

ALASKA LEGISLATURE

1082

HOUSE and SENATE FINANCE COMMITTEE FILES, 1993-1994

MR. MCCORMICK replied that it is based on the cost of money when bonds are issued to replace the capital of the loan fund. He said the interest rate from loans disbursed from the bond proceeds would be tied to the cost of the bond proceeds.

REP. OLBERG asked if the rate could be annually adjusted.

MR. MCCORMICK said it could be a possibility. He said the problem would be that a greater administrative burden would be put upon the entity that would administer the loan fund, because the interest rate would change from year to year.

REP. OLBERG said he felt that the software required for that process would not be a difficult transition. He then asked if teaching certificates would be included under denial of licensure.

MR. MCCORMICK answered that he had a friendly amendment to restrict the impact of Section 1 to only persons licensed for professional or occupational licenses only. He then stated that he was unsure if teaching certificates would fall under the provision.

REP. BUNDE stated that he currently sits on a committee that is rewriting the provisions for granting a teacher's license. He felt that a teaching certificate would fall under that section and he would encourage the amendment.

Number 121

REP. OLBERG agreed with the amendment.

REP. BUNDE maintained that there are many other student loan programs that offer a lower interest rate and that students should be encouraged to shop around.

REP. VEZEY asked what the average maturity date of a student loan is.

MR. MCCORMICK responded by saying the average student is in school 2-1/2 years with one year grace and a standard ten year repayment. He said that many students qualify for extended repayment plans of 15 years. He stated that the average is 12 to 13 years.

REP. VEZEY said, "paying on the loan or have the loan out."

MR. MCCORMICK said, "paying on the loan."

REP. VEZEY clarified that the average loan has a 15 year life.

MR. MCCORMICK added that there is no stated forgiveness on the loan, so it could be an outstanding balance for an indefinite amount of time.

Number 188

REP. OLBERG suggested that the term of the loan be tied to the source of the funds, and explained that if there are ten year bonds, there should be ten year term loans.

MR. MCCORMICK stated that the term of the loan is dealt with in the section pertaining to refinancing. He also said that in current statute there is a provision that allows up to 15 years if the student has an extremely high debt. He felt the terms of the loan will be much more flexible when there is a consolidation provision that would allow students to collapse various loans into one new promissory note at a new interest rate which would be tied to the bond issue.

REP. BUNDE stated that the current interest rate is 8%, but if all the interest free time that a student has is considered, it is actually closer to 5%. The loan was bonded at 6%, indicating a loss.

CHAIR TOOHEY said that forgiveness loans are dying out as the practice stopped in 1987.

REP. VEZEY suggested that the student loan program showed a positive cash flow.

MR. MCCORMICK agreed, but he indicated that when he used the term "actuarially sound," he was talking in terms of the total life of the loans and total life of the bonds, not just what the balance sheet reflects for one particular year.

REP. VEZEY asked if, at the current fixed rate of 8% with forgiveness periods and the cost of funds, is the program operating in the black?

MR. MCCORMICK said yes.

REP. BRICE asked Mr. McCormick what constitutes a defaulted loan. He also asked if he knew of the University of Alaska Coalition of Student Leaders (UACSL) and of their position on the bill.

CHAIR TOOHEY asked if Rep. Brice would hold his questions to allow for teleconference testimony.

Number 500

BRIAN BRUBAKER, Coordinator, University of Alaska Coalition of Student Leaders, testified via teleconference on HB 506. He stated that the coalition favors a cap to be put on the variable rate, as well as provisions for exceptions on a case by case basis. He also said that the withholding of licensure should also be dealt with on a case by case basis. He stated that the coalition has become involved as a result of past problems with the time frame that loans were being delivered in. He also said that the student loan program does need to move ahead to a more business like approach, citing that as being one reason they support the variable rate with

interest rate, said that they can't take advantage of low interest rates when they are available and not pay their fair share when they are higher. He further stated that Alaskan students are paying only 23% of the actual cost of their education.

Number 816 REP. BRICE asserted that the government's role is to help students along. He felt there should be a cap, especially if the prime rate does go up to 21% again. He felt the cap should be at 15% and explained that the state must make the loans attractive to students. He suggested an amendment to Section 2 that would establish a ceiling at 15%.

REP. BUNDE said that he sympathized with the student's plight, but indicated that there is a provision within the bill for refinancing.

Number 885

REP. BRICE asked if the provisions for refinancing were only for certain circumstances.

REP. BUNDE observed that if the cost of money went over 15%, money to operate the program would come out of general funds. He then reminded the committee that the "sympathy for running this program in the legislature under general funds is waning." He indicated that there are legislators that would like to eliminate or privatize the program.

MR. MCCORMICK asserted that there has been no general fund expenditures for the loan program since 1993.

Number 908

REP. BRICE asked under what circumstances can a person refinance, and what is the limit to the amount of times a person can refinance?

MR. MCCORMICK replied that there would be no limitations specified in the language of the bill. He said that typically when a student wants to refinance, there is a cash flow problem. The student would then collapse the loans into one, and the individual payment would be less than the total amount of payments of the individual loans. He further stated that the refinancing terms should not be dictated by the bill itself. He felt that the language was flexible enough as to have a viable refinancing structure. He asserted that there are appeal mechanisms in place that would be implemented when a student challenges the denial of a license.

MR. MCCORMICK made reference to a friendly amendment that would be submitted to Rep. Bunde at a later time. He suggested that the Department of Commerce would need the authority to require applicants for professional licenses to disclose their social security numbers so computer matches could be done between the two departments.

hearing of HB 506.

Seeing no further business before the committee, CHAIR TOOHEY ADJOURNED the meeting at 5:02 p.m.

HB 506 - HOUSE HES Committee Minutes
March 7, 1994

HB 506 - STUDENT LOAN PROGRAM

Number 348

JOE MCCORMICK, Executive Director, Alaska Commission on Postsecondary Education (ACPE), introduced himself and began his testimony on HB 506.

CHAIR TOOHEY indicated that she was turning the gavel over to Rep. Bunde. Rep. Bunde presided over the remainder of the meeting.

CHAIR BUNDE explained that there were two proposed amendments and indicated that amendment A.2 (8-LS1752/A.2), submitted by Rep. Brice, would be referred to as Amendment 1. He then asked Mr. McCormick how the amendment related to his suggested amendments.

Number 400

MR. MCCORMICK stated that the amendment would pertain to the variable interest rate that the ACPE has recommended. He said, in good conscience, he could not support the amendment with a 15% cap. He maintained that to put a cap on the variable rate would defeat the purpose of having a variable rate.

REP. BRICE made a motion to move Amendment 1.

REP. TOOHEY objected.

CHAIR BUNDE maintained that if a student wants to take advantage of low rates they "have to gamble on the high rates." He said he did not support the amendment.

REP. BRICE agreed with Chair Bunde and indicated that was the reason he suggested a cap at such a high rate. He felt a cap at 15% would reach a certain level of compromise. He said his concern was if rates go above 20% that students would not be able to afford to go to school.

Number 470

REP. VEZEY stated that the interest rate on a loan is not variable over the life of that loan, and the person knows that rate to be set for the life of the loan. He said if the cap is at 15% and the prime rate is 20%, the funds for the student loan program will be depleted quite rapidly.

friendly amendment to the bill as to allow for the kind of leverage needed prior to the disbursements of warrants. He said, "If I read this right, that says... the disbursement is due under terms of a written contract with that person... which would mean I would have to print in my promissory note that I had the authority to do this. I just don't feel that's necessary." He further stated that it is the psychology of the provision that is the focus. He said students will stop and think about putting a higher priority on their student loan payment. He stated that he is opposed to the amendment.

CHAIR BUNDE asked if there was anyone present to speak in favor of the amendment. He then indicated that the amendment came from the ACPE.

MR. MCCORMICK said he offered a friendly amendment to amend Section 9, which would authorize the Department of Administration to withhold warrants from contractors. He was unsure if the amendment would accomplish that. He indicated that page 6, line 30, was under Section 10.

Number 716

CHAIR BUNDE asked Lynne Smith where the amendment originated from. LYNNE SMITH, Committee Aid, House HESS Committee, explained that the amendment came from Dianne Behrends from the ACPE.

CHAIR BUNDE stated that he withdrew his motion to adopt the amendment. He said if the amendment is needed, it could be addressed in a future committee. He then asked for further questions or testimony.

Number 741

PAIGE ADAMS, Vice-President, University of Alaska Southeast Student Council, Sitka, testified in Juneau in support of HB 506. She stated that she did not think the role of the ACPE to be one of a financial advisor to students. She felt that students are old enough to figure that out for themselves. She asserted that if the interest rate was to remain at 8%, the availability of loans would decrease for future students. She said, personally, she did not want to pay higher interest rates, but she felt that any loan is better than no loan.

Number 780

REP. BRICE, as the only legislator on the committee with an outstanding loan, related how the interest rates just continue to stack up. He said he hoped Ms. Adams will have a job a year after she graduates to make loan payments.

MS. ADAMS said that her permanent fund dividend is paying for her schooling. She said after four hours of debate, the council decided that going with a variable rate would ensure the program's

whereby if the DOA receives a court order that requests payments be held from a particular employee or vendor the payments are, indeed, withheld. He suggested that the language in Section 10 be placed in Title 14 and that the ACPE do the necessary researching and documentation before the DOA processes them through their existing mechanism.

MR. WANIE stated that under language already in Title 9, the ACPE can get a court order to direct withholding of payments from a vendor. He reiterated that there is already a mechanism in place that would allow the ACPE to obtain a court order.

Number 190

REP. OLBERG asked Mr. Wanie to define the term vendor.

MR. WANIE referred to the list from the Suggested Amendments to HB 506 that was handed out at the previous meeting. He said the ACPE suggested amending Section 9 so that only disbursement of payments for goods and services provided by an individual contractor would be withheld. He said the DOA would not want to withhold welfare payments, longevity bonus payments, and other payments that are generated by the state system. He felt that the ACPE was focusing on payments for goods and services provided to the state.

Number 233

REP. OLBERG asked if a person could be found under an assumed name.

MR. WANIE responded no. He said the DOA can identify those people who provide goods and services to the state if they use a social security number (SSN) rather than an employer identification number. If they use an employer identification number as a sole proprietor, or if they are incorporated and use an identification number, the DOA cannot find them. He said the only matches that can be made are with SSNs.

Number 278

CHAIR BUNDE referred to Mr. Wanie's suggestions regarding Sections 9 and 10 and asked Mr. McCormick if he felt Item 2, as indicated in Comments on HB 506, would be a feasible option for the ACPE.

MR. MCCORMICK said it would be doable without considerable additional expense. He said a computer tape match system could be developed to match SSNs. He further explained that the previously withdrawn amendment that related to page 6, line 30, would reference the contractor not the borrower. He indicated that he was mistaken in his earlier opposition to that amendment and clarified that he now supported it.

