
HOUSE BILL 1736

State of Washington

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By Representatives Sullivan, Slatter, Leavitt, Valdez, Walen, Goodman, Gregerson, Ramel, Santos, Wylie, Paul, Simmons, Chopp, Bergquist, Pollet, J. Johnson, Riccelli, Ormsby, and Frame

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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 of higher education" includes institutions of
28 higher education authorized to participate in state financial aid
29 programs in accordance with chapter 28B.92 RCW.

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

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

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

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

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

1 (a) Screen and select eligible students to receive student loans,
2 prioritizing funding for eligible students who have greater financial
3 need;

4 (b) Issue low-interest student loans;

5 (c) Define the terms of repayment;

6 (d) Collect and manage repayments from borrowers;

7 (e) Establish an appeals process;

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

10 (g) Publicize the program; and

11 (h) Adopt necessary rules.

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

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

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

28 (4) For undergraduate students, the annual loan limit shall be
29 \$3,000 and the maximum total loan limit shall be \$12,000. For
30 graduate students, the annual loan limit shall be \$5,000 and the
31 maximum total loan limit shall be \$10,000. A student who receives
32 loans for an eligible undergraduate program under the program may
33 also receive loans for an eligible graduate program.

34 (5) The office shall establish repayment terms for student loans
35 issued under the program with two repayment options:

36 (a) An automatic, standard repayment plan for all borrowers with
37 a repayment period of 10 years; and

38 (b) An income-based repayment plan for borrowers who are
39 determined by the office to have financial hardship and an inability

1 to pay under the standard repayment plan. The income-based repayment
2 plan may require monthly payments of no more than 10 percent of a
3 borrower's discretionary income over a repayment period of no more
4 than 20 years. After the repayment period of 20 years, the office
5 shall forgive any remaining balance.

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

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

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

17 NEW SECTION. **Sec. 5.** The office may contract with a third-party
18 entity to provide loan servicing for student loans issued under the
19 program. The third-party entity shall comply with all of the
20 requirements for student education loan servicers under chapter 31.04
21 RCW.

22 NEW SECTION. **Sec. 6.** (1) The office shall collect data on the
23 program. The data must include, but is not limited to:

24 (a) The number of eligible students who were awarded a student
25 loan;

26 (b) The number of borrowers;

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

28 (d) Borrower demographics;

29 (e) The institutions of higher education and educational fields
30 of borrowers; and

31 (f) Repayment statistics, including:

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

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

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

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

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

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

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

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

22 NEW SECTION. **Sec. 8.** (1) The executive director of the student
23 achievement council may elect to have the state investment board
24 created in chapter 43.33A RCW invest the money in the Washington
25 student loan account established in section 7 of this act. If the
26 executive director of the student achievement council elects to have
27 the funds invested, the state investment board has the full power to
28 invest, reinvest, manage, contract, sell, or exchange the investment
29 money in the Washington student loan account. All investment and
30 operating costs associated with the investment of money by the state
31 investment board must be paid pursuant to RCW 43.33A.160. With the
32 exception of these expenses, the earnings from the investment of
33 money must be retained by the account.

34 (2) All investments made by the state investment board must be
35 made with the exercise of that degree of judgment and care pursuant
36 to RCW 43.33A.140 and the investment policy established by the state
37 investment board.

1 (3) As deemed appropriate by the state investment board, money in
2 the account may be commingled for investment with other funds subject
3 to investment by the state investment board.

4 (4) The investment manager shall routinely consult and
5 communicate with the office on the investment policy, earnings of the
6 account, and the related needs of the program.

7 **Sec. 9.** RCW 43.79A.040 and 2021 c 175 s 10 and 2021 c 108 s 5
8 are each reenacted and amended to read as follows:

9 (1) Money in the treasurer's trust fund may be deposited,
10 invested, and reinvested by the state treasurer in accordance with
11 RCW 43.84.080 in the same manner and to the same extent as if the
12 money were in the state treasury, and may be commingled with moneys
13 in the state treasury for cash management and cash balance purposes.

