

E2SHB 1736 - S AMD 1496

By Senator Randall

ADOPTED AS AMENDED 03/10/2022

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

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that college
4 students continue to borrow in order to fund their higher education,
5 despite an increase in access to state financial aid. In Washington
6 state, estimates for the number of borrowers carrying student loan
7 debt are around 800,000 with an average balance around \$33,500,
8 resulting in a total outstanding balance of \$29.4 billion. Student
9 loan debt outpaces other sources of consumer debt, such as credit
10 card and vehicle debt. While research shows that earning a
11 postsecondary credential positively impacts a person's earning
12 potential, high student loan debt erodes much of this benefit.

13 (2) The legislature recognizes that people with student loan debt
14 are less likely to get married and start a family, establish small
15 businesses, and buy homes. High student loan debt negatively impacts
16 a person's credit score and their debt-to-income ratio, which impacts
17 their ability to qualify for a mortgage. However, student loan debt
18 does not impact all borrowers the same.

19 (3) Student loan borrowers who struggle the most are typically
20 lower income, first generation, and students of color. Data from the
21 national center for education statistics of a 12-year longitudinal
22 study based on students who began their education in the 2003-04
23 academic year found the following for students who defaulted: Almost
24 90 percent had received a Pell grant at one point; 70 percent were
25 first generation college students; 40 percent were in the bottom
26 quarter of income distribution; and 30 percent were African American.

27 (4) The legislature recognizes though that student loans are
28 beneficial for students who have no other way to pay for college or
29 have expenses beyond tuition and fees. Student loans can open up
30 postsecondary education opportunities for many and help boost the
31 state's economy by increasing the number of qualified graduates to
32 fulfill workforce shortages. However, the legislature finds that high

1 interest rates that accumulate while the student is in college
2 negatively impact the student's ability to prosper financially and
3 contribute to the state's economy after graduation. The legislature
4 also recognizes that there is very little financial aid available to
5 assist students pursuing graduate studies, despite the state's high
6 demand for qualified professionals in fields with workforce shortages
7 such as behavioral health, nursing, software development, teaching,
8 and more. Therefore, the legislature intends to support students
9 pursuing higher education by establishing a state student loan
10 program that is more affordable than direct federal student loans and
11 private loans. The legislature intends to offer student loans to
12 state residents with financial need who are pursuing undergraduate
13 and high-demand graduate studies at a subsidized, one percent
14 interest rate. The legislature intends for the Washington state
15 student loan program to align with the Washington college grant
16 program, recognizing that student loans are secondary forms of
17 financial aid that often cover expenses beyond tuition. Based on the
18 feasibility of the state student loan program recommendations
19 developed by the Washington student achievement council, in
20 consultation with the Washington state investment board, and the
21 office of the state treasurer, the legislature intends to finance the
22 Washington state student loan program with a one-time \$150,000,000
23 appropriation to cover annual student loan originations and expenses
24 until repayments are substantial enough to support the program on an
25 ongoing basis.

26 NEW SECTION. **Sec. 2.** The definitions in this section apply
27 throughout this chapter unless the context clearly requires
28 otherwise.

29 (1) "Borrower" means an eligible student who has received a
30 student loan under the Washington student loan program.

31 (2) "Eligible expenses" means reasonable expenses associated with
32 the costs of acquiring a postsecondary education such as tuition,
33 fees, books, equipment, room and board, and other expenses as
34 determined by the office.

35 (3) "Eligible graduate program" means an advanced academic degree
36 in a specialized field of study that has a workforce shortage or is
37 considered high demand, as determined by the office.

38 (4) "Eligible student" means a student who:

1 (a) Meets the definition of "resident student" under RCW
2 28B.15.012(2) (a) through (e);

3 (b) Has a median family income of 100 percent or less of the
4 state median family income;

5 (c) Is enrolled in an institution of higher education in an
6 eligible undergraduate or graduate program on at least a half-time
7 basis; and

8 (d) Has completed an annual application for financial aid as
9 approved by the office.

10 (5) "Eligible undergraduate program" means a postsecondary
11 education program that leads to a certificate, associate's degree, or
12 bachelor's degree.

