

2SHB 2143 - S COMM AMD

By Committee on Ways & Means

OUT OF ORDER 03/02/2018

1 Strike everything after the enacting clause and insert the
2 following:

3 NEW SECTION. **Sec. 1.** The definitions in this section apply
4 throughout this chapter unless the context clearly requires
5 otherwise.

6 (1) "Eligible student" means a resident student who is enrolled
7 in an accredited doctor of medicine or doctor of osteopathic medicine
8 program in the state, is making satisfactory progress, and has
9 declared an intention to work as a physician in a rural underserved
10 area in Washington following residency.

11 (2) "Medical student loan" means a loan that is approved by the
12 office and awarded to a participant under the program.

13 (3) "Office" means the office of student financial assistance.

14 (4) "Participant" means an eligible student who has received a
15 medical student loan under the program.

16 (5) "Program" means the medical student loan program.

17 (6) "Rural underserved area" means a rural county as defined in
18 RCW 82.14.370 that is also designated by the health resources and
19 services administration as a medically underserved area or having a
20 medically underserved population.

21 NEW SECTION. **Sec. 2.** The medical student loan program is
22 established to increase the physician workforce in rural underserved
23 areas in Washington state. The program must be funded exclusively
24 with private funding for the purpose of providing medical student
25 loans. State funding may be used for the administration of the
26 program. The office shall administer the program and has the
27 following powers and duties:

28 (1) To design and implement a low interest medical student loan
29 program with the following elements:

1 (a) A low interest rate, comparable to or more favorable than the
2 federal direct loan program, with interest charges that begin to
3 accrue once the participant finishes his or her medical residency
4 program;

5 (b) An annual loan limit not to exceed forty thousand dollars and
6 no more than the participant's estimated cost of attendance as
7 determined by his or her medical program;

8 (c) Loan repayments that do not commence until:

9 (i) Six months after the participant completes his or her medical
10 residency program; or

11 (ii) Six months after a participant leaves his or her doctor of
12 medicine program, doctor of osteopathic medicine program, or medical
13 residency program before completing; and

14 (d) An interest rate of at least twelve percent plus capitalized
15 interest that was deferred during the participant's doctor of
16 medicine or doctor of osteopathic medicine program, and residency
17 program, if the participant does not work as a physician in a rural
18 underserved area in Washington for three years following completion
19 of his or her medical residency program;

20 (2) To establish an application, selection, and notification
21 process for awarding medical student loans to eligible students;

22 (3) To define the terms of repayment, including applicable
23 interest rates, fees, and deferments;

24 (4) To collect and manage repayments on the medical student
25 loans;

26 (5) To solicit and accept grants and donations from nonstate
27 public and private sources for the program;

28 (6) To exercise discretion to revise repayment obligations in
29 certain cases, such as economic hardship or disability;

30 (7) To publicize the program; and

31 (8) To adopt necessary rules.

32 NEW SECTION. **Sec. 3.** (1) The medical student loan account is
33 created in the custody of the state treasurer. Only the executive
34 director of the office or the executive director's designee may
35 authorize expenditures from the account. No appropriation is required
36 for expenditures from the account for medical student loans. An
37 appropriation is required for expenditures from the account for costs
38 associated with program administration by the office.

1 (2) The office shall deposit into the account all moneys received
2 for the program. Revenues to the account consist of moneys received
3 for the program by the office, including grants and donations, and
4 receipts from participant repayments, including principal and
5 interest.

6 (3) Expenditures from the account may be used solely for medical
7 student loans to participants in the program established by this
8 chapter and costs associated with program administration by the
9 office.

10 NEW SECTION. **Sec. 4.** (1) The office shall submit an annual
11 report regarding the program to the governor and the appropriate
12 committees of the legislature in accordance with the reporting
13 requirements in RCW 43.01.036.

