

(P. 279) 2/14/94 Motion to R/C vote Aug
(P. 533) 3-7-94 Motion R/Wickham Dieleman +
(P. 449) 3/7/94 House Education

FILED FEB 3 1994

SENATE FILE 2092

BY COMMITTEE ON EDUCATION

House (P. 807) 3/22/94 Amend/Do Pass w/H5559

(SUCCESSOR TO SSB 2032)

(P. 272)
Passed Senate, Date 2/14/94
Vote: Ayes 45 Nays 0

(P. 1134)
Passed House, Date 4-5-94
Vote: Ayes 98 Nays 0

Approved April 25, 1994
Passed 4-8-94 (P. 1117)
Vote 46-0

Passed 4-12-94
Vote 94-5 (P. 1402)

A BILL FOR

1 An Act relating to the college student aid commission loan
2 reserve account and the osteopathic forgivable loan program,
3 and creating an osteopathic loan revolving fund.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

5
6

SENATE FILE 2092

S-5049

1 Amend Senate File 2092 as follows:

2 1. By striking page 1, line 33 through page 2,
3 line 6.

4 2. Title page, by striking lines 1 and 2 and
5 inserting the following: "An Act relating to the
6 osteopathic forgivable loan program".

By RAY TAYLOR

S-5049 FILED FEBRUARY 23, 1994

Out of order 4-8-94

SF 2092

16
17
18
19
20
21
22
23

1 Section 1. Section 261.19A, unnumbered paragraph 2, Code
2 1993, is amended to read as follows:

3 An eligible student is eligible for loan forgiveness in the
4 an amount of equal to twenty-five percent of the outstanding
5 balance of principal and accrued interest, or three thousand
6 dollars, whichever is greater, per year of practice in the
7 state of Iowa for up to a maximum of four years. If a student
8 fails to complete a year of practice in the state, as practice
9 is defined by the college student aid commission, the loan
10 amount for that year shall not be forgiven. Forgivable loans
11 to eligible students shall not become due, for repayment
12 purposes, until after the student has completed the student's
13 residency. A loan that has not been forgiven may be sold to a
14 bank, savings and loan association, credit union, or nonprofit
15 agency eligible to participate in the guaranteed student loan
16 program under the federal Higher Education Act of 1965, 20
17 U.S.C. § 1071 et seq., by the commission when the loan becomes
18 due for repayment.

19 Sec. 2. NEW SECTION. 261.19B OSTEOPATHIC LOAN REVOLVING
20 FUND.

21 An osteopathic loan revolving fund is created in the state
22 treasury as a separate fund under the control of the
23 commission. The commission shall deposit payments made by
24 osteopathic loan recipients and the proceeds from the sale of
25 osteopathic loans into the osteopathic loan revolving fund.
26 Moneys credited to the fund shall be used to supplement moneys
27 appropriated for the osteopathic forgivable loan program, for
28 loan forgiveness to eligible physicians and to pay for loan or
29 interest repayment defaults by eligible physicians.
30 Notwithstanding section 8.33, any balance in the fund on June
31 30 of any fiscal year shall not revert to the general fund of
32 the state.

33 Sec. 3. Section 261.38, Code 1993, is amended by adding
34 the following new subsection:

35 NEW SUBSECTION. 8. The commission may expend funds in the

1 reserve account to execute agreements, contracts, and other
2 instruments with any public or private person or agency,
3 including the United States secretary of education, in order
4 to increase student access to education loan programs or to
5 provide other alternative services the commission determines
6 meet the education financing needs of Iowa residents.

7

EXPLANATION

8 This bill creates an osteopathic loan revolving fund under
9 the control of the college student aid commission. Proceeds
10 from the sale of osteopathic loans and payments made by
11 osteopathic loan recipients shall be credited to the fund for
12 use in supplementing moneys appropriated for the osteopathic
13 forgivable loan program and to pay for loan forgiveness to
14 eligible physicians and for defaults by eligible physicians.
15 Moneys in the revolving fund do not revert to the state
16 general fund at the end of a fiscal year.