Number 360

REP. VEZEY interjected that conflict arises when the employee goes back to work for the employer after five years and the court order is still in effect. He stated that state agencies have "gone after" employers and have made them liable, after the rehire, for all pay periods that they did not garnish wages.

REP. BRICE said, "whether or not he's working or not."

REP. VEZEY said no, and further stated that the employer has to honor that court order no matter how old it is. They have to keep all their personnel records active to avoid possible penalties.

CHAIR BUNDE reiterated the same scenario and further added that the employer is expected to remember that the employee had his wages garnished five years previously. He indicated that Rep. Vezey's amendment would require the ACPE to notify the employer.

Number 544

REP. BRICE asked if Mr. McCormick would have access to the Department of Labor.

CHAIR BUNDE indicated that Mr. McCormick has access to skip tracers that would track the student for those five years.

MR. MCCORMICK said the amendment would shift the responsibility of tracking to the ACPE. He said he did not object to the amendment.

CHAIR BUNDE asked if there were any objections to the amendment. Hearing none, Chair Bunde stated that Amendment 3 was adopted. He then indicated that several committee members had another meeting to attend and asked that all interested parties attend the meeting the next day to finish discussing HB 506.

Seeing no further business before the committee, CHAIR BUNDE ADJOURNED the meeting at 4:25 p.m.

HB 506 - HOUSE HES Committee Minutes
March 8, 1994

TAPE 94-40, SIDE A Number 000

CHAIR BUNDE called the meeting to order at 3:08 p.m., noted members present and announced the calendar. He then read portions of an article from the Anchorage Daily News regarding students and student loans. He indicated that collectively students in the United States owe \$41.9 billion on student loans. He said in many schools 70% of the student body choose to borrow, and the average debt per student is \$79,000. He further related that in a survey of 551 recent college graduates, four out of ten students said they could handle their payments; however, one out four said their debt affected their decision as to when or if to marry. One-third stated that it also influenced their decision to start a family,

HB 506 - HOUSE HES Committee Minutes
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REP. VEZEY proposed an amendment that would incorporate the body of a bill he introduced (HB 488) with that of HB 506 as amended. He said it dealt with the same chapters of Alaska statutes.

CHAIR BUNDE interjected and said he assumed Rep. Vezey's amendment would limit student loans to Alaskan schools only.

REP. VEZEY said yes.

CHAIR BUNDE asked if he were interested in pursuing the issue.

REP. VEZEY asked the pleasure of the committee in regards to HB 488.

REP. BRICE said he felt that the amendment might hold merit in certain circumstances, but indicated that he would feel much more comfortable with back-up information and the opportunity to debate that specific bill before the amendment would be made. He said he opposed the amendment.

Number 262

CHAIR BUNDE asserted that he would rather address HB 488 separately to allow opportunity for testimony and discussion.

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REP. TOOHEY suggested that a roll call vote be taken.

CHAIR BUNDE stated that before the amendment could be addressed it would have to be seen and testified upon. He said the committee would not vote on something that has not been discussed. He reiterated that he wanted to handle it as a separate issue.

REP. VEZEY concurred. CHAIR BUNDE asked for further discussion on HB 506.

REP. BRICE suggested that perhaps some discussion should be made in the Labor and Commerce Committee in regards to capping the interest rate at 15% or 16%. He referred to the article that indicated that employers are looking for highly skilled and technically trained college graduates. He said that a free floating percentage rate could leave students in very difficult situations and that the loan program would not be making any loans.

CHAIR BUNDE asked the pleasure of the committee.

REP. VEZEY made a motion to pass HB 506 as amended out of committee

HB 506 - STUDENT LOAN PROGRAM

REP. CON BUNDE, Co-Chair of the House HESS Committee, presented HB 506. Rep. Bunde stated that HB 506 was requested by the Postsecondary Education Commission to allow the program to run in a more business like fashion.

REP. BUNDE outlined the important changes to the program and asked Mr. McCormick of the Postsecondary Education Commission to elaborate.

Number 080

JOE McCORMICK, Executive Director, Postsecondary Education Commission, Department of Education, testified in support of HB 506. He stated that HB 506 would accomplish the following:

- 1) Enhancement of repayment terms by allowing for a variable interest rate and providing a consolidation program.
- 2) Improved ability to collect loans.
- 3) Would allow for garnishment of wages when loan is in default.
- 4) Simplify the loan process.
- 5) Prevent future delinquencies by disallowing people to reapply for a student loan within five years of bankruptcy or default.

Number 175

NANCY BEAR USERA, Commissioner, Department of Administration, testified in opposition to certain provisions of HB 506. Ms. Usera stated there are three areas of the bill that the department objects to:

- 1) HB 506 gives priority to garnishment of wages for repayment of student loans over and above all other garnishments or attachments with the exception of child support.

MS. USERA stated that better tools need to be given to the commission to make better loans, but to supercede private sector obligations is not the way to handle it.

- 2) The Department of Administration also objects to the provision in HB 506 that would hold up vendor payments to contractors who have otherwise completed the terms of a contract but have a student loan delinquency.

MS. USERA noted that the commission already has the ability to garnish wages; this bill would place the student loan program second behind child support payments.

Number 275

MS. USERA offered an amendment that would in effect remove the priority of the student loans programs for garnishment second to child support obligations. Secondly, it would remove the requirements that the department would withhold vendor payments.

Number 295

REP. MULDER stated that he was opposed to the amendment because it is bad public policy to turn a blind eye to someone who is delinquent on their student loan and then award and pay them through a state contract.

Number 310

REP. PORTER agreed with Rep. Mulder, but stated he does support the provision in the bill that would give the student loan corporation priority over and above all other garnishments except child support.

Number 315

COMMISSIONER USERA noted that there would be a significant fiscal impact on the Department of Administration if HB 506 passes as is.

Number 330

REP. SITTON asked what sort of impact HB 506 would have on the Department of Administration.

Number 335

MR. McCORMICK interjected that the commission has approximately 125,000 loan accounts out, and only a small percentage do contractual work for the state of Alaska. Of those, only a fraction may be in default.

Number 342

COMMISSIONER USERA replied that the department would have to scan 125,000 files prior to making a disbursement to a vendor.

Number 375

REP. SITTON asked what the average number of vendors was in a typical month.

Number 385

COMMISSIONER USERA responded there are 52,000 vendors that the Department of Administration process's checks for.

Number 395

REP. MULDER discussed the ways in which the Department of Administration could meld 150,000 student loan applicants with 52,000 vendors.

Number 406

MR. McCORMICK responded that he didn't believe the issue to be an administrative one, but more of a public policy question of whether or not to pay vendors if they are behind in their student loan payments.

MR. McCORMICK stated he felt it was important to send a message to applicants that the state of Alaska sincerely expects them to repay the loans they have with the state.

Number 435

REP. PORTER stated the technology is such that running the delinquency list against the vendor list once a month wouldn't involve much.

COMMISSIONER USERA stated that there would be a hefty administrative cost to accomplish this function and it is not as simple as it sounds.

REP. WILLIAMS asked how the student loan program is funded.

COMMISSIONER USERA replied that the loans are funded through bonds.

Number 460

CHAIRMAN HUDSON clarified for the committee what he thought the issues were in this debate.

Number 480

COMMISSIONER USERA reiterated that adding the function of scanning the student loan rolls to match delinquent applicants to vendor payments adds a tremendous burden to the Division of Finance. She added that if there was some RSA funds suggested to cover this added burden she would certainly reconsider.

Number 490

MR. McCORMICK responded by saying that he would entertain a reasonable charge back type of arrangement.

Number 510

REP. GREEN asked if there was a higher delinquency rate for those students who attended school outside the state and may have stayed outside. Also, can you garnish outside the state?

Number 525

MR. McCORMICK responded that we can garnish outside the state, but you have to look at the costs involved to see whether or not its worth it.

Number 542

PAIGE ADAMS, Coalition of Student Leaders, testified via teleconference in support of HB 506.

Number 549

TRACI COHEN, Student Network, Kenai Peninsula College, testified via teleconference in support of HB 506. Ms. Cohen felt it was important that the message get out to people that if you do not pay your student loan your wages will be garnished.

Number 573

HELEN PHINNEY testified via offnet in support of HB 506. She stated she could not overstate the importance of the student loan program and the importance of using all the available resources to make sure these loans are paid back.

Number 588

BRIAN BREBAKER, University of Fairbanks, Coalition of Student Leaders, stated his support of HB 506 via offnet. He added that the coalition would like to see a cap on the interest rate for the loans.

TAPE 94-27, SIDE B

Number 001

NICKO BRANCHEK stated he is a recipient of a student loan and supports HB 506. He added that he is supportive of the idea of a cap on the interest rates on student loans.

Number 020

BING SANTAMOUR testified via teleconference in support of HB 506. Ms. Santamour stated she also supports the cap on interest rates.

Number 082

STEVE LEVINSON, Alaska State Chamber and Bethel Chamber of Commerce, testified via teleconference in support of HB 506. Both chambers have adopted resolutions in support of reform of the program. The State Chamber opposes a cap on interest rates because the costs of the bonds could go well beyond the cap and make the program not cost efficient.

Number 115

TRACI COHEN added to her previous testimony by saying that she perceives the permanent fund to be a privilege and the students who are in default on loans don't deserve it.

Number 130

REP. MULDER asked if the interest rate cap was ever considered in the discussions on HB 506.

Number 135

MR. McCORMICK stated that it was considered, but interest rates can skyrocket and if there was a cap the loan program could become unsound if they skyrocket too high.

Number 160

CHAIRMAN HUDSON announced that the committee would hold HB 506 over until the next meeting and asked Commissioner Usera to prepare the amendments she testified to.

Number 398

REP. CON BUNDE, Co-Chair of the House HESS Committee, sponsor of HB 506, explained to the committee that there was a letter in their packet that addresses a loophole in the bill regarding people who are enrolled but not attending classes. The letter suggests an amendment that would change the bill to incorporate this technical amendment.

Number 429

REP. PORTER asked what the difference was between being admitted to school or enrolled in school.

REP. BUNDE responded that you could be admitted to a program but not necessarily be enrolled that semester.

Number 447

MR. JOE McCORMICK, Executive Director, Postsecondary Education Commission, Department of Education, explained that an amendment would address the misinterpretation that some students have that they can't apply for the loan until after they are actually attending classes.

Number 465

The committee discussed the language of the amendment in an effort to clarify the intent of the amendment, which was that an applicant does not have to be enrolled in a program to apply for a loan.

Number 520

REP. BUNDE stated that the program has been working without this amendment and he felt the amendment may cause more problems than it fixes. He withdrew the amendment from consideration.

Number 560

REP. PORTER stated that he would still support the concept of the student loan program comparing its listing of defaultees against the Department of Administration's list of vendors on contract with the state.

