

# SENATE BILL REPORT

## E2SHB 2143

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As Reported by Senate Committee On:  
Higher Education & Workforce Development, February 22, 2018  
Ways & Means, February 26, 2018

**Title:** An act relating to expanding opportunities for higher education students.

**Brief Description:** Expanding opportunities for higher education students.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Haler, Hansen, Holy, Stanford and Muri).

**Brief History:** Passed House: 4/07/17, 93-3; 5/02/17, 89-3; 5/25/17, 91-3; 1/11/18, 95-3.

**Committee Activity:** Higher Education & Workforce Development: 2/22/18 [DP-WM].  
Ways & Means: 2/26/18, 2/26/18 [DPA(WM), DNP].

### Brief Summary of Amended Bill

- Creates the Medical Student Loan Program to provide low-interest loans to students in Doctor of Medicine or Doctor of Osteopathic Medicine programs who declare an intention to work in a rural underserved area in Washington.
- Expands the Washington State Opportunity Scholarship to students in eligible advanced degree programs who commit to a required service obligation in a service obligation area.

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### SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Ranker, Chair; Palumbo, Vice Chair; Hawkins, Ranking Member; Carlyle, Ericksen, Liias, Miloscia, Nelson and Short.

**Staff:** Alicia Kinne-Clawson (786-7407)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Ways & Means.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Honeyford, Assistant Ranking Member; Bailey, Becker, Billig, Brown, Carlyle, Conway, Darneille, Fain, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker, Rivers, Schoesler, Van De Wege, Wagoner and Warnick.

**Minority Report:** Do not pass.

Signed by Senator Hasegawa.

**Staff:** Daniel Masterson (786-7454)

**Background:** State Student Loan Programs. The state has authority to provide student loans. The Student Achievement Council administers the Aerospace Training Student Loan Program, which provides student loans to students enrolled in a program in the aerospace industry offered by the Washington Aerospace Training and Research Center, the Spokane Aerospace Technology Center, Renton Technical College, or Everett Community College. In addition, the Washington Higher Education Loan Program exists in statute to provide low-interest student loans, but has never been funded.

Washington State Opportunity Scholarship (WSOS). The WSOS program was established in 2011 to provide scholarships to low- and middle-income resident students pursuing eligible high-demand majors in science, technology, engineering, mathematics, and health care, and to encourage scholarship recipients to work in the state upon completion of their degrees. The eligible student needs to be working towards a first bachelor's degree at an eligible Washington State college or university. The student may attend a public community or technical college if the student indicates plans to transfer to a four-year college or university by the time the student has earned 90 quarter credits. For the 2016-17 academic year, 1372 students were awarded a scholarship under Cohort 5, of which 32 percent are in health profession related programs.

The WSOS program is overseen by the WSOS Board and administered by the program administrator. The program administrator has the duty of publicizing the program, selecting scholarship recipients, distributing awards, and managing account investments. The WSOS program has two separate accounts to hold grants and contributions from private sources and state matching funds, and to disburse scholarship funds to participants. The accounts are the Scholarship Account and the Endowment Account.

Health Professionals Conditional Scholarship and Loan Repayment (HPCSLR) Program. The HPCSLR Program provides licensed primary care health professionals with either a conditional scholarship or assistance in repaying their student loans if the professional agrees to provide primary health care in rural or underserved urban areas with designated shortages. The conditional scholarship portion of the HPCSLR Program is not currently funded, but the loan repayment provides up to \$75,000 for a minimum three-year service obligation. The participant needs to work a minimum of a 24-hour work week, and if the participant defaults on their service obligation, the penalty is double the funds disbursed to the participant, plus interest.

**Summary of Amended Bill:** Medical Student Loan (MSL) Program. The MSL Program is established to increase the physician workforce in rural underserved areas. The MSL

Program's medical student loans must be funded exclusively with private funding, and state funding may be used for the MSL Program's administrative costs.

For a student to be eligible for a loan under the MSL Program, the student must be a resident student enrolled in an accredited Doctor of Medicine or Doctor of Osteopathic Medicine program in the state, and declare an intention to work in a rural underserved area in Washington following residency. The MSL Program must have the following elements:

1. a low-interest rate;
2. an annual loan limit not to exceed \$40,000 and no more than the participant's estimated cost of attendance; and
3. loan repayments that do not begin until six months after:
  - a. the participant completes their medical residency program; or
  - b. a participant leaves their Doctor of Medicine, Doctor of Osteopathic Medicine, or medical residency program;

If the participant does not work as a physician in a rural underserved area in Washington for three years following completion of the participant's residency program, they must pay an interest rate of at least 12 percent plus capitalized interest that was deferred during the participant's medical school and residency program.

