

# HOUSE BILL REPORT

## E2SHB 2021

---

### As Passed House:

March 9, 2009

**Title:** An act relating to revitalizing student financial aid.

**Brief Description:** Revitalizing student financial aid.

**Sponsors:** House Committee on Education Appropriations (originally sponsored by Representatives Kenney, Probst, Wallace, Sullivan, Priest, Maxwell, Chase, Ormsby, Hudgins, Jacks, Lias, White, Sells, Morrell, Kelley, Darneille, Wood and Roberts).

### Brief History:

#### Committee Activity:

Higher Education: 2/11/09, 2/13/09 [DPS];

Education Appropriations: 2/25/09, 2/26/09 [DP2S(w/o sub HE)].

#### Floor Activity

Passed House: 3/9/09, 62-34.

### Brief Summary of Engrossed Second Substitute Bill

- Requires institutions and the Higher Education Coordinating Board to label all forms of student financial assistance as an Opportunity Grant.
- Phases out the Educational Opportunity Grant over a two-year period.
- Creates a new grant, within the State Need Grant program, which provides grants for place-bound students who have earned an associate degree.
- Allows institutions to use institutional aid monies for students enrolled in dual credit programs.
- Caps eligibility for the State Work Study program for nonresident students at 15 percent.
- Creates a competitive grant process within the State Work Study program to encourage more placements in high demand fields.
- Creates the Higher Education Loan Program (HELP) to be administered by the Higher Education Coordinating Board.
- Creates the HELP Account in the custody of the State Treasurer and provides criteria under which loans may be made.

---

*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.*

---

## HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Wallace, Chair; Sells, Vice Chair; Carlyle, Driscoll, Hasegawa and White.

**Minority Report:** Without recommendation. Signed by 4 members: Representatives Anderson, Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Angel and Haler.

**Staff:** Andi Smith (786-7304)

---

## HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Higher Education. Signed by 10 members: Representatives Haigh, Chair; Sullivan, Vice Chair; Priest, Ranking Minority Member; Carlyle, Haler, Kagi, Probst, Quall, Rolfes and Wallace.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Anderson and Cox.

**Staff:** Debbie Driver (786-7143)

### **Background:**

#### State Work Study Program.

The State Work Study (SWS) program provides part-time work opportunities to needy students, enabling them to earn money for college often while gaining experience in jobs related to their career goals. The SWS program also provides students with an alternative to high levels of borrowing. The state's two- and four-year colleges and universities, and many accredited independent four-year colleges and universities, offer this form of financial assistance to eligible students.

#### Washington Award for Vocational Excellence.

The Washington Award for Vocational Excellence (WAVE) is one of two statewide merit-based programs, and honors three vocational students from each of the state's 49 legislative districts for outstanding achievement in vocational-technical education. Recipients receive grants for up to two years of undergraduate resident tuition. Students can use the grants at public two-year and four-year colleges and universities, and accredited independent colleges, universities, and licensed career schools in Washington.

#### Washington Scholars Program.

The Washington Scholars program is also a merit-based program and recognizes the accomplishments of three high school seniors from each of the state's 49 legislative districts. Students receive state scholarships for up to four years of public resident undergraduate tuition and fees. The scholarships can be used at any Washington public or independent college or university.

### Educational Opportunity Grant.

The Educational Opportunity Grant (EOG) program provides \$2,500 grants to encourage financially needy students to complete a bachelor's degree. Students must be Washington residents, have already earned an associate of arts or sciences degree, and be "placebound." To be considered placebound, students must be unable to continue their education – without the assistance of this grant – because of family or work commitments, health concerns, financial need, or other similar factor.

### **Summary of Engrossed Second Substitute Bill:**

#### Rebranding.

1. Directs all public institutions of higher education to label the state subsidy per student, under the umbrella term of "Opportunity Grant" on the tuition billing statements.
2. Directs all public institutions of higher education to label all types of financial aid under the umbrella term of "Opportunity Grant" on the tuition billing statement or the financial aid award letter.
  - This includes aid from all sources including federal, state, and local governments, local communities, nonprofit and for-profit organizations, and institutions of higher education.
  - Federal student loans are exempted from the labeling requirements.
3. Institutions retain the ability to customize their tuition billing statements and financial aid award letters to differentiate between programs and provide the clearest information to students.

