended to read:

23 **Sec. 14.42.035. Collection of data.** The commission may require the
24 institutions of public and private higher education and other institutions of
25 postsecondary education [,] in the state to submit data on costs, selection, and
26 retention of students, enrollments, education outcomes, plant capacities and use, and
27 other matters pertinent to effective planning and coordination, and shall furnish
28 information concerning these matters to the governor, to the legislature, and to other
29 state and federal agencies as requested by them.

30 * **Sec. 5.** AS 14.42.200 is amended to read:

31 **Sec. 14.42.200. General powers.** In addition to other powers granted in this

1 chapter, the corporation may

2 (1) sue and be sued in its own name;

3 (2) adopt an official seal;

4 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)

5 to carry out the purposes of this chapter;

6 (4) make and execute agreements, contracts, and other instruments
7 necessary or convenient in the exercise of the powers and functions of the corporation,
8 including contracts with a person or governmental entity;

9 (5) receive, take, hold, and administer, on behalf of the corporation and
10 for any of its purposes, any appropriation, gift, grant, bequest, devise, or donation of
11 real property or personal property [IF THAT OBLIGATION OF THE
12 CORPORATION IS NOT A DEBT OF THE STATE]; in this paragraph, "property"
13 includes

14 (A) money; and

15 (B) life estates, leases, or other interests in property;

16 (6) borrow money as provided in this chapter to carry out its corporate
17 purposes and issue its obligations as evidence of the borrowing, **if that obligation of**
18 **the corporation is not a debt of the state;**

19 (7) include in a borrowing the amounts to pay financing charges,
20 interest on the obligations for a period not exceeding one year after the date on which
21 the corporation estimates funds will otherwise be available to pay the interest,
22 consultant, advisory, and legal fees, and other expenses necessary or incident to the
23 borrowing;

24 (8) invest or reinvest, subject to its contracts with noteholders and
25 bondholders, money held by the corporation as set out in AS 37.10.071;

26 (9) set and collect interest, fees, and charges in connection with
27 education loans or repayment obligations held by the corporation and its servicing
28 agents; in this paragraph, "charges" includes costs of financing by the corporation,
29 service charges, insurance premiums, and other costs incurred by the corporation in
30 carrying out its corporate purposes;

31 (10) gather information on postsecondary education financial resources

1 available to residents of this state and disseminate the information to reasonably assure
2 that qualified residents are aware of those financial resources;

3 (11) service education loans and repayment obligations held by the
4 corporation;

5 (12) finance, purchase, or participate in the financing or purchasing
6 [PURCHASE] of education loans;

7 (13) contract in advance for the financing, purchasing, [PURCHASE]
8 or sale of education loans;

9 (14) sell or participate in the sale, either public or private and on terms
10 authorized by the board, of education loans to the Student Loan Marketing Association
11 or to other purchasers;

12 (15) collect and pay reasonable fees and charges in connection with the
13 financing, purchase, sale, and servicing of education loans and repayment obligations;

14 (16) enter into agreements with the federal government, including
15 guaranty agreements and supplemental guaranty agreements as described in 20 U.S.C.
16 1001 - 1155, as amended, as necessary to provide for the receipt by the corporation of
17 administrative allowances and other benefits available under 20 U.S.C. 1001 - 1155,
18 as amended;

19 (17) administer federal money allotted to the state involving insured
20 education loans and related administrative costs and other matters;

21 (18) enter into agreements with the commission relating to education
22 loans and repayment obligations, the administration of the financial aid and loan
23 programs under AS 14.43.091 - 14.43.750, 14.43.990, and AS 14.44, and the payment
24 of and security for bonds of the corporation;

25 (19) to the extent permitted under contracts with bondholders, consent
26 to the modification of the rate of interest, time of payment of an installment of
27 principal or interest, or other terms of an education loan or repayment obligation held
28 by the corporation;

29 (20) procure insurance against any loss in connection with the
30 operation of its programs;

31 (21) provide advisory services to borrowers and other participants in

1 the corporation's programs;

2 (22) enter into credit facility agreements and make pledges, covenants,
3 and agreements with respect to the repayment of borrowings under the credit facility
4 agreements;

5 (23) develop and implement education financing programs; in this
6 paragraph, "programs" includes

7 (A) programs listed in AS 14.42.030(b)(1);

8 (B) programs for the guaranteeing, servicing, originating, and
9 financing of education loans for borrowers located both inside and outside the
10 state; and

11 (C) federal financial aid programs made under federal law; and

12 (24) perform acts that may be necessary or appropriate to carry out
13 effectively the general objectives and purposes of the corporation under AS 14.42.100
14 - 14.42.990.

