

HOUSE BILL REPORT

HB 1030

As Reported by House Committee On:
Higher Education

Title: An act relating to creating a higher education loan program.

Brief Description: Creating the Washington advance higher education loan program.

Sponsors: Representatives Johnson, Sells, Haler, Appleton, S. Hunt, Gregerson, Bergquist, Hudgins, Van De Wege, Moeller, Magendanz, Fey and Pollet.

Brief History:

Committee Activity:

Higher Education: 1/21/15, 2/3/15, 2/10/15 [DPS].

Brief Summary of Substitute Bill

- Creates the Washington Advance Higher Education Loan Pilot Program to replace the Washington Higher Education Loan Program.
- Creates the Washington Advance Higher Education Loan Account in the custody of the State Treasurer.
- Directs that the program be administered by the Office of Student Financial Assistance (Office) within the Washington Student Achievement Council.
- Requires the Office to report annually to the Governor and Legislature on the design and implementation of the program.
- Includes an expiration date of July 1, 2021.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Hansen, Chair; Pollet, Vice Chair; Zeiger, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Bergquist, Gregory, Reykdal, Sells, Stambaugh and Tarleton.

Minority Report: Do not pass. Signed by 2 members: Representatives Holy and Van Werven.

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.

Minority Report: Without recommendation. Signed by 1 member: Representative Hargrove.

Staff: Megan Wargacki (786-7194).

Background:

The Higher Education Loan Program.

Legislation enacted in 2009 created the Higher Education Loan Program (HELP) to assist students in need of additional low-cost student loans and related loan benefits. The program was designed to provide low-interest educational loans to resident students, targeted loan-repayment options, conditional loans, and emergency loans. The Office of Student Financial Assistance (Office) within the Washington Student Achievement Council (WSAC) is the program administrator. Since the HELP was created, no funding has been provided.

In 2012, as directed by a budget proviso, the WSAC convened a work group of technical experts to develop program design and funding options for the HELP, and reported the findings to the Legislature.

High Employer Demand Fields.

In their Skilled and Educated Workforce 2013 Report, the WSAC, the State Board of Community and Technical Colleges, and the Workforce Training and Education Coordinating Board identified significant gaps at the baccalaureate and graduate levels in several occupational clusters. The largest gaps, as a percentage of supply, occur in the fields of computer science and engineering. Other high employer demand fields include life, physical, and social sciences; farming, fishing, and forestry; and physicians, surgeons, nurse practitioners, and occupational and physical therapists.

Student Borrowing.

According to the WSAC's annual financial aid report, in 2013-14 loan assistance represented 37 percent of financial aid to needy resident undergraduate students. Grant aid represented 62 percent of aid to needy students, and state work study represented 1 percent of aid to needy students.

Between 2010 and 2012, the number of student loan borrowers increased by 5 percent. In 2013-14 more than 87,500 resident students identified as "needy" borrowed an average of \$6,879. An additional 10,516 non-needy resident undergraduate borrowers, not receiving need-based aid, took out federal unsubsidized student loans and borrowed an average of \$5,889.

A federal loan program called Parent Loans for Undergraduate Students (PLUS) allows parents of undergraduate students to assist their dependent children with educational costs. In 2011 the eligibility criteria for the PLUS changed to require stricter measures of the credit worthiness of parents. Over the next two years, there was a 7-percent reduction in the number of the PLUS-loan borrowers with an 18-percent increase in loan amounts. In 2013-14 10,788 plus borrowers received loans worth an annual average of \$12,925.

Summary of Substitute Bill:

The Washington Advanced Higher Education Loan Program (A HELP) is created to replace the HELP, but as a pilot program. In addition to the original purpose of assisting students in need of additional low-cost student loans and related loan benefits, the A HELP is intended to help meet the state's need for individuals with higher education degrees and certificates that are in demand, such as in the fields of science. Eligible students must be residents with financial need who are enrolled in one of the following programs:

- a program related to science, including health science, technology, engineering, or math at Washington State University in Vancouver, Clark College, or Heritage University;
- an aerospace-related program at Everett Community College;
- the MEDEX program at the University of Washington in Spokane;
- any computer science or engineering baccalaureate degree or applied baccalaureate degree offered by a public or private institution in the state; or
- the doctor of osteopathic medicine program at Pacific Northwest University of Health Sciences.

Students must maintain satisfactory academic progress to continue to receive disbursements.

The Office's administrative requirements are replaced with a list of powers and duties, including:

- designing and implementing a low-interest educational loan program with certain interest and repayment elements;
- defining loan terms;
- selecting eligible students;
- collecting and managing repayments; and
- adopting necessary rules.

The Office must submit an annual report to the Governor and the Legislature by December 1 that describes the design and implementation of the program.

The Washington Advanced Higher Education Loan Account (Account) is created in the custody of the State Treasurer. The Office may award loans for tuition and fees from this account and deposit repayments into the Account.

The program and the Account expire July 1, 2021.

Substitute Bill Compared to Original Bill:

The list of programs whose students are eligible for the A HELP is expanded to include any computer science or engineering baccalaureate degree or applied baccalaureate degree offered by most public and private higher education institutions.

The Account is subject to allotment procedures for expenditure from appropriated funds for costs associated with program administration by the Office, but not for expenditures from nonappropriated funds.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill was heard last year and it needs to be carried through to final passage. Washington is home to the best colleges and universities on the west coast. Higher education is the gateway to economic prosperity in this state. This state has a workforce that frequently needs retraining and a changing economy requires students to go back to school to be retrained. There are state programs that support low-income students going to school via grants and low-interest loans, but many middle-class families have incomes that are just above the limits to qualify for these state programs. These students end up taking high-interest private or federal loans that are a huge burden after graduation. Many students take out huge loans and are burdened by credit card debt. The state should help these students into a better education and not into a lifetime of debt. The A HELP will result in a more highly educated workforce, and help fill the needs in certain workforce shortage areas. Every little bit helps the low-income and middle-income students, particularly at the community college level.

(With concerns) Over the course of the recession there was a drop off in many of the state financial aid programs. During this time the state also fell back on its obligations under the State Need Grant and the state work study. This program should not detract from those efforts. There are over 30,000 students who qualify for, but do not receive, the State Need Grant. Any efforts to increase state financial aid should go through the programs currently available. This is in-line with the WSAC Roadmap, which asks for state increases in the state work study program. This is the best way to increase access and success for students.

(Opposed) None.

(Information only) Washington is a leader in terms of financial aid funding for low-income students, but there are financing gaps for many low-income and middle-income students. Last year about 90,000 needy students borrowed through the federal student loan program at an average of \$6,900 per year. The federal Stafford loan program has caps, based on their year in school and dependent status. There are also about 11,000 students whose parents are borrowing through the federal parent loan program. The WSAC would use its experience in managing loan programs to administer the A HELP.

Persons Testifying: (In support) Representative Johnson, prime sponsor; and Robert Lasker and Alexandra Minea, Washington Community and Technical College Student Association.

(With concerns) Cody Eccles, Council of Presidents.

(Information only) Rachelle Sharpe, Washington Student Achievement Council.

Persons Signed In To Testify But Not Testifying: None.