

HOUSE BILL REPORT

HB 1851

As Reported By House Committee On:

Higher Education
Appropriations

Title: An act relating to financial aid.

Brief Description: Changing higher education financial aid.

Sponsors: Representatives Carlson, Radcliff, Mason, Kenney, Dunn, Talcott and Sullivan.

Brief History:

Committee Activity:

Higher Education: 2/21/97, 2/25/97 [DPS];

Appropriations: 3/6/97, 3/8/97 [DP2S(w/o sub HE)].

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Carlson, Chairman; Radcliff, Vice Chairman; Mason, Ranking Minority Member; Kenney, Assistant Ranking Minority Member; Butler; Dunn; O'Brien; Sheahan and Van Luven.

Staff: Suzi Morrissey (786-7120).

Background: Needy state residents attending accredited in-state public and independent institutions of higher education are eligible to receive assistance from several state-funded student aid programs. The two major state aid programs are the Need Grant Program and the Work Study Program. One of the smaller aid programs is the Educational Opportunity Grant Program. Institutional aid administrators provide students with an aid package. Whenever the resources are available, the package includes assistance from a combination of federal, state, and institutional aid programs. In order to minimize administrative effort and expense, regulations for state and federal programs are generally as compatible as laws permit.

State Need Grant Program. The Legislature has appropriated about \$57 million to the Need Grant Program for the 1996-97 academic year. The money is distributed from the neediest student up until the money is totally depleted. About 42,000 students will receive grants through the program. Of those students, about two-thirds are

enrolled in community or technical colleges. Eligible students receive an award that equals 15 percent of the students' educational and living costs. The average grant is about \$1,350. By law, full-time and part-time students may participate in the program for up to five years. By rule, the Higher Education Coordinating Board has limited participation in the Need Grant Program to undergraduate students. There is no restriction on the amount of time students may use their grants at any particular educational level. However, under federal student aid programs, students are restricted to one year of remedial work.

State Work Study Program. The Legislature has appropriated about \$14.2 million to the Work Study Program for the current academic year. The funding will provide part-time employment for about 9,000 needy low and middle-income students. Institutions try to help students find jobs in the students' chosen fields of study. Most employers must partially match the state funds. Public employers provide 20 percent in matching funds. Private employers provide a minimum of 35 percent in matching funds. For the current academic year, a total of about \$19 million is available for the program when matching monies from employers are added to state appropriations.

Educational Opportunity Grant (EOG) Program. The EOG program was created in 1989. The program is designed to help needy placebound students with an associate of arts degree complete their upper division work. Students may receive a maximum yearly grant of \$2,500 under the program. The students may attend a Washington public or independent institution of higher education with unused capacity. To qualify for the program, students must live in areas served by branch campuses. However, they cannot use this grant to attend a branch campus. The Legislature appropriated \$1 million to the program for the current academic year. The funding will assist about 400 students.

24 Percent Formula. Since 1977, funding for state programs has been guided by legislative intent language in statute. The language indicates that an amount that equals or exceeds 24 percent of the revenue from tuition increases at public colleges and universities should be added to financial aid programs funded from the general fund.

At the time the 24 percent intent language was adopted, about 24 percent of the full-time students attending public colleges and universities were receiving financial aid. In 1992, that percentage was about 38 percent. The percentage climbed to more than 40 percent when full-time resident students at private institutions were included. With the revision of federal financial aid eligibility requirements, the percentage of students receiving assistance is expected to continue to climb.

Summary of Substitute Bill: Existing statutory language describing the state financial aid program is revised to distinguish between the State Need Grant and Work Study programs. The Higher Education Coordinating Board will ensure that

both programs are designed around the principle that state financial aid money follows the student to the student's choice of an eligible institution of higher education. The board will also widely distribute financial aid information to students, parents, schools, colleges, libraries, and community-based organizations. When distributing the information, the board will undertake a special outreach effort to inform the parents of middle and junior high students about financial aid opportunities and about the performance requirements necessary for college entrance.

