

# HOUSE BILL REPORT

## HB 2720

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**As Reported by House Committee On:**  
Higher Education

**Title:** An act relating to the pay it forward program.

**Brief Description:** Creating the pay it forward program.

**Sponsors:** Representatives Seaquist, Haler, Walkinshaw, Wylie, Sawyer, Morrell, Tarleton, Ormsby, Bergquist, Pollet, Gregerson, Freeman and Goodman.

**Brief History:**

**Committee Activity:**

Higher Education: 1/31/14, 2/4/14 [DPS].

**Brief Summary of Substitute Bill**

- Creates the Pay It Forward Program (PIF) for the purpose of increasing access to higher education.
- Directs the Washington Student Achievement Council (WSAC) to develop and implement the PIF.
- Directs the WSAC to select five high schools whose students are eligible to voluntarily participate in the PIF and sets out criteria for selection of the high schools.
- Directs that students who participate in the PIF receive a grant for tuition and fees for their higher education program, less state financial aid received, and must enter into a contract to agree to make contributions to the PIF based on income after completing their higher education program.
- Sets out parameters for making repayments based on the number of years of participation in the PIF and the certificate or degree level of the program.
- Creates the Pay It Forward Trust Fund Account in the custody of the State Treasurer for the purposes of the PIF.

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### HOUSE COMMITTEE ON HIGHER EDUCATION

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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.*

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Seaquist, Chair; Pollet, Vice Chair; Haler, Ranking Minority Member; Gregerson, Hansen, Johnson, Muri, Reykdal, Sawyer, Sells, Tarleton, Walkinshaw and Wylie.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Zeiger, Assistant Ranking Minority Member; Hargrove, Magendanz, Scott, Smith and Walsh.

**Staff:** Madeleine Thompson (786-7304).

**Background:**

Legislation enacted in Oregon in 2013 directed that the Oregon Higher Education Coordinating Commission (Commission) consider the creation of a proposed pilot program called Pay Forward, Pay Back. The pilot program would:

- replace the system of charging students tuition and fees for enrollment at public institutions of higher education; and
- identify one or more public institutions of higher education to participate in the pilot program.

The Commission is charged to determine whether a pilot program is warranted, and if so, to submit a proposal to the 2015 Legislative Assembly for consideration. The proposed pilot must allow students who are residents of Oregon, and who qualify for admission to an institution of higher education to enroll in the institution without paying tuition or fees. In lieu of paying tuition, students must sign a binding contract to pay to the State of Oregon or the institution a certain percentage of the student's annual adjusted gross income upon graduation from the institution for a specified number of years. The percentage of annual adjusted gross income must be specified for contracts at each participating institution. The Commission is charged to establish an immediate funding source for the first 15 to 20 years of the pilot program. A proposed pilot program may vary by institution depending on:

- the total cost of education at the institution;
- the portion of the cost that is paid by the State of Oregon;
- the number of years specified in the contract; and
- the percentage of annual adjusted gross income specified in the contract.

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**Summary of Substitute Bill:**

The Pay It Forward Program (PIF) is created for the purpose of providing greater access to higher education. The Washington Student Achievement Council (WSAC) must develop and implement the PIF. Eligible students who choose to participate in the PIF and who are enrolled in an undergraduate postsecondary degree or certificate program at a public institution of higher education, receive funds for their higher education program's tuition and fees, less state financial aid awards.

Students who choose to participate must sign a binding contract obligating them to make contributions to the PIF. Program participants must start making contributions in the third

January following graduation or discontinuation of their postsecondary program. The amount students are required to contribute and the length of time students are required to contribute are to be determined by the WSAC within the following parameters. Participants who:

- attended a state university shall not be required to contribute more than 5 percent of their income;
- attended a regional university or state college or who enrolled in an applied baccalaureate program at a community or technical college shall not be required to contribute more than 3.5 percent of their income;
- attended a community or technical college and enrolled in an associate degree, workforce degree, or certificate program shall not be required to contribute more than 2 percent of their income;
- transferred from a community or technical college to a baccalaureate program shall contribute based on the proportion of credit hours earned in the respective sectors; or
- received other state financial aid shall have their contribution obligations calculated according to the proportion of their tuition and required fees that are financed through the PIF.

