

E2SHB 2143 - S AMD 822

By Senator Ranker

ADOPTED 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:

30 (a) A low interest rate, comparable to or more favorable than the
31 federal direct loan program, with interest charges that begin to

1 accrue once the participant finishes his or her medical residency
2 program;

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

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

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

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

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

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

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

22 (4) To collect and manage repayments on the medical student
23 loans;

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

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

28 (7) To publicize the program; and

29 (8) To adopt necessary rules.

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

37 (2) The office shall deposit into the account all moneys received
38 for the program. Revenues to the account consist of moneys received
39 for the program by the office, including grants and donations, and

1 receipts from participant repayments, including principal and
2 interest.

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

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

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

13 (a) The number of applicants for medical student loans;
14 (b) The number of participants in the program;
15 (c) The number of participants in the program who complete their
16 medical program;

17 (d) The number of participants in the program who are placed in
18 employment;

19 (e) The nature of that employment, including the type of job;
20 whether the job is full-time, part-time, or temporary; and the income
21 range;

22 (f) Whether the participant is working in a rural underserved
23 area, and what percent of the participant's patients are served by
24 medicaid, the children's health insurance program, apple health, or
25 other programs with similar eligibility requirements;

26 (g) Demographic profiles of both applicants and participants;

27 (h) The amount of the private funding collected for the program;
28 and

29 (i) An estimate of when the program will be self-sustaining.

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

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

34 The legislature finds that, despite increases in degree
35 production, there remain acute shortages in high employer demand
36 programs of study, particularly in the science, technology,
37 engineering, and mathematics (STEM) and health care fields of study.
38 According to the workforce training and education coordinating board,

1 seventeen percent of Washington businesses had difficulty finding job
2 applicants in 2010. Eleven thousand employers did not fill a vacancy
3 because they lacked qualified job applicants. Fifty-nine percent of
4 projected job openings in Washington state from now until 2017 will
5 require some form of postsecondary education and training.

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

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

19 The definitions in this section apply throughout this chapter
20 unless the context clearly requires otherwise.

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

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

23 (3) "Eligible advanced degree program" means a health
24 professional degree program beyond the baccalaureate level and
25 includes graduate and professional degree programs.

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

28 ~~((4))~~ (5) "Eligible expenses" means reasonable expenses
29 associated with the costs of acquiring an education such as tuition,
30 books, equipment, fees, room and board, and other expenses as
31 determined by the program administrator in consultation with the
32 council and the state board for community and technical colleges.

33 ~~((5))~~ (6) "Eligible student" means a resident student who
34 received his or her high school diploma or high school equivalency
35 certificate as provided in RCW 28B.50.536 in Washington and who:

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

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

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

7 (b) Declares an intention to obtain a baccalaureate degree or an
8 advanced degree; and

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

12 ~~((+6))~~ (7) "High employer demand program of study" has the same
13 meaning as provided in RCW 28B.50.030.

14 ~~((+7))~~ (8) "Participant" means an eligible student who has
15 received a scholarship under the opportunity scholarship program.

16 ~~((+8))~~ (9) "Program administrator" means a ~~((college scholarship~~
17 ~~organization that is a))~~ private nonprofit corporation registered
18 under Title 24 RCW and qualified as a tax-exempt entity under section
19 501(c)(3) of the federal internal revenue code ~~((, with expertise in~~
20 ~~managing scholarships and college advising))~~.

21 ~~((+9))~~ (10) "Resident student" has the same meaning as provided
22 in RCW 28B.15.012.

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

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

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

31 (b) Serves at least forty percent uninsured or medicaid enrolled
32 patients;

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

37 (d) Serves a public agency, nonprofit organization, or local
38 health jurisdiction as defined in RCW 43.70.575 by providing public
39 health services necessary to preserve, protect, and promote the

1 health of the state's population, as determined by the board after
2 consultation with the department of health.

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

5 (1) The opportunity scholarship board is created. The board
6 consists of eleven members:

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

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

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

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

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

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

35 (6) The purpose of the board is to provide oversight and guidance
36 for the opportunity expansion and the opportunity scholarship
37 programs in light of established legislative priorities and to
38 fulfill the duties and responsibilities under this chapter, including
39 but not limited to determining eligible education programs and

1 eligible advanced degree programs for purposes of the opportunity
2 scholarship program. In determining eligible advanced degree
3 programs, the board shall consider advanced degree programs that lead
4 to credentials in health professions that include, but are not
5 limited to, primary care, dental care, behavioral health, and public
6 health. Duties, exercised jointly with the program administrator,
7 include soliciting funds and setting annual fund-raising goals.

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

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

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

17 (c) Whether the program should include a loan repayment or low-
18 interest or no-interest loan component for the advanced degree
19 portion of the program.