14 (2) The annual report shall describe the design and
15 implementation of the program, and must include the following:

- 16 (a) The number of applicants for medical student loans;
- 17 (b) The number of participants in the program;
- 18 (c) The number of participants in the program who complete their
19 medical program;
- 20 (d) The number of participants in the program who are placed in
21 employment;
- 22 (e) The nature of that employment, including the type of job;
23 whether the job is full-time, part-time, or temporary; and the income
24 range;
- 25 (f) Whether the participant is working in a rural underserved
26 area, and what percent of the participant's patients are served by
27 medicaid, the children's health insurance program, apple health, or
28 other programs with similar eligibility requirements;
- 29 (g) Demographic profiles of both applicants and participants;
- 30 (h) The amount of the private funding collected for the program;
31 and
- 32 (i) An estimate of when the program will be self-sustaining.

33 (3) The annual report must be submitted by December 1st of each
34 year after July 1, 2020.

35 **Sec. 5.** RCW 28B.145.005 and 2011 1st sp.s. c 13 s 1 are each
36 amended to read as follows:

37 The legislature finds that, despite increases in degree
38 production, there remain acute shortages in high employer demand

1 programs of study, particularly in the science, technology,
2 engineering, and mathematics (STEM) and health care fields of study.
3 According to the workforce training and education coordinating board,
4 seventeen percent of Washington businesses had difficulty finding job
5 applicants in 2010. Eleven thousand employers did not fill a vacancy
6 because they lacked qualified job applicants. Fifty-nine percent of
7 projected job openings in Washington state from now until 2017 will
8 require some form of postsecondary education and training.

9 It is the intent of the legislature to provide jobs and
10 opportunity by making Washington the place where the world's most
11 productive companies find the world's most talented people. The
12 legislature intends to accomplish this through the creation of the
13 opportunity scholarship and the opportunity expansion programs to
14 help mitigate the impact of tuition increases, increase the number of
15 baccalaureate degrees in high employer demand and other programs, and
16 advance degrees in health professions needed in service obligation
17 areas, and invest in programs and students to meet market demands for
18 a knowledge-based economy while filling middle-income jobs with a
19 sufficient supply of skilled workers.

20 **Sec. 6.** RCW 28B.145.010 and 2014 c 208 s 1 are each amended to
21 read as follows:

22 The definitions in this section apply throughout this chapter
23 unless the context clearly requires otherwise.

24 (1) "Board" means the opportunity scholarship board.

25 (2) "Council" means the student achievement council.

26 (3) "Eligible advanced degree program" means a health
27 professional degree program beyond the baccalaureate level and
28 includes graduate and professional degree programs.

29 (4) "Eligible education programs" means high employer demand and
30 other programs of study as determined by the board.

31 ((+4)) (5) "Eligible expenses" means reasonable expenses
32 associated with the costs of acquiring an education such as tuition,
33 books, equipment, fees, room and board, and other expenses as
34 determined by the program administrator in consultation with the
35 council and the state board for community and technical colleges.

36 ((+5)) (6) "Eligible student" means a resident student who
37 received his or her high school diploma or high school equivalency
38 certificate as provided in RCW 28B.50.536 in Washington and who:

1 (a)(i) Has been accepted at a four-year institution of higher
2 education into an eligible education program leading to a
3 baccalaureate degree; (~~(e)~~)

4 (ii) Will attend a two-year institution of higher education and
5 intends to transfer to an eligible education program at a four-year
6 institution of higher education; or

7 (iii) Has been accepted at an institution of higher education
8 into an eligible advanced degree program and has agreed to the
9 service obligation established by the board;

10 (b) Declares an intention to obtain a baccalaureate degree or an
11 advanced degree; and

12 (c) Has a family income at or below one hundred twenty-five
13 percent of the state median family income at the time the student
14 applies for an opportunity scholarship.

15 (~~(6)~~) (7) "High employer demand program of study" has the same
16 meaning as provided in RCW 28B.50.030.

17 (~~(7)~~) (8) "Participant" means an eligible student who has
18 received a scholarship under the opportunity scholarship program.

19 (~~(8)~~) (9) "Program administrator" means a college scholarship
20 organization that is a private nonprofit corporation registered under
21 Title 24 RCW and qualified as a tax-exempt entity under section
22 501(c)(3) of the federal internal revenue code, with expertise in
23 managing scholarships and college advising.

24 (~~(9)~~) (10) "Resident student" has the same meaning as provided
25 in RCW 28B.15.012.

