H-1720.2

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SUBSTITUTE HOUSE BILL 1154**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**State of Washington 64th Legislature 2015 Regular Session**

**By** House Higher Education (originally sponsored by Representatives Bergquist, Zeiger, Muri, Haler, Pollet, Moscoso, Gregerson, Tharinger, Jinkins, and Santos)

AN ACT Relating to the affordable college for everyone grant contract program; amending RCW 43.88C.010; reenacting and amending RCW 28B.118.010; and adding new sections to chapter 28B.118 RCW; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  (1) In 2007, the legislature intended to inspire and encourage all Washington students to go to college by creating a guaranteed four-year tuition scholarship program for students from low-income families. This college bound scholarship makes up any difference between a student's other state-funded grants, scholarships, or waiver assistance and the student's tuition and required fees, and also provides a five hundred dollar stipend for books and materials. The scholarship is available to low-income students who, in middle school, commit to graduating from high school with at least a C average and no felony convictions. If, at the time of graduation, the student's family income does not exceed sixty-five percent of the state median family income, the scholarship will be awarded for up to four years.

(2) The legislature finds that, in academic year 2012-13, one thousand six hundred sixty-one out of seven thousand nine hundred ten, or twenty-one percent, of students fulfilled their end of the deal by getting good grades and staying out of trouble, but were denied the promised scholarship because their families no longer met the income requirement. These students have done everything right but, through no fault of their own, are left with a broken promise because their families made a little too much money during their senior year in high school. This is not fair, as the students and their families have been counting on that promise and, more than likely, have not been saving additional funds for college. Consequently, the broken promise forces these students and families to take out student loans and accrue credit card debt. The state needs to make this right.

(3) This act is intended to remove the financial barriers to attending college faced by these students whose promise of free tuition and fees has, through no fault of their own, been taken away. The legislature intends to increase access to the state's institutions of higher education by creating a way that these students can go to college without paying for tuition up front and without relying on the increasingly expensive federal student loans.

(4) To accomplish these purposes, the legislature intends to establish a financial aid program under which only those students who can afford it will make contributions to the program fund based on a very low percentage of their income. This is intended to enable future students to participate in the program and attend an institution of higher education without having to pay tuition.

(5) Through the affordable college for everyone grant contract program, the legislature recognizes that students who qualify for the college bound scholarship in middle school, but whose family income no longer meets the requirements upon graduation, could receive financial assistance without increasing reliance on federal student loans, while significantly reducing the debt and financial repayment burdens on these students.

(6) The legislature recognizes that because some students who meet the income threshold would have to make contributions to the program based on the amount of aid they received, the amount of money available to future students will grow. For those students who do not meet the income threshold after graduation or exit, the program would have no requirement.

NEW SECTION. **Sec.**  (1) By December 31, 2015, the office of student financial assistance shall design the Washington affordable college for everyone grant contract program based on the parameters in this section. When creating an acronym for the affordable college for everyone grant contract program for the purposes of information and marketing materials created by state agencies, including institutions of higher education, the program shall be referred to as the ACE program.

(2)(a) A student who elects to participate in the affordable college for everyone grant contract program shall enter into an affordable college for everyone grant contract developed by the office of student financial assistance that defines the terms of the contract.

(b) Eligible students are those who meet the eligibility requirements to sign up for the college bound scholarship in chapter 28B.118 RCW during middle school, but whose family income no longer meets the income requirements upon the student's graduation. The first grant contracts must be made with eligible students graduating in 2016.

(c) Affordable college for everyone grant contract amounts must be applied to all or a portion of an eligible student's tuition and fees as long as the recipient agrees to make contributions to the program as provided in this section.

(d) The value of a grant contract may be up to ten thousand dollars per year for four years, calculated as the difference between the student's tuition and required fees, less the value of any state-funded grant or scholarship. The institutions of higher education must award eligible students all need-based and merit-based aid for which the students would otherwise qualify.

(e) The value of a grant contract must be used within five years of receipt.

(3) A recipient of a grant contract shall make contributions to the affordable college for everyone grant contract program based on the total grant amount that was applied toward his or her tuition and fees and as provided in this section.

(a) A recipient shall begin contributing to the affordable college for everyone grant contract program one year after completion or discontinuation of the recipient's higher education.