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

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

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

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

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

34 (1) The program administrator(~~(, under contract with the council,~~
35 ~~shall staff the board and)) shall ~~((have))~~ provide administrative
36 support to execute the duties and responsibilities provided in this
37 chapter, including but not limited to publicizing the program,
38 selecting participants for the opportunity scholarship award,
39 distributing opportunity scholarship awards, and achieving the~~

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

7 (2) With respect to the opportunity scholarship program, the
8 program administrator shall:

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

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

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

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

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

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

35 (B) The state appropriations for the state need grant under RCW
36 28B.92.010 meet or exceed state appropriations for the state need
37 grant made in the 2011-2013 biennium, adjusted for inflation, and
38 eligibility for state need grant recipients is at least seventy
39 percent of state median family income; (~~and~~

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

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

1 proportion to the private funds deposited in each account, except
2 that no more than one million dollars in state match shall be
3 deposited into the advanced degrees pathways account in a single
4 fiscal biennium; and

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

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

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

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

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

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

37 (h) Distribute scholarship funds to selected participants. Once
38 awarded, and to the extent funds are available for distribution, an
39 opportunity scholarship shall be automatically renewed as long as the
40 participant annually submits documentation of filing both a free

1 application for federal student aid and for available federal
2 education tax credits including, but not limited to, the American
3 opportunity tax credit, or if ineligible to apply for federal student
4 aid, the participant annually submits documentation of filing a state
5 financial aid application as approved by the office of student
6 financial assistance; and until the participant withdraws from or is
7 no longer attending the program, completes the program, or has taken
8 the credit or clock hour equivalent of one hundred twenty-five
9 percent of the published length of time of the participant's program,
10 whichever occurs first(, and as long as the participant annually
11 submits documentation of filing both a free application for federal
12 student aid and for available federal education tax credits,
13 including but not limited to the American opportunity tax credit));
14 ((and))

15 (i) Notify institutions of scholarship recipients who will attend
16 their institutions and inform them of the terms of the students'
17 eligibility;

18 (j) Establish a required service obligation for participants
19 enrolled in an eligible advanced degree program, and establish a
20 process for verifying a participant's employment in a service
21 obligation area; and

22 (k) Establish a repayment obligation and appeals process for
23 participants who serve less than the required service obligation,
24 unless the program administrator determines the circumstances are
25 beyond the participant's control. If the participant is unable to pay
26 the repayment obligation in full, the participant may enter into
27 payment arrangements with the program administrator. The program
28 administrator is responsible for the collection of repayment
29 obligations on behalf of participants who fail to complete their
30 service obligation.

31 (3) With respect to the opportunity expansion program, the
32 program administrator shall:

33 (a) Assist the board in developing and implementing an
34 application, selection, and notification process for making
35 opportunity expansion awards; and

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

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

1 (1) The opportunity scholarship program is established.

2 (2) The purpose of this scholarship program is to provide
3 scholarships that will help low and middle-income Washington
4 residents earn baccalaureate degrees in high employer demand and
5 other programs of study and advanced degrees in health professions
6 needed in service obligation areas, and encourage them to remain in
7 the state to work. The program must be designed for (~~both~~) students
8 starting at two-year institutions of higher education and intending
9 to transfer to four-year institutions of higher education (~~and~~),
10 students starting at four-year institutions of higher education, and
11 students enrolled in an eligible advanced degree program.

12 (3) The opportunity scholarship board shall determine which
13 programs of study, including but not limited to high employer demand
14 programs, are eligible for purposes of the opportunity scholarship.
15 For eligible advanced degree programs, the board shall limit
16 scholarships to eligible students enrolling in programs that lead to
17 credentials in health professions needed in service obligation areas.

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

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

31 (1) The board may elect to have the state investment board invest
32 the funds in the scholarship account, the advanced degrees pathways
33 account, and the endowment account described under RCW
34 28B.145.030(2)(b). If the board so elects, the state investment board
35 has the full power to invest, reinvest, manage, contract, sell, or
36 exchange investment money in the (~~two~~) accounts. All investment and
37 operating costs associated with the investment of money shall be paid
38 under RCW 43.33A.160 and 43.84.160. With the exception of these

1 expenses, the earnings from the investment of the money shall be
2 retained by the accounts.

3 (2) All investments made by the state investment board shall be
4 made with the exercise of that degree of judgment and care under RCW
5 43.33A.140 and the investment policy established by the state
6 investment board.

7 (3) As deemed appropriate by the state investment board, money in
8 the scholarship, advanced degrees pathways, and endowment accounts
9 may be commingled for investment with other funds subject to
10 investment by the state investment board.

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

14 (5) Members of the state investment board are not liable to the
15 state, to the fund, or to any other person as a result of their
16 activities as members, whether ministerial or discretionary, except
17 for willful dishonesty or intentional violations of law. The state
18 investment board in its discretion may purchase liability insurance
19 for members.

20 (6) The authority to establish all policies relating to the
21 scholarship account, the advanced degrees pathways account, and the
22 endowment account, other than the investment policies as provided in
23 subsections (1) through (3) of this section, resides with the board
24 and program administrator acting in accordance with the principles
25 set forth in this chapter. With the exception of expenses of the
26 state investment board in subsection (1) of this section,
27 disbursements from the scholarship account, the advanced degrees
28 pathways account, and the endowment account shall be made only on the
29 authorization of the opportunity scholarship board or its designee,
30 and moneys in the accounts may be spent only for the purposes
31 specified in this chapter.

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

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

E2SHB 2143 - S AMD 822
By Senator Ranker

ADOPTED 03/02/2018

1 On page 1, line 2 of the title, after "students;" strike the
2 remainder of the title and insert "amending RCW 28B.145.005,
3 28B.145.010, 28B.145.020, 28B.145.030, 28B.145.040, and 28B.145.090;
4 and adding a new chapter to Title 28B RCW."

EFFECT: Modifies the name of the account to the Advanced Degrees Pathways Account. Requires that state match funds transferred into the Advanced Degrees Pathways Account cannot exceed \$1 million per biennium. Makes technical corrections.

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