26 (11) "Service obligation" means an obligation by the participant
27 to be employed in a service obligation area in the state for a
28 specific period to be established by the board.

29 (12) "Service obligation area" means a location that meets one of
30 the following conditions:

31 (a) Has been designated by the council as an eligible site under
32 the health professional conditional scholarship program established
33 under chapter 28B.115 RCW;

34 (b) Serves at least forty percent uninsured or medicaid enrolled
35 patients;

36 (c) Is located in a rural county as defined in RCW 82.14.370 and
37 serves a combination of uninsured, medicaid enrolled patients, and
38 medicare enrolled patients, equal to at least forty percent of the
39 practice location's total patients; or

1 (d) Serves a public agency, nonprofit organization, or local
2 health jurisdiction as defined in RCW 43.70.575 by providing public
3 health services necessary to preserve, protect, and promote the
4 health of the state's population, as determined by the board after
5 consultation with the department of health.

6 **Sec. 7.** RCW 28B.145.020 and 2014 c 208 s 2 are each amended to
7 read as follows:

8 (1) The opportunity scholarship board is created. The board
9 consists of eleven members:

10 (a) Six members appointed by the governor. For three of the six
11 appointments, the governor shall consider names from a list provided
12 by the president of the senate and the speaker of the house of
13 representatives; and

14 (b) Five foundation or business and industry representatives
15 appointed by the governor from among the state's most productive
16 industries such as aerospace, manufacturing, health care, information
17 technology, engineering, agriculture, and others, as well as
18 philanthropy. The foundation or business and industry representatives
19 shall be selected from among nominations provided by the private
20 sector donors to the opportunity scholarship and opportunity
21 expansion programs. However, the governor may request, and the
22 private sector donors shall provide, an additional list or lists from
23 which the governor shall select these representatives.

24 (2) Board members shall hold their offices for a term of four
25 years from the first day of September and until their successors are
26 appointed. No more than the terms of two members may expire
27 simultaneously on the last day of August in any one year.

28 (3) The members of the board shall elect one of the business and
29 industry representatives to serve as chair.

30 (4) Seven members of the board constitute a quorum for the
31 transaction of business. In case of a vacancy, or when an appointment
32 is made after the date of expiration of the term, the governor or the
33 president of the senate or the speaker of the house of
34 representatives, depending upon which made the initial appointment to
35 that position, shall fill the vacancy for the remainder of the term
36 of the board member whose office has become vacant or expired.

37 (5) The board shall be staffed by the program administrator.

38 (6) The purpose of the board is to provide oversight and guidance
39 for the opportunity expansion and the opportunity scholarship

1 programs in light of established legislative priorities and to
2 fulfill the duties and responsibilities under this chapter, including
3 but not limited to determining eligible education programs and
4 eligible advanced degree programs for purposes of the opportunity
5 scholarship program. In determining eligible advanced degree
6 programs, the board shall consider advanced degree programs that lead
7 to credentials in health professions that include, but are not
8 limited to, primary care, dental care, behavioral health, and public
9 health. Duties, exercised jointly with the program administrator,
10 include soliciting funds and setting annual fund-raising goals.

11 (7) The board may report to the governor and the appropriate
12 committees of the legislature with recommendations as to:

13 (a) Whether some or all of the scholarships should be changed to
14 conditional scholarships that must be repaid in the event the
15 participant does not complete the eligible education program; (~~and~~)

16 (b) A source or sources of funds for the opportunity expansion
17 program in addition to the voluntary contributions of the high-
18 technology research and development tax credit under RCW 82.32.800;
19 and

20 (c) Whether the program should include a loan repayment or low-
21 interest or no-interest loan component for the advanced degree
22 portion of the program.

23 (8) The board shall report to the governor and the appropriate
24 committees of the legislature by December 1st of each biennium,
25 beginning December 1, 2019, on the following:

26 (a) A list of the eligible advanced degree programs and service
27 obligation areas;

28 (b) The number of participants in eligible advanced degree
29 programs, the number of participants completing their service
30 obligations in a service obligation area, and the number of
31 participants who have completed their service obligation; and

32 (c) The number of participants who did not complete their service
33 obligation who now owe a repayment obligation and the reasons why the
34 participants did not complete their service obligations.