#### Program Consolidation.

1. Phases out the Educational Opportunity Grant (EOG) program over a period of two years.
  - Allows no new awards but holds current recipients harmless.
  - Subject to the budget decisions, moves EOG funding into the State Need Grant.
  - Removes the program from statute, effective August 1, 2011.
2. Provides enhanced State Need Grants, in addition to the base need grant, for place-bound students who have earned an associate degree, subject to appropriations specific to this group of students.

#### Outreach.

1. Directs the Higher Education Coordinating Board (HECB) to label all student financial assistance programs that they oversee under the umbrella term of "Opportunity Grant."
  - This includes all printed materials, presentations, and web content.
  - If a web-portal is created that provides a "one-stop shop" for college-going information, all financial aid must be listed underneath the "Opportunity Grant" label.
2. The HECB retains the ability to customize the display to differentiate between various loan programs.

### Changes to the State Work Study Program.

1. Caps program eligibility for non-Washington residents at 15 percent, to the maximum extent practicable.
  - Gives priority consideration to spouses and dependents of persons on active military duty stationed in the state.
2. Directs the HECB to award competitive grants to colleges and universities that develop partnerships with local firms.
  - The firms must offer a job placement in a high demand field for at least one academic term and high demand can be determined for the state or a sub-state region.
  - Funding can be used for wages and program administration.

### Institutional Aid for Dual Credit Programs.

- Allows colleges and universities to use their institutional aid funds for students in dual credit programs.

### Higher Education Loan Program.

1. Program Administration:
  - creates the Washington Higher Education Loan Program (HELP) and puts the Higher Education Coordinating Board (HECB) in charge of program administration;
  - charges the HECB with determining loan repayment obligations, eligibility criteria, total loan limits, fees or other charges related to the loan, as well as creating other particular loan programs like conditional loans or emergency loans;
  - limits the program to Washington residents who are deemed "needy" by rule of the HECB and will attend a college or university in Washington; and
    - Public and private institutions are eligible, provided that they are accredited by an accrediting body recognized by the HECB.
    - Undergraduates and graduates are eligible to participate in HELP.
  - caps loans at the resident undergraduate, graduate, or professional tuition and state-mandated fees at the most expensive Washington public institution of higher education -- depending on what degree the student is pursuing.
2. Funding Mechanism:
  - creates the Washington HELP Account in the custody of the State Treasurer (Treasurer);
  - provides that the Treasurer establishes a Higher Education Loan Program that invests available funds at public depositories participating in HELP; and
    - Subject to available funds, the investments are made in the form of certificates of deposit.
  - provides that the Treasurer agrees that the state will give a 2 percent interest rate preference to the depository and in exchange, the depositories must make qualifying loans to students with an interest rate that is 2 percent below the interest rate the depository would charge for a loan for a similar purpose and similar term.
    - Public depositories do not currently include credit unions.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on August 1, 2009.

**Staff Summary of Public Testimony (Higher Education):**

(In support) The state and federal governments do a great job of providing grants and loans for students. However, often times, students and their parents don't know that they exist. Students need to be able to identify a name that they know will help them get to college and this bill creates that brand. In economic times like these, the state must also focus its support on programs that work the best. We must also reach out to students, especially low-income students and students of color, to make sure that they know what is out there for them.

Stakeholders appreciate the intent to preserve and enhance critical programs and like that those efforts hold current recipients harmless. Stakeholders are also committed to working with the individual institutions to work through implementation of the changes. The portal concept is also a great way to outreach to students. It will be important to make sure that the mission and intent of the Opportunity Grant offered through the community and technical colleges isn't lost under the umbrella brand. Stakeholders are in strong support of the simplification of marketing. This bill will help create more demand but needs to be part of a comprehensive approach to not only get students in the door but keep them there.

