
HOUSE BILL 2143

State of Washington 65th Legislature 2017 Regular Session

By Representatives Halper, Hansen, Holy, Stanford, and Muri

Read first time 03/09/17. Referred to Committee on Higher Education.

1 AN ACT Relating to expanding opportunities for higher education
2 students; amending RCW 28B.145.005, 28B.145.010, 28B.145.020,
3 28B.145.030, 28B.145.040, and 28B.145.090; and adding a new chapter
4 to Title 28B RCW.

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

6 NEW SECTION. **Sec. 1.** The definitions in this section apply
7 throughout this chapter unless the context clearly requires
8 otherwise.

9 (1) "Eligible student" means a resident student who is enrolled
10 in an accredited doctor of medicine or doctor of osteopathic medicine
11 program in the state, is making satisfactory progress, and has
12 declared an intention to work as a physician in a rural area in
13 Washington following graduation.

14 (2) "Medical student loan" means a loan that is approved by the
15 office and awarded to a participant under the program.

16 (3) "Office" means the office of student financial assistance.

17 (4) "Participant" means an eligible student who has received a
18 medical student loan under the program.

19 (5) "Program" means the medical student loan program.

20 (6) "Rural" means a county or combination of counties with a
21 widely dispersed population that is not considered an urbanized area

1 according to the United States department of commerce, bureau of the
2 census.

3 NEW SECTION. **Sec. 2.** Subject to availability of amounts
4 appropriated for this specific purpose, the medical student loan
5 program is established to increase the rural physician workforce in
6 Washington state. The office shall administer the program and has the
7 following powers and duties:

8 (1) To design and implement a low interest medical student loan
9 program with the following elements:

10 (a) A low interest rate, comparable to or more favorable than the
11 federal direct loan program, that begins once the participant
12 finishes his or her medical residency program;

13 (b) An annual loan limit not to exceed forty thousand dollars and
14 no more than the participant's estimated cost of attendance as
15 determined by his or her medical program;

16 (c) Loan repayments that do not commence until:

17 (i) Six months after the participant completes his or her medical
18 residency program; or

19 (ii) Six months after a participant leaves his or her doctor of
20 medicine program, doctor of osteopathic medicine program, or medical
21 residency program before completing; and

22 (d) An interest rate of at least twelve percent plus capitalized
23 interest that was deferred during the participant's doctor of
24 medicine or doctor of osteopathic medicine program and residency
25 program if the participant does not work as a physician in a rural
26 area in Washington for three years following completion of his or her
27 medical residency program;

28 (2) To establish an application, selection, and notification
29 process for awarding medical student loans to eligible students;

30 (3) To define the terms of repayment, including applicable
31 interest rates, fees, and deferments;

32 (4) To collect and manage repayments on the medical student
33 loans;

34 (5) To solicit and accept grants and donations from public and
35 private sources for the program;

36 (6) To exercise discretion to revise repayment obligations in
37 certain cases, such as economic hardship or disability;

38 (7) To publicize the program; and

39 (8) To adopt necessary rules.

1 NEW SECTION. **Sec. 3.** (1) The medical student loan account is
2 created in the custody of the state treasurer. No appropriation is
3 required for expenditures of funds from the account for medical
4 student loans. An appropriation is required for expenditures of funds
5 from the account for costs associated with program administration by
6 the office. The account is not subject to allotment procedures under
7 chapter 43.88 RCW.

8 (2) The office shall deposit into the account all moneys received
9 for the program. The account shall be self-sustaining and consist of
10 moneys received for the program by the office, and receipts from
11 participant repayments, including principal and interest.

12 (3) Expenditures from the account may be used solely for medical
13 student loans to participants in the program established by this
14 chapter and costs associated with program administration by the
15 office.

16 (4) Disbursements from the account may be made only on the
17 authorization of the office.

18 NEW SECTION. **Sec. 4.** (1) The office shall submit an annual
19 report regarding the program to the governor and the appropriate
20 committees of the legislature in accordance with the reporting
21 requirements in RCW 43.01.036.

22 (2) The annual report shall describe the design and
23 implementation of the program, and must include the following:

- 24 (a) The number of applicants for medical student loans;
- 25 (b) The number of participants in the program;
- 26 (c) The number of participants in the program who complete their
27 medical program;
- 28 (d) The number of participants in the program who are placed in
29 employment;
- 30 (e) The nature of that employment, including the type of job;
31 whether the job is full-time, part-time, or temporary; and the income
32 range;
- 33 (f) Whether the participant is working in a rural area;
- 34 (g) Demographic profiles of both applicants and participants; and
- 35 (h) An estimate of when the program will be self-sustaining.

