
HOUSE BILL 1424

State of Washington

62nd Legislature

2011 Regular Session

By Representatives Jacks, Haler, and Upthegrove; by request of Higher Education Coordinating Board

Read first time 01/20/11. Referred to Committee on Higher Education.

1 AN ACT Relating to administrative consistency between conditional
2 scholarship and loan repayment student financial aid programs; amending
3 RCW 28B.115.020, 28B.115.120, and 28B.102.060; reenacting and amending
4 RCW 28B.115.110; and repealing RCW 28B.115.060.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 28B.115.020 and 1991 c 332 s 15 are each amended to
7 read as follows:

8 Unless the context clearly requires otherwise, the definitions in
9 this section apply throughout this chapter.

10 (1) "Board" means the higher education coordinating board.

11 (2) "Department" means the state department of health.

12 (3) "Eligible education and training programs" means education and
13 training programs approved by the department that lead to eligibility
14 for a credential as a credentialed health care professional.

15 (4) "Eligible expenses" means reasonable expenses associated with
16 the costs of acquiring an education such as tuition, books, equipment,
17 fees, room and board, and other expenses determined by the board.

18 (5) "Eligible student" means a student who has been accepted into

1 an eligible education or training program and has a declared intention
2 to serve in a health professional shortage area upon completion of the
3 education or training program.

4 (6) "Forgiven" or "to forgive" or "forgiveness" means to render
5 health care services in a health professional shortage area in the
6 state of Washington in lieu of monetary repayment.

7 (7) "Health professional shortage areas" means those areas where
8 credentialed health care professionals are in short supply as a result
9 of geographic maldistribution or as the result of a short supply of
10 credentialed health care professionals in specialty health care areas
11 and where vacancies exist in serious numbers that jeopardize patient
12 care and pose a threat to the public health and safety. The department
13 shall determine health professional shortage areas as provided for in
14 RCW 28B.115.070(~~(, or until June 1, 1992, as provided for in RCW~~
15 ~~28B.115.060)~~). In making health professional shortage area
16 designations in the state the department may be guided by applicable
17 federal standards for "health manpower shortage areas," and "medically
18 underserved areas," and "medically underserved populations."

19 (8) "Credentialed health care profession" means a health care
20 profession regulated by a disciplining authority in the state of
21 Washington under RCW 18.130.040 or by the state board of pharmacy under
22 chapter 18.64 RCW and designated by the department in RCW
23 28B.115.070(~~(, or until June 1, 1992, as established in RCW~~
24 ~~28B.115.060)~~) as a profession having shortages of credentialed health
25 care professionals in the state.

26 (9) "Credentialed health care professional" means a person
27 regulated by a disciplining authority in the state of Washington to
28 practice a health care profession under RCW 18.130.040 or by the state
29 board of pharmacy under chapter 18.64 RCW.

30 (10) "Loan repayment" means a loan that is paid in full or in part
31 if the participant renders health care services in a health
32 professional shortage area as defined by the department.

33 (11) "Nonshortage rural area" means a nonurban area of the state of
34 Washington that has not been designated as a rural physician shortage
35 area. The department shall identify the nonshortage rural areas of the
36 state.

37 (12) "Participant" means a credentialed health care professional
38 who has received a loan repayment award and has commenced practice as

1 a credentialed health care provider in a designated health professional
2 shortage area or an eligible student who has received a scholarship
3 under this program.

4 (13) "Program" means the health professional loan repayment and
5 scholarship program.

6 (14) "Required service obligation" means an obligation by the
7 participant to provide health care services in a health professional
8 shortage area for a period to be established as provided for in this
9 chapter.

10 (15) "Rural physician shortage area" means rural geographic areas
11 where primary care physicians are in short supply as a result of
12 geographic maldistributions and where their limited numbers jeopardize
13 patient care and pose a threat to public health and safety. The
14 department shall designate rural physician shortage areas.

15 (16) "Satisfied" means paid-in-full.

16 (17) "Scholarship" means a loan that is forgiven in whole or in
17 part if the recipient renders health care services in a health
18 professional shortage area.

19 (18) "Sponsoring community" means a rural hospital or hospitals as
20 authorized in chapter 70.41 RCW, a rural health care facility or
21 facilities as authorized in chapter 70.175 RCW, or a city or county
22 government or governments.

