

HOUSE BILL REPORT

HB 2854

As Reported by House Committee On:
Higher Education
Ways & Means

Title: An act relating to making changes to the state higher education loan program.

Brief Description: Making changes to the state higher education loan program.

Sponsors: Representatives Kenney, Maxwell, Sells, Probst, Hasegawa, Pettigrew, Conway, Ericks, Sullivan, Hunt, Nelson, Quall, Chase, Ormsby, Lias, Upthegrove, Goodman, Pedersen, Santos, Morrell, Hudgins, Orwall, Cody, Eddy, Dickerson, Wallace, Kessler, Anderson and Simpson.

Brief History:

Committee Activity:

Higher Education: 1/19/10, 1/27/10, 1/29/10 [DPS];

Ways & Means: 2/8/10, 2/9/10 [DP2S(w/o sub HE)].

Brief Summary of Second Substitute Bill

- Creates the Higher Education Loan Program (HELP) Account.
- Establishes eligibility criteria for student participation.
- Establishes an annual limit on loans granted through the HELP.
- Requires the Higher Education Coordinating Board to consult with career colleges when conducting periodic assessments of the HELP.
- Repeals the authority granted to the Washington Higher Education Finance Authority to initiate and operate a student loan program.

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.

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.

Minority Report: Do not pass. Signed by 4 members: Representatives Anderson, Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Angel and Haler.

Staff: Andi Smith (786-7304).

Background:

The Higher Education Coordinating Board (HECB) is in charge of almost all state-run student-financial assistance programs. In 2007-08 a total of \$1.62 billion was provided to about 135,000 needy Washington students from state, federal, and other sources. This aid took the form of grants, work study awards, and loans. The federal government provided the majority of the aid, 76 percent of which was in the form of loans.

During the 2009 legislative session, the Higher Education Loan Program (HELP) was established in E2SHB 2021. The enabling legislation put the HECB in charge of program administration, determining loan repayment obligations, eligibility criteria, and total loan limits, fees, or other charges related to the loan, as well as creating other necessary loan programs like conditional loans or emergency loans. The HELP is limited to Washington residents who are deemed in need of additional financial aid by rule of the HECB. Public and private institutions are eligible provided that they are accredited by an accrediting body recognized by the HECB.

The Washington Higher Education Facilities Authority (Authority) was created in 1983. The statutory purpose of the Authority is to "enable the building, providing, and utilization of modern, well-equipped, efficient, and reasonably-priced higher educational facilities, as well as the improvement, expansion, and modernization of such facilities, in a manner that will minimize the capital cost of construction, financing, and use of such facilities".

The Authority fulfills its purpose of minimizing the financing costs of higher education facilities through the issuance of tax-exempt, nonrecourse revenue bonds for the independent qualified institutions of higher education in Washington. During the 2007 legislative session, SB 5385 was signed into law authorizing the Authority to originate and purchase educational loans and to issue student-loan-revenue bonds.

Summary of Substitute Bill:

A definition for "eligible student" is established and includes all of the following criteria: (1) have an annual family income, adjusted for family size, that is no greater than 130 percent of the Washington median family income; (2) have completed the free application for federal student aid; (3) be a Washington resident; (4) not be enrolled in Theology; (5) be enrolled at least half-time in a first-aid-eligible certificate or degree program up to and including graduate and professional degrees; (6) maintain satisfactory academic progress as determined by the attending institution; (7) not be delinquent or in default on a federal or state student loan; and (8) not be past due in child-support obligations.

Career colleges are added to the list of institutions and agencies that must be consulted when the HECB conducts periodic assessments of the HELP. The HELP Account is created in the custody of the Office of the State Treasurer. The HECB is responsible for making disbursements from the HELP Account. The HELP Account is set up to be self-sustaining based on loan repayments collected by the HECB as well as any private contributions.

A limit on the loan amount granted per academic year is established. The cap is set at the cost of attendance minus any other student-financial aid received.

Authority previously granted to the Washington Higher Education Facilities Authority authorizing them to initiate and operate a student loan program is repealed.

Substitute Bill Compared to Original Bill:

The substitute bill adds career colleges to the list of institutions and agencies that must be consulted when the HECB conducts periodic assessments of the HELP. Student eligibility is changed so that students no longer have to be enrolled in an academic field of study to qualify. This includes students enrolled in both academic and technical associate degrees and certificate programs. The substitute bill also clarifies that students can be enrolled in financial-aid-eligible certificate programs and still qualify for the HELP.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Washington has a great record of investing in student-financial aid programs. Unfortunately, the costs of higher education increases every year and too many students have started to rely on private student loans. These loans do not offer favorable terms and it takes a long time to pay these loans off. The program is being created to increase college access. This bill targets financial help for middle-income students and is set up to be self-supporting. We want to ensure that loans do not replace grants. We need to keep debt down so that it does not discourage students from going into public service or other less-well-paying jobs. The bill has been fine-tuned to perfect the eligibility criteria. It will help low-income students. We hope that this program will not begin until we can return funds to grant programs. We do not want to exacerbate loan indebtedness.

(In support with concerns) Students support this bill and understand that taking on some debt to get through college is sometimes necessary and we would prefer that the debt be at a low-interest rate. We support efforts to control costs and also support the notion of conditional loans. Students additionally want to make sure that the cost of attendance is clearly defined. It is important for students, in all sectors, to have the opportunity to access low-interest loans.

We want to make sure that students seeking certificates in workforce programs are also included in the bill. This bill empowers the HECB to organize aid in multiple ways. The emphasis of this bill is to look at correctly structured loans as important tools for helping students financing their education.

(Opposed) None.

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

(In support with concerns) Gena Wikstrom, Northwest Career Colleges; Gail McGaffick, Corinthian Colleges; Julie Suchanek, The Evergreen State College; and Jono Hanks, Associated Students of the University of Washington/Washington Student Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON WAYS & MEANS

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 14 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew and Seaquist.

Minority Report: Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Priest, Ross and Schmick.

Staff: Serah Stetson (786-7109).

Summary of Recommendation of Committee On Ways & Means Compared to Recommendation of Committee On Higher Education:

The Higher Education Loan Program Account may only be funded by the State General Fund, private contributions, and participant loan repayments.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill creates the Higher Education Loan Program to increase college access and affordability for low- and middle-income students in need. What this bill does is take the

next step forward towards implementation by defining more clearly the eligibility and associated benefits. With tuition going up, students often rely heavily on private student loans or credit cards that lack borrower protections, fixed rates, and affordable repayment options. In terms of fiscal impacts, it is the intent that there would have to be some dollars from a funding source to do the start-up, but this would be a self-supporting program operationally because students would pay back the loans into the fund. This bill is intended only to put the program into place. Stage three would be to find a funding source for the start-up.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.