

HOUSE BILL REPORT

HB 2429

As Reported by House Committee On:
Higher Education

Title: An act relating to creating a higher education loan program.

Brief Description: Creating the Washington advance higher education loan program.

Sponsors: Representatives Stonier, Johnson, Harris, Wylie, Haler, Sawyer, Riccelli, Pollet, Habib, MacEwen, Tarleton, Bergquist, Farrell, Fitzgibbon, Moeller, Ryu, Sells, Goodman, Gregerson, S. Hunt, Senn, Santos, Ormsby and Freeman.

Brief History:

Committee Activity:

Higher Education: 1/24/14, 1/31/14 [DPS].

Brief Summary of Substitute Bill

- Finds that too many students at all income levels are leaving higher education programs with high levels of debt, and recognizes that a financial aid program that offers loans with repayments based on a student's income would reduce the burden of debt.
- Creates the Washington Advance Higher Education Loan Pilot Program to replace the Washington Higher Education Loan Program.
- Creates the Washington Advance Higher Education Loan Account in the custody of the State Treasurer.
- Directs that the program is to be administered by the Office of Student Financial Assistance (Office) within the Student Achievement Council, and report annually to the Governor and Legislature on the design and implementation.
- Includes an expiration date of July 1, 2020.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Seaquist, Chair; Pollet, Vice Chair; Haler, Ranking

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.

Minority Member; Gregerson, Hansen, Johnson, Muri, Reykdal, Sawyer, Sells, Tarleton, Walkinshaw, Walsh and Wylie.

Minority Report: Do not pass. Signed by 5 members: Representatives Zeiger, Assistant Ranking Minority Member; Hargrove, Magendanz, Scott and Smith.

Staff: Madeleine Thompson (786-7304).

Background:

The Higher Education Loan Program.

Legislation enacted in 2009 created the Higher Education Loan Program (HELP) program to assist students in need of additional low-cost student loans and related loan benefits. The Washington Student Achievement Council (WSAC) is the program administrator. Since the HELP was created, no funding has been provided. A 2012 budget proviso directed the WSAC to convene a work group of technical experts to identify and describe finance and program design options for the HELP and present them to the Legislature for future consideration.

Student Borrowing.

According to the annual financial aid report of the WSAC, in 2012-13 loan assistance represented 39 percent of financial aid to needy resident undergraduate students. Grant aid represented 60 percent of aid to needy students, and state work study represented 1 percent of aid to needy students.

Between 2010 and 2012 the number of student loan borrowers increased by 5 percent. In 2012-13 more than 89,000 identified as "needy" borrowed an average of \$6,775. An additional 10,515 non-needy resident undergraduate borrowers, who are not receiving need-based aid, took out federal unsubsidized student loans and borrowed an average of \$6,756.

Parent Loans for Undergraduate Students (PLUS) is a federal loan program used by parents to assist with the educational costs of their dependent children. In 2010-11, 11,621 parents of Washington undergraduate students borrowed average annual PLUS loans of \$10,689. In 2011 eligibility criteria for the federal PLUS changed based on determining the credit worthiness of parents. In 2012-13, 10,848 parents took out a PLUS loan. While there was a 7 percent reduction of PLUS loans over a two-year period, loan amounts increased by 18 percent. The average loan amount for PLUS loans was \$12,595 in 2012-13.

Summary of Substitute Bill:

The Legislature finds that too many students at all income levels are leaving higher education programs with high levels of debt. The Legislature recognizes that a financial aid program that offers loans with repayments based on a student's income would reduce the burden of debt.

The Washington Advance Higher Education Loan Pilot Program (Program) is created for the purposes of assisting students in need of additional low-cost student loans and related loan benefits, as well as to meet the state's need for individuals with higher education degrees and certificates that are in demand by employers, such as in the fields of science, including health science, technology, engineering, and math (STEM). The Program replaces the Washington Higher Education Loan Program.

