

SENATE BILL REPORT

HB 1424

As of March 8, 2011

Title: An act relating to administrative consistency between conditional scholarship and loan repayment student financial aid programs.

Brief Description: Regarding administrative consistency in student financial aid programs.

Sponsors: Representatives Jacks, Haler and Upthegrove; by request of Higher Education Coordinating Board.

Brief History: Passed House: 2/14/11, 94-0.

Committee Activity: Higher Education & Workforce Development: 3/08/11.

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Staff: Aldo Melchiori (786-7439)

Background: The Legislature created the Health Professional Loan Repayment and Scholarship Program (Health Professionals) to attract and retain health professionals to serve in workforce shortage areas in Washington State. Students who receive a scholarship or educational loan repayment assistance must commit to serve in shortage areas for at least three but no more than five years. Recipients who do not complete their full service commitment must repay twice the amount paid by the program in addition to any payments on the principal and interest that are still owing. The interest rate on the conditional scholarship is 8 percent for the first four years and 10 percent beginning in the fifth year. Interest rate is not addressed for the loan program. The period for repayment starts no later than nine months after completion or discontinuation of study or required residency.

In 2004 the Legislature created the Future Teachers Conditional Scholarship and Loan Repayment Program (Future Teachers). It is designed to encourage outstanding students and paraprofessionals to become teachers and to encourage current teachers to obtain additional endorsements in teacher shortage subjects. Recipients agree to teach in an approved educational program in Washington public schools in return for conditional scholarships or loan repayments. Priority is given to individuals seeking an additional certification or an additional endorsement in math, science, technology education, agricultural education, business and marketing education, family and consumer science education, or special education.

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.

If conditional scholarship recipients do not meet their service commitment, they are obliged to repay the scholarship amount plus interest and an equalization fee. The repayment amount is pro-rated depending on the amount of service already provided. The Higher Education Coordinating Board (HECB) sets the minimum payment amount and determines the interest annually. The maximum period for repayment is ten years. The HECB sets terms of payment, including interest rates, fees, and deferment, in rule.

Summary of Bill: Terms for repayment are adjusted for students who do not meet their service obligations for the Health Professionals or Future Teachers programs. Repayment terms for the Health Professionals program are more closely aligned with those for the Future Teachers program.

For Health Professionals, the HECB has the authority to establish interest rates on repayments. The ability to assess interest is added to the loan repayment portion of Health Professions. It is clarified that the penalty is based on the remaining principal. For Future Teachers, the HECB retains the authority to establish the interest rate, but is no longer required to establish it annually. Quarterly interest accrual is removed for both Health Professionals and Future Teachers.

Repayment for Health Professionals starts no later than six months after completion or discontinuation of study or postgraduate training rather than nine months. The maximum repayment period for Health Professionals is set at ten years. The HECB must establish an appeals process for both the Health Professionals and Future Teachers programs.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This will help the HECB operate the programs more efficiently. It is a cleanup and efficiency bill. It will improve the equity and consistency between the two programs.

Persons Testifying: PRO: Representative Jacks, prime sponsor; Chris Thompson, HECB.