35 **Sec. 8.** RCW 28B.145.030 and 2014 c 208 s 3 are each amended to
36 read as follows:

37 (1) The program administrator, under contract with the council,
38 shall staff the board and shall have the duties and responsibilities
39 provided in this chapter, including but not limited to publicizing

1 the program, selecting participants for the opportunity scholarship
2 award, distributing opportunity scholarship awards, and achieving the
3 maximum possible rate of return on investment of the accounts in
4 subsection (2) of this section, while ensuring transparency in the
5 investment decisions and processes. Duties, exercised jointly with
6 the board, include soliciting funds and setting annual fund-raising
7 goals. The program administrator shall be paid an administrative fee
8 as determined by the board.

9 (2) With respect to the opportunity scholarship program, the
10 program administrator shall:

11 (a) Establish and manage (~~two~~) three separate accounts into
12 which to receive grants and contributions from private sources as
13 well as state matching funds, and from which to disburse scholarship
14 funds to participants;

15 (b) Solicit and accept grants and contributions from private
16 sources, via direct payment, pledge agreement, or escrow account, of
17 private sources for deposit into (~~one or both of the two~~) any of
18 the three specified accounts created in this subsection (2)(b) upon
19 the direction of the donor and in accordance with this subsection
20 (2)(b):

21 (i) The "scholarship account," whose principal may be invaded,
22 and from which scholarships must be disbursed for baccalaureate
23 programs beginning no later than December 1, 2011, if, by that date,
24 state matching funds in the amount of five million dollars or more
25 have been received. Thereafter, scholarships shall be disbursed on an
26 annual basis beginning no later than May 1, 2012, and every October
27 1st thereafter;

28 (ii) The "student support pathways account," whose principal may
29 be invaded, and from which scholarships may be disbursed for eligible
30 advanced degree programs in the fiscal year following appropriations
31 of state matching funds. Thereafter, scholarships shall be disbursed
32 on an annual basis;

33 (iii) The "endowment account," from which scholarship moneys may
34 be disbursed for baccalaureate programs from earnings only in years
35 when:

36 (A) The state match has been made into both the scholarship and
37 the endowment account; and

38 (B) The state appropriations for the state need grant under RCW
39 28B.92.010 meet or exceed state appropriations for the state need
40 grant made in the 2011-2013 biennium, adjusted for inflation, and

1 eligibility for state need grant recipients is at least seventy
2 percent of state median family income; ((and

3 ~~(C) The state has demonstrated progress toward the goal of total~~
4 ~~per-student funding levels, from state appropriations plus tuition~~
5 ~~and fees, of at least the sixtieth percentile of total per-student~~
6 ~~funding at similar public institutions of higher education in the~~
7 ~~global challenge states, as defined, measured, and reported in RCW~~
8 ~~28B.15.068. In any year in which the office of financial management~~
9 ~~reports that the state has not made progress toward this goal, no new~~
10 ~~scholarships may be awarded. In any year in which the office of~~
11 ~~financial management reports that the percentile of total per-student~~
12 ~~funding is less than the sixtieth percentile and at least five~~
13 ~~percent less than the prior year, pledges of future grants and~~
14 ~~contributions may, at the request of the donor, be released and~~
15 ~~grants and contributions already received refunded to the extent that~~
16 ~~opportunity scholarship awards already made can be fulfilled from the~~
17 ~~funds remaining in the endowment account. In fulfilling the~~
18 ~~requirements of this subsection, the office of financial management~~
19 ~~shall use resources that facilitate measurement and comparisons of~~
20 ~~the most recently completed academic year. These resources may~~
21 ~~include, but are not limited to, the data provided in a uniform~~
22 ~~dashboard format under RCW 28B.77.090 as the statewide public four-~~
23 ~~year dashboard and academic year reports prepared by the state board~~
24 ~~for community and technical colleges;~~