(b) Contributions must be at a rate of 5.9 percent of the recipient's eligible taxable income each year.

(c)(i) Eligible taxable income is based on a grant contract recipient's tax status and amount of taxable income as follows:

(A) For a grant contract recipient with a federal income tax filing status of single with no dependents, eligible taxable income is any income over thirty thousand dollars;

(B) For a grant contract recipient with a federal income tax filing status of single, head of household, or qualifying widow or widow(er) with dependent child, eligible taxable income depends on the number of qualifying dependent children:

(I) For one qualifying dependent child, eligible taxable income is any income over forty thousand dollars;

(II) For two qualifying dependent children, eligible taxable income is any income over fifty thousand dollars; and

(III) For three or more qualifying dependent children, eligible taxable income is any income over sixty thousand dollars; and

(C) For a grant contract recipient with a federal income tax filing status of married filing jointly or married filing separately, eligible taxable income is any income over sixty thousand dollars.

(ii) In order to encourage savings for retirement, the calculation of a recipient's eligible taxable income may include the deduction of contributions toward a Roth individual retirement account as defined in the internal revenue code.

(d) A grant contract recipient whose federal and state loan repayments are ten percent or more of their annual taxable income is not required to make contributions. A recipient whose other federal and state loan repayments are less than ten percent of their annual taxable income are required to make contributions according to this section, however the recipient's contributions must be adjusted to ensure that the combined total of other loan repayments and affordable college for everyone grant contract program contributions does not exceed ten percent of the recipient's annual taxable income in any year.

(e) An interest rate of two percent of the program recipient's total grant contract amount minus contributions made in previous years must be applied to the recipient's contributions.

(f) An affordable college for everyone grant contract recipient who has an eligible taxable income greater than that provided in (c) of this subsection shall continue to contribute to the program until either:

(i) The recipient contributes an amount equal to the total grant contract amount plus interest, as defined in (e) of this subsection; or

(ii) Twenty-one years pass from the time the recipient completes or discontinues his or her higher education.

(g) A grant contract recipient who elects to contribute the remainder of his or her affordable college for everyone grant contract amount plus interest in a lump sum payment shall receive a ten percent discount as long as the remaining amount is at least two thousand dollars.

(4) The office shall develop measures to recover contributions from and impose penalties on a grant contract recipient who does not make contributions to the affordable college for everyone grant contract program in a timely manner.

(5) The office shall allow a recipient with eligible taxable income to forgo making contributions for up to two one-year periods. However, the contribution time described in subsection (3)(f)(ii) of this section must be increased accordingly.

(6) The office shall annually report on the program along with its annual financial aid report. The report must provide information on the program fund growth from contributions and make recommendations regarding increasing the income thresholds for recipients in the program.

(7) By December 1, 2017, the office, in consultation with the office of the state actuary, shall estimate contributions to the program over the next twenty years.

**Sec.**  RCW 28B.118.010 and 2012 c 229 s 402 and 2012 c 163 s 8 are each reenacted and amended to read as follows:

The office of student financial assistance shall design the Washington college bound scholarship program in accordance with this section and in alignment with the state need grant program in chapter 28B.92 RCW unless otherwise provided in this section.

(1) "Eligible students" are those students who:

(a) Qualify for free or reduced-price lunches. If a student qualifies in the seventh or eighth grade, the student remains eligible even if the student does not ((~~receive~~)) qualify for free or reduced-price lunches thereafter; or

(b) Are dependent pursuant to chapter 13.34 RCW and:

(i) In grade seven through twelve; or

(ii) Are between the ages of eighteen and twenty-one and have not graduated from high school.

(2) Eligible students shall be notified of their eligibility for the Washington college bound scholarship program beginning in their seventh grade year. Students shall also be notified of the requirements for award of the scholarship.

(3)(a) To be eligible for a Washington college bound scholarship, a student eligible under subsection (1)(a) of this section must sign a pledge during seventh or eighth grade that includes a commitment to graduate from high school with at least a C average and with no felony convictions. The pledge must be witnessed by a parent or guardian and forwarded to the office of student financial assistance by mail or electronically, as indicated on the pledge form.