13 (6) "Gift aid" means federal, state, institutional, or private
14 financial aid provided for educational purposes with no obligation of
15 repayment. "Gift aid" does not include student loans or work-study
16 programs.

17 (7) "Institutions of higher education" includes institutions of
18 higher education authorized to participate in state financial aid
19 programs in accordance with chapter 28B.92 RCW.

20 (8) "Office" means the office of student financial assistance
21 established under chapter 28B.76 RCW.

22 (9) "Program" means the Washington student loan program.

23 (10) "Student loan" means a loan that is approved by the office
24 and awarded to an eligible student to pay for eligible expenses.

25 NEW SECTION. **Sec. 3.** (1) The Washington student achievement
26 council, in consultation with the office of the state treasurer and
27 the state investment board shall design a student loan program to
28 assist students who need additional financial support to obtain
29 postsecondary education.

30 (2) At a minimum, the program design must make recommendations
31 about the following features of a state student loan program and
32 implementation plan:

33 (a) A low interest rate that is below current federal subsidized
34 student loan interest rates, with one option being a one percent
35 interest rate;

36 (b) The distribution of loans between graduate students and
37 undergraduate students;

38 (c) The terms of the loans, including:

39 (i) Loan limits;

1 (ii) Grace periods; and
2 (iii) Minimum postsecondary enrollment standards;
3 (d) The terms and administration of a repayment program,
4 including:

5 (i) Repayment options such as standard loan repayment contracts
6 and the length of the repayment contracts;

7 (ii) Income-based repayment plans; and

8 (iii) Terms of loan forgiveness;

9 (e) The types and characteristics of borrowers permitted to
10 participate in the program including family income, degree and
11 credential types, and other borrower characteristics. The program
12 must prioritize low-income borrowers; and

13 (f) The design and administration of an appeals process.

14 (3) In the design of the program, the Washington student
15 achievement council may recommend contracting with one or more state-
16 based financial institutions regulated by either chapter 31.12 or
17 30A.04 RCW to provide loan origination and may contract with a third-
18 party entity to provide loan servicing for the program. A third-party
19 entity providing loan servicing shall comply with all of the
20 requirements for student education loan servicers under chapter 31.04
21 RCW.

22 (4) The Washington student achievement council shall contract
23 with an independent actuary to conduct an analysis on the
24 sustainability of the program design, including the ability of the
25 program to operate as self-sustaining if issuing one percent interest
26 rate loans.

27 (5) The Washington student achievement council shall provide a
28 report on the design, sustainability, and implementation plan for the
29 program to the governor and the higher education committees of the
30 legislature by December 1, 2022, in accordance with RCW 43.01.036.

31 NEW SECTION. **Sec. 4.** (1) The Washington student loan program is
32 created to assist students who need additional financial support to
33 obtain postsecondary education. Beginning in the 2024-25 academic
34 year, the office may award student loans under the program to
35 eligible students from the funds available in section 7 of this act.

36 (2) The program shall be administered by the office. To the
37 extent practicable, the program design must include the
38 recommendations for program design as provided in the report required
39 under section 3 of this act. Student loans shall not be issued unless

1 the program design recommended in section 3 of this act is forecasted
2 by an independent actuary to be self-sustaining and the interest
3 rates for the loans issued under the program do not exceed one
4 percent.

5 (3) The office is responsible for providing administrative
6 support to execute the duties and responsibilities provided in this
7 chapter. The duties and responsibilities include:

8 (a) Ensure institutions of higher education have a policy for
9 awarding student loans under the program that prioritizes funding for
10 eligible students who have greater unmet financial need, are lowest
11 income, are first generation college students, and who have received
12 loans under the program in prior years;

13 (b) Issue low-interest student loans;

14 (c) Define the terms of repayment;

15 (d) Collect and manage repayments from borrowers;

16 (e) Establish an appeals process;

17 (f) Exercise discretion to revise repayment obligations in
18 certain cases, such as economic hardship or disability;

19 (g) Publicize the program; and

20 (h) Adopt necessary rules.