Generally, students may use their need grant awards in lower division courses for a maximum of two years plus one additional academic term. Their grant eligibility is also limited to the published length of their program. Generally, students may participate in the Need Grant Program for a maximum of four years plus one additional academic term, rather than five years. The board may adopt exceptions to these requirements, including permission for a student to receive a grant for five years if the student is enrolled in a five-year program. All eligibility periods will be adjusted to the equivalent credit or clock hours.

The Educational Opportunity Grant Program has new purposes. Its second major purpose is to minimize the need to build new public colleges and universities or to expand the physical capacity of existing public colleges. An additional purpose is to expand the program to permit needy placebound students to attend a branch campus, extension center, or the main campus of an institution of higher education that does not have unused capacity or a recent history of under enrollment. All needy, resident, placebound students with associate of arts degrees are eligible to participate in the program. First priority in the program will be given to eligible students who wish to attend the main campus of a public or independent baccalaureate institution with either unused capacity or a recent history of under enrollment. Second priority will be given to eligible students who wish to attend a branch campus, extension center, or the main campus of a baccalaureate institution that does not have unused capacity or a recent history of under enrollment. The board may deposit some money for the program into the state education trust fund to provide funding for a second year grant for new program recipients.

The Higher Education Coordinating Board will continue to evaluate and refine the recommendations of its 1995-96 Financial Aid Task Force. The board will devise an accurate method of determining a family's ability to pay college expenses. The board will consider several different methods for determining need grant amounts based on tuition and fees. By December 20, 1997, the board will report its findings and recommendations to the Governor, the House and Senate Higher Education Committees, and other interested parties. The board may implement a tuition based need grant program prior to the date that the report is due. The board will also collect information on financial aid recipients enrolled in precollege and developmental courses, and will report the information to the House and Senate Higher Education Committees.

During the 1997-99 biennium, \$10 million is added to the Work Study Program, \$10 million is added to the Educational Opportunity Grant Program, and \$23 million is added to the Need Grant Program. The money will be divided equally between each year of the biennium.

Revisions to the Need Grant Program will take effect in the 1998 fall academic term.

Substitute Bill Compared to Original Bill: The intent section is revised to remove language about students enrolled in precollege and developmental classes and to include references to the EOG program and need grant eligibility limits for lower division students. References are removed that restricted need grant eligibility for students under the age of 24 enrolled in precollege and developmental classes.

The Higher Education Coordinating Board Financial Aid Study is clarified. The board will evaluate family income for need grant purposes only. The board will consider different need grant awards based on tuition and fees. The board will gather and analyze information on the extent to which financial aid recipients are enrolled in precollege and developmental classes. The board may implement a tuition based need grant program before the report is due.

The purposes of the EOG program are expanded to include enrollment at branch campuses, extension centers, and institutions that do not have unused capacity or a recent history of under enrollment. There will be two priorities rather than three in the EOG program. First priority will go to any eligible student who wishes to attend a main campus with unused capacity or a recent history of under enrollment. Second priority will go to eligible students who wish to attend a branch campus, extension center, or main campus that does not have unused capacity or a recent history of under enrollment. The Higher Education Coordinating Board may place into trust some EOG funding for second year students.

Some technical changes are incorporated. References to meritorious are removed. References to private institutions are changed to independent institutions. The effective date section is clarified to apply to need grant recipients only. References are removed to a loan program that was never created.

Appropriation: During the 1997-99 biennium, \$10 million is added to the Work Study Program, \$10 million is added to the Educational Opportunity Grant Program, and \$23 million is added to the Need Grant Program. The money will be divided equally between each year of the biennium.

Fiscal Note: Requested on February 13, 1997.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Substitute Bill. Washington State is 49th nationally in the number of baccalaureate degrees conferred by its colleges and universities. The policies contained in this legislation may help increase that rate in a cost-effective manner. The expansion of the EOG program will help many needy transfer students complete their baccalaureate degrees. Its focus on fully using the entire higher education system will improve access and may help the state hold down future operating and capital costs. The policies included in the bill also support the efforts of the Higher Education Coordinating Board to improve the average amount of time needed to obtain an associate of arts or baccalaureate degree. One of the most important features of the legislation is its reaffirmation of current policies permitting needy students to enroll in programs and institutions that they choose based on their educational needs. The funding increases proposed for financial aid programs will greatly assist the state's needy low and middle income students.