36 (3) The annual report must be submitted by December 1st of each
37 year after July 1, 2020.

1 **Sec. 5.** RCW 28B.145.005 and 2011 1st sp.s. c 13 s 1 are each
2 amended to read as follows:

3 The legislature finds that, despite increases in degree
4 production, there remain acute shortages in high employer demand
5 programs of study, particularly in the science, technology,
6 engineering, and mathematics (STEM) and health care fields of study.
7 According to the workforce training and education coordinating board,
8 seventeen percent of Washington businesses had difficulty finding job
9 applicants in 2010. Eleven thousand employers did not fill a vacancy
10 because they lacked qualified job applicants. Fifty-nine percent of
11 projected job openings in Washington state from now until 2017 will
12 require some form of postsecondary education and training.

13 It is the intent of the legislature to provide jobs and
14 opportunity by making Washington the place where the world's most
15 productive companies find the world's most talented people. The
16 legislature intends to accomplish this through the creation of the
17 opportunity scholarship and the opportunity expansion programs to
18 help mitigate the impact of tuition increases, increase the number of
19 baccalaureate degrees and advanced degrees in high employer demand,
20 health professional shortage areas, and other programs, and invest in
21 programs and students to meet market demands for a knowledge-based
22 economy while filling middle-income jobs with a sufficient supply of
23 skilled workers.

24 **Sec. 6.** RCW 28B.145.010 and 2014 c 208 s 1 are each amended to
25 read as follows:

26 The definitions in this section apply throughout this chapter
27 unless the context clearly requires otherwise.

28 (1) "Advanced degree" means a health professional degree beyond
29 the baccalaureate level and includes graduate and professional
30 degrees.

31 (2) "Board" means the opportunity scholarship board.

32 (~~(2)~~) (3) "Council" means the student achievement council.

33 (~~(3)~~) (4) "Eligible education programs" means high employer
34 demand and other programs of study as determined by the board.

35 (~~(4)~~) (5) "Eligible expenses" means reasonable expenses
36 associated with the costs of acquiring an education such as tuition,
37 books, equipment, fees, room and board, and other expenses as
38 determined by the program administrator in consultation with the
39 council and the state board for community and technical colleges.

1 ~~((+5))~~ (6) "Eligible student" means a resident student who
2 received his or her high school diploma or high school equivalency
3 certificate as provided in RCW 28B.50.536 in Washington and who:

4 (a)(i) Has been accepted at a four-year institution of higher
5 education into an eligible education program leading to a
6 baccalaureate degree; ~~((or))~~

7 (ii) Will attend a two-year institution of higher education and
8 intends to transfer to an eligible education program at a four-year
9 institution of higher education; or

10 (iii) Has been accepted at an institution of higher education
11 into an eligible advanced degree program in a health professional
12 shortage area;

13 (b) Declares an intention to obtain a baccalaureate degree or an
14 advanced degree; and

15 (c) Has a family income at or below one hundred twenty-five
16 percent of the state median family income at the time the student
17 applies for an opportunity scholarship.

18 ~~((+6))~~ (7) "Health professional shortage areas" means those
19 areas where credentialed health care professionals are in short
20 supply as a result of geographic maldistribution or as the result of
21 a short supply of credentialed health care professionals in specialty
22 health care areas and where vacancies exist in serious numbers that
23 jeopardize patient care and pose a threat to the public health and
24 safety.

25 (8) "High employer demand program of study" has the same meaning
26 as provided in RCW 28B.50.030.

27 ~~((+7))~~ (9) "Participant" means an eligible student who has
28 received a scholarship under the opportunity scholarship program.

29 ~~((+8))~~ (10) "Program administrator" means a ~~((college~~
30 ~~scholarship organization that is a))~~ private nonprofit corporation
31 registered under Title 24 RCW and qualified as a tax-exempt entity
32 under section 501(c)(3) of the federal internal revenue code~~((, with~~
33 ~~expertise in managing scholarships and college advising))~~.

34 ~~((+9))~~ (11) "Resident student" has the same meaning as provided
35 in RCW 28B.15.012.

36 (12) "Service obligation" means an obligation by the participant
37 to be employed in a health professional shortage area in the state
38 for a specific period to be established by the board.

