

# SENATE BILL REPORT

## SB 6507

---

As Reported By Senate Committee On:  
Higher Education, January 24, 1996  
Ways & Means, January 30, 1996

**Title:** An act relating to the Washington higher education loan program.

**Brief Description:** Creating the Washington higher education loan program.

**Sponsors:** Senators Drew, Bauer, Wood, Loveland, Prince, Sheldon, Hale, McAuliffe, Snyder, Finkbeiner, Rinehart, West, Rasmussen, Winsley, Kohl and Goings.

**Brief History:**

**Committee Activity:** Higher Education: 1/22/96, 1/24/96 [DPS-WM].  
Ways & Means: 1/25/96, 1/30/96 [DP2S].

---

### SENATE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** That Substitute Senate Bill No. 6507 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Bauer, Chair; Drew, Hale, McAuliffe, Prince, Rasmussen, Sheldon, Wood and Zarelli.

**Staff:** Jennifer Hanlon (786-7784)

---

### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 6507 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Cantu, Drew, Fraser, Hochstatter, Johnson, Kohl, McDonald, Moyer, Pelz, Roach, Sheldon, Snyder, Spanel, Strannigan, West, Winsley and Wojahn.

**Staff:** Michael Groesch (786-7434)

**Background:** According to the 1995 Office of Financial Management Population Forecast, the number of 17 to 25 year-olds is projected to increase by 32 percent between 1995 and 2020. This population is expected to have a greater financial need.

As the population in the traditional age range for college students increases, federal government financial aid support could potentially decrease. In Washington, the primary goal of the state need grant program is to serve all students whose family income is less than 65 percent of the state's median income. This year there were sufficient funds to provide assistance to students with a family income at 45 percent of the state's median family income.

**Summary of Second Substitute Bill:** The Washington Higher Education Loan Program is established. The Higher Education Coordinating Board is required to administer a self-sustaining loan program to supplement existing financial aid programs and assist middle-income families.

The Board may contract with public or private organizations for administration and implementation of the program.

Loans may be made directly from the account, or the board may provide guarantees to financial institutions and other organizations providing loans. To assist in the administration of the program, an advisory committee is appointed, which includes, but is not limited to, representatives of institutions of higher education, students, and financial institutions.

Eligible students for the program are those who: (1) qualify as Washington residents; (2) attend a Washington institution of higher education; (3) are eligible for, but not receiving, need-based state financial aid grants; and (4) have a family income that does not exceed 125 percent of the state median family income.

The moneys appropriated and donated must be deposited in the account and expenditures may only be used for the loan program. Investments from the account must be managed by the State Investment Board and earnings have to be retained by the account. The State Investment Board has the full power to invest, reinvest, manage, contract or sell investments of moneys in the higher education loan account.

By December 1 of each year, the board is required to submit a report to the Governor, the Higher Education Committees, and the fiscal committee of the Legislature describing the status of the program.

**Second Substitute Bill Compared to Substitute Bill:** The \$30 million appropriation is removed from the bill. Funding will be considered in the budget.

**Substitute Bill Compared to Original Bill:** Technical corrections are made to the language referring to the investment of moneys in the higher education loan fund.

**Appropriation:** None.

**Fiscal Note:** Requested on January 16, 1996.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For (Higher Education):** It is within the Higher Education Coordinating Board's capability to administer this program. There are 13,000 students in Washington who have borrowed under federal programs and accumulated significant debt. The loan program might be able to mitigate unsubsidized federal loan borrowing. Loans could be made as early as 1996-97 and the program could benefit approximately 3,300 students per year. It is important to improve access opportunities for the middle class. Subsidized student loans for middle class families would be a welcome addition to the financial aid system of Washington State.

**Testimony Against (Higher Education):** None.

**Testified (Higher Education):** John Klacik, Associate Director, Higher Education Coordinating Board (pro); Shane Bird, Washington Student Lobby (pro).

**Testimony For (Ways & Means):** It is important to improve access opportunities for the middle class. Subsidized student loans for middle class families would be a welcome addition to the financial aid system of Washington State.

**Testimony Against (Ways & Means):** There are sufficient loan resources currently available. The state would be better served by increasing the State Need Grant.

**Testified (Ways & Means):** Phoebe Hollenbeck, Vice-President, Northwest Education Loan Assn. (con); Shane Bird, WA Student Lobby (pro).