Testimony Against: Original Bill. Enrollment in precollege and developmental courses is the key to academic success for some students. The requirement in the original legislation to ignore the credits earned in these classes for need grant recipients under the age of 24 would cause serious problems for financial aide administrators and students.

Concerns with Substitute Bill. Even though exceptions are permitted for students with special circumstances, limiting the time a student may use a need grant in lower division courses to two years plus one academic term may cause problems for some students. The legislation states that one of the purposes of the EOG program is to minimize the need to build new public colleges or to expand the physical capacity of existing colleges. If this language is interpreted to extend beyond this program, it could cause problems for some public institutions that need to expand their physical plants to accommodate the 50,000 or more new students expected during the next several decades. Some institutions would prefer putting most new financial aid funding into the Need Grant Program rather than expanding funding for the work study or EOG programs.

Testified: Representative Don Carlson, prime sponsor (pro); Dr. David Spangler, President, Saint Martin's College (pro); Patrick McDonald, student at The Evergreen State College (pro); Tana Hasart, Dean of Students, Clark College (pro original bill with reservations); Susan Patrick, Higher Education Coordinating Board (pro substitute bill); Judy McNickle, Western Washington University (pro substitute bill); Martha Lindley, Central Washington University (pro substitute bill); Kim Merriman, The Evergreen State College (pro substitute bill); Rhonda Coats, State Board for Community and Technical Colleges (pro substitute bill); Wendy Rader-Konofalski, Washington Federation of Teachers (pro substitute bill); Sumeer Singla, Washington Student Lobby (pro substitute bill); Linda Broderick, Washington Federation of Private Career Schools and Colleges (pro substitute bill); Senator Ken Jacobsen (pro substitute bill); Tom Parker, Washington Friends of Higher Education (pro substitute

bill); Imelda Cornzio, student at South Puget Sound Community College (con original bill); Aretha Forks, student at South Puget Sound Community College (con original bill); Karen Johnson, Instructor, Edmonds Community College (con original bill); Mary Lou Hammond, Instructor, Spokane Community College (con original bill); and Brian Hughes, Instructor, Seattle Community College (con original bill).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Higher Education. Signed by 30 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

Staff: Mary Alice Grobins (786-7118).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Higher Education: The second substitute bill strikes the \$43 million appropriation and provides that the act is null and void unless specific funding is appropriated in the budget.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

Testimony For: Increased financial aid demonstrates the state commitment to students of the state by providing aid to a significantly greater number of students. It is a good investment in the future of the state. With increased financial aid, students can access existing unused capacity in the independent higher education institutions which have 2,000 open seats next biennium. More financial aid allows students to attend their first choice of institution and puts students first. A tuition-based state need grant program is desirable.

Testimony Against: Limitation of time over which state need grants may be used is cause for concern. Many students must work long hours to support themselves and may not be able to complete their course work within the limited time in the bill. If

students are not able to get into required classes, they may not be able to finish their degrees on time but would lose state need grants. The Educational Opportunity Grant (EOG) program provisions mean that EOG students cannot attend Western Washington University. The EOG program will not eliminate the need to expand capacity at some institutions.

Testified: Representative Don Carlson, prime sponsor; Bruce Eklund, Washington Student Lobby, Central Washington University (pro with concerns); Sam Singla, Washington Student Lobby, Washington State University (pro with concerns); Martha Lindley (pro with concerns); Larry Ganders, Washington State University (pro); Susan Patrick, Higher Education Coordinating Board (pro); Judy McNickle, Western Washington University (pro with concerns); Kim Merriman, The Evergreen State College (pro); Dr. John Eschelman, Seattle University (pro); Sister Kathleen Ross, Heritage College (pro); Dr. Dave Spangler, St. Martin's College (pro); and Jeremy Korst, Associated Students, University of Puget Sound (pro).