15 * **Sec. 6.** AS 14.42.205(a) is amended to read:

16 (a) The purpose of this section is to provide for supplemental education loan
17 [PROGRAM] financing to assist qualified borrowers with unmet costs of attendance
18 at a postsecondary institution approved by the commission [IN MEETING
19 POSTSECONDARY EDUCATION COSTS FOR WHICH FEDERAL AND
20 PRIVATE FINANCIAL AID MAY BE INSUFFICIENT].

21 * **Sec. 7.** AS 14.42.205(b) is amended to read:

22 (b) The corporation may develop and establish a financing program for the
23 Alaska supplemental education loan [PROGRAM] administered by the commission
24 under AS 14.43.170 - 14.43.175.

25 * **Sec. 8.** AS 14.42.205(c) is amended to read:

26 (c) The financing program established under (b) of this section

27 (1) shall

28 (A) provide that loans under the Alaska supplemental education
29 loan program are

30 [(i)] medium-range and long-range fixed-rate and
31 variable-rate loans; [AND

1 (ii) STRUCTURED TO OPERATE AS LINES OF
2 CREDIT;]

3 (B) require terms and conditions for loans under the Alaska
4 supplemental education loan program as the corporation determines are useful
5 and feasible;

6 (C) be designed to

7 (i) assist postsecondary institutions in this state in
8 attracting and retaining students;

9 (ii) maximize the amount of financing available by
10 using private activity tax-exempt bond capacity as may be allocated by
11 the state; and

12 (2) except as limited by (1)(B) of this subsection, may provide for
13 terms and conditions that are more attractive than prevailing terms and conditions
14 available to students from other supplemental education lenders.

15 * **Sec. 9.** AS 14.42.210(a) is amended to read:

16 (a) The education loan fund is established in the corporation. The education
17 loan fund is a trust fund to be used to carry out the purposes of AS 14.42.100 -
18 14.42.990, AS 14.43.091 - 14.43.175, [14.43.400 - 14.43.420,] 14.43.600 - 14.43.700,
19 14.43.710 - 14.43.750, 14.43.990, and AS 14.44.025. The fund consists of money or
20 assets appropriated or transferred to the corporation for the fund and money or assets
21 deposited in it by the corporation. The corporation may establish separate accounts in
22 the fund.

23 * **Sec. 10.** AS 14.42.210(b) is amended to read:

24 (b) Money and other assets of the education loan fund may be used to

25 (1) secure bonds of the corporation;

26 (2) pay the costs of administration of the fund;

27 (3) invest in education loans and investments under AS 37.10.071;

28 (4) finance programs approved under AS 14.43.091 - 14.43.175,
29 [14.43.400 - 14.43.420,] 14.43.600 - 14.43.700, 14.43.710 - 14.43.750, or
30 AS 14.44.040; and

31 (5) pay the costs of administering and collecting the loans and

1 repayment obligations under the financial aid programs listed in (4) of this subsection.

2 * **Sec. 11.** AS 14.42.210 is amended by adding a new subsection to read:

3 (d) The corporation may provide for terms and conditions for use of the
4 education loan fund that are more favorable than prevailing terms and conditions
5 available to students from other education lenders.

6 * **Sec. 12.** AS 14.42 is amended by adding a new section to read:

7 **Sec. 14.42.215. Interest.** (a) The corporation shall set the interest rate on a
8 loan financed by the corporation under AS 14.43.091 - 14.43.160, 14.43.170 -
9 14.43.175, 14.43.710 - 14.43.750, and AS 14.44.040. Interest on a loan accrues from
10 the time the loan is disbursed.

11 (b) A borrower may elect to make payments of interest that accrues during the
12 borrower's term of attendance at the postsecondary institution or during authorized
13 deferment periods; however, any unpaid interest shall be capitalized as part of the
14 principal to be repaid as agreed, or upon graduation, withdrawal, or completion of the
15 deferment period.

16 * **Sec. 13.** AS 14.42.240(c) is amended to read:

17 (c) In computing the amount of a capital reserve fund for the purpose of this
18 section, securities in which all or a portion of the fund is invested and credit facilities
19 deposited in or credited to a capital reserve fund under (f) of this section shall be
20 valued by a reasonable method established by the board by resolution or by trust
21 indenture. Valuation shall include the amount of interest earned or accrued as of the
22 date of valuation.

23 * **Sec. 14.** AS 14.42.240(g) is amended to read:

24 (g) In this section, "capital reserve fund requirement" means the amount
25 required to be on deposit in the capital reserve fund as of the date of computation as
26 determined by resolution of the board or by trust indenture.

