

SENATE BILL REPORT

SHB 2612

As Reported by Senate Committee On:
Higher Education, February 27, 2014

Title: An act relating to the opportunity scholarship program.

Brief Description: Changing provisions relating to the opportunity scholarship.

Sponsors: House Committee on Appropriations Subcommittee on Education (originally sponsored by Representatives Hansen, Haler, Zeiger and Seaquist).

Brief History: Passed House: 2/13/14, 75-23.

Committee Activity: Higher Education: 2/20/14, 2/27/14 [DPA-WM].

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Bailey, Chair; Becker, Vice Chair; Kohl-Welles, Ranking Member; Baumgartner, Frockt, McAuliffe and Tom.

Staff: Eric Wolf (786-7405)

Background: In 2011 the Legislature established the Opportunity Scholarship Program (Program) to support low and middle-income resident students pursuing eligible high-demand majors in science, technology, engineering, mathematics, and health care, and to encourage scholarship recipients to work in the state upon completion of their degrees.

The Program is overseen by the Opportunity Scholarship Board (Board), which consists of seven members appointed by the Governor. Currently, for two of the appointments, the Governor must consider names submitted by the leadership of the Senate and the House of Representatives. Four of the appointments must be foundation or business and industry representatives from aerospace, manufacturing, health sciences, information technology, and other industries, nominated by private sector donors. Five members of the Board constitute a quorum for the transaction of business.

The Program Administrator manages two separate accounts to receive grants and contributions from private sources and state matching funds, and to distribute scholarship funds to participants. These two accounts include the following:

1. the Scholarship Account, from which scholarship monies are disbursed; and

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2. the Endowment Account, from which scholarship monies are disbursed only under the following conditions:
 - a. a state match has been made into both the Scholarship and Endowment accounts;
 - b. state appropriations for the State Need Grant meet or exceed appropriations made in the 2011-13 biennium, adjusted for inflation, and eligibility is maintained at 70 percent of median family income; and
 - c. the state has demonstrated progress toward the goal of reaching the 60th percentile of per-student funding levels, from state appropriations plus tuition and fees, at similar public institutions in the Global Challenge states as reported by the Office of Financial Management (OFM).

Scholarships must be disbursed annually on May 1.

The Opportunity Scholarship Match Transfer Account (Match Transfer Account) is a nonappropriated account, in the custody of the State Treasurer, used to provide matching funds for the Program. The Match Transfer Account is managed by the Executive Director of the Washington Student Achievement Council (WSAC).

The Washington State Investment Board (WSIB) has a fiduciary duty to manage public trust funds with the highest standard of professional conduct for the exclusive benefit of fund beneficiaries.

Summary of Bill (Recommended Amendments): The membership of the Board is increased to 11 members as follows:

- Six, rather than three, members are appointed by the Governor with three of the names under consideration to be submitted by leadership in the Senate and the House of Representatives; and
- Five, rather than four, members are appointed by the Governor from foundation or business and industry. The list of industries from which representatives may be appointed is updated to include engineering, agriculture, philanthropy, and health care, rather than health sciences.

The quorum requirement is increased to seven members.

The date for the annual disbursements of scholarship funds is changed from May 1 to October 1.

Language is added directing the OFM, when determining whether the state has demonstrated progress toward meeting the 60th percentile of Global Challenge states for state and tuition funding per student, to use resources that facilitate measurement and comparisons of the most recently completed academic year, including the statewide public four-year dashboard on the Education Data and Resource Center's website and academic year reports prepared by the State Board for Community and Technical Colleges.

Language is added authorizing the Board to elect to have WSIB invest funds in the Scholarship and Endowment Accounts with other funds subject to investment by WSIB. It is

specified that members of WSIB are not insurers of the funds and are not liable for action or inaction, unless they act with willful dishonesty or intentional violation of the law.

Clarifications are made that the state acts in a fiduciary, rather than ownership, capacity once monies in the Match Transfer Account are deposited in the Scholarship and Endowment Accounts, and that assets in these accounts are not considered state money, common cash, or revenue to the state.

Language is added requiring WSAC to enter into an agreement with the Program Administrator of the Program to demonstrate exchange of consideration for the matching funds.

EFFECT OF CHANGES MADE BY HIGHER EDUCATION COMMITTEE (Recommended Amendments): The membership of the Board is increased to 11 members as follows:

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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 on Substitute House Bill: PRO: There are two bills addressing the Program because the board membership provisions in HB 1251 were drafted and passed to the Senate in the 2013 Regular Session. This bill makes updates to statute reflecting the creation of WSAC and aligns the disbursement dates of funds to better fit with the financial aid cycle.

OTHER: There is an increased emphasis in science, technology, engineering, and mathematics (STEM) education at the two-year and four-year institution level, and this bill

could be expanded to reflect that focus. The provisions requiring that the Program award funding to students from families at or below 125 percent of median family income could be amended to include more middle-class families above that threshold. Reducing tuition costs for middle-income families will help prevent students from leaving the state to seek out lower tuition rates. The Program only helps STEM students, but liberal arts are also important.

Persons Testifying: PRO: Representative Stonier; Yolanda Watson-Spiva, College Success Foundation.

OTHER: Lucas Eckstrom, Madeline MacDonald, Charlie Roll, Jacob Straus, Bothell High School students.