

FINAL BILL REPORT

ESHB 2088

C 13 L 11 E1
Synopsis as Enacted

Brief Description: Creating the opportunity scholarship board to assist middle-income students and invest in high employer demand programs.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Probst, Haler, Frockt, Zeiger, Tharinger, Asay, Orwall, Armstrong, Carlyle, Maxwell, Springer, Kenney, Seaquist, Finn, Haigh, Dammeier, Smith, Goodman, Lytton, Stanford, Dahlquist, Ladenburg, Wylie and Rivers).

House Committee on Ways & Means
Senate Committee on Ways & Means

Background:

There are various kinds of student financial aid; some is privately supported, some is federally supported, and some is supported by the state, such as the State Need Grant (SNG). The SNG program helps the state's lowest-income undergraduate students pursue education. Students may use the grants at eligible institutions, including public two- and four-year colleges and universities and many accredited independent colleges, universities, and career schools in Washington. Grants are awarded to individuals with family income up to 70 percent of the median family income.

Past legislation has created public-private partnership scholarship programs. As an example, the GET Ready for Math and Science Program was enacted in 2007. The Higher Education Coordinating Board contracted with a program administrator, and the administrator solicited funds from private contributors. The state then matched those contributions, and the administrator awarded conditional math and science focused scholarships.

Summary:

The Opportunity Scholarship and Opportunity Expansion programs are created to mitigate the impact of tuition increases, increase the number of baccalaureate degrees in high employer demand and other programs, and invest in programs and students to meet labor market demands. The scholarships are funded by a combination of private and state moneys. The expansion awards are funded with voluntary contributions of high technology research and development tax credits.

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.

Opportunity Scholarship Board.

These two programs are overseen by the Opportunity Scholarship Board (Board), made up of seven persons appointed by the Governor. With respect to two of these appointments, the Governor is to consider names from a list provided by the Speaker of the House and the President of the Senate. Four of the persons appointed by the Governor are to be selected from a list of nominees provided by the private sector donors to the Opportunity Scholarship and Opportunity Expansion programs. Upon request, the Governor may request that the donors submit an additional list or lists.

The Board will identify eligible education and training programs for purposes of the opportunity scholarship, select institutions of higher education to receive opportunity expansion awards, and make recommendations with respect to funding sources for opportunity expansion awards. The Board's oversight and guidance of the programs must be consistent with legislative priorities. Together, with the program administrator, the Board must set annual fund raising goals and solicit funds.

Program Administrator.

The Higher Education Coordinating Board (HECB), or its successor, contracts with a program administrator, defined as a college scholarship organization that is a private nonprofit entity with expertise in managing scholarships and college advising. The program administrator sets up and manages the scholarship and endowment accounts, staffs the Board and administers the Opportunity Scholarship Program. The program administrator is paid an administrative fee as determined by the Board.

Opportunity Scholarships.

Scholarship recipients must: (1) be accepted into a high employer demand program, deemed an eligible education program by the Board; (2) declare an intention to obtain a baccalaureate degree (whether starting at two- or four-year school); (3) have a family income at or below 125 percent of the median family income; and (4) have received their high school diploma or General Educational Development (GED) in Washington. Generally, the annual amount of a scholarship is \$1,000 or the dollar difference between tuition fees charged in the 2008-09 academic year and the academic year for which a scholarship is being distributed, but the amount may be an amount necessary to cover all eligible expenses, as determined by the administrator.

Opportunity scholarships are issued from one of two accounts set up and managed by the program administrator, either the Scholarship Account or the Endowment Account. These scholarships are funded by a combination of private contributions and state match moneys.

At least 50 percent of all private contributions must be deposited into the Scholarship Account until total receipts in that account reach \$20 million, after which the Board determines the distribution between scholarship and Endowment Accounts, carefully balancing the need for a long-term funding mechanism and short-term needs of students and families. State match, which must be appropriated by the Legislature, is earned for private contributions made after the effective date of the act and must be paid beginning the later of January 1, 2014, or the first year in which state revenues are 10 percent higher than those received in fiscal year 2008. These state match payments are capped at \$50 million annually.

Scholarships may be issued from principal and earnings in the Scholarship Account, and disbursement from this account must commence in December 2011 as long as at least \$5 million in state match has been received in the Scholarship Account.

By contrast, the principal in the Endowment Account may not be invaded. Additionally, scholarships may be issued from the Endowment Account only after: state match has been paid to both the Scholarship Account and the Endowment Account; state appropriations to the SNG meet or exceed such appropriations made in 2011-13; and eligibility for the SNG is maintained at a minimum of 70 percent of the median family income. Additionally, progress must have been made toward reaching global challenge state funding goals, meaning that the state must demonstrate progress toward the goal of total per-student funding levels, from state appropriations plus tuition, of at least the 60th percentile of total per-student funding at similar public institutions of higher education in Washington's global challenge states. (Washington's global challenge states are California, Colorado, Maryland, New Jersey, Connecticut, Virginia, Minnesota, and North Carolina.)

Opportunity Expansion Program.

Opportunity expansion moneys are awarded to public institutions of higher education that propose programs designed to increase the number of baccalaureate degrees produced in high employer demand and other programs of study. These programs must have a strong emphasis on serving students who received their high school diploma or GED in Washington or are adult Washington residents who are returning to school. This program will initially be funded through voluntary contributions of the existing high tech research and development (R&D) tax credits. The Department of Revenue (DOR) reports the amount contributed to the State Treasurer, and the Legislature appropriates the funds.

Reporting Requirements.

The following reports are required:

- The Office of Financial Management must report annually, by December 1, regarding the percentage of Washington households with incomes in the middle-income bracket or higher.
- The HECB must report regarding the increase in the number of degrees in high employer demand or other programs of study over the average of the preceding 10 academic years.
- The Workforce Training and Education Board must include in its comprehensive plan specific strategies to reach the goal of increasing the percentage of Washington households living in the "middle-income bracket" or higher.
- The DOR must report to the State Treasurer on the amount of R&D tax credits voluntarily contributed to the Opportunity Expansion Program.
- By December 1, 2012, and annually thereafter, the Board and the program administrator must report to the HECB, the Governor, and the Legislature with respect to the Opportunity Scholarship and Expansion programs.
- In 2018 the Joint Legislative Audit and Review Committee must evaluate and report upon the Opportunity Scholarship and Expansion programs.

Votes on Final Passage:

First Special Session

House	84	8	
Senate	43	2	(Senate amended)
House	91	5	(House concurred)

Effective: June 6, 2011