17 The bill also increases the annual potential loan
18 forgiveness amount to 25 percent of a student's outstanding
19 loan balance, including principal and accrued interest, and
20 maintains as the minimum level of loan forgiveness the current
21 amount of \$3,000. The bill permits the commission to sell an
22 unforgiven loan to a bank, savings and loan association,
23 credit union, or nonprofit agency when the loan becomes due
24 for repayment.

25 The bill also would permit the commission to use moneys
26 from the loan reserve account to execute agreements,
27 contracts, and other instruments with any entity in order to
28 increase student access to education loan programs or provide
29 other alternative services to meet the education financing
30 needs of Iowa residents.

31

32

33

34

35

SEVENTY-FIFTH GENERAL ASSEMBLY
1994 REGULAR SESSION
DAILY
SENATE CLIP SHEET
FEBRUARY 9, 1994

SENATE FILE 2092
FISCAL NOTE

A fiscal note for Senate File 2092 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2092 relates to the College Student Aid Commission Loan Reserve Account and the Osteopathic Forgivable Loan Program, and creates an Osteopathic Loan Revolving Fund.

ASSUMPTIONS:

1. The Osteopathic Loans would be sold to a lender and proceeds of the sale would be deposited into the Osteopathic Loan Revolving Fund.
2. Five percent of the sale proceeds would be reserved to pay defaulted loans.
3. Fifty percent of the mature loans would enter repayment and have a 10-year repayment period.
4. The initial average balance of each loan is \$10,600.
5. The average monthly payment would be \$125.
6. The value of the loans entering repayment is \$180,200 per year.
7. The State appropriation to the Osteopathic Forgivable Loan Program would remain constant.

FISCAL IMPACT:

Senate File 2092 does not impact the General Fund of the State, but rather is expected to result in revenue to the Osteopathic Loan Revolving Fund beginning in FY 1997. The revenue of \$180,200 less the default reserve of \$10,600 would result in \$169,600 being deposited into the Revolving Fund. The revenue would be used to supplement the moneys appropriated for the Osteopathic Forgivable Loan Program.

Once the additional funds become available to increase the amount of the loans, the projected annual revenue to the Revolving Fund would increase, keeping the same assumptions. This increase is due to the projected respective increase in the amount of the value of the loans entering repayment each year.

Section 3 expands the investment possibilities for the Stafford Loan Reserve Account which does not affect the General Fund.

Source: College Student Aid Commission

(LSB 3263sv, SLL)

SENATE FILE 2092

H-5559

1 Amend Senate File 2092, as passed by the Senate, as
2 follows:

3 1. Page 2, line 6, by inserting after the word
4 "residents." the following: "However, the commission
5 shall seek and receive prior authorization from the
6 United States department of education prior to
7 expending funds in the reserve account for purposes
8 not specifically authorized under applicable federal
9 law or regulations."

By COMMITTEE ON EDUCATION
GRUBBS of Scott, Chairperson

H-5559 FILED MARCH 22, 1994

Adopted 4-5-94 (P. 1133)

SENATE FILE 2092

H-5592

1 Amend Senate File 2092, as passed by the Senate, as
2 follows:

3 1. By striking page 1, line 33, through page 2,
4 line 6.
5 2. Title page, by striking lines 1 and 2 and
6 inserting the following: "An Act relating to the
7 osteopathic forgivable loan program".

BY NEUHAUSER of Johnson

H-5592 FILED MARCH 22, 1994

WITHDRAWN
4-5-94
(P. 1133)

SENATE AMENDMENT TO HOUSE AMENDMENT TO SENATE FILE 2092

H-6061

1 Amend the House amendment, S-5456, to Senate File
2 2092, as passed by the Senate, as follows:

3 1. Page 1, by striking lines 3 through 9 and
4 inserting the following:
5 " ". By striking page 1, line 33 through page 2,
6 line 6."

RECEIVED FROM THE SENATE

H-6061 FILED APRIL 8, 1994

House Consumed 4/22/94 P 1401

HOUSE AMENDMENT TO
SENATE FILE 2092

S-5456

1 Amend Senate File 2092, as passed by the Senate, as
2 follows:

3 1. Page 2, line 6, by inserting after the word
4 "residents." the following: "However, the commission
5 shall seek and receive prior authorization from the
6 United States department of education prior to
7 expending funds in the reserve account for purposes
8 not specifically authorized under applicable federal
9 law or regulations."

