

SENATE BILL REPORT

2SHB 2854

As of March 17, 2010

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: House Committee on Ways & Means (originally sponsored by Representatives Kenney, Maxwell, Sells, Probst, Hasegawa, Pettigrew, Conway, Ericks, Sullivan, Hunt, Nelson, Quall, Chase, Ormsby, Liias, Upthegrove, Goodman, Pedersen, Santos, Morrell, Hudgins, Orwall, Cody, Eddy, Dickerson, Wallace, Kessler, Anderson and Simpson).

Brief History: Passed House: 2/13/10, 59-35; 3/16/10, 58-35.

Committee Activity: Higher Education & Workforce Development: 2/23/10, 2/24/10 [DP-WM, w/oRec].

Ways & Means: 3/17/10.

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kilmer, Chair; Kastama, Vice Chair; Becker, Ranking Minority Member; Hewitt, Jacobsen, McAuliffe, Shin and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Stevens.

Staff: Aldo Melchiori (786-7439)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Tim Yowell (786-7435)

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.

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.

The Higher Education Loan Program (HELP) was established in 2009. 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. The 2007 Legislature authorized the Authority to originate and purchase educational loans and to issue student-loan-revenue bonds.

Summary of Bill: An eligible student, for the HELP is defined as one that: (1) has an annual family income, adjusted for family size, that is no greater than 130 percent of the Washington median family income; (2) has completed the free application for federal student aid; (3) is a Washington resident; (4) is not enrolled in Theology as a field of study; (5) is enrolled at least half-time in a first-aid-eligible certificate or degree program up to and including graduate and professional degrees; (6) maintains satisfactory academic progress as determined by the attending institution; (7) is not delinquent or in default on a federal or state student loan; and (8) is not past due in child-support obligations. A limit on the loan amount granted per academic year is established as the cost of attendance minus any other student-financial aid received.

The HELP Account is created in the custody of the Office of the State Treasurer. The HELP Account is set up to be self-sustaining based on loan repayments collected by the HECB as well as any private contributions. The HECB is responsible for making disbursements from the HELP Account.

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

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 (Higher Education & Workforce Development):

PRO: These low cost loans will help middle class students who do not qualify for need

based financial aid, but also have difficulty obtaining private loans. Private loans are not as affordable as the HELP loans will be. This is not designed to replace other financial aid programs. The House amendments fixed the technical issues in the underlying bill.

Persons Testifying (Higher Education & Workforce Development): PRO: Representative Kenney, prime sponsor; Scott Copeland, SBCTC.

Staff Summary of Public Testimony (Ways & Means): PRO: Washington higher education students take out up to \$1 billion per year in student loans, about \$200 million of it from private lenders. A state-sponsored program could provide a lower interest rate than private loans.

Persons Testifying (Ways & Means): PRO: Mike Bogatay, Washington Student Association.