The Office of Student Financial Assistance (Office) must establish an application, selection, and notification process; define the terms of repayment; collect and manage repayments; solicit and accept grants and donations from non-state public and private sources for the MSL Program; publicize the MSL Program; and adopt any necessary rules. The Office may also exercise discretion to revise repayment obligations in certain cases, such as economic hardship or disability. After July 1, 2010, the Office is required to submit an annual report on the MSL Program to the Governor and Legislature that is due by December 1 of each year. The report must describe the design and implementation of the MSL Program and include data on applicant and participation rates, employment outcomes, demographic information, private sources of funding, and estimates of when the program will be self-sustaining.

The Medical Student Loan Account is created in the custody of the state treasurer for the MSL Program.

WSOS. The WSOS is expanded to include scholarships for students attending eligible advanced degrees programs, which are defined as health professional degree programs beyond the baccalaureate level and include graduate and professional degree programs. To be eligible for the scholarship, the student needs to be accepted at an institution of higher education into an eligible advanced degree program and agree to a service obligation established by the WSOS Board. The service obligation requires the participant to be employed in a service obligation area in the state following completion of their eligible advanced degree program. Service obligation area means a location that meets one of the following conditions:

- has been designated by the Student Achievement Council as an eligible site under the HPCSLR Program;
- serves at least 40 percent uninsured or Medicaid enrolled patients;

- is located in a rural county and serves a combination of uninsured, Medicaid enrolled patients, and Medicare enrolled patients, equal to at least 40 percent of the practice location's total patients; or
- serves a public agency, nonprofit organization, or local health jurisdiction by providing public health services necessary to preserve, protect, and promote the health of the state's population, as determined by the WSOS Board after consultation with the Department of Health.

The WSOS Board must determine which advanced degree programs qualify as eligible advanced degree programs and must consider programs that lead to credentials in health professions that include primary care, dental care, behavioral health, and public health. The WSOS Board must also determine the scholarship amount.

Beginning December 1, 2019, the WSOS Board must report to the Governor and Legislature by December 1 of each biennium. The report must include information on the eligible advanced degree programs and service obligation areas, and the number of participants in each phase of the scholarship. The WSOS Board may also report to the Governor and Legislature on a recommendation to include a loan repayment, low-interest, or no-interest loan component for the advanced degree portion of the WSOS.

A third account is created for the WSOS called the Student Support Pathways Account, in which scholarships are to be disbursed for eligible advanced degree programs. The two existing accounts, the Scholarship Account and the Endowment Account, are specifically for scholarships for baccalaureate programs. State match funds transferred into the Student Support Pathways Account must not exceed \$1 million per biennium.

A provision regarding when the state has demonstrated progress towards per student funding levels of at least the sixtieth percentile of total per student funding at similar public institutions of higher education in Global Challenge States, is repealed.

**EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):**

- Requires that state match funds transferred into the Student Support Pathways Account cannot exceed \$1 million per biennium.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Engrossed Second Substitute House Bill (Higher Education & Workforce Development):** PRO: There are almost no scholarship or grant programs for people who are training to become a doctor. There are several rural and underserved areas in the state with several health professional shortages. The cost of four

years of medical education is approximately \$265,000. By the time medical students have paid off their debt, after interest the total amount owed often exceeds \$400,000. This immense amount of student debt informs choice of specialty and whether or not to take a lower-paid role in rural areas. Despite altruistic intentions, working in rural or underserved areas or primary care may not be financially feasible. The three to seven years in medical residency are financially difficult. Washington is nowhere near the top in pay for primary care physicians. This bill makes it easier for people to choose to serve in rural Washington by alleviating the debt burden. Many people in rural areas do not have access to care and suffer as a result. Limited access to healthcare takes a disproportionate toll on rural and underserved communities. This problem is growing. It is estimated that Washington will need an additional 1700 physicians by 2030 and that is just in primary care. This bill addresses this problem by encouraging medical students to serve in rural communities.

**Persons Testifying (Higher Education & Workforce Development):** PRO: Representative Larry Haler, Prime Sponsor; Kim Bauer, Medical Student at UW; Tim Kelly, Medical Student at UW; Kristin Puhl, Medical Student; JoAnn Taricani, University of Washington Faculty Senate; Jessica Monger, Washington State Opportunity Scholarship.

**Persons Signed In To Testify But Not Testifying (Higher Education & Workforce Development):** No one.

**Staff Summary of Public Testimony on Engrossed Second Substitute House Bill (Ways & Means):** *The committee recommended a different version of the bill than what was heard.* None.

**Persons Testifying (Ways & Means):** No one.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.