Senate Consented 4-8-94 (P 1116) RECEIVED FROM THE HOUSE
S-5456 FILED APRIL 5, 1994

SENATE FILE 2092

S-5508

1 Amend the House amendment, S-5456, to Senate File
2 2092, as passed by the Senate, as follows:

3 1. Page 1, by striking lines 3 through 9 and
4 inserting the following:
5 "____. Page 2, by striking lines 1 through 6 and
6 inserting after the following: "reserve account for
7 purposes of this subsection if the expenditures are
8 consistent with federal law and reserve level
9 guidelines as determined by the department of
10 management pursuant to subsection 1. Allowable
11 expenditures are limited to activities that increase
12 student access to education loans through the
13 execution of agreements, contracts, and other
14 instruments with any public or private person or
15 agency, including the United States department of
16 education, or to provide other alternative services
17 the commission determines meet the financing needs of
18 Iowa residents.""

Out of Order 4-8-94 (P. 1116) By JOHN P. KIBBIE
S-5508 FILED APRIL 6, 1994

SENATE FILE 2092

S-5547

1 Amend the House amendment, S-5456, to Senate File
2 2092, as passed by the Senate, as follows:

3 1. Page 1, by striking lines 3 through 9 and
4 inserting the following:
5 "____. By striking page 1, line 33 through page 2,
6 line 6."

By MIKE CONNOLLY

S-5547 FILED APRIL 8, 1994
ADOPTED 4-8-94 (P. 1116)

Kibbie- chair
Varn
Lind

SSB. 2032
Education

SENATE/HOUSE FILE 2092
BY (PROPOSED DEPARTMENT OF
EDUCATION/COLLEGE STUDENT
AID COMMISSION BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the college student aid commission loan
2 reserve account and the osteopathic forgivable loan program,
3 and creating an osteopathic loan revolving fund.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

1 Section 1. Section 261.19A, unnumbered paragraph 2, Code
2 1993, is amended to read as follows:

3 An eligible student is eligible for loan forgiveness in the
4 an amount of equal to at least twenty-five percent of the
5 outstanding balance of principal and accrued interest, but no
6 less than three thousand dollars, per year of practice in the
7 state of Iowa for up to a maximum of four years. If a student
8 fails to complete a year of practice in the state, as practice
9 is defined by the college student aid commission, the loan
10 amount for that year shall not be forgiven. Forgivable loans
11 to eligible students shall not become due, for repayment
12 purposes, until after the student has completed the student's
13 residency. A loan that has not been forgiven may be sold by
14 the commission when the loan becomes due for repayment.

15 Sec. 2. NEW SECTION. 261.19B OSTEOPATHIC LOAN REVOLVING
16 FUND.

17 An osteopathic loan revolving fund is created in the state
18 treasury as a separate fund under the control of the
19 commission. The commission shall deposit payments made by
20 osteopathic loan recipients and the proceeds from the sale of
21 osteopathic loans into the osteopathic loan revolving fund.
22 Moneys credited to the fund shall be used to supplement moneys
23 appropriated for the osteopathic forgivable loan program, for
24 loan forgiveness to eligible physicians and to pay for loan or
25 interest repayment defaults by eligible physicians.
26 Notwithstanding section 8.33, any balance in the fund on June
27 30 of any fiscal year shall not revert to the general fund of
28 the state.

29 Sec. 3. Section 261.38, Code 1993, is amended by adding
30 the following new subsection:

31 NEW SUBSECTION. 8. The commission may expend funds in the
32 reserve account to execute agreements, contracts, and other
33 instruments with any public or private person or agency,
34 including the United States secretary of education, in order
35 to increase student access to education loan programs or to

1 provide other alternative services the commission determines
2 meet the education financing needs of Iowa residents.

3 EXPLANATION

4 This bill creates an osteopathic loan revolving fund under
5 the control of the college student aid commission. Proceeds
6 from the sale of osteopathic loans and payments made by
7 osteopathic loan recipients shall be credited to the fund for
8 use in supplementing moneys appropriated for the osteopathic
9 forgivable loan program and to pay for loan forgiveness to
10 eligible physicians and for defaults by eligible physicians.
11 Moneys in the revolving fund do not revert to the state
12 general fund at the end of a fiscal year.