Number 570

CHAIRMAN HUDSON explained that he spoke with Commissioner Usera and she had decided to take the amendment referenced above to the Finance Committee for their consideration.

Number 580

REP. GREEN and REP. MULDER told the committee that the commissioner wanted to have the language in statute that would add language to the bid package sent to potential

vendors that they need not apply if they are in default to the state on any loan.

Number 590

CHAIRMAN HUDSON told the committee he would like to send the bill on without the amendment and abide by the wishes of the commissioner, unless someone on the committee had an amendment they wished to present now.

Number 595

REP. PORTER moved an amendment to the bill to delete subsection (c), page 5, lines 22, 23 and 24.

Number 600

REP. BUNDE told the committee that the student loan program would probably not survive if the program had to keep coming back to the legislature for appropriations from the general fund.

Number 607

MR. McCORMICK explained that the reason they put subsection (c) in HB 506 was to assure priority over other loans.

Number 630

REP. SITTON stated that from a practical standpoint this would be impossible to implement.

Number 640

REP. PORTER believed there were other programs that could make a good case for top priority for garnishment. He added that the one program he was thinking of was the victim compensation board.

TAPE 94-29, SIDE A

Number 001

MR. McCORMICK stated he was very willing to compromise on this issue and reiterated how important he felt it was for this legislation to pass this session.

Number 014

CHAIRMAN HUDSON stated that he was sympathetic to the idea of a person losing their permanent fund dividend if they were delinquent in their student loan. He added that he felt that giving priority of the student loan program over some of the other programs was not good public policy. The chair stated he supported the amendment.

CHAIRMAN HUDSON asked if there were any objections to Rep. Porter's previously offered amendment. No objections were heard; it was so ordered.

Number 049

MS. PAIGE ADAMS, Student Representative, University of Alaska, Sitka, testified via teleconference in support of HB 506. She stated she didn't have anything else to add.

Number 070

REP. GREEN moved CSHB 506 with individual recommendations and accompanying fiscal notes. No objections were heard; it was so ordered.

"An Act relating to student loans; to sanctions for defaulting on a student loan, including denial of a state occupational license or disbursement of state money; and providing for an effective date."

REPRESENTATIVE CON BUNDE spoke in support of HB 506. He emphasized that the legislation will make the student loan program more viable from a business stand point. He observe that professional and occupational licenses would not be renewed for people that are in default on their student loans. The interest rate would be variable. If an individual's loan has been written off due to medical or other reasons, they would be ineligible for a period of five years. He maintained that Family education loans would be more readily available. He observed that the legislation contains a provision to hold state warrants to individuals in default of their student loan and doing business with the state, until their loan is resolved.

Representative Bunde provided members with a proposed committee substitute, work draft 8-LS1752\D, dated 3/25/94 (copy on file). He explained that the proposed committee substitute addresses the WAMI program medical school arrangement with the state of Washington. He observed that the proposed committee substitute would change the program from a direct grant to a loan with a forgiveness of one fifth of the loan for each year the individual practices medicine in the state of Alaska.

DIANE BARRANS, DIRECTOR, STUDENT FINANCIAL AID PROGRAM, DEPARTMENT OF EDUCATION stressed that the legislation will send a message to borrowers and bondholders that the Commission considers the student loan debt to be a serious obligation. She asserted that the Alaska Student Loan Program should be made as consumer friendly as possible.

Ms. Barrans did not think the Commission would oppose the proposed committee substitute.

ERIC FORRER, MEMBER, POSTSECONDARY EDUCATION COMMISSION spoke in support of the legislation. He noted that the state of Alaska has invested approximately \$500.0 million dollars in the Student Loan Program. He asserted that the Program must be self perpetuating. He spoke in support of rigorous management.

Representative Grussendorf discussed loan repayment. Mr.

Forrer observed that repayments go into the General Fund. The Commission needs legislative authority to spend receipts.

Representative Martin expressed concern that individuals would be deprived of the ability to repay their loan if

their license renewal is denied.

Mr. Forrer noted that individuals in default can negotiate with the Commission to be in good standing. The loan does not have to be repaid in its entirety for the individual to be in good standing. He reiterated that the fund must be managed rigorously to ensure that it continues.

Representative Parnell expressed concern with language specifying default. He asked how the Commission would administer defaults.

Representative Brown asked the long term fiscal soundness of the Fund. She noted that in FY 93, \$7.6 million dollars were forgiven and \$8.4 million dollars were lost through written off loans. She asked if loan repayments are returning to the program.

Ms. Barrans noted that repayments are returned to the Revolving Loan Fund. Legislative authority is needed for expenditure of operational costs. New loans are made from repayments and sales of bond.

Representative Brown expressed concern with section 2 which changes the way interest is calculated.

(Tape Change, HFC 94-113, Side 2)

In response to a questions by Representative Brown, Ms. Barrans stressed that oversight will come from the Board and the Commission and the Legislative Budget and Audit Committee to assure that the administrative cost is efficient. The amount forgiven each year is the amount of statutory obligation on loans made prior to 1987. Write offs are the sum total of death and disability, bankruptcy and major medical. She observed that loan forgiveness has peaked. Write offs will remain constant. She explained that a 1 percent guarantee fee will be added to students' loans to cover write off costs. The fee is a one time fee, added at the time of origination.

Representative Therriault noted that response time from the Commission to student's inquires can be lengthy. A student may be in default before they can resolve disputes with the Commission in regards to payments or other matters.

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Co-Chair MacLean asked if section 10 which allows the state to withhold payments on warrants would withstand litigation.

NANCY BEAR-USERA, COMMISSIONER, DEPARTMENT OF ADMINISTRATION

spoke in support of aggressive management. She noted that repayments on the loan go to pay off the bonds issued for new loans. She expressed concern with the relative autonomy

of the Commission and Corporation Board.

Commissioner Usera noted that the Department is concerned with the provision to withhold payments on warrants. She suggested it would be difficult to administer. She anticipated that the state would be assessed penalties on payments withheld. She noted that the authority to attach payments already exists. She observed that the cost of one lawsuit regarding withheld vender payments could cancel out receipts from collected payments.

Representative Brown questioned if the Department of Administration would be authorized under federal law to use social security numbers in order to track licensees in default.

In response to a question by Representative Martin, Ms. Barrans stated that the Commission will give borrowers plenty of warning that the provisions to deny renewals may affect them.

In response to a question by Representative Parnell, Ms. Barrans explained that the individual's history with the loan program would determine when their license renewal would be approved.

In response to a question by Representative Martin, Ms. Barrans noted that \$8.0 million dollars were garnished through permanent fund dividend checks. She stressed that there is a approximately \$500.0 million dollars in student debt owed the state of Alaska. She emphasized that the portion written off is a small portion of the debt.

Commissioner Usera noted that the Department of Administration's fiscal note for \$57.0 thousand dollars would be zero if sections requiring the holding of vender warrants are removed.

Ms. Barrans discussed the revised fiscal note.

Representative Bunde requested that the proposed committee substitute be held. He explained that he would like to have the WAMI program addressed in separate legislation.

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Representative Brown provided members with AMENDMENT 1 (copy on file). She explained that the amendment would delete the floating interest rate. She suggested that the provision would allow an open ended charging of administrative expenses of the Commission.

Representative Hanley echoed Representative Brown's concern. He suggested that a percentage of administrative costs be included to equal the amount paid on bonds issued plus a maximum of 2 percent.

Commissioner Usera noted that financial institutions

commonly charge a 2 percent spread on the cost of money versus the return on money to pay for administrative overhead.

Amendment 1 was held for revision to include suggestions that administrative costs be tied to a percentage of the amount paid on bonds.

Representative Brown provided members with AMENDMENT 2 (copy on file). She explained that the amendment would require that the borrower receive adequate notice that the Commission is proceeding to notify the Department of Commerce and Economic Development that the loan is in default. The borrower would have 60 days to take action to bring the loan current or make other arrangements.

Representative Parnell noted that another term is being added to the contract between the Postsecondary Education Commission and the student. Ms. Barrar stated that the Commission could comply with Amendment 2 through an attachment to the 120 day letter. She stressed that the Commission intends to notify the borrower of the statute changes in multiple ways.

Representative Brown MOVED to ADOPT AMENDMENT 2. There being NO OBJECTION, it was so ordered.

Representative Brown provided members with AMENDMENT 3 (copy on file). She noted that the amendment would add to page 2, line 17, "if the borrower has an occupational license issued under AS 08. the license may not be renewed under AS 08.02.025." Representative Brown MOVED to ADOPT AMENDMENT 3. There being NO OBJECTION, it was so ordered.

Representative Brown provided members with AMENDMENT 4 (copy on file). She explained that Amendment 4 would delete sections requiring the Department of Administration to withhold vendor payments (sections 3 (c) and 9 and 10). Representative Brown MOVED to ADOPT AMENDMENT 4. There

7

being NO OBJECTION, it was so ordered.

Representative Martin MOVED to delete section 1. He asserted that the provision to deny renewal of licensing discriminates against individuals with state licenses. He pointed out that other individuals could continue to be employed even if they are in default of their student loans.

Representative Hanley emphasized that the Department of Commerce and Economic Development will give individuals in default a grace period to bring their loan into good faith.

A roll call vote was taken on the motion to delete section 1.

IN FAVOR: Martin, Foster

OPPOSED: Brown, Grussendorf, Hoffman, Parnell, Therriault,
Larson, MacLean

Representative Navarre was not present for the vote.

The MOTION FAILED (2-8).

Representative Davidson referred to the Family Education Loan Program. He questioned if borrowers, who are residents of the state, should be able to apply for students, who are not residents of the state.

Ms. Barrans noted that the resident borrower would be allowed to apply for their children residing outside of the state. Representative Davidson clarified his intention as the sponsor of the Family Education Loan Program. He stated that his intention was that a family would co-sign a loan. Co-Chair MacLean noted that "Alaskan resident" could be added to "family member" on line 30, page 5. Co-Chair Larson spoke against the change. He stressed that the resident is obtaining benefits from the loan.

HB 506 was HELD in Committee for further discussion.

POSITION PAPER ON HOUSE BILL 506

Alaska Commission on Postsecondary Education

March 3, 1994

House Bill 506--an act relating to student loans and to sanctions for defaulting on a student loan--has been introduced by the House Committee on Health, Education and Social Services at the request of the Alaska Commission on Postsecondary Education (ACPE). The legislation has been crafted to address several significant problems encountered in the administration of the Alaska Student Loan program: specifically, the need to protect an eroding capital base by increasing loan repayment and by lending at rates which reflect costs of capital.

This paper provides the context within which the bill should be considered as well as the rationale for each of the sections.