(b) A student eligible under subsection (1)(b) of this section shall be automatically enrolled, with no action necessary by the student or the student's family, and the enrollment form must be forwarded by the department of social and health services to the ((~~higher education coordinating board or its successor~~)) office of student financial assistance by mail or electronically, as indicated on the form.

(4)(a) Scholarships shall be awarded to eligible students graduating from public high schools, approved private high schools under chapter 28A.195 RCW, or who received home-based instruction under chapter 28A.200 RCW.

(b) To receive the Washington college bound scholarship, a student must graduate with at least a "C" average from a public high school or an approved private high school under chapter 28A.195 RCW in Washington or have received home-based instruction under chapter 28A.200 RCW, must have no felony convictions, and must be a resident student as defined in RCW 28B.15.012(2) (a) through (d).

(5) A student's family income will be assessed upon graduation before awarding the scholarship.

(6)(a) If at graduation from high school the student's family income does not exceed sixty-five percent of the state median family income, scholarship award amounts shall be as provided in this section.

((~~(a)~~)) (i) For students attending two or four-year institutions of higher education as defined in RCW 28B.10.016, the value of the award shall be ((~~(i)~~)) (A) the difference between the student's tuition and required fees, less the value of any state-funded grant, scholarship, or waiver assistance the student receives; ((~~(ii)~~)) (B) plus five hundred dollars for books and materials.

((~~(b)~~)) (ii) For students attending private four-year institutions of higher education in Washington, the award amount shall be the representative average of awards granted to students in public research universities in Washington.

((~~(c)~~)) (iii) For students attending private vocational schools in Washington, the award amount shall be the representative average of awards granted to students in public community and technical colleges in Washington.

(b) If at graduation from high school the students' family income exceeds sixty-five percent of the state median family income, the student may be eligible for the affordable college for everyone grant contract program under section 2 of this act.

(7) Recipients may receive no more than four full-time years' worth of scholarship awards.

(8) Institutions of higher education shall award the student all need-based and merit-based financial aid for which the student would otherwise qualify. The Washington college bound scholarship is intended to replace unmet need, loans, and, at the student's option, work-study award before any other grants or scholarships are reduced.

(9) The first scholarships shall be awarded to students graduating in 2012.

(10) The state of Washington retains legal ownership of tuition units awarded as scholarships under this chapter until the tuition units are redeemed. These tuition units shall remain separately held from any tuition units owned under chapter 28B.95 RCW by a Washington college bound scholarship recipient.

(11) The scholarship award must be used within five years of receipt. Any unused scholarship tuition units revert to the Washington college bound scholarship account.

(12) Should the recipient terminate his or her enrollment for any reason during the academic year, the unused portion of the scholarship tuition units shall revert to the Washington college bound scholarship account.

NEW SECTION. **Sec.**  The office of student financial assistance shall:

(1) With the assistance of the office of the superintendent of public instruction, implement and administer the affordable college for everyone grant contract program created in section 2 of this act;

(2) Develop and distribute, to all students who completed the college bound scholarship pledge, required under RCW 28B.118.010, and whose family income exceeds sixty-five percent of the state median family income upon graduation from high school, a grant contract application form that can be completed and returned electronically or by mail by the student or the school to the office of student financial assistance;

(3) Develop and implement a student application, selection, and notification process for grant contracts, which prioritizes grant contracts to the applicants with the lowest family incomes;

(4) Track grant contract recipients to ensure continued eligibility and determine student compliance for awarding of grant contracts;

(5) Subject to appropriations made specifically for the program, deposit funds into the affordable college for everyone grant contract account created in section 6 of this act;

(6) Purchase tuition units under the advanced college tuition payment program in chapter 28B.95 RCW to be owned and held in trust by the student achievement council, for the purpose of grant contracts as provided for in this section;

(7) Distribute program funds, in the form of tuition units purchased under the advanced college tuition payment program in chapter 28B.95 RCW or through direct payments from the affordable college for everyone grant contract account created in section 6 of this act, to institutions of higher education on behalf of grant contract recipients identified by the office of student financial assistance, as long as recipients maintain satisfactory academic progress;

(8) Report on the program along with the annual financial aid report; and

(9) Estimate, in consultation with the office of the state actuary, payments back to the program over the next twenty years, by December 1, 2017.

NEW SECTION. **Sec.**  (1) The office of student financial assistance shall enter into up to one hundred grant contracts per year between 2016 and 2019.

