

# HOUSE BILL REPORT

## SHB 2612

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### As Passed Legislature

**Title:** An act relating to the opportunity scholarship program.

**Brief Description:** Changing provisions relating to the opportunity scholarship.

**Sponsors:** House Committee on Appropriations Subcommittee on Education (originally sponsored by Representatives Hansen, Haler, Zeiger and Seaquist).

### Brief History:

#### Committee Activity:

Higher Education: 1/28/14 [DP];

Appropriations Subcommittee on Education: 2/6/14 [DPS].

#### Floor Activity:

Passed House: 2/13/14, 75-23.

Senate Amended.

Passed Senate: 3/7/14, 45-4.

House Concurred.

Passed House: 3/10/14, 62-36.

Passed Legislature.

### Brief Summary of Substitute Bill

- Increases the membership of the Opportunity Scholarship Board to 11 members and the quorum to seven members, and changes the membership composition.
- Authorizes the Board to elect to have the Washington State Investment Board (WSIB) invest funds in the Scholarship and Endowment Accounts with other funds subject to investment by the WSIB.
- Requires the Washington Student Achievement Council to enter into an agreement with the Program Administrator to demonstrate exchange of consideration for the matching funds.
- Makes changes and additions to term definitions and corrects these terms throughout the chapter.
- Changes the definition of "Board" and adds a definition for "Council."

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

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## HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** Do pass. Signed by 17 members: Representatives Seaquist, Chair; Pollet, Vice Chair; Haler, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Gregerson, Hansen, Hargrove, Johnson, Magendanz, Muri, Reykdal, Sawyer, Sells, Tarleton, Walkinshaw, Walsh and Wylie.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Scott and Smith.

**Staff:** Megan Wargacki (786-7194).

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## HOUSE COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Haigh, Chair; Fagan, Ranking Minority Member; Carlyle, Haler, Lytton, Pettigrew, Seaquist, Sullivan and Wilcox.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Dahlquist.

**Staff:** Catrina Lucero (786-7192).

### **Background:**

In 2011 the Legislature established the Opportunity Scholarship Program (Program) to support low- and middle-income resident students pursuing eligible high-demand majors in science, technology, engineering, mathematics, and health care, and to encourage scholarship recipients to work in the state upon completion of their degrees.

The Program is overseen by the Opportunity Scholarship Board (Board), which consists of seven members appointed by the Governor. Currently, for two of the appointments, the Governor must consider names submitted by the leadership of the Senate and the House of Representatives. Four of the appointments must be foundation or business and industry representatives from aerospace, manufacturing, health sciences, information technology, and other industries, nominated by private-sector donors. Five members of the Board constitute a quorum for the transaction of business.

The Program Administrator manages two separate accounts to: (1) receive grants and contributions from private sources and state matching funds; and (2) distribute scholarship funds to participants. The accounts are:

- the Scholarship Account, from which scholarship monies are disbursed; and
- the Endowment Account, from which scholarship monies are disbursed only in certain circumstances.

Scholarships must be disbursed on May 1, annually. However, no new scholarships may be awarded, unless the Office of Financial Management (OFM) reports that the state has demonstrated progress toward the goal of state and tuition per-student funding levels of at

least the fiftieth percentile of total per-student funding at similar public institutions of higher education in the Global Challenge States.

The Opportunity Scholarship Match Transfer Account (Match Transfer Account) is a nonappropriated account, in the custody of the State Treasurer, used to provide matching funds for the Program.

The Washington State Investment Board (WSIB) has a fiduciary duty to manage public trust funds with the highest standard of professional conduct for the exclusive benefit of fund beneficiaries.

**Summary of Substitute Bill:**

The membership of the Board is increased to 11 members as follows:

- six, rather than three, members are appointed by the Governor with three of the names under consideration to be submitted by leadership in the Senate and the House of Representatives; and
- five, rather than four, members are appointed by the Governor from foundation or business and industry. The list of industries from which representatives may be appointed is updated to include engineering, agriculture, philanthropy, and health care, rather than health sciences.

The quorum requirement is increased to seven members.

The date for the annual disbursements of scholarship funds is changed from May 1 to October 1.

Language is added directing the OFM, when determining whether the state has demonstrated progress toward meeting the sixtieth percentile of Global Challenge States for state and tuition funding per student, to use resources that facilitate measurement and comparisons of the most recent completed academic year, including the statewide public four-year dashboard on the Education Data and Resource Center's website and academic year reports prepared by the State Board for Community and Technical Colleges.

Language is added authorizing the Board to elect to have the WSIB invest funds in the Scholarship and Endowment Accounts with other funds subject to investment by the WSIB. It is specified that members of the WSIB are not insurers of the funds and are not liable for action or inaction, unless they act with willful dishonesty or intentional violation of the law.

Clarifications are made that the state acts in a fiduciary, rather than ownership, capacity once monies in the Match Transfer Account are deposited in the Scholarship and Endowment Accounts, and that assets in these accounts are not considered state money, common cash, or revenue to the state.

Language is added requiring the WSAC to enter into an agreement with the Program Administrator of the Program to demonstrate exchange of consideration for the matching funds.

The definition of the "board" is changed to mean the Opportunity Scholarship Board, rather than the Higher Education Coordinating Board or its successor. A definition for "council" is added to mean the WSAC. The references to "board" and "council" are updated and corrected throughout the Opportunity Scholarship Chapter.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony (Higher Education):**

(In support) The Board provides scholarships to low-income kids who are studying science, technology, engineering, and mathematics (STEM) fields. The Board leverages a lot of private funds, about five private dollars for every state dollar. This bill expands the Board, so there are more people to go out and hustle money. It changes the date of the distribution of funds, so money flows better. The scholarship helps provide trained and skilled employees in high demand fields. Funds come from private and public sources. This bill includes administrative revisions that will help improve programs. An expanded board will better reflect high demand industries. There will be better meeting attendance and it will be easier to meet quorum requirements and fundraising goals. This bill moves the date of disbursement to a time when funds are distributed from colleges and universities. The Board has been researching new management for its funds; they would like the Investment Board to be manager of the funds. There is assurance that funds would be managed in a separate fund. This bill is more effective and more efficient. Low-income students and first generation college students are greatly benefitted by these scholarships. The scholarship allows these students to participate in research, extracurricular activities, and outreach for K-12 students. They can spend time studying instead of working. The scholarship motivates students to achieve short and long-term goals.

(Opposed) None.

**Staff Summary of Public Testimony (Appropriations Subcommittee on Education):**

(In support) This bill passed unanimously out of the House Higher Education Committee and had no fiscal note. It will facilitate the administration of the Opportunity Scholarship Program (Program), more easily allows for a quorum, and supports more members to fundraise for the program. The bill also increases the representation from across the state by increasing the membership from seven to 11. The bill supports program fund investments by allowing the Board to opt to have the Washington State Investment Board invest program funds.

(Opposed) None.

**Persons Testifying** (Higher Education): Representative Hansen, prime sponsor; Viviana Barona and Rutha Nuguse, the University of Washington; and Yolanda Spiva, College Success Foundation.

**Persons Testifying** (Appropriations Subcommittee on Education): Representative Hansen, prime sponsor; and Yolanda Spiva, College Success Foundation.

**Persons Signed In To Testify But Not Testifying** (Higher Education): None.

**Persons Signed In To Testify But Not Testifying** (Appropriations Subcommittee on Education): None.