

---

**SUBSTITUTE HOUSE BILL 1736**

---

**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** House College & Workforce Development (originally sponsored by Representatives Sullivan, Slatter, Leavitt, Valdez, Walen, Goodman, Gregerson, Ramel, Santos, Wylie, Paul, Simmons, Chopp, Bergquist, Pollet, J. Johnson, Riccelli, Ormsby, and Frame)

READ FIRST TIME 01/24/22.

1 AN ACT Relating to establishing a state student loan program;  
2 reenacting and amending RCW 43.79A.040; and adding a new chapter to  
3 Title 28B RCW.

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

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

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

1 (3) Student loan borrowers who struggle the most are typically  
2 lower income, first generation, and students of color. Data from the  
3 national center for education statistics of a 12-year longitudinal  
4 study based on students who began their education in the 2003-04  
5 academic year found the following for students who defaulted: Almost  
6 90 percent had received a Pell grant at one point; 70 percent were  
7 first generation college students; 40 percent were in the bottom  
8 quarter of income distribution; and 30 percent were African American.

9 (4) The legislature recognizes though that student loans are  
10 beneficial for students who have no other way to pay for college or  
11 have expenses beyond tuition and fees. Student loans can open up  
12 postsecondary education opportunities for many and help boost the  
13 state's economy by increasing the number of qualified graduates to  
14 fulfill workforce shortages. However, the legislature finds that high  
15 interest rates that accumulate while the student is in college  
16 negatively impact the student's ability to prosper financially and  
17 contribute to the state's economy after graduation. The legislature  
18 also recognizes that there is very little financial aid available to  
19 assist students pursuing graduate studies, despite the state's high  
20 demand for qualified professionals in fields with workforce shortages  
21 such as behavioral health, nursing, software development, teaching,  
22 and more. Therefore, the legislature intends to support students  
23 pursuing higher education by establishing a state student loan  
24 program that is more affordable than direct federal student loans and  
25 private loans. The legislature intends to offer student loans to  
26 state residents with financial need who are pursuing undergraduate  
27 and high-demand graduate studies at a subsidized, one percent  
28 interest rate. The legislature intends for the Washington state  
29 student loan program to align with the Washington college grant  
30 program, recognizing that student loans are secondary forms of  
31 financial aid that often cover expenses beyond tuition. The  
32 legislature intends to finance the Washington state student loan  
33 program with a one-time \$500,000,000 appropriation to cover annual  
34 student loan originations and expenses until repayments are  
35 substantial enough to support the program on an ongoing basis.

36 NEW SECTION. **Sec. 2.** The definitions in this section apply  
37 throughout this chapter unless the context clearly requires  
38 otherwise.

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

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

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

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

11 (a) Meets the definition of "resident student" under RCW  
12 28B.15.012(2) (a) through (e);

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

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

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

20 (5) "Eligible undergraduate program" means a postsecondary  
21 education program that leads to a certificate, associate's degree, or  
22 bachelor's degree.

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

27 (7) "Institution's of higher education" has the same meaning as  
28 in RCW 28B.10.016.

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

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

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

34 NEW SECTION. **Sec. 3.** (1) The Washington student loan program is  
35 created to assist students who need additional financial support to  
36 obtain postsecondary education.

37 (2) The Washington student loan program shall be administered by  
38 the office. In administering the program, the office shall:

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

6 (b) Issue low-interest student loans;

7 (c) Define the terms of repayment;

8 (d) Collect and manage repayments from borrowers;

9 (e) Establish an appeals process;

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

12 (g) Publicize the program; and

13 (h) Adopt necessary rules.

14 NEW SECTION. **Sec. 4.** (1) Beginning with the 2024-25 academic  
15 year, the office may award student loans under the program to  
16 eligible students from the funds available in the Washington student  
17 loan account created in section 7 of this act.

18 (2) The office shall set the interest rate for student loans  
19 issued under the program at one percent to begin accruing after a  
20 grace period of six months after the borrower is no longer enrolled  
21 on at least a half-time basis at an institution of higher education.  
22 The office shall not charge any fees associated with the lending of  
23 student loans to borrowers.

24 (3) A loan may not exceed the eligible student's cost of  
25 attendance as determined by the institution of higher education, less  
26 all gift aid received. An eligible student who qualifies, and is  
27 selected for a student loan under the program, shall be awarded the  
28 student loan before other loans, such as federal and private student  
29 loans.

30 (4) For undergraduate students, the annual loan limit shall be  
31 \$3,000 and the maximum total loan limit shall be \$12,000. For  
32 graduate students, the annual loan limit shall be \$5,000 and the  
33 maximum total loan limit shall be \$10,000. A student who receives  
34 loans for an eligible undergraduate program under the program may  
35 also receive loans for an eligible graduate program.

36 (5) The office shall establish repayment terms for student loans  
37 issued under the program and determine which repayment plan is the  
38 default option out of the following two repayment options:

1 (a) A standard loan repayment plan with a repayment period of 10  
2 years; and

3 (b) An income-based repayment plan that shall require monthly  
4 payments of no more than 10 percent of a borrower's discretionary  
5 income over a repayment period of no more than 20 years. After the  
6 repayment period of 20 years, the office shall forgive any remaining  
7 balance.

8 (6) The office shall establish loan terms and rules for  
9 borrowers, including the process and details of deferment,  
10 forbearance, delinquency, default, and collections.

11 (7) The office shall establish an appeals process for borrowers  
12 who believe there is an unresolved error in the servicing of their  
13 loan. The office shall provide borrowers with a description of the  
14 appeals process once a borrower enters the repayment period for their  
15 student loan.

16 (8) The office shall discharge any student loans issued under the  
17 program in the event of a borrower's total and permanent disability  
18 or death.

19 NEW SECTION. **Sec. 5.** The office may contract with third-party  
20 entities to provide all aspects of operation for student loans issued  
21 under the program. A third-party entity providing loan servicing  
22 shall comply with all of the requirements for student education loan  
23 servicers under chapter 31.04 RCW.

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

27 (a) The number of eligible students who were awarded a student  
28 loan;

29 (b) The number of borrowers;

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

31 (d) Borrower demographics;

32 (e) The institutions of higher education and educational fields  
33 of borrowers; and

34 (f) Repayment statistics, including:

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

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

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

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

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

6 (2) Beginning December 1, 2026, and in compliance with RCW  
7 43.01.036, the office must submit an annual report on the data  
8 collected under subsection (1) of this section and any other relevant  
9 information regarding the program to the higher education committees  
10 of the legislature.

11 NEW SECTION. **Sec. 7.** (1) The Washington student loan account is  
12 created in the custody of the state treasurer. All receipts from the  
13 Washington student loan program must be deposited in the account.  
14 Expenditures from the account may be used only for administration and  
15 the issuance of new student loans. Only the executive director of the  
16 student achievement council or the executive director's designee may  
17 authorize expenditures from the account. The account is subject to  
18 the allotment procedures under chapter 43.88 RCW, but an  
19 appropriation is not required for expenditures.

20 (2) The office shall not exceed \$65,000,000 in expenditures from  
21 the account for the origination of student loans on an annual basis,  
22 of which no more than 20 percent must be dedicated to student loans  
23 for borrowers in eligible graduate programs.

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.

--- END ---