1 **Sec. 7.** RCW 28B.145.020 and 2014 c 208 s 2 are each amended to
2 read as follows:

3 (1) The opportunity scholarship board is created. The board
4 consists of eleven members:

5 (a) Six members appointed by the governor. For three of the six
6 appointments, the governor shall consider names from a list provided
7 by the president of the senate and the speaker of the house of
8 representatives; and

9 (b) Five foundation or business and industry representatives
10 appointed by the governor from among the state's most productive
11 industries such as aerospace, manufacturing, health care, information
12 technology, engineering, agriculture, and others, as well as
13 philanthropy. The foundation or business and industry representatives
14 shall be selected from among nominations provided by the private
15 sector donors to the opportunity scholarship and opportunity
16 expansion programs. However, the governor may request, and the
17 private sector donors shall provide, an additional list or lists from
18 which the governor shall select these representatives.

19 (2) Board members shall hold their offices for a term of four
20 years from the first day of September and until their successors are
21 appointed. No more than the terms of two members may expire
22 simultaneously on the last day of August in any one year.

23 (3) The members of the board shall elect one of the business and
24 industry representatives to serve as chair.

25 (4) Seven members of the board constitute a quorum for the
26 transaction of business. In case of a vacancy, or when an appointment
27 is made after the date of expiration of the term, the governor or the
28 president of the senate or the speaker of the house of
29 representatives, depending upon which made the initial appointment to
30 that position, shall fill the vacancy for the remainder of the term
31 of the board member whose office has become vacant or expired.

32 (5) The board shall be staffed by the program administrator.

33 (6) The purpose of the board is to provide oversight and guidance
34 for the opportunity expansion and the opportunity scholarship
35 programs in light of established legislative priorities and to
36 fulfill the duties and responsibilities under this chapter, including
37 but not limited to determining eligible education programs for
38 purposes of the opportunity scholarship program. Duties, exercised
39 jointly with the program administrator, include soliciting funds and
40 setting annual fund-raising goals.

1 (7) The board may report to the governor and the appropriate
2 committees of the legislature with recommendations as to:

3 (a) Whether some or all of the scholarships should be changed to
4 conditional scholarships that must be repaid in the event the
5 participant does not complete the eligible education program; (~~and~~)

6 (b) A source or sources of funds for the opportunity expansion
7 program in addition to the voluntary contributions of the high-
8 technology research and development tax credit under RCW 82.32.800;
9 and

10 (c) Whether the program should include a loan repayment or low-
11 interest or no-interest loan component for the advanced degree
12 portion of the program.

13 **Sec. 8.** RCW 28B.145.030 and 2014 c 208 s 3 are each amended to
14 read as follows:

15 (1) The program administrator, under contract with the council,
16 shall staff the board and shall have the duties and responsibilities
17 provided in this chapter, including but not limited to publicizing
18 the program, selecting participants for the opportunity scholarship
19 award, distributing opportunity scholarship awards, and achieving the
20 maximum possible rate of return on investment of the accounts in
21 subsection (2) of this section, while ensuring transparency in the
22 investment decisions and processes. Duties, exercised jointly with
23 the board, include soliciting funds and setting annual fund-raising
24 goals. The program administrator shall be paid an administrative fee
25 as determined by the board.

26 (2) With respect to the opportunity scholarship program, the
27 program administrator shall:

28 (a) Establish and manage (~~two~~) three separate accounts into
29 which to receive grants and contributions from private sources as
30 well as state matching funds, and from which to disburse scholarship
31 funds to participants;

32 (b) Solicit and accept grants and contributions from private
33 sources, via direct payment, pledge agreement, or escrow account, of
34 private sources for deposit into (~~one or both of the two~~) any of
35 the three specified accounts created in this subsection (2)(b) upon
36 the direction of the donor and in accordance with this subsection
37 (2)(b):

38 (i) The "scholarship account," whose principal may be invaded,
39 and from which scholarships must be disbursed for baccalaureate

1 programs beginning no later than December 1, 2011, if, by that date,
2 state matching funds in the amount of five million dollars or more
3 have been received. Thereafter, scholarships shall be disbursed on an
4 annual basis beginning no later than May 1, 2012, and every October
5 1st thereafter;

6 (ii) The "student support pathways account," whose principal may
7 be invaded, and from which scholarships may be disbursed for advanced
8 degree programs in the fiscal year following appropriations of state
9 matching funds. Thereafter, scholarships shall be disbursed on an
10 annual basis;

11 (iii) The "endowment account," from which scholarship moneys may
12 be disbursed for baccalaureate programs from earnings only in years
13 when:

14 (A) The state match has been made into both the scholarship and
15 the endowment account; and

16 (B) The state appropriations for the state need grant under RCW
17 28B.92.010 meet or exceed state appropriations for the state need
18 grant made in the 2011-2013 biennium, adjusted for inflation, and
19 eligibility for state need grant recipients is at least seventy
20 percent of state median family income; ((and

