

SENATE BILL REPORT

SB 5877

AS REPORTED BY COMMITTEE ON HIGHER EDUCATION, MARCH 3, 1993

**Brief Description:** Making technical amendments to the future teachers and the health professionals conditional scholarship programs to continue existing repayment regulations.

**SPONSORS:** Senators Drew, West, Bauer, Prince and Winsley

**SENATE COMMITTEE ON HIGHER EDUCATION**

**Majority Report:** Do pass.

Signed by Senators Bauer, Chairman; Drew, Vice Chairman; Jesernig, Prince, Quigley, Sheldon, von Reichbauer, and West.

**Staff:** Scott Huntley (786-7421)

**Hearing Dates:** March 1, 1993; March 3, 1993

**BACKGROUND:**

In 1992 the Congress passed the Higher Education Reauthorization Act. This act changed provisions in the federal guaranteed student loan program, which also impacts state loan programs, such as the Future Teacher Conditional Scholarship Program and the Health Professional Loan Repayment and Scholarship Program.

When the state created these two state loan programs, the federal guaranteed student loan program was used as a model. The terms and conditions, such as interest charged and deferment provisions, of these two state loan programs are coupled with those provisions of the federal program. When Congress altered the provisions of the federal program, those changes affected the state programs.

Currently, the interest paid by students in the state and federal loan programs is 8 percent for the first four years of repayment and 10 percent thereafter. Under the new reauthorization, the federal loan program will now have variable interest rates, which will be recalculated yearly. The federal program will also eliminate some of the deferment provisions, which are central to the state teacher and health professional loan programs. Leaving the two state loan programs coupled with the terms and conditions of the federal program will cause uncertainty for the students supported by these loans, and increase the cost of administration of the state programs due to the need to recalculate payments for hundreds of students each year.

**SUMMARY:**

The Future Teacher Conditional Scholarship Program and the Health Professional Loan Repayment and Scholarship Program are separated from the terms and conditions of the federal guaranteed student loan program.

The interest charged in these state loan programs will be 8 percent for the first four years of repayment and 10 percent beginning with the fifth year of repayment.

Provisions for the deferral of payments in these programs will be determined by the Higher Education Coordinating Board.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested February 23, 1993

**TESTIMONY FOR:**

Eighty-five percent of the students receiving these loans have them repaid by service. These loan programs are designed to encourage public service, not repayment. The new federal loan program requirements will create a tremendous amount of extra paperwork and administrative effort and cost in order to implement. By decoupling the state programs from the federal program, these programs will continue to operate exactly as they are now -- with no changes in interest or deferral conditions.

**TESTIMONY AGAINST:** None

**TESTIFIED:** John Klacik, HEC Board (pro)