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**Ways & Means Committee**

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**HB 2088**

**Brief Description:** Creating the opportunity scholarship board to assist middle-income students and invest in high employer demand programs.

**Sponsors:** Representatives Probst, Haler, Frockt, Zeiger, Tharinger, Asay, Orwall, Armstrong, Carlyle, Maxwell, Springer, Kenney, Seaquist, Finn, Haigh, Dammeier, Smith, Goodman, Lytton, Stanford, Dahlquist, Ladenburg, Wylie and Rivers.

**Brief Summary of Bill**

- Creates the Opportunity Scholarship Program and the Opportunity Expansion Program to mitigate the impact of tuition increases, increase the number of baccalaureate degrees in high employer demand and other programs, and invest in programs and students to meet market demand fields of study while filling middle-income jobs with a sufficient supply of skilled workers.
- Creates the Opportunity Scholarship Board to identify eligible education and training programs for purposes of the opportunity scholarship, select institutions of higher education to receive opportunity expansion awards, and make recommendations with respect to funding sources for opportunity expansion awards.
- Renames the State Need Grant the Opportunity Award.

**Hearing Date:** 5/11/11

**Staff:** Trista Zugel (786-7157).

**Background:**

There are various kinds of financial aid, some private, some supported by the state, such as the State Need Grant (SNG). The SNG program helps the state's lowest-income undergraduate students pursue education. Students can use the grants at eligible institutions (public two- and four-year colleges and universities, and many accredited independent colleges, universities, and career schools) in Washington. Grants are awarded to individuals with family income up to 70 percent of the median family income.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The Legislature has created public-private partnership scholarship programs in the past. As an example, the GET Ready for Math and Science Program was authorized under RCW 28B.105. Per this statute, the Higher Education Coordinating Board (HECB) contracted with a program administrator, and the administrator solicited funds from private contributors. The state then matched those contributions and the administrator awarded conditional math and science focused scholarships.

### **Summary of Bill:**

This legislation creates opportunity scholarship and opportunity expansion programs to mitigate the impact of tuition increases, increase the number of baccalaureate degrees in high employer demand and other programs, and invest in programs and students to meet labor market demands. These programs are overseen by the Opportunity Scholarship Board, made up of seven appointed persons.

### Opportunity Scholarship.

The Opportunity Scholarship Program scholarships may be issued from state earnings only after state match has been paid to both the scholarship account and the endowment account, state appropriations to the SNG meet or exceed such appropriations made in 2011-13, and eligibility for the SNG is maintained at a minimum of 70 percent of median family income. Additionally, progress must have been made toward reaching global challenge state funding goals, meaning that the state must demonstrate progress toward the goal of total per-student funding levels, from state appropriations plus tuition of at least the 60th percentile of total per-student funding at similar public institutions of higher education in Washington's global challenge states. Washington's global challenge states are California, Colorado, Maryland, New Jersey, Connecticut, Virginia, Minnesota and North Carolina.

At least 50 percent of all private contributions must be deposited into the Opportunity Scholarship Account until total receipts in that account reach \$20 million, after which the Opportunity Scholarship Board determines the distribution between two accounts, carefully balancing the need for a long-term funding mechanism and short-term needs of students and families.

State match, which must be appropriated by the Legislature, is earned for private contributions made after the effective date and paid beginning the later of January 1, 2014, or the first year with state revenues 10 percent higher than those received in Fiscal Year 2008. These payments are capped at \$50 million annually. The state match appropriation will be made to the Higher Education Coordinating Board (HECB) which will then contract with the administrator.

Scholarship recipients must: (1) be accepted into an eligible education and training program, as determined by Opportunity Scholarship Board; (2) declare an intention to obtain a baccalaureate degree (whether starting at two or four year school); and (3) have family income at or below 125 percent median family income. Generally, the annual amount of a scholarship is \$1,000, or the dollar difference between tuition fees charged in the 2008-09 academic year and the academic year for which a scholarship is being distributed, whichever is greater, but the amount can be up to an amount necessary to cover all eligible expenses, as determined by the administrator.

This program will be administered by a 501(c)(3) organization through a contract with the state.

Opportunity Expansion Program.

Opportunity expansion moneys will be distributed to institutions of higher education which propose programs designed to increase the number of baccalaureate degrees produced in high employer demand and other programs of study. These programs must have a strong emphasis on serving students who received their high school diploma or GED in Washington or are adult Washington residents who are returning to school. This program will initially be funded through voluntary contributions of the existing high tech research and development (R&D) tax credits. The Department of Revenue (DOR) reports the amount contributed to the State Treasurer and the Legislature appropriates the funds. Once awarded, the amount of the award is included in the institution's base budget in subsequent years upon demonstration that the institution has met or exceeded its proposed targets.

Opportunity Scholarship Board.

This bill creates the Opportunity Scholarship Board (Board). This seven member Board will oversee both programs and will have members selected by Governor and Legislature. They will serve for four year terms. The Board will identify eligible education and training programs for purposes of the opportunity scholarship, select institutions of higher education to receive opportunity expansion awards and will make recommendations with respect to funding sources for opportunity expansion awards.

Reporting.

The Office of Financial Management (OFM) must report annually regarding the increase in the number of degrees in high employer demand or other programs of study over the average of the preceding 10 academic years, and the percentage of Washington households with incomes in the middle-income bracket or higher. The Workforce Training and Education Board must include specific strategies to reach the goal of increasing the percentage of Washington households living in the "middle-income bracket" or higher. The DOR must report to the State Treasurer on the amount of R&D tax credits voluntarily contributed to the Opportunity Expansion Program.

State Need Grant.

The SNG is renamed "opportunity award." (The name change is to be effectuated at the least possible cost.)

**Appropriation:** None.

**Fiscal Note:** Requested on May 10, 2011.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.