

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
114TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 837, L.D. 1169, Bill, "An Act to Improve the Delivery of Higher Education Finances in Maine"

Amend the bill by striking out all of the emergency preamble.

Further amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

Sec. 1. 20-A MRS §11424-A is enacted to read:

§11424-A. Supplemental education loan guarantee reserve fund: obligation of State

1. Supplemental education loan guarantee reserve fund. The authority may establish a supplemental education loan guarantee reserve fund and shall pay into that fund any money appropriated and made available by the State for the purposes of the fund, and may pay into the fund any proceeds of the sale by the authority of bonds to the extent determined by the authority, any guarantee fees or premiums charged by the authority with respect to education loans, any interest and investment earnings on money therein and any other money available to the authority.

2. Application. Money held in the supplemental education loan guarantee reserve fund, except as provided in this section, shall be used solely to pay the principal of and interest on defaulted education loans. Money in excess of the guarantee reserve requirement set forth in subsection 3 may be transferred to other funds and accounts of the authority.

3. Guarantee reserve requirement. The size of the guarantee reserve requirement shall be established by the authority from time to time at a percentage of the outstanding principal on education loans guaranteed by the authority. Such percentage is referred to as the "guarantee reserve requirement."

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4. Guarantee limit. The authority shall not guarantee education loans if the principal amount of education loans guaranteed under this section will exceed the amount specified in subsection 6.

5. Appropriation. On or before December 1st, annually, the authority shall certify to the Governor the amount of defaults paid, if any. The Governor shall pay directly from the contingent account to the supplemental education loan guarantee reserve fund as much of the amount as is available in the contingent account and shall transmit directly to the Legislature that certification and a statement of the amount, if any, remaining to be paid. The amount certified, to the extent permitted by law, shall be appropriated and paid to the authority and placed in the guarantee reserve fund during the current state fiscal year. In addition, on any date in each year on which the authority shall certify to the Governor that amounts on deposit in the supplemental education loan guarantee reserve fund are insufficient to pay the principal of and interest on defaulted education loans, the Governor shall pay directly from the contingent account to the supplemental education loan guarantee reserve fund as much of such amount as is available in the contingent account. The Governor shall transmit directly to the Legislature the certification and a statement of the amount to be paid, which amount shall, to the extent permitted by law, be appropriated and paid to the authority during the current state fiscal year.

In the event that the contingent account is depleted of funds or has insufficient funds, the Governor shall request a General Fund appropriation to the supplemental education loan guarantee reserve fund to create a balance sufficient to pay the principal of and the interest on defaulted education loans.

6. Guarantees outstanding. At any one time, the authority, pursuant to subsection 5, shall not have guaranteed loans outstanding in an amount exceeding \$5,000,000. The guarantees may be in a form or forms as the authority deems necessary and desirable. The authority may enter into reinsurance agreements or other agreements providing credit enhancement to the education loans. The authority, by rule, shall establish guidelines with respect to the procedures for guaranteeing education loans.

Sec. 2. 20-A MRSa c. 419, as amended, is repealed.

Sec. 3. 20-A MRSa c. 419-A is enacted to read:

CHAPTER 419-A

STUDENT INCENTIVE SCHOLARSHIP PROGRAM

1
2 §11611. Definitions

3 As used in this chapter, unless the context otherwise
4 indicates, the following terms have the following meanings.

5
6
7 1. Academic year and in attendance. "Academic year" and
8 "in attendance" have the same meaning as in the definitions of
9 these terms contained in the Higher Education Act of 1965,
10 Section 1201, as amended, United States Code, Title 20, Section
11 1141; and the Higher Education Act of 1965, Section 491, as
12 amended, United States Code, Title 20, Section 1088; and the
13 regulations, guidelines and procedures promulgated by the
14 secretary and published in the Federal Register pursuant to these
15 sections of federal law.

16
17 2. Eligible program of study. "Eligible program of study"
18 means a certificate program of at least one year, an associate
19 degree program or a baccalaureate degree program.

20
21 3. Expected family contribution. "Expected family
22 contribution" means the amount which the family of a student may
23 be reasonably expected to contribute toward post-secondary
24 education for the academic year for which the student is seeking
25 a student incentive scholarship.