13 The bill also increases the annual potential loan
14 forgiveness amount to at least 25 percent of a student's
15 outstanding loan balance, including principal and accrued
16 interest, and maintains as the minimum level of loan
17 forgiveness the current amount of \$3,000. The bill permits
18 the commission to sell an unforgiven loan when the loan
19 becomes due for repayment.

20 The bill also would permit the commission to use moneys
21 from the loan reserve account to execute agreements,
22 contracts, and other instruments with any entity in order to
23 increase student access to education loan programs or provide
24 other alternative services to meet the education financing
25 needs of Iowa residents.

26 BACKGROUND STATEMENT

27 SUBMITTED BY THE AGENCY

28 This bill makes changes in the osteopathic forgivable loan
29 program and the federal guaranteed student loan program
30 administered by the college student aid commission.

31 The Code specifies origination and forgiveness requirements
32 for the osteopathic forgivable loan program. The Code does
33 not specify servicing or collection requirements for loans not
34 forgiven. The proposed legislation would provide authority
35 for the commission to sell loans at the time they go into

1 repayment, deposit the proceeds into a revolving account and
2 use the proceeds to make larger loans to osteopaths. This
3 arrangement would avoid additional state general fund
4 expenditures necessary to service loans in repayment and
5 provide a mechanism to increase the size of loans to
6 osteopathic students, thereby improving the likelihood those
7 students would remain in the state to practice medicine.
8 Congress has begun the process of phasing out the state's
9 participation in the guaranteed student loan program. This
10 phase out may take many years to complete. When the phase out
11 is complete, funds remaining in the loan reserve account will
12 revert to the federal government. The proposed legislation
13 would authorize the commission to utilize funds in this
14 account to provide alternative financial aid services approved
15 by the federal government. Such services, which may include
16 assisting colleges and universities to implement the new
17 direct lending program or other programs authorized by the
18 federal higher education act will allow reserve funds to be
19 utilized to assist Iowa schools and students rather than have
20 those funds revert to the federal government.

21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

SENATE FILE 2092

appropriated for the osteopathic forgivable loan program, for loan forgiveness to eligible physicians and to pay for loan or interest repayment defaults by eligible physicians. Notwithstanding section 8.33, any balance in the fund on June 30 of any fiscal year shall not revert to the general fund of the state.

AN ACT
RELATING TO THE COLLEGE STUDENT AID COMMISSION LOAN RESERVE
ACCOUNT AND THE OSTEOPATHIC FORGIVABLE LOAN PROGRAM,
AND CREATING AN OSTEOPATHIC LOAN REVOLVING FUND.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 261.19A, unnumbered paragraph 2, Code 1993, is amended to read as follows:

An eligible student is eligible for loan forgiveness in the an amount of equal to twenty-five percent of the outstanding balance of principal and accrued interest, or three thousand dollars, whichever is greater, per year of practice in the state of Iowa for up to a maximum of four years. If a student fails to complete a year of practice in the state, as practice is defined by the college student aid commission, the loan amount for that year shall not be forgiven. Forgivable loans to eligible students shall not become due, for repayment purposes, until after the student has completed the student's residency. A loan that has not been forgiven may be sold to a bank, savings and loan association, credit union, or nonprofit agency eligible to participate in the guaranteed student loan program under the federal Higher Education Act of 1965, 20 U.S.C. § 1071 et seq., by the commission when the loan becomes due for repayment.

Sec. 2. NEW SECTION. 261.19B OSTEOPATHIC LOAN REVOLVING FUND.

An osteopathic loan revolving fund is created in the state treasury as a separate fund under the control of the commission. The commission shall deposit payments made by osteopathic loan recipients and the proceeds from the sale of osteopathic loans into the osteopathic loan revolving fund. Moneys credited to the fund shall be used to supplement moneys

LEONARD L. BOSWELL
President of the Senate

HAROLD VAN MAANEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2092, Seventy-fifth General Assembly.

JOHN P. DWYER
Secretary of the Senate

Approved *Cy 10-25*, 1994

TERRY E. BRANSTAD
Governor