25 ~~((iii))~~ (iv) An amount equal to at least fifty percent of all
26 grants and contributions must be deposited into the scholarship
27 account until such time as twenty million dollars have been deposited
28 into the account, after which time the private donors may designate
29 whether their contributions must be deposited to the scholarship, the
30 student support pathways, or the endowment accounts. The board and
31 the program administrator must work to maximize private sector
32 contributions to ~~((both))~~ the scholarship account, the student
33 support pathways account, and the endowment account, to maintain a
34 robust scholarship program while simultaneously building the
35 endowment, and to determine the division between the ~~((two))~~
36 scholarship, the student support pathways, and the endowment accounts
37 in the case of undesignated grants and contributions, taking into
38 account the need for a long-term funding mechanism and the short-term
39 needs of families and students in Washington. The first five million
40 dollars in state match, as provided in RCW 28B.145.040, shall be

1 deposited into the scholarship account and thereafter the state match
2 shall be deposited into the (~~two~~) three accounts in equal
3 proportion to the private funds deposited in each account; and

4 (~~(iv)~~) (v) Once moneys in the opportunity scholarship match
5 transfer account are subject to an agreement under RCW 28B.145.050(5)
6 and are deposited in the scholarship account, student support
7 pathways account, or endowment account under this section, the state
8 acts in a fiduciary rather than ownership capacity with regard to
9 those assets. Assets in the scholarship account, student support
10 pathways account, and endowment account are not considered state
11 money, common cash, or revenue to the state;

12 (c) Provide proof of receipt of grants and contributions from
13 private sources to the council, identifying the amounts received by
14 name of private source and date, and whether the amounts received
15 were deposited into the scholarship, the student support pathways, or
16 the endowment accounts;

17 (d) In consultation with the council and the state board for
18 community and technical colleges, make an assessment of the
19 reasonable annual eligible expenses associated with eligible
20 education programs and eligible advanced degree programs identified
21 by the board;

22 (e) Determine the dollar difference between tuition fees charged
23 by institutions of higher education in the 2008-09 academic year and
24 the academic year for which an opportunity scholarship is being
25 distributed;

26 (f) Develop and implement an application, selection, and
27 notification process for awarding opportunity scholarships;

28 (g) Determine the annual amount of the opportunity scholarship
29 for each selected participant. The annual amount shall be at least
30 one thousand dollars or the amount determined under (e) of this
31 subsection, but may be increased on an income-based, sliding scale
32 basis up to the amount necessary to cover all reasonable annual
33 eligible expenses as assessed pursuant to (d) of this subsection, or
34 to encourage participation in baccalaureate degree programs or
35 eligible advanced degree programs identified by the board;

36 (h) Distribute scholarship funds to selected participants. Once
37 awarded, and to the extent funds are available for distribution, an
38 opportunity scholarship shall be automatically renewed until the
39 participant withdraws from or is no longer attending the program,
40 completes the program, or has taken the credit or clock hour

1 equivalent of one hundred twenty-five percent of the published length
2 of time of the participant's program, whichever occurs first, and as
3 long as the participant annually submits documentation of filing both
4 a free application for federal student aid and for available federal
5 education tax credits, including but not limited to the American
6 opportunity tax credit; (~~and~~)

7 (i) Notify institutions of scholarship recipients who will attend
8 their institutions and inform them of the terms of the students'
9 eligibility;

10 (j) Establish a required service obligation for participants
11 enrolled in an eligible advanced degree program, and establish a
12 process for verifying a participant's employment in a service
13 obligation area; and

14 (k) Establish a repayment obligation and appeals process for
15 participants who serve less than the required service obligation,
16 unless the program administrator determines the circumstances are
17 beyond the participant's control. If the participant is unable to pay
18 the repayment obligation in full, the participant may enter into
19 payment arrangements with the program administrator. The program
20 administrator is responsible for the collection of repayment
21 obligations on behalf of participants who fail to complete their
22 service obligation.

23 (3) With respect to the opportunity expansion program, the
24 program administrator shall:

25 (a) Assist the board in developing and implementing an
26 application, selection, and notification process for making
27 opportunity expansion awards; and

28 (b) Solicit and accept grants and contributions from private
29 sources for opportunity expansion awards.

30 **Sec. 9.** RCW 28B.145.040 and 2011 1st sp.s. c 13 s 5 are each
31 amended to read as follows:

32 (1) The opportunity scholarship program is established.