26
27 4. Institution of higher education. "Institution of higher
28 education" means an institution of higher education located
29 within this State, or within another state with which this State
30 has a reciprocal agreement. The institutions shall meet the
31 requirements of and conform to the definitions contained in the
32 Higher Education Act of 1965, Section 1201, as amended, United
33 States Code, Title 20, Section 1141; and the Higher Education Act
34 of 1965, Section 491, as amended, United States Code, Title 20,
35 Section 1088; and the regulations, guidelines and procedures
36 promulgated by the Secretary of Education and published in the
37 Federal Register pursuant to these sections of law.

38 §11612. Establishment

39
40 The commissioner shall administer a program of state student
41 incentive scholarships.

42 §11613. Eligibility

43
44 The scholarships shall be given only to residents of the
45 State who:

46
47
48 1. Graduated. Have graduated from an approved secondary
49 school or matriculated at a post-secondary school prior to high
50 school graduation, or have successfully completed a general
51 educational development examination or its equivalent;

1
2. Accepted as undergraduate. Have been accepted for
3 enrollment as undergraduates or are in good standing as
4 undergraduates at institutions of higher education in an eligible
5 program of study and have not received a previous baccalaureate
6 degree;

7
8. Applied for scholarships. Have applied for a student
9 incentive scholarship according to schedules and procedures and
10 on forms developed by the department;

11
9. Demonstrate financial need. Have been determined by the
12 department to have a financial need according to the criteria set
13 forth in section 11614; and

14
10. State residency requirements. Meet the state residency
15 requirements that may be established by rules adopted by the
16 department in accordance with the Maine Administrative Procedure
17 Act, Title 5, chapter 375.

18 §11614. Determination of need

19
20. The department shall establish the need of a student for a
21 student incentive scholarship for an academic year for which the
22 student applies. A student shall be considered to have a need to
23 qualify for a student incentive scholarship if the total of the
24 expected family contribution, together with a Pell Grant
25 established pursuant to the Higher Education Act of 1965, Title
26 IV, as amended, United States Code, Title 20, and a student
27 incentive scholarship grant does not exceed 75% of the cost of
28 attendance at the institution the student attends.

29
21. Rules. The department shall establish standard methods
30 by rules adopted in accordance with the Maine Administrative
31 Procedure Act, Title 5, chapter 375, to determine:

32
A. The parental contribution; and

33
B. The student and spouse contribution.

34
35. These standard methods shall consider all income, assets and any
36 other resources available to the parents, student and spouse.

37
36. Expected family contribution. The expected family
38 contribution is the sum of the parental contribution and the
39 student and spouse contribution. The method of determining
40 expected family contribution shall be established by rule of the
41 department adopted in accordance with the Maine Administrative
42 Procedure Act, Title 5, chapter 375, and shall be uniformly
43 applied to all students.

1
3 3. Cost of attendance. In determining the cost of
attendance to determine eligibility under this chapter, the
department shall include the following:

5
7 A. Tuition and required fees charged to all full-time
students;

9 B. Standard room and board costs charged by the University
of Maine to calculate room and board costs of applicants; and

11
13 C. Books and personal expenses or other amounts determined
by the department to be appropriate.

15 §11615. Determination of scholarships

17 Scholarships to eligible students shall be determined as
follows, subject to the limitations set forth in section 11614.

19
21 1. Priority for awards of scholarships. Full-time students
with the lowest expected family contributions shall be given
23 priority over all other eligible students for the awards of
scholarships.

25 2. Minimum amount. It is the intent of the Legislature
that scholarships awarded under this chapter, except as provided
27 in subsections 4, 5 and 6, shall be no less than \$500, provided
that amounts less than \$500 may be awarded to meet a need of less
29 than \$500 calculated under section 11614. In no event may the
authority grant awards of less than \$200 to a full-time student.

31
33 3. Scholarships for students attending private
institutions. Scholarships for students attending private
35 institutions of higher education shall be 2 times the amount of
scholarships awarded to students attending public institutions of
higher education.

37
39 4. Prorated scholarships. A scholarship recipient whose
course load is reduced from full time shall receive a scholarship
prorated for that term of the recipient's enrollment.

41
43 5. Withdrawal. If a recipient of a scholarship withdraws
from an institution and the student is entitled to a refund of
45 tuition, fees or other charges, the institution shall make a
refund payment directly to the department in accordance with the
institution's refund policy.