27 * **Sec. 15.** AS 14.42.250 is amended to read:

28 **Sec. 14.42.250. Validity of pledge.** It is the intention of the legislature that a
29 pledge made in respect to bonds of the corporation shall be valid, perfected, and
30 binding from the time the pledge is made; that the money or property so pledged and
31 thereafter received by the corporation shall immediately be subject to the lien of the

1 pledge without physical delivery or further act; and that the lien of the pledge shall be
2 valid and binding as against all parties having claims of any kind in tort, contract, or
3 otherwise against the corporation irrespective of whether the parties have notice.
4 Neither the resolution, trust agreement, nor other instrument by which a pledge is
5 created need be recorded or filed under the provisions of AS 45.01 - AS 45.08,
6 AS 45.12, AS 45.14, and AS 45.29 (Uniform Commercial Code) to be valid,
7 perfected, binding, or effective.

8 * **Sec. 16.** AS 14.43.120(b) is amended to read:

9 (b) Education loans may only be used to attend a

10 (1) career education program operating on a sound fiscal basis that has

11 (A) operated for two years before the borrower attends; and

12 (B) submitted an executed program participation agreement as
13 required by the commission; or

14 (2) [A] college or university that

15 (A) has operated for at least two years before the borrower
16 attends;

17 (B) is accredited by a national or regional accreditation
18 association recognized by the Council for Higher Education [ON
19 RECOGNITION OF POSTSECONDARY] Accreditation or is approved by
20 the commission;

21 (C) if the loans are federally insured, is approved by the United
22 States Secretary of Education;

23 (D) is a degree granting institution; and

24 (E) has submitted an executed program participation agreement
25 as required by the commission.

26 * **Sec. 17.** AS 14.43.122 is repealed and reenacted to read:

27 **Sec. 14.43.122. Consolidation of loans.** (a) The corporation may offer a
28 borrower who has received more than one education loan the option of consolidating
29 the multiple loans into a single loan as provided in this section.

30 (b) For a borrower to be eligible for consolidation of a loan under this section,
31 the borrower must apply on a form approved by the corporation and provide proof

1 satisfactory to the corporation that the borrower

2 (1) physically resides in the state and has maintained a domicile in the
3 state for not less than 12 consecutive months before submitting an application for
4 consolidation;

5 (2) has not been physically absent from the state for more than 60 days
6 in the 12 months before submitting an application for consolidation;

7 (3) has not declared residency in another state;

8 (4) has not received a benefit of residency in another state.

9 (c) In this section, "education loan" means a loan to finance the cost of
10 attendance at a postsecondary institution in or outside the state.

11 * Sec. 18. AS 14.43.160(4) is amended to read:

12 (4) "half-time student" means an undergraduate, graduate, or career
13 education student who, during the semester, is enrolled and is in regular attendance at
14 classes at one or more public or private institutions of higher education for [AT
15 LEAST A TOTAL OF] six to 11 semester credit hours or an equivalent of six to 11
16 semester credit hours, and includes a career education student enrolled and in regular
17 attendance in classes for [AT LEAST] 15 hours a week; or a graduate student who is
18 enrolled and is in regular attendance at classes for the equivalent of six to eight
19 semester hours of credit or the equivalent;

20 * Sec. 19. AS 14.43.160(5) is amended to read:

21 (5) "school year" means an academic period that is a minimum of 30
22 weeks of instructional time that begins between July [SEPTEMBER] 1 of one year
23 and June 30 [AUGUST 31] of the following year;

24 * Sec. 20. AS 14.43.170 is amended to read:

25 **Sec. 14.43.170. Creation; purpose.** There is created the Alaska supplemental
26 education loan program to provide postsecondary educational supplemental financial
27 assistance. Supplemental financial assistance is available to qualified borrowers to
28 assist with unmet costs of attendance at a postsecondary institution approved by
29 the commission [ONLY IF THE FINANCIAL AID AVAILABLE THROUGH THE
30 ALASKADVANTAGE LOAN PROGRAM IS INSUFFICIENT TO COVER THE
31 COSTS OF ATTENDANCE AT A POSTSECONDARY INSTITUTION OR IF THE

1 BORROWER DOES NOT QUALIFY FOR FINANCIAL AID UNDER THE
2 FEDERAL GUARANTEED STUDENT LOAN PROGRAM]. The commission shall
3 make the public aware of the Alaska supplemental education loan program to facilitate
4 providing loans to as many eligible borrowers as possible.