21 NEW SECTION. **Sec. 5.** The office shall contract with one or more
22 state-based financial institutions regulated by either chapter 31.12
23 RCW or chapter 30A.04 RCW to provide loan origination and may
24 contract with a third-party entity to provide loan servicing for the
25 program. A third-party entity providing loan servicing shall comply
26 with all of the requirements for student education loan servicers
27 under chapter 31.04 RCW.

28 NEW SECTION. **Sec. 6.** (1) The office shall collect data on the
29 program in collaboration with the institutions of higher education.
30 The data must include, but is not limited to:

31 (a) The number of eligible students who were awarded a student
32 loan;

33 (b) The number of borrowers;

34 (c) The average borrowed annual and total balances;

35 (d) Borrower demographics;

36 (e) The institutions of higher education and educational fields
37 of borrowers; and

38 (f) Repayment statistics, including:

1 (i) The number of borrowers in active repayment, deferment,
2 delinquency, forbearance, and default;

3 (ii) The average time it took for borrowers to enter delinquency
4 and default;

5 (iii) Demographic and educational data of borrowers enrolled in
6 the income-based repayment plan option;

7 (iv) Demographic and educational data of borrowers in different
8 repayment statuses, including delinquency and default; and

9 (v) Information about what happened to borrowers who defaulted.

10 (2) Beginning December 1, 2026, and in compliance with RCW
11 43.01.036, the office must submit an annual report on the data
12 collected under subsection (1) of this section and any other relevant
13 information regarding the program to the higher education committees
14 of the legislature.

15 NEW SECTION. **Sec. 7.** The Washington student loan account is
16 created in the custody of the state treasurer. All receipts from the
17 Washington student loan program must be deposited in the account.
18 Expenditures from the account may be used only for administration and
19 the issuance of new student loans. Only the executive director of the
20 Washington student achievement council or the executive director's
21 designee may authorize expenditures from the account. The account is
22 subject to the allotment procedures under chapter 43.88 RCW, moneys
23 in the account may be spent only after appropriation.

24 **Sec. 8.** RCW 43.79A.040 and 2021 c 175 s 10 and 2021 c 108 s 5
25 are each reenacted and amended to read as follows:

26 (1) Money in the treasurer's trust fund may be deposited,
27 invested, and reinvested by the state treasurer in accordance with
28 RCW 43.84.080 in the same manner and to the same extent as if the
29 money were in the state treasury, and may be commingled with moneys
30 in the state treasury for cash management and cash balance purposes.

31 (2) All income received from investment of the treasurer's trust
32 fund must be set aside in an account in the treasury trust fund to be
33 known as the investment income account.

34 (3) The investment income account may be utilized for the payment
35 of purchased banking services on behalf of treasurer's trust funds
36 including, but not limited to, depository, safekeeping, and
37 disbursement functions for the state treasurer or affected state
38 agencies. The investment income account is subject in all respects to

1 chapter 43.88 RCW, but no appropriation is required for payments to
2 financial institutions. Payments must occur prior to distribution of
3 earnings set forth in subsection (4) of this section.

4 (4)(a) Monthly, the state treasurer must distribute the earnings
5 credited to the investment income account to the state general fund
6 except under (b), (c), and (d) of this subsection.

