

SENATE BILL REPORT

SB 6423

As Reported by Senate Committee On:
Higher Education, February 6, 2014

Title: An act relating to the opportunity scholarship program.

Brief Description: Changing provisions relating to the opportunity scholarship.

Sponsors: Senators Bailey, Kohl-Welles, Litzow, McAuliffe, Dammeier, Frockt, Fain, Mullet, Chase and Tom.

Brief History:

Committee Activity: Higher Education: 2/04/14, 2/06/14 [DPS-WM].

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: That Substitute Senate Bill No. 6423 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Bailey, Chair; Becker, Vice Chair; Kohl-Welles, Ranking Member; 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 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 constitutes a quorum for the transaction of business.

The Program Administrator of the Program administers two separate accounts to receive grants and contributions from private sources and state matching funds, and to distribute scholarship funds to participants, including the following:

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- the Scholarship Account, from which scholarship monies are disbursed; and
- the Endowment Account, from which scholarship monies are disbursed only in certain circumstances.

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 Board.

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 Substitute): The membership of the Board is increased to 11 members as follows:

- five members, an increase from three members, are appointed by the Governor with three of the five names under consideration to be submitted by leadership in the House of Representatives and the Senate; and
- six members, an increase from four members, are appointed 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 to October 1.

A section 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 the Scholarship and Endowment Accounts are not considered state money, common cash, or revenue to the state.

A provision is added that requires the Washington Student Achievement Council (WSAC) to enter into an agreement with the Program Administrator of the Program to demonstrate exchange of consideration for the matching funds. The management of the Match Transfer Account is given to the Executive Director of WSAC.

EFFECT OF CHANGES MADE BY HIGHER EDUCATION COMMITTEE (Recommended Substitute): The recommended substitute replaces a reference to the Higher Education Coordinating Board with a reference to WSAC.

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 Original Bill: PRO: This bill will help the Opportunity Scholarship fundraise more effectively and disburse funds more efficiently. Expanding the Board will help better reflect the employers in the state who have a need for additional STEM degree holders. Increasing private business and industry representatives will help the Board find new donors. The date of distribution of scholarship funds is changing to October 1 to better reflect the timeline on which student financial aid is distributed. WSIB has been consulted about managing the Opportunity Scholarship funds and does not object to managing the funds. WSIB could be nominated as a fiduciary account manager on behalf of the Board. This bill addresses needed administrative revisions to the Board. This bill will make it easier to meet quorums so that the Board may transact business. The Board is impressed with the cost effectiveness and professionalism of WSIB and believes it will be more economical for the Board to invest funds with them instead of hiring a private investment advisor. It can be difficult to get five of seven Board members present for each meeting to achieve a quorum. The Opportunity Scholarship also provides wrap-around support to their recipients to encourage continued enrollment and ultimately to stay in Washington.

Persons Testifying: PRO: Yolanda Spiva, Mack Hogans, WA State Opportunity Scholarship Board; Hanah Joudi, student.