

HOUSE BILL REPORT

2SHB 1123

As Passed House:

March 11, 2003

Title: An act relating to creating a state financial aid account to ensure that all statewide financial aid is made available.

Brief Description: Creating the state financial aid account.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Kenney, Cox, Fromhold, Jarrett, Berkey, Chase, Kessler, Wallace, Conway, Wood, Cody, McCoy and Upthegrove).

Brief History:

Committee Activity:

Higher Education: 2/7/03, 2/11/03 [DPS];

Appropriations: 2/24/03, 3/3/03 [DP2S(w/o sub HE)].

Floor Activity:

Passed House: 3/11/03, 92-0.

Brief Summary of Second Substitute Bill

- Creates a non-appropriated state financial aid account where the Higher Education Coordinating Board deposits money received for various state financial aid programs.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Kenney, Chair; Fromhold, Vice Chair; Cox, Ranking Minority Member; Priest, Assistant Ranking Minority Member; Berkey, Boldt, Buck, Chase, Clements, Condotta, Gombosky, Jarrett, Lantz, McCoy and Morrell.

Staff: Barbara McLain (786-7383).

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 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Conway, Cox, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

Staff: Susan Howson (786-7142).

Background:

State Financial Aid Programs: State funds for a number of financial aid programs are appropriated in the operating budget to the Higher Education Coordinating Board (HECB). These programs include: State Need Grant, State Work Study, Washington Scholars, Washington Award for Vocational Excellence, and Educational Opportunity Grant.

In distributing the funds to public institutions of higher education and students attending private institutions, the HECB makes certain assumptions about how many eligible students will be attending each institution. If these assumptions are not precisely accurate or money is not moved among institutions in a timely manner, it is possible for financial aid funds to remain unspent at the end of a fiscal year. Under state law, unspent funds cannot be used in the following fiscal year (e.g., the money lapses).

Over the past five years, the following money from the State Need Grant (by far the largest program) has lapsed at the end of the fiscal year:

1997-98:	\$ 450,000	2000-01:	\$ 0
1998-99:	\$ 350,000	2001-02:	\$ 0
1999-00:	\$4,100,000		

Promise Scholarship: When the Promise Scholarship was authorized in statute in 2002, the Legislature created a Promise Scholarship Account. A legislative appropriation is not needed to spend monies placed in the account, which are to be used only for Promise Scholarships. Disbursements from the account are exempt from state laws regarding allotments or lapsing of funds at the end of a fiscal year. Both the statute and the biennial operating budget direct the HECB to place state funds for the Promise Scholarship into the account.

Summary of Second Substitute Bill:

The state financial aid account is created with the primary purpose to ensure appropriations for financial aid are made available to eligible students. A legislative appropriation is not needed to spend monies placed in the account, which are to be used only for various scholarship programs. Appropriated moneys deposited into the new state

financial aid account do not lapse at the close of the fiscal period.

The HECB is directed to place state funds for the following financial aid programs in the account: State Need Grant, State Work Study, Washington Scholars, Washington Award for Vocational Excellence, and Educational Opportunity Grant. The HECB may expend moneys in the account only for the purposes for which they were appropriated, and the expenditures are subject to any other conditions or limitations placed on the appropriations.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2003.

Testimony For: (Higher Education) The bill was drafted using the Promise Scholarship as a precedent and in order to help with the administration of financial aid programs. It is a challenge to spend all of the appropriated funds precisely by the end of each fiscal year because they must be allocated to multiple institutions. Allowing even small amounts of money to carry forward into the following fiscal year eases the administration burden on the HECB. At a time when funding is not adequate to cover all needy students, as much as possible must be retained for financial aid.

Testimony For: (Appropriations) The primary goal of the HECB is to ensure that all financial aid funds get to the students. Any mechanism to make the financial aid disbursement process more efficient would ease the HECB's administrative burden and would greatly benefit the students of Washington. The HECB plans to account for moneys deposited into the account separately.

Testimony Against: (Higher Education) None.

Testimony Against: (Appropriations) None.

Testified: (Higher Education) Representative Kenney, prime sponsor; Bruce Botka, Higher Education Coordinating Board; and Ben Medina, Washington Student Lobby.

Testified: (Appropriations) Ben Medina, Washington Student Lobby; and Ruta Fanning, Higher Education Coordinating Board.