

SENATE BILL REPORT

E2SHB 1123

As Reported By Senate Committee On:
Ways & Means, February 25, 2004

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: 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: Ways & Means: 2/18/04, 2/25/04 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fraser, Hale, Honeyford, Pflug, Rasmussen, Regala, Roach, Sheahan and B. Sheldon.

Staff: Richard Ramsey (786-7412)

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 amounts 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 Amended 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.

Amended Bill Compared to Second Substitute Bill: A reporting requirement is added.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: At present, unspent funds appropriated for financial aid lapse to the education savings account and are not available for financial aid. This bill will ensure that all financial aid funds are used for the intended purpose. It will reduce the need for mid-course corrections in managing financial aid disbursements. It will also ensure that students are provided every dollar of assistance.

Testimony Against: None.

Testified: PRO: Representative Phyllis G. Kenney (prime sponsor); Jim Sultan, HECB.