47
49 6. Safety net. Notwithstanding the provisions of this
section, the department shall not allocate less in scholarship

1 grants under this chapter for students attending the University
2 of Maine System, the Maine Maritime Academy, the
3 Vocational-Technical Institutes and private post-secondary
4 institutions than was allocated for students in each of those
5 sectors in 1988-89.

7 §11616. Publication of scholarship amounts

9 Prior to March 1st of each year, the department shall
10 publish scholarship amounts for the succeeding academic year.

11 §11617. Length of scholarship; period of study

12
13 1. Length of scholarship. A scholarship shall be for a
14 period not to exceed one academic year. A student may apply for
15 a new scholarship for each year during the period required for
16 completion of an eligible program of study being pursued by that
17 student. A scholarship recipient who remains eligible shall be
18 considered in the succeeding award year.

19
20 2. Period of study. An eligible student may receive a
21 scholarship for a period not to exceed 8 semesters or its
22 equivalent for a full-time student and 16 semesters or 120 credit
23 hours, whichever is completed first, for a part-time student.
24 The period may be extended for not more than one additional
25 academic year, if:

26
27 A. The student is pursuing a course of study leading to a
28 first degree in a program of study which is designed by the
29 institution offering it to extend over 5 academic years; or

30
31 B. The student will be unable to complete a course of study
32 within 4 academic years because of a requirement of the
33 institution that the student enroll in a noncredit remedial
34 course of study. "Noncredit remedial course of study" means
35 a course of study for which no credit is given toward an
36 academic degree and which is designed to increase the
37 ability of the student to engage in an undergraduate course
38 of study leading to that degree.

39
40 §11618. Program administration

41
42 1. Responsibility of department. The department shall
43 administer the scholarship program, including establishing and
44 maintaining fund accounting and control procedures as required by
45 state law or as necessary for the State to be eligible to receive
46 federal assistance under the Federal Student Assistance Program,
47 Higher Education Act of 1965, Title IV, Part A, Subpart 3, as
48 amended, United States Code, Title 20, Sections 1070c-1, 1070c-2
49 and 1070c-3.

1
2 2. Guidelines and rules. The following provisions shall
3 apply to the program.

5 A. The department shall develop rules, procedures,
6 schedules and forms necessary to carry out the purposes of
7 this program, including the adoption of reciprocal
8 agreements with other states.

9
10 B. To the maximum extent possible consistent with the need
11 for state control of this program, the department shall use
12 the guidelines, rules, regulations, procedures, forms and
13 schedules set forth by the Secretary of Education for the
14 administration of the Federal Student Assistance Program,
15 Higher Education Act of 1965, Title IV, Part A, Subpart 1,
16 as amended, United States Code, Title 20, Section 1070c.

17 §11619. Nonlapsing fund

18
19 Any unexpended funds appropriated by the Legislature to
20 carry out the purposes of this program shall not lapse, but shall
21 be carried forward for continued use in the program.

22
23 **Sec. 4. Organizational audit.** The Legislative Council, after
24 consultation with the Joint Standing Committee on Education,
25 shall hire an outside consultant to review, analyze and report on
26 the organization, management and operations of the Department of
27 Educational and Cultural Services for the provision of student
28 financial aid services through the Division of Higher Education.
29 The consultant shall survey and summarize the findings of recent
30 state and national studies and reports on student financial aid
31 delivery and services options. The report shall assess the
32 effectiveness of the division in meeting the student financial
33 aid needs of the State, compare other organizational methods of
34 meeting those needs and recommend what should be retained,
35 expanded or changed in the organization for and provision of
36 student financial aid services. The review and analysis shall
37 consider, at a minimum, the responsibilities of the division, the
38 management organization, work flow and assignment of tasks within
39 the division, the staffing and funding levels and sources of the
40 division and whether the resources of the division are
41 appropriately allocated within the division and within the
42 department when the Division of Higher Education is compared to
43 other divisions. As part of its study of the management
44 organization of the division, the consultant shall analyze the
45 quality, level and variety of services provided by the division
46 and the lines of communication within the division, between the
47 division and the department and between the department and the
48 Legislature. As part of its study of the allocation of resources