BACKGROUND

The Alaska Student Loan Program (ASL) began in 1971 as a student assistance program supported by the state General Fund. The program grew out of a widely-expressed desire that the state's new oil wealth be used, in part, to increase educational opportunities for Alaska students. For the first decade and a half, the program was generously supported by general fund appropriations. However, as oil prices and state oil revenues declined, full state funding could no longer be assured and a separate state entity--the Alaska Student Loan Corporation--was established by the legislature to raise alternative financing in the form of tax-exempt bonding. Since the first bond sale in spring of 1988, the Corporation has raised more than \$250 million in private capital markets to support student loans.

Over its 20 plus years of existence, the ASL program has undergone numerous legislative changes:

- loan maximums have been raised from \$2,500 to \$5,500 for undergraduate study;
- loan interest rates have increased from 5% to 8%;
- the loan repayment period has been extended from 6 to 10 years; and
- forgiveness benefits for those borrowers returning to the state have gone from 40% to 50% and then to zero.

By and large, program changes from 1971 to 1986 were made to benefit students by providing easier access to larger amounts of postsecondary education aid. Although the program was originally created as a revolving loan fund, provisions such as forgiveness and interest subsidies while the student remained in school assured that the fund could not continue without infusions of state support. In 1986, forgiveness benefits were ended and interest subsidies were reduced in an attempt to cut back--but not eliminate--this drain on state resources.

With the advent of private funding through tax-exempt bonds, the ASL began to shift from a student-centered program to one responsible to bondholders. Loan conditions which resulted in losses to fund principle or to earned interest--such as forgiveness provisions and in-school interest subsidies--could be continued only with state general fund appropriations to replace losses. Although such appropriations did continue through FY92, the amount of the appropriation was never related to the losses incurred by mandated loan conditions. Today, the fund receives no state support. Thus, the student loan fund continues to expense forgiveness and interest subsidy benefits with no compensating revenue source.

Bad debts are a further drain on the capital base. The program has succeeded in reducing its default rates from the high levels of the mid-1980's; however, it continues to write off a portion of its portfolio as non-performing. In addition, some loans must be canceled because of death or disability of the borrower. The following table shows the annual and cumulative effect of the forgiveness and write off provisions since the program transitioned to bond funding.

Table 1
Losses to the Alaska Student Loan Fund

Fiscal Year	Forgiveness	Loan write offs
FY88	\$5,612.5	\$500.0
FY89	\$6,050.6	\$800.0
FY90	\$6,598.2	\$5,001.0
FY91	\$8,801.4	\$6,426.3
FY92	\$7,894.8	\$6,753.0
FY93	\$7,675.9	\$8,454.8
Total	\$42,633.4	\$27,935.1

A further erosion of the fund occurs because the statutorily-set interest rate on loans (8% simple interest since FY87) has, until this current year, resulted in a gap between the effective rate on loans and the true cost of capital. For a typical college student who borrows for four years, the effective rate over all of the loans is 5.8% because interest is deferred while the student is in school. The following table displays the difference between the bond rates and the interest received on a four-year collegiate loan.

Table 2
Difference Between Cost of Capital
to Program and to Borrower

School Year	True Interest Rate on Bonds	Effective Interest Rate on 4-year Loan	Difference (Subsidy)
1988/89	8.4%	5.8%	-2.6%
1989/90	8.1%	5.8%	-2.3%
1990/91	7.3%	5.8%	-1.5%
1991/92	6.7%	5.8%	-0.9%
1992/93	6.0%	5.8%	-0.2%
1993/94	5.5%	5.8%	0.3%

At the present borrowing rate, effective interest just covers the cost of capital for the most recent bond sale; however, it does not allow the fund to recover any loan awarding and servicing costs. In earlier days, administrative costs were supported by general fund appropriations. Since FY88, however, these program costs have been taken from program receipts--that is, from repayments on prior loans.

A recent legislative audit of the Alaska Student Loan Program¹ recognizes the changed fiscal situation of the program and the strains that earlier legislation and state policy have placed on maintaining fund viability. The report recommends that the loan fund be secured. The proposed legislation seeks to follow that recommendation by recognizing the true cost of capital, accounting for reasonable administrative expenses and increasing penalties for non-repayment of loans.

¹ Division of Legislative Audit, *Alaska Student Loan Corporation Organizational and Operational Efficiency and Alternatives*, October 28, 1993 (Audit Control No. 05-4466-94). The findings were echoed by the Legislative Research Agency in *Privatizing the Alaska Student Loan Program*, a January 4, 1994 research report prepared at the request of Rep. Mark Hanley (Research Request 94.068)

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CS HB 506 (FIN) am

Revision Date: 04 -18- 94
 Title: An Act relating to student loans;to sanctions
for defaulting on a student loan, including denial of a state . . .
 Sponsor: House HESS by Request
 Requestor: Senate HES Committee

Dept Affected: Alaska Commission on Postsecondary Education
 BRU: Alaska Student Loan Corporation.
 Component: Student Loan Program

COMPONENT SERIAL NO. 218

Expenditures/Revenues

(thousands)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	99.7	91.7	91.7	91.7	91.7	91.7
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	99.7	91.7	91.7	91.7	91.7	91.7

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES (1022)	1,408.3	1,451.9	1,534.2	1,621.5	1,714.3	1,812.6
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FUND SOURCE

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other Fund 1022	99.7	91.7	91.7	91.7	91.7	91.7
TOTAL	99.7	91.7	91.7	91.7	91.7	91.7

0.0

Estimate of any current year (FY94) costs (\$): _____

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS (Attach a separate page if necessary): Fiscal analysis of this bill is presented by bill section:

Section 1: this section directs Alaska Department of Commerce and Economic Development to withhold renewal of professional licenses upon notice from ACPE that a person has defaulted on an Alaskan Student Loan. Estimated cost to the ACPE to provide such notice:

FY95	FY96	FY97	FY98	FY99	FY00
0.0	0.0	0.0	0.0	0.0	0.0

(continued on reverse)

Prepared by: Diane M. Barrans
 Division: Alaska Commission on Postsecondary Education

Phone Number: (907) 465-6743
 Date: 4/18/94

Approved by Commissioner: Joe L. McCornick, Executive Director
 Agency: Alaska Commission on Postsecondary Education

Date: 4/18/94

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Section 2: this section creates a variable interest rate that is tied to the cost of money.

NO Fiscal Impact. Zero (0) fiscal note.

Section 3: this section amends the provisions defining the actions of the Commission if a loan is in default.

NO Fiscal Impact. Zero (0) fiscal note.

Section 4: this section provides for loan consolidation.

NO Fiscal Impact. Zero (0) fiscal note.

Section 5: this section changes eligibility for ASL if applicant has had a previous loan discharged through bankruptcy proceedings.

NO Fiscal Impact. Zero (0) fiscal note.

Section 6: this section provides for assignment of wages on a defaulted loan.

NO Fiscal Impact. Zero (0) fiscal note.

Section 7 and Section 8: these sections amend the requirements for family education loans.

NO Fiscal Impact. Zero (0) fiscal note.

These changes to the loan servicing will create significant opportunities for operational efficiencies and, more importantly, enhance the collection efforts of the program and increase the flow of student loan receipts. The following estimate of increased receipts as a result of these changes is based upon the following assumptions: 1) collection on defaulted loans increases 5 percent per year as a result of the assignment of wages and Commerce's withholding on renewal of professional licenses; 2) loan consolidation will reduce the number of loans going into default by 15 percent; and 3) loan consolidation will improve collection (accounts not going into default) by 2 percent per year.

Estimated increased revenues to the Corporation:

	in thousands					
	FY95	FY96	FY97	FY98	FY99	FY00
1) Increased collection vendor	208.3	215.9	235.7	257.3	281.0	306.8
2) loan consolidation	<u>1,200.0</u>	<u>1,236.0</u>	<u>1,298.5</u>	<u>1,364.2</u>	<u>1,433.3</u>	<u>1,505.8</u>
Total	1,408.3	1,451.9	1,534.2	1,621.5	1,714.3	1,812.6

Costs based on interagency RSA with Department of Commerce and Economic Development.

POSITION PAPER ON CSHB506(FIN) am

Alaska Commission on Postsecondary Education

April 15, 1994

House Bill 506--an act relating to student loans and to sanctions for defaulting on a student loan--was introduced by the House Committee on Health, Education and Social Services at the request of the Alaska Commission on Postsecondary Education (ACPE). The legislation has been crafted to address several significant administrative problems of the Alaska Student Loan program specifically, the need to protect an eroding capital base by increasing loan repayment and by lending at rates which reflect costs of capital.

This paper provided the context within which the bill should be considered as well as the rationale for each of the sections.

BACKGROUND

The Alaska Student Loan Program (ASL) began in 1971 as a student assistance program supported by the state General Fund. The program grew out of a widely-expressed desire that the state's new oil wealth be used, in part, to increase educational opportunities for Alaska students. For the first decade and a half, the program was generously supported by general fund appropriations. However, as oil prices and state oil revenues declined, full state funding could no longer be assured and a separate state entity--the Alaska Student Loan Corporation--was established by the legislature to raise alternative financing in the form of tax-exempt bonding. Since the first bond sale in spring of 1988, the Corporation has raised more than \$250 million in private capital markets to support student loans.

Over its 20 plus years of existence, the ASL program has undergone numerous legislative changes;

- loan maximums have been raised from \$2,500 to \$5,500 for undergraduate study;
- loan interest rates have increased from 5% to 8%;
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- forgiveness benefits for those borrowers returning to the state have gone from 40% to 50% and then to zero.

By and large, program changes from 1971 to 1986 were made to benefit students by providing easier access to larger amounts of postsecondary education aid. although the program was originally created as a revolving loan fund, provisions such as forgiveness and interest subsidies while the student remained in school assured that the fund could not continue without infusions of state support. In 1986, forgiveness benefits were ended and interest subsidies reduced in an attempt to cut back--but not eliminate--this drain on state resources.

With the advent of private funding through tax-exempt bonds, the ASL began to shift from a student-centered program to one responsible to bondholders. Loan conditions which resulted in losses to fund principle or to earned interest--such as forgiveness provisions and in-school interest subsidies--could be continued only with state general fund appropriations to replace losses. Although such appropriations did continue through

FY92, the amount of the appropriation was never related to the losses incurred by mandate loan conditions. Today, the fund receives no state support. Thus, the student loan fund continues to expense forgiveness and interest subsidy benefits with no compensating revenue source.

Bad debts are a further drain on the capital base. The program has succeeded in reducing its default rates from the high levels of the mid-1980's; however, it continues to write off a portion of its portfolio as non-performing. In addition, some loans must be canceled because of death or disability of the borrower. The following table shows the annual and cumulative effect of the forgiveness and write off provisions since the program transitioned to bond funding.