5 * **Sec. 21.** AS 14.43.171 is amended to read:

6 **Sec. 14.43.171. Applicability of other laws.** The provisions of
7 AS 14.43.120(b), 14.43.120(d)(4) [AS 14.43.120(d)(4), 14.43.122], 14.43.135,
8 14.43.140, and 14.43.145 - 14.43.160 [, 14.43.164, 14.43.166, AND 14.43.168] apply
9 to the loans made under AS 14.43.170 - 14.43.175 as if the loans were made under
10 those applicable provisions.

11 * **Sec. 22.** AS 14.43.172(a) is amended to read:

12 (a) For a borrower to be eligible for a loan under AS 14.43.170 - 14.43.175,
13 the borrower must be, or be about to be, enrolled in a postsecondary institution on at
14 least a half-time basis and must be

15 (1) a resident of this state

16 (A) attending or about to attend a postsecondary institution that
17 has been approved by and has executed a program participation agreement
18 with the commission; or

19 (B) attending or about to attend an approved federal
20 guaranteed student [FAMILY EDUCATION] loan institution; or

21 (2) physically present in this state and attending or about to attend a
22 federal guaranteed student [AN APPROVED FEDERAL FAMILY EDUCATION]
23 loan institution located in this state.

24 * **Sec. 23.** AS 14.43.172(g) is amended to read:

25 (g) A borrower who is attending a postsecondary institution in this state that
26 has been approved by the commission but is not an approved federal guaranteed
27 student [FEDERAL FAMILY EDUCATION] loan institution must also comply with
28 and meet any other requirements established by the commission.

29 * **Sec. 24.** AS 14.43.173(a) is amended to read:

30 (a) In a school year, the corporation may finance [COMMISSION MAY
31 MAKE] a loan to an eligible borrower under AS 14.43.170 - 14.43.175 attending an

1 eligible postsecondary institution not to exceed

2 (1) \$14,000 [\$8,500] to an eligible undergraduate student attending a
3 college or university;

4 (2) \$15,000 [\$9,500] to an eligible graduate student attending a college
5 or university;

6 (3) \$8,000 [\$6,500] to an eligible student attending a career education
7 program.

8 * **Sec. 25.** AS 14.43.173(b) is amended to read:

9 (b) The corporation may finance [COMMISSION MAY NOT AWARD]
10 loans made under AS 14.43.170 - 14.43.175 to a borrower in an amount that is not
11 [FOR] more than

12 (1) a total of \$56,000 [\$42,500] for undergraduate study;

13 (2) a total of \$60,000 [\$47,500] for graduate study; or

14 (3) a combined total of \$87,000 [\$60,000] for undergraduate and
15 graduate study.

16 * **Sec. 26.** AS 14.43.173 is amended by adding a new subsection to read:

17 (d) The commission shall determine a borrower's loan award amount for a
18 specific school year based on a student's on-time, half-time, and full-time student
19 status and may not exceed the limits established in this section or the borrower's costs
20 of attendance.

21 * **Sec. 27.** AS 14.43.175 is amended to read:

22 **Sec. 14.43.175. Repayment of loans.** A borrower's obligation to commence
23 repayment of the principal of and interest on a loan under AS 14.43.170 - 14.43.175
24 begins not more than six months following the borrower's completion or other
25 termination of the postsecondary program or the date that the borrower ceases to be
26 enrolled on at least a half-time basis. [THE COMMISSION SHALL SET THE
27 REPAYMENT TERMS OF A LOAN UNDER AS 14.43.170 - 14.43.175.]

28 * **Sec. 28.** AS 14.43.400 is amended to read:

29 **Sec. 14.43.400. Purpose; creation.** There is created the Alaska
30 [ALASKADVANTAGE] education grant program to provide financial assistance to
31 eligible students to enable them to attend, or continue their attendance at,

1 postsecondary educational institutions. Funds designated by the corporation or
2 appropriated for this program may be used as matching funds for the state's
3 participation in the federal grant program under 20 U.S.C. 1070c - 1070c-4.

4 * **Sec. 29.** AS 14.43.405(a) is amended to read:

5 (a) The Alaska [ALASKADVANTAGE] education grant program created
6 under AS 14.43.400 - 14.43.420 shall be administered by the executive director of the
7 commission.

8 * **Sec. 30.** AS 14.43.410(a) is amended to read:

9 (a) The funds for the Alaska [ALASKADVANTAGE] education grant
10 program may be allocated to eligible students in accordance with [THE PROVISIONS
11 OF THE FEDERAL GRANT PROGRAM UNDER 20 U.S.C. 1070C - 1070C-4
12 AND] regulations adopted under AS 14.42.030(e), AS 14.43.105, [AND] 14.43.405,
13 and 14.43.415.

