
Higher Education Committee

HB 2854

Brief Description: Making changes to the state higher education loan program.

Sponsors: Representatives Kenney, Maxwell, Sells, Probst, Hasegawa, Pettigrew, Conway, Ericks, Sullivan, Hunt, Nelson, Quall, Chase, Ormsby, Liias, Upthegrove, Goodman, Pedersen, Santos, Morrell, Hudgins, Orwall, Cody, Eddy, Dickerson, Wallace, Kessler, Anderson and Simpson.

Brief Summary of Bill

- creates the Higher Education Loan Program account,
- establishes eligibility criteria for student participation,
- establishes an annual limit on loans granted through the program, and
- repeals the authority granted to the Washington Higher Education Finance Authority to initiate and operate a student loan program.

Hearing Date: 1/19/10

Staff: Andi Smith (786-7304).

Background:

The Higher Education Coordinating Board (HECB) is in charge of almost all state-run student financial assistance programs. In 2007-08 a total of \$1.62 billion was provided to about 135,000 needy Washington students from state, federal, and other sources. This aid took the form of grants, work study awards, and loans. The federal government provided the majority of the aid, 76 percent of which was in the form of loans.

During the 2009 Legislative session, the Higher Education Loan Program (HELP) was established in E2SHB 2021. The enabling legislation put the Higher Education Coordinating Board in charge of program administration, determining loan repayment obligations, eligibility criteria, and total loan limits, fees, or other charges related to the loan, as well as creating other

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necessary loan programs like conditional loans or emergency loans. The HELP program is limited to Washington residents who are deemed in need of additional financial aid by rule of the HECB. Public and private institutions are eligible, provided that they are accredited by an accrediting body recognized by the HECB.

Washington Higher Education Facilities Authority.

The Washington Higher Education Facilities Authority (Authority) was created in 1983. The statutory purpose of the Authority is to: "enable the building, providing, and utilization of modern, well-equipped, efficient, and reasonably-priced higher educational facilities, as well as the improvement, expansion, and modernization of such facilities, in a manner that will minimize the capital cost of construction, financing, and use of such facilities."

The Authority fulfills its purpose of minimizing the financing costs of higher education facilities through the issuance of tax-exempt, nonrecourse revenue bonds for the independent qualified institutions of higher education in Washington State. During the 2007 regular session, SB 5385 was signed into law authorizing the Authority to originate and purchase educational loans and to issue student loan revenue bonds.

Summary of Bill:

A definition for "eligible student" is established and includes all of the following criteria: (1) Have an annual family income, adjusted for family size, that is no greater than 130 percent of the Washington state median family income; (2) Have completed the free application for federal student aid; (3) be a Washington State resident; (4) be enrolled in an academic field of study, excluding theology; (5) be enrolled at least half-time in a degree or certificate program; (6) be enrolled in a program leading to a first associate, bachelor's, or graduate or professional degree; (7) maintain satisfactory academic progress as determined by the attending institution; (8) not be delinquent or in default on a federal or state student loan; and (9) not be past due in child support obligations.

The Higher Education Loan Program (HELP) account is created in the custody of the State Treasurer's office. The Higher Education Coordinating Board is responsible for making disbursements from the account. The HELP account is set up to be self-sustaining based on loan repayments collected by the board as well as any private contributions.

A limit on the loan amount granted per academic year is established. The cap is set at the cost of attendance minus any other student financial aid received.

Authority previously granted to the Washington Higher Education Facilities Authority that authorized them to initiate and operate a student loan program is repealed.

Appropriation: None.

Fiscal Note: Requested on January 15, 2010.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.