

SENATE BILL REPORT

EHB 1823

As Passed Senate - Amended, April 12, 2023

Title: An act relating to the Washington student loan program.

Brief Description: Modifying the Washington student loan program.

Sponsors: Representatives Timmons, Slatter and Ramel.

Brief History: Passed House: 3/2/23, 67-29.

Committee Activity: Higher Education & Workforce Development: 3/10/23, 3/29/23 [DPA-WM].

Ways & Means: 3/31/23, 4/04/23 [DPA, DNP, w/oRec].

Floor Activity: Passed Senate - Amended: 4/12/23, 36-13.

Brief Summary of Bill (As Amended by Senate)

- Limits participation in the Washington Student Loan Program to eligible advanced degree students.
- Eliminates the requirement that the program be self-sustaining in order to issue loans.
- Specifies that the interest rate on loans issued under the program is 2.5 percent.
- Establishes terms for repayment and a maximum borrowing limit of \$20,000 per borrower, per year.

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Randall, Chair; Nobles, Vice Chair; Holy, Ranking Member; Liias.

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

Staff: Alicia Kinne-Clawson (786-7407)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Billig, Conway, Dhingra, Hasegawa, Hunt, Keiser, Nguyen, Saldaña, Van De Wege and Wellman.

Minority Report: Do not pass.

Signed by Senators Wilson, L., Ranking Member, Operating; Schoesler, Ranking Member, Capital; Braun, Muzzall and Wagoner.

Minority Report: That it be referred without recommendation.

Signed by Senators Gildon, Assistant Ranking Member, Operating; Rivers, Assistant Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Boehnke and Torres.

Staff: Michele Alishahi (786-7433)

Background: In 2022, the Legislature created the Washington Student Loan Program (program). The Washington Student Achievement Council (WSAC) administers the program and consulted with the Office of the State Treasurer and the State Investment Board on the program design and implementation plan.

In January 2023, WSAC reported to the Governor and Legislature on the program's design, sustainability, and implementation. That report made policy recommendations to define self-sustainability as a target life cycle of the fund for five to ten years.

WSAC was required to contract with an independent actuary to conduct an analysis on the sustainability of the program design, including the ability of the program to operate as self-sustaining if issuing 1 percent interest rate loans. If the independent actuary determined the program design was not self-sustaining with a 1 percent interest rate, student loans were not authorized to be issued under the program.

Summary of Amended Bill: Eligibility for the program is modified to be limited to students enrolled in eligible high demand advanced degree programs including health care, behavioral health, education, law enforcement and public safety, and others as determined by the Office of Student Financial Assistance (office). The office may begin awarding student loans under the program beginning in the 2025-26 academic year.

The office must ensure that institutions of higher education prioritize eligible students who:

- have the greatest unmet need;
- are lowest income;

- are first generation;
- are demographically underrepresented;
- do not qualify for federally funded student financial aid; or
- received loans under the program in prior years.

The interest rates for loans issued under the program must not exceed 2.5 percent. Interest on a borrowers loans does not accrue while enrolled in an eligible higher education program. The maximum borrowing limit per borrower is set at \$20,000 annually and the maximum loan repayment period is 25 years unless as exception is granted by the office.

A report on the design, sustainability, and implementation of the program is due by December 1, 2023. The requirement that WSAC contract with an independent actuary to conduct an analysis on the sustainability of the program, including the ability of the program to operate as self-sustaining if issuing 1 percent interest rate loans, is eliminated. The office may retain a consultant to design the loan program and one or more financial advisors to provide consultation on the sustainability of the program. The requirement that the office recommend and contract with a state-based financial institution for loan origination is eliminated. The program must have a minimum life cycle of seven years when issuing loans at 2.5 percent interest rates.

The Washington State Student Loan account is modified to limit appropriations from the account to be no more \$40 million total for the first four years for the program. In the fifth fiscal year following the first year loans were issued an additional \$10 million may be appropriated. Appropriations may be made from the account for administrative and implementation costs prior to the first year in which loans are issued.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 29, 2023.

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 House Bill (Higher Education & Workforce Development): *The committee recommended a different version of the bill than what was heard.* PRO: This bill builds off the work the Legislature did last year to develop a low interest student loan program. This is more targeted and sustainable to create more access to higher education and meet student needs around healthcare and safety. Washington is a leader in the country for higher education and graduate school is a missing link. This will help reduce the cost of finding jobs in high demand fields. This bill provides access to students in financial aid deserts.

Persons Testifying (Higher Education & Workforce Development): PRO:

Representative Joe Timmons, Prime Sponsor; Ruben Flores, Council Of Presidents; Adán Mendoza-Sandoval, VP, WA Student Association.

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

Staff Summary of Public Testimony on Bill as Amended by Higher Education & Workforce Development (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: Graduate students are two and a half times more likely to borrow for school than they were 30 years ago. Average student loan debt is nearly a 150 percent higher than the average balance held among all student borrowers. Students need more support to complete graduate or professional programs. The Washington Student Loan Program is a pathway towards making that support a reality.

Persons Testifying (Ways & Means): PRO: Joel Anderson, University of Washington Graduate and Professional Student Senate.

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