

HOUSE BILL REPORT

HB 1823

As Reported by House Committee On:
Postsecondary Education & Workforce

Title: An act relating to the Washington student loan program.

Brief Description: Modifying the Washington student loan program.

Sponsors: Representatives Timmons, Slatter and Ramel.

Brief History:

Committee Activity:

Postsecondary Education & Workforce: 2/14/23, 2/17/23 [DP].

Brief Summary of Bill

- Reduces duties of the Washington Student Achievement Council.
- To the extent practicable, requires the Washington Student Loan Program Account to have a minimum life cycle of seven years.
- Limits loan interest rates to 1 percent or below.
- Limits eligible participants to graduate students enrolled in specific fields of study.
- Requires additional data elements to be collected.

HOUSE COMMITTEE ON POSTSECONDARY EDUCATION & WORKFORCE

Majority Report: Do pass. Signed by 11 members: Representatives Slatter, Chair; Entenman, Vice Chair; Reed, Vice Chair; Ybarra, Ranking Minority Member; Waters, Assistant Ranking Minority Member; Hansen, Jacobsen, Leavitt, Pollet, Schmidt and Timmons.

Minority Report: Do not pass. Signed by 2 members: Representatives Chandler and McEntire.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Without recommendation. Signed by 1 member: Representative Klicker.

Staff: Saranda Ross (786-7068)

Background:

In 2022 the Legislature created the Washington Student Loan Program (Program). The Washington Student Achievement Council (WSAC) administers the program and consulted with the Office of the State Treasurer and the State Investment Board on the program design and implementation plan.

The WSAC was required to contract with an independent actuary to conduct an analysis on the sustainability of the Program design, including the ability of the Program to operate as self-sustaining if issuing 1 percent interest rate loans. In January 2023 the WSAC reported to the Governor and Legislature on the Program's design, sustainability, and implementation. That report made policy recommendations to define self-sustainability as a target life cycle of the fund for five to 10 years.

The WSAC was able to start awarding student loans beginning with the 2024-25 academic year. To the extent feasible, the Program was to include the design recommendations as recommended in the report. If the independent actuary determined the Program design was not self-sustaining with a 1 percent interest rate, student loans were not authorized to be issued under the Program.

To qualify for a student loan under the Program, a student must be a resident, have a family income at or below the state median family income, be enrolled on at least a half-time basis at an institution of higher education, and complete a financial aid application. All undergraduate students who meet the requirements are eligible, but graduate students must be enrolled in a specialized field of study that has a workforce shortage or is considered high-demand, as determined by the WSAC. The WSAC must also ensure that institutions of higher education have a policy for prioritizing student loans for eligible students who have greater unmet financial need, are lowest income, are first-generation college students, and who have received loans under the program in prior years.

The WSAC must contract with one or more state-based financial institutions regulated under either the Washington State Credit Union Act or the Washington Commercial Bank Act for loan origination and may contract with a third-party for loan servicing. The WSAC must use an open and competitive bid process in the selection of one or more state-based financial institutions. A third-party entity providing loan servicing must comply with the requirements of student loan servicers under the Consumer Loan Act.

The WSAC must collect data on the Program in collaboration with institutions of higher education and submit an annual report to the Legislature beginning December 1, 2026. The

data WSAC must collect includes:

- number of borrowers;
- average borrowed annual and total balances;
- borrower demographics;
- institutions of higher education and educational fields of borrowers; and
- repayment statistics, including data on borrowers in repayment, deferment, delinquency, forbearance, and default.

The Program account is held in the custody of the State Treasurer as an appropriated account. The Program funds are permitted to be held in the Treasurer's Trust Fund and must receive its proportionate share of earnings.

Summary of Bill:

The requirement that WSAC contract with an independent actuary to conduct an analysis on the sustainability of the Program, including the ability of the Program to operate as self-sustaining if issuing 1 percent interest rate loans, is eliminated. Instead, the WSAC may retain a consultant and one or more financial advisors to design a loan program to provide consultation on the sustainability of the Program. To the extent practicable, the Program account is required to have a minimum life cycle of seven years. Loan interest rates are limited to 1 percent or below.

The WSAC may contract with one or more state-based financial institutions regulated under either the Washington State Credit Union Act or the Washington Commercial Bank Act for loan origination.

The WSAC may start awarding student loans beginning with the 2025-26 academic year. The WSAC is required to provide a second report on the design, sustainability, and implementation plan for the Program to the Governor and the Legislature by December 1, 2023.

Eligible participants are limited to graduate students enrolled in a specialized field of study that has a workforce shortage or is considered high-demand, such as professions in healthcare, behavioral and mental health, early education, kindergarten through grade 12, higher education, law enforcement, public safety, and others, as determined by the WSAC.

Postgraduate employment data and time to degree completion are elements added to the required data collection on the Program.

Appropriation: None.

Fiscal Note: Requested on February 10, 2023.

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

Staff Summary of Public Testimony:

(In support) Student loans are a significant burden. A low-interest loan program will reduce costs of pursuing higher education. This bill is much more targeted than how the Program is currently designed. For example, this bill narrows in on workforce shortage areas and limits recipients to people pursuing graduate degrees. This targeted investment in graduate fields is needed.

(Opposed) Washington needs to focus on decreasing the need for student loans. This bill does not replace the need to borrow loans, which is the real concern. Many students will need to borrow more than what the Program awards. This presents equity issues because low-income students are more likely to use the Program and are more likely to default. Programs like this also confuse students.

Persons Testifying: (In support) Representative Joe Timmons, prime sponsor.

(Opposed) Stephanie Sampedro, Office of the Washington Student Loan Advocate.

Persons Signed In To Testify But Not Testifying: None.