1 in the department, the consultant shall review the emphasis which
 3 has been placed on student financial aid services as compared to
 5 other services provided within the department, including trends
 7 in the budgetary requests and appropriations for the division.
 9 The study shall also review the performance of the division over
 11 time by comparing the current level of services, staffing and
 13 funding with levels during previous periods of time. As part of
 15 its study, the consultant shall also survey the various models of
 17 providing student financial services and the different governance
 19 structures employed and the advantages and disadvantages of each
 21 type. The department shall provide technical assistance and
 23 information to the consultant upon request. The consultant shall
 25 present its findings and recommendations, including
 recommendations on the appropriate organization and governance
 structure for the provision of student financial aid services in
 the State and the need for and method of implementing oversight
 of those services, to the Legislative Council and the Joint
 Standing Committee on Education by March 1, 1990. The consultant
 shall present an interim report on the status of its study to the
 Joint Standing Committee on Education by January 10, 1990. The
 report shall also contain any necessary implementing
 legislation. The committee may introduce legislation for
 consideration by the Second Regular Session of the 114th
 Legislature following review of the consultant's report.

27 **Sec. 5. Appropriation.** The following funds are appropriated
 from the General Fund to carry out the purposes of this Act.

	1989-90	1990-91
EDUCATIONAL AND CULTURAL SERVICES, DEPARTMENT OF		
Higher Education Services		
All Other	\$2,580,000	\$3,602,675
Provides funds to increase individual student grant awards under the Maine Student Incentive Scholarship Program.		
DEPARTMENT OF EDUCATIONAL AND CULTURAL SERVICES		
TOTAL	\$2,580,000	\$3,602,675

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Study Commissions-Funding

All Other \$67,375

Provides funds for the Legislative Council to hire a consultant to conduct a review of the Division of Higher Education Services within the Department of Educational and Cultural Services. Any of these funds which are not used shall lapse to the General Fund on June 30, 1990.

LEGISLATURE

TOTAL \$67,375

TOTAL APPROPRIATIONS \$2,647,375 \$3,602,675

FISCAL NOTE

This bill appropriates from the General Fund \$2,647,375 and \$3,602,675 in fiscal years 1989-90 and 1990-91, respectively. Appropriations for similar purposes have been partially included in the Governor's supplemental budget request. If all or part of these appropriations are included in the budget by the Legislature, then the appropriation section of this bill should be adjusted accordingly.

In addition, this bill creates a supplemental education loan guarantee reserve fund which could require future additional General Fund appropriations.'

STATEMENT OF FACT

This amendment replaces the original bill. It would provide for retention of all current state-administered student financial aid programs in the Division of Higher Education, except the

COMMITTEE AMENDMENT "A" to H.P. 837, L.D. 1169

1 Student Educational Enhancement Deposit Plan and Maine
2 Educational Loan Authority programs which would continue under
3 their own independent boards.

5 This amendment establishes a supplemental loan program for
6 low and moderate income students and families as in the original
7 bill. That program will allow the existing Maine Educational
8 Loan Authority to set aside up to \$5,000,000 of its available
9 loan funds for loans to students who fail to meet the credit
10 worthiness standards for its regular supplemental loan program.

11 The amendment also retains the Maine Student Incentive
12 Scholarship Program, or MSISP, provisions of the bill, including
13 expanded funding which was recommended by the Higher Education
14 Council of Maine and the Department of Educational and Cultural
15 Services task force on student financial aid. The amendment
16 provides for full funding of the MSISP as originally proposed by
17 the Governor, and implements both the program improvements and
18 the increased funding beginning in 1989-90. The MSISP program
19 would continue to be administered by the Division of Higher
20 Education.

23 Finally, the amendment provides for an organizational audit
24 by an independent consultant of the provision of higher education
25 financial aid services by the Department of Educational and
26 Cultural Services. The consultant is to present a report to the
27 Legislature on the management and operation of the department,
28 including recommendations on the appropriate organization and
29 governance structure for the provision of financial aid services
30 to students and families in the State. That report is due by
31 March 1, 1990, with an interim report in January.

Reported by the Majority of the Committee on Education
Reproduced and distributed under the direction of the Clerk of the
House
6/16/89 (Filing No. H-611)