23 **Sec. 2.** RCW 28B.115.110 and 1991 c 332 s 24 and 1991 c 164 s 8 are
24 each reenacted and amended to read as follows:

25 Participants in the health professional loan repayment and
26 scholarship program who are awarded loan repayments shall receive
27 payment from the program for the purpose of repaying educational loans
28 secured while attending a program of health professional training which
29 led to a credential as a credentialed health professional in the state
30 of Washington.

31 (1) Participants shall agree to meet the required service
32 obligation in a designated health professional shortage area.

33 (2) Repayment shall be limited to eligible educational and living
34 expenses as determined by the board and shall include principal and
35 interest.

36 (3) Loans from both government and private sources may be repaid by
37 the program. Participants shall agree to allow the board access to

1 loan records and to acquire information from lenders necessary to
2 verify eligibility and to determine payments. Loans may not be
3 renegotiated with lenders to accelerate repayment.

4 (4) Repayment of loans established pursuant to this program shall
5 begin no later than ninety days after the individual has become a
6 participant. Payments shall be made quarterly, or more frequently if
7 deemed appropriate by the board, to the participant until the loan is
8 repaid or the participant becomes ineligible due to discontinued
9 service in a health professional shortage area or after the required
10 service obligation when eligibility discontinues, whichever comes
11 first.

12 (5) Should the participant discontinue service in a health
13 professional shortage area, payments against the loans of the
14 participants shall cease to be effective on the date that the
15 participant discontinues service.

16 (6) Except for circumstances beyond their control, participants who
17 serve less than the required service obligation shall be obligated to
18 repay to the program an amount equal to twice the total amount paid by
19 the program on their behalf (~~in addition to any payments on the~~
20 ~~unsatisfied portion of the principal and interest~~). This amount is
21 due and payable immediately. Participants who are unable to pay the
22 full amount due shall enter into a payment arrangement with the board,
23 including an arrangement for payment of interest. The maximum period
24 for repayment is ten years. The board shall determine the
25 applicability of this subsection. The interest rate shall be
26 determined by the board and be established by rule.

27 (7) The board is responsible for the collection of payments made on
28 behalf of participants from the participants who discontinue service
29 before completion of the required service obligation. The board shall
30 exercise due diligence in such collection, maintaining all necessary
31 records to ensure that the maximum amount of payment made on behalf of
32 the participant is recovered. Collection under this section shall be
33 pursued using the full extent of the law, including wage garnishment if
34 necessary.

35 (8) The board shall not be held responsible for any outstanding
36 payments on principal and interest to any lenders once a participant's
37 eligibility expires.

1 (9) The board shall temporarily or, in special circumstances,
2 permanently defer the requirements of this section for eligible
3 students as defined in RCW 28B.10.017.

4 (10) The board shall establish an appeal process by rule.

5 **Sec. 3.** RCW 28B.115.120 and 1993 c 423 s 2 are each amended to
6 read as follows:

7 (1) Participants in the health professional loan repayment and
8 scholarship program who are awarded scholarships incur an obligation to
9 repay the scholarship, with penalty and interest, unless they serve the
10 required service obligation in a health professional shortage area in
11 the state of Washington.

12 (2) The interest rate shall be ~~((eight percent for the first four
13 years of repayment and ten percent beginning with the fifth year of
14 repayment))~~ determined by the board and established by rule.

15 (3) The period for repayment shall coincide with the required
16 service obligation, with payments of principal and interest ~~((accruing
17 quarterly))~~ commencing no later than ~~((nine))~~ six months from the date
18 the participant completes or discontinues the course of study or
19 completes or discontinues the required ~~((residency))~~ postgraduate
20 training. Provisions for deferral of payment shall be determined by
21 the board.

22 (4) The entire principal and interest of each payment shall be
23 forgiven for each payment period in which the participant serves in a
24 health professional shortage area until the entire repayment obligation
25 is satisfied or the borrower ceases to so serve. Should the
26 participant cease to serve in a health professional shortage area of
27 this state before the participant's repayment obligation is completed,
28 payment~~((s—on))~~ of the unsatisfied portion of the principal and
29 interest ~~((shall begin the next payment period and continue until the
30 remainder of the participant's repayment obligation is satisfied))~~ is
31 due and payable immediately.

32 (5) In addition to the amount determined in subsection (4) of this
33 section, except for circumstances beyond their control, participants
34 who serve less than the required service obligation shall be obliged to
35 ~~((repay to the program))~~ pay a penalty of an amount equal to twice the
36 ~~((total amount paid by the program on their behalf))~~ unsatisfied
37 portion of the principal.

1 ~~((+5+))~~ (6) Participants who are unable to pay the full amount due
2 shall enter into a payment arrangement with the board for repayment
3 including interest. The maximum period for repayment is ten years.