33 (2) The purpose of this scholarship program is to provide
34 scholarships that will help low and middle-income Washington
35 residents earn baccalaureate degrees in high employer demand and
36 other programs of study or advanced degrees in health professions
37 needed in service obligation areas, and encourage them to remain in
38 the state to work. The program must be designed for (~~both~~) students
39 starting at two-year institutions of higher education and intending

1 to transfer to four-year institutions of higher education (~~and~~),
2 students starting at four-year institutions of higher education, and
3 students enrolled in an eligible advanced degree program.

4 (3) The opportunity scholarship board shall determine which
5 programs of study, including but not limited to high employer demand
6 programs, are eligible for purposes of the opportunity scholarship.
7 For eligible advanced degree programs, the board shall limit
8 scholarships to eligible students enrolling in programs that lead to
9 credentials in health professions needed in service obligation areas.

10 (4) The source of funds for the program shall be a combination of
11 private grants and contributions and state matching funds. A state
12 match may be earned under this section for private contributions made
13 on or after June 6, 2011. A state match, up to a maximum of fifty
14 million dollars annually, shall be provided beginning the later of
15 January 1, 2014, or January 1st next following the end of the fiscal
16 year in which collections of state retail sales and use tax, state
17 business and occupation tax, and state public utility tax exceed, by
18 ten percent the amounts collected from these tax resources in the
19 fiscal year that ended June 30, 2008, as determined by the department
20 of revenue.

21 **Sec. 10.** RCW 28B.145.090 and 2014 c 208 s 4 are each amended to
22 read as follows:

23 (1) The board may elect to have the state investment board invest
24 the funds in the scholarship account, the student support pathways
25 account, and the endowment account described under RCW
26 28B.145.030(2)(b). If the board so elects, the state investment board
27 has the full power to invest, reinvest, manage, contract, sell, or
28 exchange investment money in the (~~two~~) three accounts. All
29 investment and operating costs associated with the investment of
30 money shall be paid under RCW 43.33A.160 and 43.84.160. With the
31 exception of these expenses, the earnings from the investment of the
32 money shall be retained by the accounts.

33 (2) All investments made by the state investment board shall be
34 made with the exercise of that degree of judgment and care under RCW
35 43.33A.140 and the investment policy established by the state
36 investment board.

37 (3) As deemed appropriate by the state investment board, money in
38 the scholarship, student support pathways, and endowment accounts may

1 be commingled for investment with other funds subject to investment
2 by the state investment board.

3 (4) Members of the state investment board shall not be considered
4 an insurer of the funds or assets and are not liable for any action
5 or inaction.

6 (5) Members of the state investment board are not liable to the
7 state, to the fund, or to any other person as a result of their
8 activities as members, whether ministerial or discretionary, except
9 for willful dishonesty or intentional violations of law. The state
10 investment board in its discretion may purchase liability insurance
11 for members.

12 (6) The authority to establish all policies relating to the
13 scholarship account, the student support pathways account, and the
14 endowment account, other than the investment policies as provided in
15 subsections (1) through (3) of this section, resides with the board
16 and program administrator acting in accordance with the principles
17 set forth in this chapter. With the exception of expenses of the
18 state investment board in subsection (1) of this section,
19 disbursements from the scholarship account, the student support
20 pathways account, and the endowment account shall be made only on the
21 authorization of the opportunity scholarship board or its designee,
22 and moneys in the accounts may be spent only for the purposes
23 specified in this chapter.

24 (7) The state investment board shall routinely consult and
25 communicate with the board on the investment policy, earnings of the
26 accounts, and related needs of the program.

27 NEW SECTION. **Sec. 11.** Sections 1 through 4 of this act
28 constitute a new chapter in Title 28B RCW."

2SHB 2143 - S COMM AMD

By Committee on Ways & Means

OUT OF ORDER 03/02/2018

29 On page 1, line 2 of the title, after "students;" strike the
30 remainder of the title and insert "amending RCW 28B.145.005,
31 28B.145.010, 28B.145.020, 28B.145.030, 28B.145.040, and 28B.145.090;
32 and adding a new chapter to Title 28B RCW."

EFFECT: Makes a correction to the eligibility requirements for the opportunity scholarship.

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