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A further erosion of the fund occurs because the statutorily-set interest rate on loans (8% simple interest since FY87) has, until this current year, resulted in a gap between the effective rate on loans and the true cost of capital. For a typical college student who borrows for four years, the effective rate over all of the loans is 5.8% because interest is waived while the student is in school. The following table displays the difference between the bond rates and the interest received on a four-year collegiate loan.

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servicing costs. In earlier days, administrative costs were supported by general fund appropriations. Since FY88, however, these program costs have been taken from program receipts--that is, from repayments on prior loans.

A recent legislative audit of the Alaska Student Loan Program¹ recognizes the changed fiscal situation of the program and the strains that earlier legislation and state policy have placed on maintaining fund viability. The report recommends that the loan fund be secured. The proposed legislation seeks to follow that recommendation by recognizing the true cost of capital, accounting for reasonable administrative expenses and increasing penalties for non-repayment of loans.

SECTIONAL ANALYSIS

Section 1 prohibits the Department of Commerce and Economic Development from renewing an occupational or professional license if the licensee is in default on an Alaska student loan. ACPE must notify the Department of defaulting borrowers. This section also provides for continuation of a license in the event that the borrower has a pending appeal of this action.

Rationale: Borrowers who have received state support for education or training leading to a occupational/professional license must honor their loan repayment obligations. The legislation allows the original license to be issued in order that the borrower may earn the income necessary to repay the loan. If repayment is not made in a consistent and timely manner, however, the borrower should not continue to benefit from the state's investment. It should also be noted that there currently are mechanisms in place such as unemployment deferment and hardship payment schedules to accommodate borrowers experiencing financial difficulties. This sanction is targeting those borrowers who fail to respond to any attempt to work with the Commission and must be transferred to collection agencies for more aggressive action on their defaulted account.

Section 2 ties the interest rate on a student loan to 1) the cost of the private capital backing that loan and 2) the administrative expense of disbursing and servicing the loan.

Rationale: The present interest rate of 8% bears no relationship to either the interest paid on bonds or the cost of running the loan program. today's capital market provides a very advantageous rate to tax-exempt bond issuers. Savings from low rates should benefit students. By the same token, in times of higher rates, the costs must be passed on to the borrowers if the fund is to remain sound.

Section 3 directs the Commission to notify the Department of Commerce and Economic Development when a borrower is in default.

Rationale: Since this department is charged with withholding license renewal, it is the Commission's responsibility to provide timely notification of default status.

¹ Division of Legislative Audit, *Alaska Student Loan Corporation Organizational and Operational Efficiency and Alternatives*, October 28, 1993 (Audit Control No. 05-4466-94). The findings were echoed by the Legislative Research Agency in *Privatizing the Alaska Student Loan Program*, a January 4, 1994 research report prepared at the request of Rep. Mark Hanley (Research Request 94.068).

Section 4 specifies that the Commission "ensures that the rate of interest is as low as possible without precluding" their ability to properly administer the loans and places a cap of 2.5% on that portion of the interest rate which is charged for administrative costs.

Rationale: This language provides incentive to loan administrators to operate loan servicing as efficiently and economically as possible by statutorily limiting the interest allowance available to cover loan origination and loan servicing expenses. This allowance does not cover losses to ASL funds due to forgiveness benefits and loan loss due to defaults.

Section 5 allows the Commission to consolidate a borrower's or a married couple's loans. Married borrowers must agree to be jointly and severally liable for repayment and the loan is not forgiven on the death of one of the borrowers.

Rationale: The existing loan portfolio is composed of varying conditions and interest rates, as shown in the following table.

TABLE 3
Difference Between Cost of Capital
to Program and to Borrower

Type of Loan	Percent of Portfolio
5% interest	27%
8% with no grace year interest	13%
8% with grace year interest	60%

Each loan is accounted for separately. Borrowers are often confused by the billing statement and by the apportionment of the monthly payment across the various loans. In some cases, a borrower may choose to pay off a higher interest loan more rapidly than a lower interest one. In order to split payment in such cases, staff must enter the payment manually. approximately one and three-quarters FTE staff Time is directed to manual posting of these payments each month. Because the loan consolidation will be eliminated. However, borrowers will be encouraged to take the option and a significant decrease in special payments is anticipated.

Section 6 excludes from eligibility any borrower who has had a previous loan written off by the Commission within the previous five years.

Rationale: Currently, a borrower can have a student loan written off if the borrower is certified as 50% or more permanently disabled by two doctors or if a loan has been discharged by a bankruptcy proceeding. Nothing in present statute prohibits a borrower from applying for and obtaining a new loan immediately. The proposed language would close this loop hole.

Section 7 allows the courts to assign to the Commission a portion of a defaulter's wages.

Rationale: Wage assignment is a powerful tool for enforcing loan repayment. In many cases, the threat of withholding wages is sufficient to encourage repayment. Where an assignment has been made, the loan fund benefits from at least partial payments. While wage garnishment can be done currently, this language would streamline the legal process by having the order included in the initial judgment by a court rather than having to request that by a separate action.

Section 8 applies the one-year residency requirement for Family Education Loans (FEL) to the borrower rather than the student.

Rationale: The Commission frequently encounters situations where a separated or divorced Alaskan resident parent wishes to borrow on behalf of a child for whom he/she does not have physical custody. In these cases, the parent with custody is often not a resident. The intent of the FEL program was to encourage parents to assist in funding a child's postsecondary education. FEL borrowers are generally very credit worthy and the default rate on these loans is only 4%. Therefore, it is in the best interests of the loan program to expand participation in this program to eligible Alaskans.

Section 9 deletes the requirement that an FEL can be made only on the behalf of a child who has been claimed as a dependent for federal tax purposes.

Rationale: Many potential FEL participants wish to borrow for children who are no longer claimed as dependents but who still need assistance in pursuing postsecondary education goals. Additionally, some parents object to sharing federal tax information with the loan program. The proposed changes would further encourage family responsibility and would provide relatively secure assets for the loan program without violating the financial privacy of the borrower.

CONCLUSION

The Commission supports CSHB 506(FIN) am because it provides the tools for fiscally-responsible management of the Alaska Student Loan program. Without the provisions of this bill, the fund will continue to erode. With it will erode the higher education opportunities for the coming generations of Alaskan students. Adoption of this bill will also strengthen our financial standing with New York bond firms such as AMBAC, Standard & Poors, and Moody's.

SENATE COMMITTEE REPORT

John

DATE: 4/15/94

FURTHER: Finance

DATE TURNED INTO OFFICE: 4/30/94

HES Committee considered CS FOR HOUSE BILL NO. 506(FIN) am

"An Act relating to student loans; to sanctions for defaulting on a student loan, including denial of a state occupational license; and providing for an effective date."

and recommends:

and report it back as follows

- replace with _____ CS _____
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

*Ed's
80% in '93*

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
AK Com on Postsecondary	4/15/94		99.7
Administration	4/15/94	✓	

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
AK Com on Postsecondary	4/15/94		157.2

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

(3) *Lowell A. ...*
Sen. ...

(2) *Mike Miller No Rec*
Ed. ... No Rec

Do Not Pass

НВ

507

HFIN

FILE

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 507(HES)

Page 1, line 6 after "lincensure":

Delete "may"

Insert "shall"

Page 1, line 6 after "person":

Insert "or by telephone"

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

STATE CAPITOL, JUNEAU 99801
(907) 465-3759



HB 507

An Act relating to licensure by the State Medical Board and temporary permits for certain optometrists.

This bill was introduced by the House FESS Committee by the request of the State Medical Board and the Alaska Optometric Association.

Section 1 addresses the concerns of the State Medical Board for interviewing applicants for licensure in person. They would like it to be expanded to "the board or its designated representative". This would lessen the cost in time, money, and inconvenience for applicants who wish to practice medicine in the state.

Section 2 deals with granting a temporary permit for locum tenens for the purpose of providing temporary medical coverage for an underserved area as approved by the board.

Under current statute, locum tenens permits may only be issued to physicians who are substituting for an absent physician. With this change, a temporary permit may be issued to a physician who will be practicing in an area that does not have a regular, resident physician.

In Section 3 of this bill, a locum tenens permit may be issued to a nonresident optometrist for the purpose of assisting or substituting for an optometrist licensed under AS 08.72.

Alaska has a lot of solo practitioners in remote and semi-remote areas of the State. If the practitioner becomes injured, seriously ill or must leave temporarily, he presently must close down his clinic. This can bring a hardship to his patients, especially if the time away extends to several months.

Also, outside specialists in subnormal vision, visual therapy, etc, can be scheduled to assist local doctors where specialty care does not now exist.

I urge your favorable consideration of this legislation.

SPONSOR STATEMENT

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 11, 1994

FURTHER REFERRALS:

Date of Committee Action: _____

The FINANCE Committee considered:

HB 507

HOUSE BILL NO. 507

LICENSING OF OPTOMETRISTS AND PHYSICIANS

"An Act relating to licensure by the State Medical Board and temporary permits for certain optometrists."

RECOMMENDATIONS:

be replaced with (S HB 507 (FIN)) [X] the same title [] a new title

[] have attached amendments(s)

[] do pass

[] do not pass

[] no recommendations

[X] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal impact _____

[X] fiscal note(s) DCED 3/2/94

[] zero fiscal note _____

[] zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>E. P. Maclean</i> Maclean					
<i>Richard J. Hanson</i> Hanson	X				
<i>Tom Hoff</i> Hoffmann	X				
		<i>Mark Hanley</i> Hanley		X	
		<i>Karl R. Palmer</i> Palmer		X	
		<i>Terry Martin</i> MARTIN		X	

Richard J. Hanson *E. P. Maclean*
CO CHAIRMAN'S SIGNATURE Maclean

**REPORTED OUT OF
HFC FISCAL NOTE**

No. 1
 Bill Version: CSHB 507 (HES)
 (H) Publish Date: 3/2/94

**STATE OF ALASKA
 1994 LEGISLATIVE SESSION**

Revision Date: 2/25/94
 Title: An Act relating to licensure by the
 State Medical Board....
 Sponsor: House HES
 Requestor: House HES

Department: Commerce and Economic Dev.
 BRU: Occupational Licensing
 Component: Operations
 COMPONENT SERIAL NO. 1844

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	2.5					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	2.5	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts	2.5					
1006 GF/MHTIA						
Other						
TOTAL	2.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 94) cost: \$ None

POSITIONS

POSITIONS	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

The bill provides for a designee of the State Medical Board to interview an applicant for licensure and expands the purpose of a medical temporary permit. -The bill also creates a locum tenens permit for nonresident optometrists. The bill calls for the State Medical Board and the Board of Examiners in Optometry to adopt regulations to define new phrases. The expenditures shown above are the estimated costs of the regulations projects and additional printing costs when the regulations become effective.