21 ~~(C) The state has demonstrated progress toward the goal of total~~
22 ~~per-student funding levels, from state appropriations plus tuition~~
23 ~~and fees, of at least the sixtieth percentile of total per-student~~
24 ~~funding at similar public institutions of higher education in the~~
25 ~~global challenge states, as defined, measured, and reported in RCW~~
26 ~~28B.15.068. In any year in which the office of financial management~~
27 ~~reports that the state has not made progress toward this goal, no new~~
28 ~~scholarships may be awarded. In any year in which the office of~~
29 ~~financial management reports that the percentile of total per-student~~
30 ~~funding is less than the sixtieth percentile and at least five~~
31 ~~percent less than the prior year, pledges of future grants and~~
32 ~~contributions may, at the request of the donor, be released and~~
33 ~~grants and contributions already received refunded to the extent that~~
34 ~~opportunity scholarship awards already made can be fulfilled from the~~
35 ~~funds remaining in the endowment account. In fulfilling the~~
36 ~~requirements of this subsection, the office of financial management~~
37 ~~shall use resources that facilitate measurement and comparisons of~~
38 ~~the most recently completed academic year. These resources may~~
39 ~~include, but are not limited to, the data provided in a uniform~~
40 ~~dashboard format under RCW 28B.77.090 as the statewide public four-~~

1 ~~year dashboard and academic year reports prepared by the state board~~
2 ~~for community and technical colleges;~~

3 ~~(iii))~~ (iv) An amount equal to at least fifty percent of all
4 grants and contributions must be deposited into the scholarship
5 account until such time as twenty million dollars have been deposited
6 into the account, after which time the private donors may designate
7 whether their contributions must be deposited to the scholarship, the
8 student support pathways, or the endowment accounts. The board and
9 the program administrator must work to maximize private sector
10 contributions to ~~((both))~~ the scholarship account, the student
11 support pathways account, and the endowment account, to maintain a
12 robust scholarship program while simultaneously building the
13 endowment, and to determine the division between the ~~((two))~~
14 scholarship, the student support pathways, and the endowment accounts
15 in the case of undesignated grants and contributions, taking into
16 account the need for a long-term funding mechanism and the short-term
17 needs of families and students in Washington. The first five million
18 dollars in state match, as provided in RCW 28B.145.040, shall be
19 deposited into the scholarship account and thereafter the state match
20 shall be deposited into the ~~((two))~~ three accounts in equal
21 proportion to the private funds deposited in each account; and

22 ~~((iv))~~ (v) Once moneys in the opportunity scholarship match
23 transfer account are subject to an agreement under RCW 28B.145.050(5)
24 and are deposited in the scholarship account, student support
25 pathways account, or endowment account under this section, the state
26 acts in a fiduciary rather than ownership capacity with regard to
27 those assets. Assets in the scholarship account, student support
28 pathways account, and endowment account are not considered state
29 money, common cash, or revenue to the state;

30 (c) Provide proof of receipt of grants and contributions from
31 private sources to the council, identifying the amounts received by
32 name of private source and date, and whether the amounts received
33 were deposited into the scholarship, the student support pathways, or
34 the endowment accounts;

35 (d) In consultation with the council and the state board for
36 community and technical colleges, make an assessment of the
37 reasonable annual eligible expenses associated with eligible
38 education programs identified by the board;

39 (e) Determine the dollar difference between tuition fees charged
40 by institutions of higher education in the 2008-09 academic year and

1 the academic year for which an opportunity scholarship is being
2 distributed;

3 (f) Develop and implement an application, selection, and
4 notification process for awarding opportunity scholarships;

5 (g) Determine the annual amount of the opportunity scholarship
6 for each selected participant. The annual amount shall be at least
7 one thousand dollars or the amount determined under (e) of this
8 subsection, but may be increased on an income-based, sliding scale
9 basis up to the amount necessary to cover all reasonable annual
10 eligible expenses as assessed pursuant to (d) of this subsection, or
11 to encourage participation in baccalaureate degree programs or
12 advanced degree programs identified by the board;

13 (h) Distribute scholarship funds to selected participants. Once
14 awarded, and to the extent funds are available for distribution, an
15 opportunity scholarship shall be automatically renewed until the
16 participant withdraws from or is no longer attending the program,
17 completes the program, or has taken the credit or clock hour
18 equivalent of one hundred twenty-five percent of the published length
19 of time of the participant's program, whichever occurs first, and as
20 long as the participant annually submits documentation of filing both
21 a free application for federal student aid and for available federal
22 education tax credits, including but not limited to the American
23 opportunity tax credit; ~~((and))~~

24 (i) Notify institutions of scholarship recipients who will attend
25 their institutions and inform them of the terms of the students'
26 eligibility; and

27 (j) Establish a required service obligation for participants
28 enrolled in an advanced degree program.