(2)(a) By January 1, 2020, the office of student financial assistance shall determine how many students have signed grant contracts under sections 2 and 4 of this act.

(b) If fewer than two hundred fifty students have signed grant contracts by January 1, 2020, the office of student financial assistance shall not enter any new grant contracts after this date; however, the office shall continue to implement and administer the grant contracts already entered into under sections 2 and 4 of this act.

(c) The affordable college for everyone grant contract program must be made available to all eligible applicants beginning January 1, 2020, if two hundred fifty or more students have signed grant contracts by this date.

NEW SECTION. **Sec.**  (1) The affordable college for everyone grant contract account is created in the custody of the state treasurer. No appropriation is required for expenditures of funds from the account for grant contract disbursements. An appropriation is required for expenditures of funds from the account for costs associated with program administration by the office of student financial assistance. The account is not subject to allotment procedures under chapter 43.88 RCW.

(2) The office of student financial assistance shall deposit into the account all moneys received for the affordable college for everyone grant contract program created in section 2 of this act. The account shall be self-sustaining and consist of moneys received for the program by the office of student financial assistance, and receipts from grant contract recipients' contributions, including principal and interest.

(3) Expenditures from the account may be used solely for grant contract disbursements to recipients in the program established under section 2 of this act and costs associated with program administration by the office of student financial assistance.

(4) Disbursements from the account may be made only on the authorization of the office of student financial assistance.

**Sec.**  RCW 43.88C.010 and 2013 c 332 s 11 are each amended to read as follows:

(1) The caseload forecast council is hereby created. The council shall consist of two individuals appointed by the governor and four individuals, one of whom is appointed by the chairperson of each of the two largest political caucuses in the senate and house of representatives. The chair of the council shall be selected from among the four caucus appointees. The council may select such other officers as the members deem necessary.

(2) The council shall employ a caseload forecast supervisor to supervise the preparation of all caseload forecasts. As used in this chapter, "supervisor" means the caseload forecast supervisor.

(3) Approval by an affirmative vote of at least five members of the council is required for any decisions regarding employment of the supervisor. Employment of the supervisor shall terminate after each term of three years. At the end of the first year of each three-year term the council shall consider extension of the supervisor's term by one year. The council may fix the compensation of the supervisor. The supervisor shall employ staff sufficient to accomplish the purposes of this section.

(4) The caseload forecast council shall oversee the preparation of and approve, by an affirmative vote of at least four members, the official state caseload forecasts prepared under RCW 43.88C.020. If the council is unable to approve a forecast before a date required in RCW 43.88C.020, the supervisor shall submit the forecast without approval and the forecast shall have the same effect as if approved by the council.

(5) A councilmember who does not cast an affirmative vote for approval of the official caseload forecast may request, and the supervisor shall provide, an alternative forecast based on assumptions specified by the member.

(6) Members of the caseload forecast council shall serve without additional compensation but shall be reimbursed for travel expenses in accordance with RCW 44.04.120 while attending sessions of the council or on official business authorized by the council. Nonlegislative members of the council shall be reimbursed for travel expenses in accordance with RCW 43.03.050 and 43.03.060.

(7) "Caseload," as used in this chapter, means:

(a) The number of persons expected to meet entitlement requirements and require the services of public assistance programs, state correctional institutions, state correctional noninstitutional supervision, state institutions for juvenile offenders, the common school system, long-term care, medical assistance, foster care, and adoption support;

(b) The number of students who are eligible for the Washington college bound scholarship program and are expected to attend an institution of higher education as defined in RCW 28B.92.030.

(8) The caseload forecast council shall forecast the temporary assistance for needy families and the working connections child care programs as a courtesy.

(9) The caseload forecast council shall forecast youth participating in the extended foster care program pursuant to RCW 74.13.031 separately from other children who are residing in foster care and who are under eighteen years of age.

(10) The caseload forecast council shall forecast the number of students who are eligible for the affordable college for everyone grant contract program under section 2 of this act.

(11) Unless the context clearly requires otherwise, the definitions provided in RCW 43.88.020 apply to this chapter.

NEW SECTION. **Sec.**  Sections 2 and 4 through 6 of this act are each added to chapter 28B.118 RCW.

**--- END ---**