(In support with concerns) The rebranding is a good idea, but using the word "grant" might get confusing, especially if student loans are included. Eliminating nonresidents from State Work Study is also problematic; the current program already prioritizes residents. This might also cause businesses to back out if there isn't a critical mass of people.

(With concerns) The WAVE program must be retained. Cost is a real barrier to attendance and WAVE makes a difference in the lives of many people. The WAVE entry requirements help motivate students to be better people.

(Opposed) Rebranding could be very confusing to students, especially if everything is called a "grant." Students might not understand that they have to pay federal loans back. There might also be conflicts with federal laws that currently stipulate that federal loans must be labeled as coming from the federal government. Putting them under the banner of a state program might cause problems. The outreach efforts should reach back into high school. The program consolidation of Educational Opportunity Grants and the Washington Scholars program takes away aid to support the second two years of college.

**Staff Summary of Public Testimony (Education Appropriations):**

(In support) This bill responds to the fact that there are many types of financial aid programs that potential recipients may not know exist. The state's financial aid programs vary from State Need Grant to conditional loan scholarships to work study programs. There is a need to create an intuitive and recognizable brand for these varied financial aid programs. The bill creates a single brand so that all financial aid programs will be organized under one title. Creating a simplified method of communicating financial aid could result in increased access to higher education. This would make it easier for students and parents to find aid they may be eligible to receive. The use of one phrase would result in more transparency of state and federal aid programs. The bill also addresses the need to identify the programs that are most

effective and directs resources to programs that best serve students with the greatest financial need. The fiscal note is misleading as the institutions of higher education provide differing fiscal impacts for doing the same types of work.

(With concerns) Rebranding is a good first step but not the only step. Marketing that brand is the key to success. Providing funds for educating students or removing the inclusion of federal aid in the "Opportunity Grants" brand could reduce confusion. Also, the phrase "Opportunity Fund" or "Opportunity Grant" will be confusing for students and could lead to misunderstandings of the varied obligations different forms of aid require. Adding to confusion is the fact that there is a website the private colleges run called "College Opportunities."

Though the relabeling of financial aid as one program is a good idea, this would require four-year institutions to both comply with federal and state financial aid labeling rules. The four-year institutions would need to reprogram award letters, computer communications, billing statements, and brochures to promote financial aid. In addition, there is concern about eliminating the Educational Opportunity Grant and the reduction of Washington Scholars from four to two years. It is possible students may not be able to receive as much financial aid with the changes to these two programs. Finally, there is concern about the section of the bill that removes non-residents from eligibility for the State Work Study program.

(Opposed) None.

**Persons Testifying** (Higher Education): (In support) Representative Kenney, prime sponsor; John Klacik, Higher Education Coordinating Board; Scott Copeland and Chris Regkdal, State Board for Community and Technical Colleges; and Eleni Papadakis, Workforce Training and Education Coordinating Board.

(In support with concerns) Gene Wikstrom and Steve Lindstrom, Northwest Career College Federation.

(With concerns) Dave Iseminger, Washington Student Lobby; Kay Lewis, University of Washington and Council of Presidents; and Greg Scheiderer, Independent Colleges of Washington.

(Opposed) Mary Grace Lacanlale; Milyssa Albin, Washington Future Farmers of America; Matthew Holmes, Eastern Washington University and Washington Student Lobby; Morgan Holmgren, Western Washington University and Washington Student Lobby; Mike Bogatay, Washington Student Lobby; and Rebecca Wallace, Yelm Community Schools.

**Persons Testifying** (Education Appropriations): (In support) Representative Kenney, prime sponsor; Jan Yoshiwara, State Board for Community and Technical Colleges; and John Klacik, Higher Education Coordinating Board.

(With concerns) Morgan Holmgren, Associated Students of Western Washington University; Mike Reilly, Council of Presidents; and Greg Scheiderer, Independent Colleges of Washington.

**Persons Signed In To Testify But Not Testifying (Higher Education):** None.

**Persons Signed In To Testify But Not Testifying (Education Appropriations):** None.