

SENATE BILL REPORT

2SHB 1055

As of March 21, 1997

Title: An act relating to undergraduate fellowships for needy and meritorious students.

Brief Description: Creating undergraduate fellowships for needy and meritorious students.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Radcliff, Dunn, Carlson, Dickerson, Hatfield, Conway, Quall, Mason, Costa, Ogden, Anderson and O'Brien; by request of Higher Education Coordinating Board).

Brief History:

Committee Activity: Higher Education: 3/24/97.

SENATE COMMITTEE ON HIGHER EDUCATION

Staff: Jennifer Hanlon (786-7784)

Background: There are four programs designed both to match state funds with private donations and to attract and retain exemplary faculty and graduate students in Washington's public colleges and universities. Through the Warren G. Magnuson Institute for Biomedical Research and Health Professions Training, individuals engaged in research of diabetes, Parkinson's disease, osteoporosis, and other medical disorders receive funding and support. Funding for the institute is provided through a combination of methods, including the earnings on an endowment created when state funds were doubly matched by private donations or federal funds.

In the Community College Exceptional Faculty Awards Program, state funds and private donations are equally matched either to reward outstanding service by individual faculty members or to fund faculty development activities. Community college and technical college foundations are permitted to participate in this program.

Through the Distinguished Professorship and Graduate Student Fellowship programs, state funds are matched with private donations to create endowed positions at the public baccalaureate institutions.

The 1996 Student Financial Aid Policy Advisory Committee to the Higher Education Coordinating Board recommended the creation of an endowed fellowship program for needy and meritorious undergraduate students attending public or independent colleges and universities. The committee suggested that the board develop and seek funding for a program modeled on the Distinguished Professorship and Graduate Student Fellowship programs.

Summary of Bill: The Washington Undergraduate Fellowship Trust Fund Program is created. Through the program, the Legislature intends to help public and independent institutions of higher education and private career schools and colleges fund fellowships for

resident needy or meritorious undergraduate students. The fellowships are funded from earnings on an endowment created by matching state money with an equal amount from private donors.

The program is administered by the Higher Education Coordinating Board. The board's program responsibilities are described. These include the adoption of the following: rules; an annual allocation system for monies in the trust fund; contracts with participating institutions and foundations; policies that maximize the distribution of state matching monies; a mechanism to reallocate unused funds; and an annual report on the program. The board must also request the release of state matching monies to qualifying institutions of higher education or foundations.

Public institutions of higher education or their foundations are eligible to participate in the program. Independent institutions and private career schools and colleges are not eligible to receive the state matching funds. However, the foundations of independent institutions of higher education or private career schools and colleges may participate.

Participating foundations must meet a number of conditions. These include: status as private, nonprofit corporations; tax exempt status under section 501(c)(3) of the federal tax code; existence solely for the benefit of one or more institutions of higher education; and registration with the Attorney General under the Charitable Trust Act. In addition, foundations must enter a contract with the board. The contract, which must be approved by the Attorney General, must describe the services the foundation provides, ensure the protection of the state money in the endowment, guarantee that the foundation does not discriminate, and include other conditions specified by the board. Foundations of independent institutions and private career schools and colleges are also required to ensure that state funds are not used to assist students who are in pursuit of a theology degree or enrolled in a program that includes religious instruction.

The Undergraduate Fellowship Trust Fund is created. It is administered by the State Treasurer. State appropriations for the program are deposited in the trust fund. At the request of the Higher Education Coordinating Board, money in the trust fund is released to the local endowment funds created by participating institutions or foundations. The Higher Education Coordinating Board may request the release of state money when participating entities receive \$25,000 in cash from private donors.

Once an institution of higher education or foundation receives the private donation and state matching monies, it must deposit both in an endowment fund. The institution or foundation is responsible for defining meritorious; selecting recipients; soliciting private donations; investing money in the endowment fund; administering the fellowship; and, upon request, reporting on the program to the Governor and the Legislature. The proceeds from the endowment may be used to pay the costs associated with the recipient's education. The principal of the endowment cannot be spent. Monies associated with this program are not subject to collective bargaining.

The amount of \$10 million is appropriated to the trust fund for the 1997-99 biennium.

Appropriation: \$10 million.

Fiscal Note: Available.

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