4 (7) The board is responsible for collection of repayments made
5 under this section and shall exercise due diligence in such collection,
6 maintaining all necessary records to ensure that maximum repayments are
7 made. Collection and servicing of repayments under this section shall
8 be pursued using the full extent of the law, including wage garnishment
9 if necessary, and shall be performed by entities approved for such
10 servicing by the Washington student loan guaranty association or its
11 successor agency. The board is responsible to forgive all or parts of
12 such repayments under the criteria established in this section and
13 shall maintain all necessary records of forgiven payments.

14 ~~((+6+))~~ (8) Receipts from the payment of principal or interest or
15 any other subsidies to which the board as administrator is entitled,
16 which are paid by or on behalf of participants under this section,
17 shall be deposited with the board and shall be used to cover the costs
18 of granting the scholarships, maintaining necessary records, and making
19 collections under subsection ~~((+5+))~~ (7) of this section. The board
20 shall maintain accurate records of these costs, and all receipts beyond
21 those necessary to pay such costs shall be used to grant scholarships
22 to eligible students.

23 ~~((+7+))~~ (9) Sponsoring communities who financially contribute to
24 the eligible financial expenses of eligible medical students may enter
25 into agreements with the student to require repayment should the
26 student not serve the required service obligation in the community as
27 a primary care physician. The board may develop criteria for the
28 content of such agreements with respect to reasonable provisions and
29 obligations between communities and eligible students.

30 ~~((+8+))~~ (10) The board may make exceptions to the conditions for
31 participation and repayment obligations should circumstances beyond the
32 control of individual participants warrant such exceptions. The board
33 shall establish an appeal process by rule.

34 **Sec. 4.** RCW 28B.102.060 and 2004 c 58 s 7 are each amended to read
35 as follows:

36 (1) Participants in the conditional scholarship program incur an
37 obligation to repay the conditional scholarship, with interest and an

1 equalization fee, unless they teach for two years in an approved
2 education program for each year of scholarship received, under rules
3 adopted by the board. Participants who teach in a designated teacher
4 shortage area shall have one year of loan canceled for each year they
5 teach in the shortage area.

6 (2) The interest rate shall be determined (~~annually~~) by the
7 board. Participants who fail to complete the teaching service shall
8 incur an equalization fee based on the remaining unforgiven balance of
9 the loan. The equalization fee shall be added to the remaining balance
10 and repaid by the participant.

11 (3) The minimum payment shall be set by the board. The maximum
12 period for repayment shall be ten years, with payments of principal and
13 interest (~~accruing quarterly~~) commencing six months from the date the
14 participant completes or discontinues the course of study. The
15 interest rate shall be determined by the board and be established by
16 rule. Provisions for deferral of payment shall be determined by the
17 board. The board shall establish an appeal process by rule.

18 (4) The entire principal and interest of each payment shall be
19 forgiven for each payment period in which the participant teaches in an
20 approved education program until the entire repayment obligation is
21 satisfied. Should the participant cease to teach in an approved
22 education program in this state before the participant's repayment
23 obligation is completed, payments on the unsatisfied portion of the
24 principal and interest shall begin the next payment period and continue
25 until the remainder of the participant's repayment obligation is
26 satisfied.

27 (5) The board is responsible for collection of repayments made
28 under this section and shall exercise due diligence in such collection,
29 maintaining all necessary records to insure that maximum repayments are
30 made. Collection and servicing of repayments under this section shall
31 be pursued using the full extent of the law, including wage garnishment
32 if necessary. The board is responsible to forgive all or parts of such
33 repayments under the criteria established in this section and shall
34 maintain all necessary records of forgiven payments.

35 (6) Receipts from the payment of principal or interest or any other
36 subsidies to which the board as administrator is entitled, which are
37 paid by or on behalf of participants under this section, shall be
38 deposited in the future teachers conditional scholarship account and

1 shall be used to cover the costs of granting the conditional
2 scholarships, maintaining necessary records, and making collections
3 under subsection (5) of this section. The board shall maintain
4 accurate records of these costs, and all receipts beyond those
5 necessary to pay such costs shall be used to grant conditional
6 scholarships to eligible students.

7 (7) The board shall adopt rules to define the terms of repayment,
8 including applicable interest rates, fees, and deferments.

9 NEW SECTION. **Sec. 5.** RCW 28B.115.060 (Eligible credentialed
10 health care professions--Required service obligations) and 1991 c 332
11 s 19 are each repealed.

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