14 * **Sec. 31.** AS 14.43.415(c) is amended to read:

15 (c) The commission shall adopt regulations to establish terms and conditions
16 [A PRIORITIZATION PROCESS] for awarding grants under AS 14.43.400 -
17 14.43.420 and to establish the amounts to be awarded for on-time, full-time, and
18 half-time student status.

19 * **Sec. 32.** AS 14.43.420(a) is amended to read:

20 (a) A grant made under AS 14.43.400 - 14.43.420 may not be in an amount
21 that exceeds \$4,000 [LESS THAN \$500 NOR MORE THAN \$3,000] for each school
22 year.

23 * **Sec. 33.** AS 14.43.420(c) is amended to read:

24 (c) A student may receive not more than a total of \$16,000 [\$12,000] in grants
25 awarded under AS 14.43.400 - 14.43.420.

26 * **Sec. 34.** AS 14.43.420 is amended by adding a new subsection to read:

27 (d) The commission may apply the amounts awarded under AS 14.43.400 -
28 14.43.420 to a state match required by federal grant programs under 20 U.S.C. 1070c-
29 2.

30 * **Sec. 35.** AS 14.43.620(a) is repealed and reenacted to read:

31 (a) The teacher education revolving loan fund is created for the purpose of

1 making education loans to students selected under AS 14.43.600 - 14.43.700. The fund
2 consists of money or assets appropriated or transferred to the commission for deposit
3 into the fund, money or assets deposited into the fund by the commission, and
4 earnings on investments of money held in the fund.

5 * **Sec. 36.** AS 14.43.620 is amended by adding a new subsection to read:

6 (c) The commission may make a new loan under this section only if sufficient
7 money or assets are available in the fund established under (a) of this section. If no
8 new loans are issued in a fiscal year under this subsection, the commission shall use
9 deposits for the year in the succeeding year.

10 * **Sec. 37.** AS 14.43.640 is amended by adding a new subsection to read:

11 (g) The commission shall set the interest rate on a teacher education loan
12 made from the teacher education revolving loan fund established under AS 14.43.620.

13 * **Sec. 38.** AS 14.43.740(a) is amended to read:

14 (a) The provisions of AS 14.43.100, 14.43.120(a) - (c), (m), and (r) - (u),
15 14.43.122, 14.43.135, 14.43.145 - 14.43.155, 14.43.173, and 14.43.910 - 14.43.990
16 apply to a loan made under AS 14.43.710 - 14.43.750.

17 * **Sec. 39.** AS 14.43.750(a) is amended to read:

18 (a) A person may apply for and obtain a family education loan on behalf of a
19 family member if

20 (1) the borrower and the family member

21 (A) are residents [IS A RESIDENT] of the state at the time of
22 application for the loan; for purposes of this paragraph, a borrower and family
23 member qualify [QUALIFIES] as residents [A RESIDENT] of the state if the
24 borrower and the family member have [HAS] been physically present in the
25 state for at least one year immediately before the time of application for the
26 loan with the intent to remain indefinitely or, if not physically present in the
27 state, the borrower and family member have [HAS] not declared or
28 established residency in another state, intend [INTENDS] to return
29 permanently to the state, and the absence meets the requirements imposed
30 under AS 14.43.125(a)(3)(C)(i) - (vi);

31 (B) satisfies the requirements of AS 14.43.125(a)(6) - (9);

1 (2) the family member

2 (A) is enrolled as a full-time student in a career education,
3 associate, baccalaureate, or graduate degree program; or

4 (B) is a graduate of a high school or the equivalent, or
5 scheduled for graduation from a high school within six months, who, at the
6 time of loan disbursement, will be enrolled in compliance with (A) of this
7 paragraph; and

8 (3) neither the borrower nor the family member

9 (A) is delinquent or has ever been in default on a loan
10 previously awarded by the commission **unless the defaulted loan has been**
11 **voluntarily paid in full**;

12 (B) is past due on a child support obligation established by
13 court order or by the child support services agency under AS 25.27.160 -
14 25.27.220 at the time of application or loan disbursement;

15 (C) has, within the previous five years, had a loan discharged
16 or written off by the commission for any reason.

17 * **Sec. 40.** AS 14.43.915(a) is amended to read:

18 (a) The **Alaska** [ALASKADVANTAGE] education grant account is created
19 as an account in the general fund. Money may be appropriated to the account from the
20 Alaska higher education investment fund under AS 37.14.750 and from other sources.
21 The commission may use the money in the account to pay grants awarded under
22 AS 14.43.400 - 14.43.420 **and to pay the cost of administration of the Alaska**
23 **education grant program created under AS 14.43.400.**

24 * **Sec. 41.** AS 14.43.990 is amended by adding a new paragraph to read:

25 (7) "on-time student" means an undergraduate who is enrolled and is in
26 regular attendance at classes for 15 or more semester hours of credit or the equivalent
27 during the semester; any combination of semester hours of credit or the equivalent
28 aggregating to the requisite number of semester hours and undertaken during a
29 semester at two or more public or private institutions of higher education constitutes
30 on-time student status.