Prepared by: JoAnne Cummings, Regulations Specialist
 Division: Occupational Licensing
 Approved by Commissioner: Paul Fuhs
 Agency: Commerce and Economic Development

Phone: 465-2537
 Date: 2/25/94
 Date: 2-28-94

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COMMITTEE COPY

Proposed revision to statute from a previous Board meeting:

PROPOSED REVISIONS TO STATUTES

New Agenda Item: Rework AS 08.64.255 Interview Required

Current Wording:

All applicants for licensure must be interviewed in person by at least one member of the board before a license will be issued.

Proposed Wording:

All applicants for licensure must be interviewed in person by at least one member of the board or its designated representative before a license will be issued.

Rationale:

Given the large geographical area of the state and the considerable expense involved in travelling this great expanse, this statute as currently worded often places an onerous burden on the applicant for licensure.

By inserting the words "... or its designated representative" interviews may be conducted by actively licensed physicians who have been previously approved by the Board. This will lessen the cost in time, money, and inconvenience for applicants who wish to practice medicine in the state.

1479M

*** * D R A F T * ***

Agenda Item 14: Reword Sec. 08.64.275(a)

"Temporary permit for locum tenens practice.

Current Wording:

A member of the board or its executive secretary may grant a temporary permit to a physician or osteopath for the purpose of substituting for another physician or osteopath licensed in this state.

Proposed Wording:

A member of the board or its executive secretary may grant a temporary permit to a physician or osteopath for the purpose of substituting for another physician or osteopath licensed in this state or for the purpose of providing temporary medical coverage for an underserved area as approved by the board.

Rationale:

Many remote Alaskan communities do not have medical services available to them within the community. In many cases, there has never been a physician located in these areas. To provide periodic medical services, the Board wishes to amend this section of the statute to allow locum tenens physicians to practice for limited periods of time (locum tenens licenses are 60-day permits) in remote, underserved areas with the knowledge, scrutiny, and approval of the Board.

Under the current wording, locum tenens permits may only be issued to physicians who are substituting for an absent physician. With the revised wording, a temporary permit may be issued to a physician who will be practicing in an area that does not have a regular, resident physician.

The licensing approval process is not quite as rigorous for a locum tenens as it is for a full licensure; however, the essential elements of the individual's record are required the same as for full licensure and are carefully scrutinized. These elements include proof of education, residency or internship, FSMB approval, and at least one verification from another state where the physician is licensed.

1466M

PROPOSED:

Sec. 08.xxxxx Temporary permit for locum tenens practice:
(a) A member of the board of examiners in Optometry may grant a temporary permit to an optometrist for the purpose of assisting or substituting for another optometrist licensed in this state. The office employing a Locum Optometrist must be an established practice, and the Locum employed by a resident Alaska licensed optometrist who owns and practices full time in that practice. The permit is valid for sixty (60) consecutive days. If circumstances warrant, an extension of the permit may be granted by the board.

(b) A Locum Optometrist applying under (a) of this section shall pay the required fee and shall meet the requirements of AS 08.72-140. In addition, the optometrist shall submit evidence of holding a license to practice optometry in a state or territory of the United States or in a province or territory of Canada.

(c) Within ten (10) days after the permit has been granted, the board member shall forward to the department a report of the issuance of the permit.

(d) Permits and extensions of permits issued under this section to an individual are not valid for more than 240 (two hundred forty) consecutive days during any consecutive 12 (twelve) months.

RATIONALE:

Alaska has a lot of solo practitioners in remote and semi-remote areas of the State. If the practitioner becomes injured, seriously ill or must leave temporarily, he presently must close down his clinic. This can bring a hardship to his patients.

Also, outside specialists in subnormal vision, visual therapy etc. can be scheduled to assist local doctors where specialty care does not now exist.

The Locum Tenens statute would allow a temporary permit be issued to a nonresident optometrist for the purpose of assisting or substituting for an optometrist licensed under this chapter.

Sec. 08.72.115. Malpractice insurance. [Repealed. § 40 ch 117 SLA 1978.]

Sec. 08.72.120. Registration. [Repealed § 9 ch 50 SLA 1988.]

Sec. 08.72.125. Licensing of branch offices. (a) The board shall license each branch office of an Alaskan licensee.

(b) A person may not practice, or attempt or offer to practice, optometry without obtaining a license for each branch office from the board.

(c) The board shall prescribe in the regulations the factors to be considered in issuing a branch office license. (§ 2 ch 76 SLA 1969; am § 9 ch 75 SLA 1980; am § 12 ch 37 SLA 1986; am § 4 ch 50 SLA 1988)

Effect of amendments. — The 1988 amendment, effective May 26, 1988, substituted "Licensing" for "Registration" in the catchline, rewrote subsection (a), which read "The board shall issue a branch office certificate of registration to an Alaskan licensee," and substituted

"without obtaining a license for each branch office" for "in communities on a part-time basis without obtaining a branch office certificate of registration" in subsection (b) and "license" for "certificate of registration" in subsection (c).

Sec. 08.72.130. Optometry register. [Repealed. § 13 ch 37 SLA 1986.]

Sec. 08.72.140. Qualifications for examination. The board shall admit to the examination a person who furnishes proof that the person

(1) has a visual acuity of a standard of at least 20/40 in at least one eye as corrected;

(2) is not afflicted with a contagious or infectious disease;

(3) has had education equivalent to four years attendance at a state high school;

(4) is a graduate of a recognized school or college of optometry. (§ 35-3-141 ACLA 1949; am § 1 ch 95 SLA 1966; am §§ 3 — 5 ch 76 SLA 1969; am §§ 10, 23 ch 75 SLA 1980)

Sec. 08.72.150. Application for examination and issuance of license. An applicant shall apply for the examination by filing an application with the department together with the examination fee at least 15 days before the examination. Upon successful completion of the examination by the applicant and payment of the license fee, the board shall issue a license to the successful applicant. The applicant may practice optometry in the state upon receipt of the license. (§ 35-3-141 ACLA 1949; am § 6 ch 76 SLA 1969; am § 5 ch 50 SLA 1988)

(7)
Date Referred: March 2, 1994

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/10/94

The LABOR AND COMMERCE Committee considered:

HB 507

HOUSE BILL NO. 507

LICENSING OF OPTOMETRISTS AND PHYSICIANS

"An Act relating to licensure by the State Medical Board and temporary permits for certain optometrists."

RECOMMENDATIONS: the same title
be replaced with _____ a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) Commerce

zero fiscal note _____

zero fiscal note(s) _____

SIGNING <u>DO PASS</u>	DP	<u>OTHER</u> RECOMMENDATIONS	DNP	NR
<u>Bill Hudson</u>	✓	<u>Brian Porter</u>		✓
		<u>Putton</u>		✓
		<u>[Signature]</u>		✓
		<u>[Signature]</u>		✓
		<u>[Signature]</u>		✓

Bill Hudson
CHAIRMAN'S SIGNATURE

HOUSE COMMITTEE REPORT

(9) Date Referred: February 16, 1994 FURTHER REFERRALS: Labor & Commerce

Date of Committee Action: 3/1/94

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: HB 507

HOUSE BILL NO. 507 LICENSING OF OPETOMETRISTS AND PHYSICIANS

"An Act relating to licensure by the State Medical Board and temporary permits for certain optometrists."

RECOMMENDATIONS: be replaced with CS HB 507 (HESS) [X] the same title [] a new title

[] have attached amendments(s)

[X] do pass

[] do not pass

[] no recommendations

[] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[X] fiscal impact CED

[] fiscal note(s)

[] zero fiscal note

[] zero fiscal note(s)

Table with columns: SIGNING DO PASS, DP, OTHER RECOMMENDATIONS, DNP, NR, AM. Includes handwritten signatures and checkmarks.

Chairman's Signature: Car Brundage

HEB

507

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

CR ✓
FN ✓

DATE: 5/2/94

FURTHER:

DATE TURNED INTO OFFICE: 5-4-94

The Finance Committee considered **CS FOR HOUSE BILL NO. 507(FIN)**

"An Act relating to licensure by the State Medical Board and temporary permits for certain optometrists."

and recommends:

- replace with _____ CS _____ (FINANCE)
- or adopt previous S CS CS HB 507 (HEB)
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
DELED	2/28/94		2.5

Appropriation No Fiscal Note

DO PASS:

Twin Kelly
Steve R.
Butler
Best Sharp

OTHER RECOMMENDATIONS:

1. Do Pass
 Co-Chair: Signature/ Recommendation

2. True/Leuce 10/2000
 Co-Chair: Signature/ Recommendation

FISCAL NOTE

No. 1
 Bill Version: CSHB 507 (HES)
 (H) Publish Date: 3/2/94

**STATE OF ALASKA
 1994 LEGISLATIVE SESSION**

Revision Date: 2/25/94 Department: Commerce and Economic Dev.
 Title: An Act relating to licensure by the BRU: Occupational Licensing
State Medical Board.... Component: Operations
 Sponsor: House HES
 Requestor: House HES COMPONENT SERIAL NO. 1844

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	2.5					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	2.5	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
--------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE	(Thousar)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts	2.5					
1006 GF/MHTA						
Other						
TOTAL	2.5	0.0	0.0	0.0	0.0	0.0

Changes in Senate CS CSHB 507 (HES)
 reflect **NO FISCAL CHANGE** from the original
 fiscal note. This fiscal note is appropriate.
5/2/94 bah
 date Comte Aide (initial)

Estimate of any current year (FY 94) cost: \$ None

POSITIONS	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

The bill provides for a designee of the State Medical Board to interview an applicant for licensure and expands the purpose of a medical temporary permit. -The bill also creates a locum tenens permit for nonresident optometrists. The bill calls for the State Medical Board and the Board of Examiners in Optometry to adopt regulations to define new phrases. The expenditures shown above are the estimated costs of the regulations projects and additional printing costs when the regulations become effective.

Prepared by: JoAnne Cummings, Regulations Specialist Phone: 465-2537
 Division: Occupational Licensing Date: 2/25/94
 Approved by Commissioner: Paul Fuhs Guy Bellor Date: 2-28-94
 Agency: Commerce and Economic Development

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SENATE COMMITTEE REPORT

DATE: 4/13/94

FURTHER: Finance

DATE TURNED INTO OFFICE: 5/2/94

HESS Committee considered CS FOR HOUSE BILL NO. 507(FIN)

"An Act relating to licensure by the State Medical Board and temporary permits for certain optometrists."

and recommends it be replaced with

and recommends:

- replace with Senate CS CS HB 507 (HES)
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

and report it back as follows

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
Commerce + Econ Dev	2/3/94		2.5

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

Mike Miller No Rec

James J. Leman No Rec

Best Sharp N R

(D) Steve Rein Do Pass

Chair Signature and Date

FN

HB

510

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: February 18, 1994

FURTHER REFERRALS:

Date of Committee Action: 4/11/94

The FINANCE Committee considered:

HB 510

HOUSE BILL NO. 510

APPROP: U OF AK. LABOR AGREEMENT

"An Act making appropriations to satisfy the agreed-upon monetary terms of a collective bargaining agreement for certain employees of the University of Alaska; and providing for an effective date."