The Office of Student Financial Assistance (Office) within the WSAC is directed to administer the Program. In administering the Program, the Office has the following powers and duties: design and implement a low interest educational loan program with an interest rate that is less than federal student loan options for higher education students; loan repayment obligations that take total loan debt and family size into consideration; and loan repayments that do not commence until six months after a student has completed his or her degree or certificate, or six months after leaving their program in cases where a student leaves before completing a degree or certificate.

The Office is required to define other loan terms including fees and deferments. The Office must screen and select eligible students to receive the loan and collect and manage repayment from students who do not meet their repayment obligations. The Office may exercise discretion to alter repayment obligations in cases of significant economic hardship. The Office may adopt necessary rules to administer this Program.

In order to be eligible for the Program, a student must be a resident, demonstrate financial need to access higher education or complete their higher education program, and be enrolled in one of the following programs:

- any computer science or engineering baccalaureate degree or applied baccalaureate degree offered by a public baccalaureate institution, a community and technical college, or an independent, nonprofit baccalaureate degree-granting institution;
- a program related to science, including STEM at Washington State University in Vancouver, Clark College, or Heritage University;
- an aerospace related program at Everett Community College;
- the MEDEX program at the University of Washington in Spokane;
- the doctor of osteopathic medicine program at Pacific Northwest University of Health Sciences; or
- programs that prepare students for the following licensed mental health professions: mental health counselor, chemical dependency professional, social worker, psychologist, and certified counselor offered by Heritage University, Washington State University in Vancouver, the University of Washington in Spokane, Bellevue College, Clark College, Everett Community College, or Pierce College.

Undocumented students are added to the definition of "resident student" for the Program.

In order to remain eligible for the Program, a participant must be considered by the institution of higher education to be making satisfactory progress.

The Office must report on the Program each year by December 1 to the Governor and to the higher education and fiscal committees of the Legislature with the collaboration of participating institutions and programs. The annual report must describe the design and implementation of the Program and specific report elements are described.

The Washington Advance Higher Education Loan Account (Account) is created in the custody of the State Treasurer. The Office has authority to make disbursements from the Account only for the purposes of the Program. The Program must become self-sufficient.

The program expires on July 1, 2020.

Substitute Bill Compared to Original Bill:

The substitute bill adds the following programs to the list of programs whose students are eligible for the Program:

- any computer science or engineering baccalaureate degree or applied baccalaureate degree offered by a public baccalaureate institution, a community and technical college, or an independent, nonprofit baccalaureate degree-granting institution; and
- programs that prepare students for the following licensed mental health professions: mental health counselor, chemical dependency professional, social worker, psychologist, and certified counselor offered by Heritage University, Washington State University in Vancouver, the University of Washington in Spokane, Bellevue College, Clark College, Everett Community College, or Pierce College.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This proposal is intended to fill a gap in our financial aid tools. A student may apply and get into a selective school but their family income falls just above the income bracket that qualifies for the State Need Grant, so they cannot afford to pay the tuition and fees, and do not go to the school. There are also workforce needs that the Program is intended to address. The Program would be easy to measure as it is small. Many students take high-interest private or federal loans that provide a burden after graduation, but the Program would be a more affordable loan for students. The proposal aims to find valuable solutions to fulfill employer needs in the region. The Program would help to foster relationships between higher education institutions and employers. It is designed to produce the best graduates for industries in the region.

(With concerns) It is important to have a comprehensive look at all the financial aid tools available, the affordability of higher education, and then assess the gaps. The State Need Grant is an excellent program and should be considered when weighing the options for introducing a new program.

(Opposed) None.

Persons Testifying: (In support) Representative Stonier, prime sponsor; Rachelle Sharpe and Garrett Havens, Washington Student Association; and Dave Knutson, Washington Osteopathic Association.

(With concerns) Chris Mulick, Washington State University.

Persons Signed In To Testify But Not Testifying: None.