SENATE BILL REPORT

SB 5893

AS REPORTED BY COMMITTEE ON HIGHER EDUCATION, FEBRUARY 4, 1994

Brief Description: Expanding access to higher education.

SPONSORS: Senators Quigley and Hochstatter

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: That Substitute Senate Bill No. 5893 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Bauer, Chairman; Cantu, Prince, Quigley, Sheldon and West.

Minority Report: Do not pass.
Signed by Senator Drew, Vice Chairman.

Staff: Scott Huntley (786-7421)

Hearing Dates: January 31, 1994; February 4, 1994

BACKGROUND:

The state has budgeted over $95 million for the 1993-95 biennium for the state need grant program. It is argued that students who receive financial aid through state programs should be required to pay back the moneys that the state is providing them to complete their education. Most of the moneys allocated for student financial aid at the federal level is in the form of loans. It is maintained that, like the federal government, the state financial aid programs should provide loans instead of grants to needy students qualifying for financial aid. It is held that requiring students to repay state financial aid moneys, with interest, will actually result in more funds being available for state financial aid programs in the future.

SUMMARY:

Seventy percent of the state-appropriated moneys for the state financial aid program, excepting the work-study and special scholarship programs, will be appropriated for the state educational loan program. These moneys will be deposited in the state educational loan account and be used to make guaranteed student loans to needy or disadvantaged students.

The amount of the loans will not exceed the demonstrated financial need of the student. The terms and conditions of the loans will be consistent with the terms of the federal student loan program, with three special conditions: (1) interest accumulation on the loans will be deferred for one year following the cessation of full-time studies; (2)

interest accumulation, and payments on any accumulated principal and interest, will be deferred, for up to five years following the cessation of studies, for each payment period in which a recipient teaches at a public school in this state; and (3) any recipient who teaches at a public school in this state for five consecutive years following the cessation of studies will have the entire principal and interest of these loans forgiven.

All loans will be guaranteed by the Student Loan Guaranty Association, and the Higher Education Coordinating Board (HEC Board) is granted full authority to operate as an eligible lender under the guaranteed loan program. Before approving any loan the board will analyze the ability of the student to repay the loan.

The HEC Board is responsible for collection of the loans. Collection and servicing of the loans will be performed by entities approved for such servicing by the Student Loan Guaranty Association. Receipts from the payment of interest and principal will be deposited into the general fund.

Not more than two-thirds of any student's total state financial aid program award yearly may be in the form of grants. At least one-third of a student's total state award must be in the form of loans.

EFFECT OF PROPOSED SUBSTITUTE:

The provisions allowing deferral and forgiveness of the loans for recipients who teach in public schools are removed.

Appropriation: none

Revenue: yes

Fiscal Note: requested January 21, 1994

TESTIMONY FOR: None

TESTIMONY AGAINST:

There is a great deal of loan money available from many sources, however there is only limited grant money available for the poorest students. This bill will act to exacerbate that problem. Loans are aimed at middle-income students, grants toward low-income students. The federal government is increasing the proportion of aid it provides in the form of loans and decreasing the aid it provides as grants. This bill will do the same thing at the state level. Less money will be available for the poorest students.

TESTIFIED: John Klacik, HEC Board (con); Dan Steele, Washington Student Lobby (con)