31 * **Sec. 42.** AS 14.48.030(b) is amended to read:

1 (b) Except as provided under AS 14.48.165, the commission may exempt the
2 following educational programs, and educational institutions only providing programs
3 exempt under (a) of this section and this subsection, from some or all of the provisions
4 of this chapter:

5 (1) a program operated by a state or a political subdivision of a state;

6 (2) instruction sponsored by a bona fide trade, business, labor,
7 professional, or fraternal association or organization, recognized by the commission,
8 and conducted only for that association's or organization's membership;

9 (3) nonprofit postsecondary educational institutions offering
10 undergraduate or graduate educational programs, from a facility in this state, that are
11 acceptable for credit toward an associate, bachelor's, or graduate degree;

12 (4) a program that is provided without a fee, other than the actual cost
13 of materials, to students;

14 (5) a program that does not offer education credentials;

15 (6) a short course of study that is not more than 15 [10] days or 120
16 [80] hours in duration;

17 (7) a program offered within the state by an out-of-state institution that
18 is authorized to operate by the state in which it is located and is nationally or
19 regionally accredited;

20 (8) a program or institution that is regulated by another agency or
21 political subdivision of the state regarding the quality of course contents, facilities, and
22 operation.

23 * **Sec. 43.** AS 14.48.050 is amended to read:

24 **Sec. 14.48.050. Powers and duties of commission.** The commission shall

25 (1) establish minimum criteria consistent with AS 14.48.060 including
26 quality of education, ethical and business practices, health and safety, and fiscal
27 responsibility that applicants for authorization to operate, or for an agent's permit,
28 must meet before the authorization or permit is issued;

29 (2) receive, investigate, and act upon applications for authorization to
30 operate postsecondary educational institutions and applications for agent's permits;

31 (3) maintain a list of postsecondary educational institutions and agents

1 authorized to operate in the state under this chapter;

2 (4) keep current and make available as public information the list of
3 institutions and agents;

4 (5) enter into interstate reciprocity agreements [WITH SIMILAR
5 AGENCIES IN OTHER STATES,] if, in the judgment of the commission, the
6 agreements will be helpful in carrying out the purposes of this chapter;

7 (6) receive and maintain as a permanent file, copies of academic
8 records maintained in accordance with AS 14.48.060(b)(6);

9 (7) adopt regulations and procedures necessary or appropriate for the
10 conduct of its work and the implementation of this chapter under AS 44.62
11 (Administrative Procedure Act);

12 (8) investigate on its own initiative or in response to a complaint
13 lodged with it, persons subject to, or reasonably believed by the commission to be
14 subject to, the jurisdiction of this chapter; and in connection with the investigation
15 subpoena persons, books, records, or documents related to the investigation; require
16 answers in writing under oath to questions propounded by the commission and
17 administer oaths or affirmations to persons in connection with the investigation; and,
18 for the purpose of examination at all reasonable times, shall have access to, and the
19 right to copy, documentary evidence of a corporation that is under investigation or
20 being proceeded against;

21 (9) exercise other necessary powers and duties in conformity with the
22 provisions of this chapter that, in the judgment of the commission, are necessary to
23 carry out the provisions of this chapter.

24 * **Sec. 44.** AS 14.48.165(b) is amended to read:

25 (b) A student attending a postsecondary educational institution **and who is**
26 **physically present on the campus of the postsecondary educational institution**
27 shall sign a document provided by the institution indicating that the student has
28 received

29 (1) an immunization against meningococcal disease; or

30 (2) the notice described under (a) of this section.

31 * **Sec. 45.** AS 14.43.120(f), 14.43.120(v), 14.43.174, 14.43.410, 14.43.415(b), 14.43.620(b),

1 and 14.43.740(g) are repealed.

2 * **Sec. 46.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 TEACHER EDUCATION LOAN INTEREST RATE; TRANSITION;
5 APPLICABILITY. (a) AS 14.43.640(g), added by sec. 37 of this Act, applies to loans made
6 under AS 14.43.640 on or after the effective date of this Act.