29 (3) With respect to the opportunity expansion program, the
30 program administrator shall:

31 (a) Assist the board in developing and implementing an
32 application, selection, and notification process for making
33 opportunity expansion awards; and

34 (b) Solicit and accept grants and contributions from private
35 sources for opportunity expansion awards.

36 **Sec. 9.** RCW 28B.145.040 and 2011 1st sp.s. c 13 s 5 are each
37 amended to read as follows:

38 (1) The opportunity scholarship program is established.

1 (2) The purpose of this scholarship program is to provide
2 scholarships that will help low and middle-income Washington
3 residents earn baccalaureate degrees or advanced degrees in high
4 employer demand, health professional shortage areas, and other
5 programs of study and encourage them to remain in the state to work.
6 The program must be designed for (~~both~~) students starting at two-
7 year institutions of higher education and intending to transfer to
8 four-year institutions of higher education (~~and~~), students starting
9 at four-year institutions of higher education, and students enrolled
10 in an advanced degree program.

11 (3) The opportunity scholarship board shall determine which
12 programs of study, including but not limited to high employer demand
13 programs, are eligible for purposes of the opportunity scholarship.
14 For advanced degree programs, the board shall limit scholarships to
15 eligible students enrolling in programs that lead to credentials in
16 health professional shortage areas.

17 (4) The source of funds for the program shall be a combination of
18 private grants and contributions and state matching funds. A state
19 match may be earned under this section for private contributions made
20 on or after June 6, 2011. A state match, up to a maximum of fifty
21 million dollars annually, shall be provided beginning the later of
22 January 1, 2014, or January 1st next following the end of the fiscal
23 year in which collections of state retail sales and use tax, state
24 business and occupation tax, and state public utility tax exceed, by
25 ten percent the amounts collected from these tax resources in the
26 fiscal year that ended June 30, 2008, as determined by the department
27 of revenue.

28 **Sec. 10.** RCW 28B.145.090 and 2014 c 208 s 4 are each amended to
29 read as follows:

30 (1) The board may elect to have the state investment board invest
31 the funds in the scholarship account, the student support pathways
32 account, and the endowment account described under RCW
33 28B.145.030(2)(b). If the board so elects, the state investment board
34 has the full power to invest, reinvest, manage, contract, sell, or
35 exchange investment money in the (~~two~~) three accounts. All
36 investment and operating costs associated with the investment of
37 money shall be paid under RCW 43.33A.160 and 43.84.160. With the
38 exception of these expenses, the earnings from the investment of the
39 money shall be retained by the accounts.

1 (2) All investments made by the state investment board shall be
2 made with the exercise of that degree of judgment and care under RCW
3 43.33A.140 and the investment policy established by the state
4 investment board.

5 (3) As deemed appropriate by the state investment board, money in
6 the scholarship, student support pathways, and endowment accounts may
7 be commingled for investment with other funds subject to investment
8 by the state investment board.

9 (4) Members of the state investment board shall not be considered
10 an insurer of the funds or assets and are not liable for any action
11 or inaction.

12 (5) Members of the state investment board are not liable to the
13 state, to the fund, or to any other person as a result of their
14 activities as members, whether ministerial or discretionary, except
15 for willful dishonesty or intentional violations of law. The state
16 investment board in its discretion may purchase liability insurance
17 for members.

18 (6) The authority to establish all policies relating to the
19 scholarship account, the student support pathways account, and the
20 endowment account, other than the investment policies as provided in
21 subsections (1) through (3) of this section, resides with the board
22 and program administrator acting in accordance with the principles
23 set forth in this chapter. With the exception of expenses of the
24 state investment board in subsection (1) of this section,
25 disbursements from the scholarship account, the student support
26 pathways account, and the endowment account shall be made only on the
27 authorization of the opportunity scholarship board or its designee,
28 and moneys in the accounts may be spent only for the purposes
29 specified in this chapter.

30 (7) The state investment board shall routinely consult and
31 communicate with the board on the investment policy, earnings of the
32 accounts, and related needs of the program.

33 NEW SECTION. **Sec. 11.** Sections 1 through 4 of this act
34 constitute a new chapter in Title 28B RCW.

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