Participants are required to make contributions in proportion to the number of credits for which they were registered while participating in the PIF. A student is eligible to receive Pay It Forward tuition assistance for up to five years, or the credit or clock hour equivalent of five years, or up to 125 percent of the published length of time of the student's program. Contributions may not be made to the PIF for a period longer than 25 years.

Participation in the PIF is voluntary for eligible students. Student eligibility is defined as:

- all students graduating after January 1, 2015, from up to five high schools selected by the WSAC; and
- students who have graduated from a high school selected by the WSAC within eight years of their graduation, including students who have previously enrolled in a postsecondary program at an institution of higher education who did not participate in the PIF.

The WSAC must select up to five high schools for participation in the PIF giving consideration to the following: at least two high schools must be located east of the crest of the Cascade mountains, one of which shall be located in central Washington; schools must vary in size and geographic location; schools must serve high proportions of low-income students and students who are traditionally underrepresented in postsecondary education, including students whose parents have never attended college; and schools must have communities and leaders that demonstrate support for their students to pursue postsecondary education.

The rate at which the PIF is expanded from the initial five high schools to eventually incorporate all public high schools in the state must be determined by the Legislature in the Omnibus Appropriations Act.

Each high school selected to participate in the PIF must be allocated one additional full-time equivalent counselor in order to increase participation in postsecondary education access programs such as the PIF and the College Bound Scholarship.

The Pay It Forward Trust Fund Account (Account) is created in the custody of the State Treasurer. The primary purpose of the Account is to ensure that all disbursements from the Account are made available to students eligible for the PIF. The Account consists of funds appropriated by the Legislature for the PIF, contributions to the PIF by program participants, and private contributions and may retain its own interest. The Account is not subject to allotment procedures. Moneys deposited in the Account do not lapse at the close of the fiscal period for which they were appropriated.

**Substitute Bill Compared to Original Bill:**

Federal and private financial aid are removed from the deduction of the amount provided to students to cover tuition and fees for the PIF so the amount provided through PIF is tuition and fees, less state financial aid.

The substitute bill clarifies that students from the selected high schools have an eight-year window from the time of high school graduation to enroll in the PIF.

A direction is added that the PIF Trust Fund Account retains interest.

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**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) There is a well-documented need for increased access to higher education in our state and we need a diverse set of tools for low- and middle-income students that works well alongside our other tools like the College Bound program and the State Need Grant. This proposal goes a long way to accomplishing Washington's higher education goals, and will improve Washington's high school graduation rates. Students in K-12 will begin to see postsecondary education as part of their horizon. This proposal will increase not just access, but persistence and degree completion, and it will help meet Washington's workforce needs. There are other programs that help prepare students for college but so many students cannot meet their requirements because their family just moved to Washington, or they find they cannot afford postsecondary education. This program would ensure that all of those students are able to access postsecondary education.

(With concerns) This proposal adds to the continued privatization of higher education. Resources that would be taken to fund this program could instead be used to pay for higher education to reduce tuition and to increase the number of students that can receive the State Need Grant. It is important to finish what is started and the State Need Grant should not lose

out to the PIF. There are already income-based loan options for students. The PIF is not needed.

(Opposed) None.

**Persons Testifying:** (In support) Representative Haler; Representative Pollet; Kelli Smith, Economic Opportunity Institute; and David Slagle.

(With concerns) Chris Mulick, Washington State University; Julie Garver, The Evergreen State College; and Karen Strickland, American Federation of Teachers-Washington.

**Persons Signed In To Testify But Not Testifying:** None.