7 (b) The Alaska Student Loan Corporation shall set the interest rate on a loan made
8 under AS 14.43.640 before the effective date of this Act and on loans made to a borrower who
9 was issued a loan before the effective date of this Act under AS 14.43.640 that are financed
10 by the corporation and are not funded from the teacher education revolving loan fund under
11 AS 14.43.620.

12 * **Sec. 47.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 ALASKADVANTAGE GRANT PROGRAM; REGULATIONS. To the extent
15 current regulations are consistent with this Act, the regulations previously adopted by the
16 Alaska Commission on Postsecondary Education implementing the AlaskAdvantage
17 education grant program created under AS 14.43.400, as that section read before the
18 amendment in sec. 28 of this Act, shall be construed to apply to the Alaska education grant
19 program under AS 14.43.400 - 14.43.420, as amended by secs. 28 - 34 of this Act, until the
20 regulations are amended to change the name as provided in this Act.

21 * **Sec. 48.** This Act takes effect immediately under AS 01.10.070(c).

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 195
Fiscal Note Number: 1
(S) Publish Date: 3/17/14

Identifier: SB195-EED-ACPE-3-7-14
Title: POSTSECONDARY EDUCATION
LOANS/GRANTS
Sponsor: FAIRCLOUGH
Requester: (S) EDC

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 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services						9.7	9.7
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	9.7	9.7

Fund Source (Operating Only)

1004 Gen Fund	675.0		900.0	900.0	1,050.0	1,050.0	1,050.0
1106 ACPE Rcpts	(796.5)		(1,021.5)	(1,021.5)	(1,171.5)	(1,171.5)	(1,171.5)
1226 High Ed	121.5		121.5	121.5	121.5	131.2	131.2
Total	0.0	0.0	0.0	0.0	0.0	9.7	9.7

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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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:

Not applicable, initial version.

Prepared By: Diane Barrans, Executive Director	Phone: (907)465-6740
Division: ACPE	Date: 03/07/2014 02:00 PM
Approved By: Diane Barrans, Executive Director	Date: 03/07/14
Agency: ACPE	

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB 195

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.

Services costs of \$121.5 thousand are annual software maintenance costs for the GrantPro 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. Current budgeted funding levels are projected to be sufficient until FY19 at which time an 8% increase in cost is expected.

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.

This bill also changes the funding source for the Alaska Teacher Education Loan (TEL) from the Alaska Student Loan Corporation to the State of Alaska General Fund effective in FY15. The TEL is awarded to students pursuing elementary or secondary education teaching credentials and who, as a condition of receiving certain benefits under the loan contract, agree to teach in qualifying Alaska public schools. The benefit available to TEL borrowers is 100% forgiveness of the loan principal and interest. For FY15 \$675,000 is estimated to fund \$7,500 loans to 90 students. Rural school districts nominate new students each year so the increased amounts for FY16 and FY18 estimated costs reflect 120 and 140 student borrowers, respectively. While students' programs are generally four to five years in length, students migrate in and out of loan eligibility status due to: change in program of study, enrolling for less than full-time study, and/or ceasing enrollment altogether.

Talking Points: Why Higher Alaska Education Loan Limits Are Needed

Updated March 1, 2014

Table One: Proposed Loan Limits Changes

ASEL Annual Limits	Current	Proposed	ASEL Aggregate Limits	Current	Proposed
Undergraduate	\$8,500	\$14,000	Undergraduate	\$42,500	\$56,000
Graduate	\$9,500	\$15,000	Graduate	\$47,500	\$60,000
Vocational	\$6,500	\$8,000	Combined Undergrad/Graduate	\$60,000	\$87,000

Total annual borrowing cannot exceed a student's costs of attendance as certified by the school, regardless of loan limits.

Table Two: Annual Unmet Education Costs at Selected Alaska Institutions after Federal/Alaska Loans

Total Annual Cost	UAA Undergraduate		APU	AVTEC Vocational Program	
	Living w/Parents	Living Off Campus	Undergraduate	Low	High
	\$12,605	\$22,937	\$31,280	\$7,033	\$20,619
Federal Loan	\$(5,500)	\$(12,500)	\$(5,500)	\$(5,500)	\$(5,500)
Costs Remaining	\$7,105	\$10,437	\$25,780	\$1,533	\$15,119
Current ASEL	\$(7,105)	\$(8,500)	\$(8,500)	\$(1,533)	\$(6,500)
Unmet Cost	None	\$1,937	\$17,280	None	\$8,619

Proposed ASEL	\$(7,105)	\$(10,437)	\$(14,000)	\$(1,533)	\$(8,000)
Unmet Cost	None	None	\$11,780	None	\$7,119

Notes: Total annual costs reflect published institutional financial aid budgets. Federal Stafford Loan amounts are for a dependent freshman student, except for UAA off campus student, which assumes an independent college Junior. Grants and scholarships are not considered in this table. Total annual borrowing cannot exceed a student's costs of attendance as certified by the school, regardless of loan limits; therefore, ASEL amounts shown above are capped at remaining unmet costs.