- RECOMMENDATIONS: the same title
 be replaced with _____ a new title
 have attached amendments(s)
 do pass
 do not pass
 no recommendations
 individual recommendations
 additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>EP Maclean</i> Maclean	✓				
<i>Ronald J. Larson</i> Larson	X				
<i>Larry Martin</i> Martin	✓	<i>Mark Hanley</i> Hanley		X	
<i>Ben Grussendorf</i> Grussendorf	X	<i>Sean Parnell</i> Parnell		X	
<i>Tim Brown</i> Brown	✓				

CHAIRMAN'S SIGNATURE

HOUSE BILL NO. 510

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/18/94

Referred: Finance

Funding Information:	General Fund	\$433,500
	Other Funds	<u>327,000</u>
		\$760,500

A BILL

FOR AN ACT ENTITLED

1 "An Act making appropriations to satisfy the agreed-upon monetary terms of a
 2 collective bargaining agreement for certain employees of the University of Alaska;
 3 and providing for an effective date."

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

5 * Section 1. The sum of \$253,500 is appropriated to the University of Alaska for a three
 6 percent salary adjustment to satisfy the monetary terms of the collective bargaining agreement
 7 entered into with the Alaska Community College Federation of Teachers bargaining unit for
 8 the period January 1, 1994, through June 30, 1994, from the following sources:

9	SOURCE	AMOUNT
10	Federal receipts	\$ 8,000
11	General fund	144,100
12	General fund/mental health trust	400
13	Student tuition/fees/services	83,600
14	Indirect cost recovery	300

1 University receipts 17,100

2 * Sec. 2. The sum of \$507,000 is appropriated to the University of Alaska for a three
3 percent salary adjustment to satisfy the monetary terms of the collective bargaining agreement
4 entered into with the Alaska Community College Federation of Teachers bargaining unit for
5 the fiscal year ending June 30, 1995, from the following sources:

6	SOURCE	AMOUNT
7	Federal receipts	\$ 16,000
8	General fund	288,200
9	General fund/mental health trust	800
10	Student tuition/fees/services	167,000
11	Indirect cost recovery	800
12	University receipts	34,200

13 * Sec. 3. The unexpended and unobligated balance of the appropriation made by sec. 1 of
14 this Act lapses into the funds from which it was appropriated, June 30, 1994.

15 * Sec. 4. The unexpended and unobligated balance of the appropriation made by sec. 2 of
16 this Act lapses into the funds from which it was appropriated, June 30, 1995.

17 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

To: Alaska House Finance Committee
From: Eric Leegard, UAS-ACCFT Campus Representative
3/8/94

My Background:

1. Teaching faculty at UA for 15 1/2 years
2. Member of ACCFT (Alaska Community College Federation of Teachers) for all that time and
3. ACCFT Campus Representative for probably 10 years.
Previously sharing those duties with Art Peterson, Mike McComas, and Dick Hand for the first five years.
4. I was hired as an instructor at JDCC, lived through the various reorganizations: UAJ, with and without the comma, was campus representative for the years the University wouldn't recognize us.
5. I consider the ACCFT the only statewide professional organization that University instructors have.

Called upon last night by Ralph McGrath, president of ACCFT to give a presentation in his absence.

Two Topics:

1. Equity:

We wish to have the same ~~remuneration~~ ^{compensation} as other University employees. Pardon the colloquialism, but it's a fine kettle of fish when ACCFT member are reduced from being leaders in working for better working conditions and wages to asking to be treated equally to those who only sit and wait for what the University has to hand out.

2. Contract Maintenance:

This 3% increase is not above and beyond any great monetary strides we have made over the last year. It's simply to try to stay abreast of rising costs. The University has seen the need for this increase for its employees and has given this amount to all but Bargaining Unit members. The University is obligated to request funding for equal treatment for those Bargaining Unit members. By contract they do not have to pay us the 3% they have given the others, they are only obligated to make the Legislative request. This is why many of you received visits from ACCFT members last month. It cost our ACCFT members between \$13-14,000 to fly to Juneau to lobby for items we feel important to us. Most of us feel good about spending our dues for this cause and are thankful for the opportunity to work for our 3%. The alternative is no increase, or to see our programs cut as internal funding shrinks the University from the inside.

Thank you for this opportunity to make the requests of the ACCFT members and all our Bargaining Unit Members known. Passing this bill will treat University teachers equally, and it is a negotiated contractual agreement between the University and the Alaska Community College Federation of Teachers.

Personal comments:

I would like to add the following for myself and my son's cat, who always wakes me at 4:00 am.

It seems pretty strange working from mid year to mid year. We started in August and are asking for a 3% increase from January, that's 4 1/2 months less than we've been working. I guess we're all hoping we'll be around those same 4 1/2 months next year to receive this years increase. We also assume that it will be added on an ongoing basis.

I would like to say a few words about pay raises and reality. Since the merger of the Community Colleges into the University system in 1986, there have been no promotions for any of the former Bargaining Unit Members, exceptions being for teachers on the Anchorage campus. In Kotzebue, Nome, Fairbanks, Juneau, Bethel, etc. The only promotions have been at the UAA. At least this is what everyone keeps saying. There is another exception, and that is myself, but I'm such an embarrassment, I get condolences rather than congratulations. I was 3 credits short of a lane change and salary increase in 1986. It took until 1992 to get a promotion and a 10% salary increase. So virtually no money has gone to off campus BUM salary increases for 6 years.

Presently under our new negotiated contract there is a special procedure for off campus promotion and tenure. 22 Members are going through the process. In Southeast, 4 are applying from Juneau and 2 from Ketchikan. Of the four from Juneau, two have not been endorsed by their supervisor and one ~~is~~ qualified. ^{1 FROM SITKA} The one endorsement is for tenure and he is not applying for promotion. If we at ACCFT are able to prevail and get promotion for the three people and the one in Ketchikan, it will be long overdue and of minimal expense to the University. ^{ENDORSEMENT.}

I could go on, in this conglomerate of a University trying to fulfill community needs, none of the Bargaining Unit Members have a "normal" situation. Most of us don't expect to be promoted for the rest of our careers. So our 3% increases are all we have until we can successfully negotiate a change in the system.



federation of teachers

9533 providence, anchorage, alaska 99508-4670, (907) 562-2660

alaska community colleges'

american fed. of teachers, local 240A, america fed. of labor - congress of industrial organizations

House Finance Committee Members
Alaska State Legislature
State Capitol (MS3100)
Juneau, Alaska 99801-1182
FAX 465-2278

March 8, 1994

Dear House Finance Committee Members;

On behalf of the Alaska Community College's Federation of Teachers, AFT/APEA I request your support of House Bill No. 510 "An Act making appropriations to satisfy the agreed-upon monetary terms of a collective bargaining agreement for certain employees of the University of Alaska; and providing for an effective date."

This legislation would provide funding for a three percent salary adjustment negotiated under provisions of the Alaska Public Employee Relations Act for approximately 250 full time teachers, librarians and counselors who provide educational services at all statewide campuses of the University of Alaska. These faculty members are primarily responsible for the delivery of community college programs and courses including all vocational-technical programs, rural (extended) campuses, adult and continuing education offerings as well as distance delivery and 100-200 level academic transfer courses.

Funding of this legislation would provide the ACCFT teaching faculty with the same salary increase that has already been provided by the Board of Regents to all non-represented University employees.

Your support of this legislation would be a wonderful reflection of the long standing legislative commitment to community education, as evidenced in this the 41st anniversary of the Alaska Community College Act. On behalf of the statewide ACCFT members I thank you for your continued support.

Sincerely,

Ralph

Ralph J. McGrath, President
ACCFT, AFT/APEA

anchorage
bethe
forbanks
juneau/delgado
kara/strawna
ketchikan
kodiak
kotzebue
norra
point barrow
seward
valdez

ARTICLE 7

**University of Alaska/Alaska Community Colleges' Federation
of Teachers, Local 2404 Collective Bargaining Agreement
May 8, 1992**

Salaries and Benefits

7.1 Salaries

- A. Faculty Members shall be compensated in a manner consistent with the provisions of Regents Policy and University Regulation 04.05.01 - 03 in effect as of the date of this Agreement, except that any compensation increases shall be subject to legislative appropriation in accordance with the provisions of AS 23.40.215 and shall be requested separately from compensation increases requested for other employees of the University.
- B. The University agrees to request the same level of salary increase for Faculty Members as is requested of the Legislature for other University employees. If the University grants other University employees salary increases but does not receive an appropriation to fund salary increases for Faculty Members at the same level, the University agrees to submit to the Legislature at the beginning of the next regular session following the increase for University employees an amount necessary to permit Faculty Members to receive a salary increase of the same level received by University employees.

SYNOPSIS

7.1 Salaries

- A. Salaries for "Faculty Members," a term meaning bargaining unit members, is set by Regents Policies and University Regulations 04.05.01-03 as in effect May 8, 1992. This means a minimum three percent annual salary increase; however, application of this provision is subject to receipt of an appropriation to fund the increase.
- B. The University agrees to seek the same level of salary increase for bargaining unit members as for other University employees. If no appropriation is made to fund the bargaining unit increase, and the University grants an increase to other employees, the University agrees to make a request to the next regular legislative session for a supplemental appropriation to fund a bargaining unit salary increase.

ARTICLE 12
University of Alaska/Alaska Community Colleges' Federation
of Teachers, Local 2404 Collective Bargaining Agreement
May 8, 1992

Scope and Interpretation

12.5 Legislative Appropriation

- A. No legislative appropriation requested by the University, with regard to funding this Agreement, shall be made without prior discussion with the Union pursuant to Article 11. The University shall give adequate notice to the Union of such requests as to provide reasonable response time from the Union. The University shall request and actively support full funding of this Agreement.
- B. It is agreed by and between the parties that any provision of this Agreement requiring legislative action to permit its implementation, by amendment of law or by providing additional funds therefore, shall not become effective until the appropriate legislative body has given approval.

SYNOPSIS

12.5 Legislative Appropriation

- A. The University agrees to discuss with the union its budget request to fund the Agreement prior to the submission of the request to the Legislature.
- B. Provisions of the Collective Bargaining Agreement which require legislative action for implementation become effective only after approval by the appropriate legislative body.

