

SENATE BILL REPORT

E2SHB 1736

As Reported by Senate Committee On:
Higher Education & Workforce Development, February 22, 2022
Ways & Means, February 28, 2022

Title: An act relating to establishing a state student loan program.

Brief Description: Establishing a state student loan program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Sullivan, Slatter, Leavitt, Valdez, Walen, Goodman, Gregerson, Ramel, Santos, Wylie, Paul, Simmons, Chopp, Bergquist, Pollet, Johnson, J., Riccelli, Ormsby and Frame).

Brief History: Passed House: 2/15/22, 59-39.

Committee Activity: Higher Education & Workforce Development: 2/17/22, 2/22/22 [DP-WM, DNP].

Ways & Means: 2/26/22, 2/28/22 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

- Directs the Washington Student Achievement Council, in consultation with the Office of the State Treasurer and the State Investment Board, to design a student loan program.
- Requires a report to the Legislature on the design and implementation plan for the program by December 1, 2022.

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Randall, Chair; Nobles, Vice Chair; Liias.

Minority Report: Do not pass.

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.

Signed by Senators Holy, Ranking Member; Sefzik.

Staff: Alicia Kinne-Clawson (786-7407)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Billig, Carlyle, Conway, Dhingra, Hasegawa, Hunt, Keiser, Mullet, Pedersen, Van De Wege and Wellman.

Minority Report: Do not pass.

Signed by Senators Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Ranking Minority Member, Capital; Braun, Gildon, Muzzall, Rivers, Wagoner and Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senator Schoesler, Assistant Ranking Member, Capital.

Staff: Michele Alishahi (786-7433)

Background: State Student Loan Programs. Washington had two laws granting the state the authority to develop student loan programs. In 2007, the Washington Higher Education Facilities Authority (WHEFA) was granted permission to issue taxable and tax-exempt bonds to acquire or originate student loans. The law prohibits the state from guaranteeing the loans. The WHEFA never used the authority because the auction-rate security market in which student loan bonds were issued ended in 2007. In 2010 the federal government changed the Stafford Loan program to the Direct Loan program, and the federal government began administering the loans itself rather than using a private entity. Without a state guarantee or a significant reserve fund, the WHEFA found that the interest rate on the state student loans would not be competitive with the federal Direct Loan program.

In 2009 the Higher Education Loan Program (HELP) was created to issue low-interest educational loans and was to be administered by the Washington Student Achievement Council (WSAC). The program was never funded, and it was repealed in 2019.

The state has established and funded smaller loan programs for specific fields. For example, WSAC administers the Aerospace Training Student Loan Program and provides student loan repayment under the Washington Health Corps.

Summary of Amended Bill: WSAC, in consultation with the Office of the State Treasurer and the State Investment Board (SIB) must design a student loan program. At a minimum, the program design must include:

- a low interest rate, which may be 1 percent;

- loans for undergraduate and graduate students;
- the terms of the loans;
- the terms and administration of the repayment program; and
- the types of borrowers permitted to participate. The program must prioritize low-income borrowers.

WSAC may recommend contracting with one or more state-based financial institutions for loan origination and servicing.

WSAC, in consultation with the treasurer and SIB must include an analysis of the sustainability of the program design.

A report is due to the Governor and the Legislature by December 1, 2022.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Eliminates the establishment of a state student loan program and instead directs WSAC, in consultation with the treasurer and SIB to design a state student loan program and implementation plan.
- Provides minimum requirements for the program design.
- A report on the program design and implementation plan is due to the Governor and the Legislature by December 1, 2022.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed Second Substitute House Bill (Higher Education & Workforce Development): PRO: Federal student loans can run you 7, 8, or 9 percent interest and you may be paying them for many years. We are working to not burden students with debt but sometimes you just need a loan. One percent is an absolutely fabulous interest rate to be able to continue your education. We know that when students are empowered to attend and persist in higher education they thrive. We are encouraged by the creative thinking behind this bill. When I was a community college student I took out a high interest emergency loan at 9 percent. It presented a major barrier and I considered not continuing my education. I've needed graduate student loans to pay tuition, fees, expenses, and even for car repairs. I'm prohibited in my graduate program from working so student loans are the only way I can address unexpected expenses.

Persons Testifying (Higher Education & Workforce Development): PRO: Arlen Harris,

SBCTC; Shea Hamilton, Independent Colleges of Washington; Zackary Turner, Washington Student Association; Reanne Chilton, Washington State University.

Persons Signed In To Testify But Not Testifying (Higher Education & Workforce Development): CON: Louis Boyd, NA.

Staff Summary of Public Testimony on Engrossed Second Substitute House Bill (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: We believe that no student should have to take on a lifetime of debt to afford college. As a student, when I had a financial crisis, my only option was to take out a private student loan with a 9 percent interest rate.

Persons Testifying (Ways & Means): PRO: Zackary Turner, Washington Student Association.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.