Table Three: Average Education Costs Outside Alaska—College Board Average Published Charges¹

Table 1A. Average Published Charges for Full-Time Undergraduates by Type and Control of Institution, 2013-14 (Enrollment-Weighted)

Sector	Tuition and Fees				Room and Board				Total Charges			
	\$		%		\$		%		\$		%	
	2013-14	2012-13	Change	Change	2013-14	2012-13	Change	Change	2013-14	2012-13	Change	Change
Public Two-Year In-State	\$3,264	\$3,154	\$110	3.5%	\$7,466	\$7,342	\$124	1.7%	\$10,730	\$10,496	\$234	2.2%
Public Four-Year In-State	\$8,893	\$8,646	\$247	2.9%	\$9,498	\$9,171	\$327	3.6%	\$18,391	\$17,817	\$574	3.2%
Public Four-Year Out-of-State	\$22,203	\$21,533	\$670	3.1%	\$9,498	\$9,171	\$327	3.6%	\$31,701	\$30,704	\$997	3.2%
Private Nonprofit Four-Year	\$30,094	\$28,989	\$1,105	3.8%	\$10,823	\$10,458	\$365	3.5%	\$40,917	\$39,447	\$1,470	3.7%
For-Profit	\$15,130	\$15,060	\$70	0.5%	—	—	—	—	—	—	—	—

Note: Alaska students would generally be subject to the Out-of-State tuition/fee costs noted above, unless enrolled as a Western Undergraduate Exchange (WUE) student.

- Current loan limits were set in 1995 and are no longer aligned with cost of attendance
- The cumulative rate of inflation from 1995 to 2014 is over 55%ⁱⁱ and the Higher Education Price Index (HEPI) has increased 129 points since 1995ⁱⁱⁱ
- University of Alaska tuition has almost doubled since 1995^{iv}
- Students with multiple lenders are more likely to default or otherwise struggle with repayment
- Alaska students and their financial aid officials report that borrowers with high unmet costs of attendance are increasingly choosing loans with higher loan limits, even when they have higher interest rates (borrowers are more sensitive to loan limits than to loan price)

ⁱ <http://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2013-14>

ⁱⁱ <http://inflationdata.com/Inflation/Inflation-Calculators/Cumulative-Inflation-Calculator.aspx>

ⁱⁱⁱ <https://www.commonfund.org/CommonfundInstitute/HEPI/HEPI%20Documents/2013%20HEPI%20Report.pdf>

^{iv} <http://www.collegecalc.org/colleges/alaska/university-of-alaska-fairbanks/>



Alaska Postsecondary Completion Outcomes

Alaska College Students



What is gained with on-time attendance?

4-year track

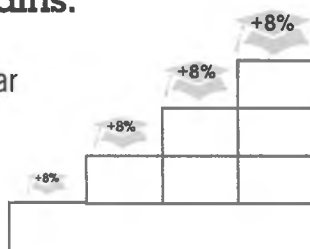
15+ credits per semester



80%
returned
for the next year
at one Alaska university

Cumulative gains:

Each additional 3-credit class per year raises a student's probability of graduation by **8%**



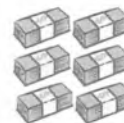
What are the costs of part-time attendance?



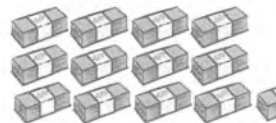
52%
of part-time students receive
federal financial aid



44%
of part-time students
take on education debt



31%
Borrow more than
\$6,000



20%
Borrow more than
\$12,400

*Degree completion within six years for students first enrolled at the University of Alaska.

Sources: National Student Clearinghouse, Completing College: A State-Level View of Student Attainment Rates, February 2013 · National Student Clearinghouse, Completing College: A National View of Student Attainment Rates, November 2012 · U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12) · University of Alaska Southeast, The Effectiveness of UAS Financial Aid Stay on Track Awards: Fall 2012 and Spring 2013 · University of Alaska, Institutional Research & Analysis, Credit Load Impact for Degree Seeking Freshmen, January 2012



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 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 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 black ink, appearing to read "Diane Barrans", with a long horizontal flourish extending to the right.

Diane Barrans
Executive Officer/Director

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



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March 8, 2014

Senator Anna Fairclough
State Capitol Room 514
Juneau AK, 99801
Email: 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