Ilson M. Elgee
 Director Statewide Budget
 227 4th Street
 Juneau, Alaska 99801
 Phone (907) 463-3086
 FAX (907) 463-3164



University of
 Statewide System of H

Post-It™ brand fax transmittal memo 7871		# of pages	2
To	Carol Collins	From	L. Repumick
Co.		Co.	
Dept.		Phone #	
Fax #	2278	Fax #	

RECEIVED
 NOV 15 1993

November 12, 1993

BUDGET REVIEW

Shelby Stastny, Director
 Office of Management and Budget
 Office of the Governor

Re: Proposed FY94 supplementals

Dear Shelby:

The University of Alaska requests consideration of the following shortfalls for supplemental appropriation for FY94:

1. The Board of Regents has authorized a 3% salary increase effective January 1, 1994. Members of the ACCFT bargaining unit are, under the terms of their contract with the University, entitled to the same increase- subject to appropriation. The amount necessary to cover this increase for FY94 is \$253.5 comprised of the following fund sources: \$144.1 GF; \$8.0 Fed.; \$.4 GF/MHT; \$83.6 Student fees; \$.3 indirect cost recovery; and \$17.1 University Receipts. Sec. 48

In addition, a similar appropriation is necessary to cover the cost of the increase in FY95. The amount needed is \$507.0 with the following fund source distribution: \$288.2 GF; \$16.0 Fed.; \$.8 GF/MHT; \$167.2 Student fees; \$.6 indirect cost recovery; and \$34.2 University Receipts.

2. AS 14.40.460-500 requires the University of Alaska to provide scholarships for free room to the top graduating student attending the University of Alaska from each Alaskan high school, for the first

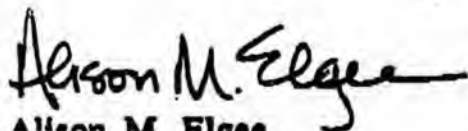
two years of University study. These scholarships represent a significant cost to the University of Alaska Fairbanks which provides the majority of the scholarships. The housing programs are funded using revenues generated by the program. The failure to receive revenue to compensate for the scholarship rooms jeopardizes the quality of the housing program offered. AS 14.40.500 states that revenue to the University is to be provided by the Department of Administration from appropriations made for that purpose. Without an appropriation, the University must absorb this cost.

A general fund supplemental of \$133,580 is requested for the Department of Administration to allow reimbursement to the University. The costs for FY94 are as follows:

University of Alaska Fairbanks (115 students est.)	\$128,780
University of Alaska Southeast (2 students)	\$ 4,800

3. The University of Alaska Fairbanks received \$300.0 Oil and Hazardous substance release response funds in FY94 for "Contaminated Site Assessment and Cleanup". These funds are being utilized to monitor and mitigate benzene contamination of the main well source for water on the University of Alaska Fairbanks campus. At this point, no supplemental need has been identified. However, the situation has the potential for cost overruns. We will keep you apprised of any additional need for funding.

Sincerely,


Alison M. Elgee

HB

510

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/4/94

FURTHER:

DATE TURNED INTO OFFICE: 5-7-94

The Finance Committee considered **HOUSE BILL NO. 510**

"An Act making appropriations to satisfy the agreed-upon monetary terms of a collective bargaining agreement for certain employees of the University of Alaska; and providing for an effective date."

and recommends:

- replace with _____ CS _____ (FINANCE)
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

Tim Kelly
[Signature]
Beit Sharp

OTHER RECOMMENDATIONS:

[Signature]

1. *[Signature]* Do Pass
 Co-Chair: Signature/Recommendation

2. *[Signature]*
 Co-Chair: Signature/Recommendation

HB 510

HB510 "An Act making appropriations to satisfy the agreed-upon monetary terms of a collective bargaining agreement for certain employees of the University of Alaska; and providing for an effective date."

Article 7 of the Collective Bargaining Agreement between the University of Alaska and the Alaska Community College's Federation of Teachers, Local 2404 states:

" 7.1 Salaries

A. Faculty Members shall be compensated in a manner consistent with the provisions of Regents Policy and University Regulation 04.05.01-03, in effect as of the date of this Agreement, except that any compensation increases shall be subject to legislative appropriation in accordance with the provisions of AS 23.40.2215 and shall be requested separately from compensation increases requested for other employees of the University."

The Board of Regents authorized a 3% increase for all university employees effective January 1, 1994. (University employees are not on a step system and no movement in salary, except promotion, is made without authorization by the Board. It had been 18 months since the last Board approved increase). In accordance with the collective bargaining agreement, the Governor introduced on behalf of the University of Alaska, HB 510 to fund the monetary provisions of the 3% increase for the Alaska Community College's Federation of Teachers. No increase can be given the union members without legislative appropriation under the terms of the contract.

HB 510 contains two sections:

Section 1 funds the FY94 portion of the 3% salary increase at a cost of \$235,500. Included in that total is a general fund amount of \$144,500.

Section 2 funds the continuation of the 3% salary increase awarded in January, 1994 through FY95. No additional salary increase money is being sought. The FY95 cost of the increase is \$507,000, with \$289,000 coming from the state general fund.

The Alaska Community College Federation of Teachers represents all faculty teaching at the extended campuses and bi-partite faculty at the three main campuses.

HB 510

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The Alaska Community College Federation of Teachers represents all faculty teaching at the extended campuses and bi-partite faculty at the three main campuses.

HB 510

WALTER J. HICKEL
GOVERNOR



P. O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 18, 1994

The Honorable Ramona L. Barnes
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Barnes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making appropriations to satisfy the agreed-upon monetary terms of collective bargaining agreements for certain public employees of the University of Alaska.

This bill, if enacted into law, would make a total appropriation of \$760,500 to the University of Alaska to satisfy the monetary terms of the collective bargaining agreement with the Alaska Community College Federation of Teachers bargaining unit. The appropriations are necessary to satisfy agreed-upon obligations under that agreement.

I urge your prompt consideration and passage of the bill.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor

SENATE COMMITTEE REPORT

DATE: 5/3/94

FURTHER: Finance

DATE TURNED INTO OFFICE: _____

HES Committee considered HOUSE BILL NO. 510

"An Act making appropriations to satisfy the agreed-upon monetary terms of a collective bargaining agreement for certain employees of the University of Alaska; and providing for an effective date."

and recommends:

- replace with _____ CS _____ ()
- or adopt previous _____ CS _____ ()
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

Chair: Signature and Recommendation

HVB

524

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 8, 1994

FURTHER REFERRALS:

Date of Committee Action: _____

Died

The FINANCE Committee considered:

HB 524

HOUSE BILL NO. 524

ARREST FOR VIOLATING RELEASE CONDITIONS

"An Act relating to a defendant's violation of conditions of release; and providing for an effective date."

RECOMMENDATIONS:

be replaced with _____ the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

<i>SIGNING DO PASS</i>	<i>DP</i>	<i>OTHER RECOMMENDATIONS</i>	<i>DNP</i>	<i>NR</i>	<i>AM</i>

CHAIRMAN'S SIGNATURE

Alaska State Legislature



House of Representatives
House Judiciary Committee

State Capitol, Room 120
Juneau, Alaska 99801-1182
(907) 465-4990

**HOUSE JUDICIARY COMMITTEE LETTER OF INTENT
TO
THE HOUSE FINANCE COMMITTEE
REGARDING
HOUSE BILL 524**

It is the intent of the House Judiciary Committee to request the House Finance Committee to consider an amendment to HB524. The amendment would state that if a person is arrested according to the provisions of HB524, which provide for a warrantless arrest, that the person receive an immediate hearing before a judge or magistrate.

This amendment would minimize to the greatest extent possible the amount of time the person is held without a warrant.

Brian D. Porter

Rep. Brian Porter - Chairman

FISCAL NOTE

No. 5
 Bill Version: HB 524
 (H) Publish Date: 3/9/94

STATE OF ALASKA
 1994 LEGISLATIVE SESSION

Revision Date: February 15, 1994
 Title: "An Act relating to a defendant's violation of conditions of release;..."
 Sponsor: Rules/By Request of Governor
 Requestor: Governor's Office

Department Affected: Department of Law
 BRU: Prosecution
 Component: All
 COMPONENT SERIAL NO. 0085 through 0090

EXPENDITURES/REVENUES:

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND &						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING:

1002 Federal						
1003 GF Match						
1004 GF						
1005 GF/Program						
1006 GF/MHTIA						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)
 Please see the attached analysis.

Richard I. Peques

Prepared by: Richard I. Peques, Director
 Division: Administrative Services Division

Phone: 465-3672
 Date: February 15, 1994

Approved by Commissioner: Bruce M. Botelho, Attorney General
 Agency: Department of Law

Date: February 15, 1994

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. _____

ANALYSIS CONTINUATION:

This bill amends AS 12.30 to allow police officers to act quickly to arrest, without warrant or order, defendants who are released on bail, when those peace officers have reasonable cause to believe that the defendant has confronted the victim or has otherwise violated conditions of release. Currently, if a person accused of stalking, domestic violence, assault, or sexual assault confronts the victim while the person is released on bail, or violates another condition of release, peace officers are limited in their ability to protect the victim or the public in general because they cannot make an immediate arrest. Generally, the peace officer must first meet with a prosecutor, go into court to make a motion to remand, and obtain a court order before they can act to put the defendant back in jail. Because a substantial number of these incidents involve repeat offenders who often are impaired by alcohol or drugs, this lengthy procedure is particularly dangerous for the public, especially those already victimized by the defendant. The Department of Law does not anticipate a fiscal impact because, in most cases, the bill will speed up the process of arrest, and it will not increase the number of arrests.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL

4
Bill Version: HB 524
(H) Publish Date: 3/9/94

Revision Date: _____ Dept. Affected: Public Safety
Title: Defendant's Conditions of Release BR#: Statewide
Sponsor: Rules by Request Component: _____
Requestor: Governor COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES ()	-0-	-0-	-0-	-0-	-0-	-0-
<small>Revenue Code</small>						

FUNDING: (Thousands of Dollars)

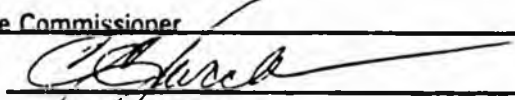
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY '94) impact: \$ _____

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Lee Ann Lucas Phone: 465-4322
 Division: Office of the Commissioner Date: 2/16/94
 Approved by Commissioner:  Date: **COMMITTEE COPY**
 Agency: Richard L. Burton, Dept. of Public Safety

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FISCAL NOTE

No. 3
 Bill Version: HB 524
 (H) Publish Date: 3/9/94

**STATE OF ALASKA
 1994 LEGISLATIVE SESSION**

BILL

Revision Date: _____ Dept. Affected: Administration
 Title: "An Act Relating to Defendant's Conditions of BRU: Office of Public Advocacy
Release..." Component: Office of Public Advocacy
 Sponsor: _____
 Requestor: Governor COMPONENT SERIAL NO. 43

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY94) cost: none

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Brant McGee, Public Advocate Phone: 274-1684
 Division: Office of Public Advocacy Date: _____
 Approved by Commissioner: Nancy Bear Usura Date: 2/12/94
 Agency: Administration

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