7 (b) The following accounts and funds must receive their
8 proportionate share of earnings based upon each account's or fund's
9 average daily balance for the period: The 24/7 sobriety account, the
10 Washington promise scholarship account, the Gina Grant Bull memorial
11 legislative page scholarship account, the Rosa Franklin legislative
12 internship program scholarship (~~([account])~~) account, the Washington
13 advanced college tuition payment program account, the Washington
14 college savings program account, the accessible communities account,
15 the Washington achieving a better life experience program account,
16 the community and technical college innovation account, the
17 agricultural local fund, the American Indian scholarship endowment
18 fund, the foster care scholarship endowment fund, the foster care
19 endowed scholarship trust fund, the contract harvesting revolving
20 account, the Washington state combined fund drive account, the
21 commemorative works account, the county enhanced 911 excise tax
22 account, the county road administration board emergency loan account,
23 the toll collection account, the developmental disabilities endowment
24 trust fund, the energy account, the fair fund, the family and medical
25 leave insurance account, the fish and wildlife federal lands
26 revolving account, the natural resources federal lands revolving
27 account, the food animal veterinarian conditional scholarship
28 account, the forest health revolving account, the fruit and vegetable
29 inspection account, the educator conditional scholarship account, the
30 game farm alternative account, the GET ready for math and science
31 scholarship account, the Washington global health technologies and
32 product development account, the grain inspection revolving fund, the
33 Washington history day account, the industrial insurance rainy day
34 fund, the juvenile accountability incentive account, the law
35 enforcement officers' and firefighters' plan 2 expense fund, the
36 local tourism promotion account, the low-income home rehabilitation
37 revolving loan program account, the multiagency permitting team
38 account, the northeast Washington wolf-livestock management account,
39 the produce railcar pool account, the public use general aviation
40 airport loan revolving account, the regional transportation

1 investment district account, the rural rehabilitation account, the
2 Washington sexual assault kit account, the stadium and exhibition
3 center account, the youth athletic facility account, the self-
4 insurance revolving fund, the children's trust fund, the Washington
5 horse racing commission Washington bred owners' bonus fund and
6 breeder awards account, the Washington horse racing commission class
7 C purse fund account, the individual development account program
8 account, the Washington horse racing commission operating account,
9 the life sciences discovery fund, the Washington state library-
10 archives building account, the reduced cigarette ignition propensity
11 account, the center for deaf and hard of hearing youth account, the
12 school for the blind account, the Millersylvania park trust fund, the
13 public employees' and retirees' insurance reserve fund, the school
14 employees' benefits board insurance reserve fund, the public
15 employees' and retirees' insurance account, the school employees'
16 insurance account, the long-term services and supports trust account,
17 the radiation perpetual maintenance fund, the Indian health
18 improvement reinvestment account, the department of licensing tuition
19 recovery trust fund, the student achievement council tuition recovery
20 trust fund, the tuition recovery trust fund, the Washington student
21 loan account, the industrial insurance premium refund account, the
22 mobile home park relocation fund, the natural resources deposit fund,
23 the Washington state health insurance pool account, the federal
24 forest revolving account, and the library operations account.

25 (c) The following accounts and funds must receive eighty percent
26 of their proportionate share of earnings based upon each account's or
27 fund's average daily balance for the period: The advance right-of-way
28 revolving fund, the advanced environmental mitigation revolving
29 account, the federal narcotics asset forfeitures account, the high
30 occupancy vehicle account, the local rail service assistance account,
31 and the miscellaneous transportation programs account.

32 (d) Any state agency that has independent authority over accounts
33 or funds not statutorily required to be held in the custody of the
34 state treasurer that deposits funds into a fund or account in the
35 custody of the state treasurer pursuant to an agreement with the
36 office of the state treasurer shall receive its proportionate share
37 of earnings based upon each account's or fund's average daily balance
38 for the period.

1 (5) In conformance with Article II, section 37 of the state
2 Constitution, no trust accounts or funds shall be allocated earnings
3 without the specific affirmative directive of this section.

4 NEW SECTION. **Sec. 9.** Sections 1 through 7 of this act
5 constitute a new chapter in Title 28B RCW."

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6 On page 1, line 2 of the title, after "43.79A.040;" insert "and"

7 On page 1, line 3 of the title, after "RCW" strike "; and
8 creating a new section"

EFFECT: (1) States that it is the intent of the legislature to appropriate \$150 million for the program based on the feasibility of the report provided by WSAC, SIB, and the Treasurer.

(2) Requires a report on the design of the program by December 1, 2022.

(3) Creates the Washington student loan program to be administered by the office.

(4) Specifies that funding for the program not be expended unless an independent actuarial analysis forecasts the program to be self-sustaining and the interest rates for the loans do not exceed 1 percent.

(5) Requires the office to implement, to the extent practicable, the recommendations provided by WSAC, SIB, and the Treasurer on the design of the program.

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