14 (2) All income received from investment of the treasurer's trust
15 fund must be set aside in an account in the treasury trust fund to be
16 known as the investment income account.

17 (3) The investment income account may be utilized for the payment
18 of purchased banking services on behalf of treasurer's trust funds
19 including, but not limited to, depository, safekeeping, and
20 disbursement functions for the state treasurer or affected state
21 agencies. The investment income account is subject in all respects to
22 chapter 43.88 RCW, but no appropriation is required for payments to
23 financial institutions. Payments must occur prior to distribution of
24 earnings set forth in subsection (4) of this section.

25 (4)(a) Monthly, the state treasurer must distribute the earnings
26 credited to the investment income account to the state general fund
27 except under (b), (c), and (d) of this subsection.

28 (b) The following accounts and funds must receive their
29 proportionate share of earnings based upon each account's or fund's
30 average daily balance for the period: The 24/7 sobriety account, the
31 Washington promise scholarship account, the Gina Grant Bull memorial
32 legislative page scholarship account, the Rosa Franklin legislative
33 internship program scholarship (~~(account)~~) account, the Washington
34 advanced college tuition payment program account, the Washington
35 college savings program account, the accessible communities account,
36 the Washington achieving a better life experience program account,
37 the community and technical college innovation account, the
38 agricultural local fund, the American Indian scholarship endowment
39 fund, the foster care scholarship endowment fund, the foster care

1 endowed scholarship trust fund, the contract harvesting revolving
2 account, the Washington state combined fund drive account, the
3 commemorative works account, the county enhanced 911 excise tax
4 account, the county road administration board emergency loan account,
5 the toll collection account, the developmental disabilities endowment
6 trust fund, the energy account, the fair fund, the family and medical
7 leave insurance account, the fish and wildlife federal lands
8 revolving account, the natural resources federal lands revolving
9 account, the food animal veterinarian conditional scholarship
10 account, the forest health revolving account, the fruit and vegetable
11 inspection account, the educator conditional scholarship account, the
12 game farm alternative account, the GET ready for math and science
13 scholarship account, the Washington global health technologies and
14 product development account, the grain inspection revolving fund, the
15 Washington history day account, the industrial insurance rainy day
16 fund, the juvenile accountability incentive account, the law
17 enforcement officers' and firefighters' plan 2 expense fund, the
18 local tourism promotion account, the low-income home rehabilitation
19 revolving loan program account, the multiagency permitting team
20 account, the northeast Washington wolf-livestock management account,
21 the produce railcar pool account, the public use general aviation
22 airport loan revolving account, the regional transportation
23 investment district account, the rural rehabilitation account, the
24 Washington sexual assault kit account, the stadium and exhibition
25 center account, the youth athletic facility account, the self-
26 insurance revolving fund, the children's trust fund, the Washington
27 horse racing commission Washington bred owners' bonus fund and
28 breeder awards account, the Washington horse racing commission class
29 C purse fund account, the individual development account program
30 account, the Washington horse racing commission operating account,
31 the life sciences discovery fund, the Washington state library-
32 archives building account, the reduced cigarette ignition propensity
33 account, the center for deaf and hard of hearing youth account, the
34 school for the blind account, the Millersylvania park trust fund, the
35 public employees' and retirees' insurance reserve fund, the school
36 employees' benefits board insurance reserve fund, the public
37 employees' and retirees' insurance account, the school employees'
38 insurance account, the long-term services and supports trust account,
39 the radiation perpetual maintenance fund, the Indian health
40 improvement reinvestment account, the department of licensing tuition

1 recovery trust fund, the student achievement council tuition recovery
2 trust fund, the tuition recovery trust fund, the Washington student
3 loan account, the industrial insurance premium refund account, the
4 mobile home park relocation fund, the natural resources deposit fund,
5 the Washington state health insurance pool account, the federal
6 forest revolving account, and the library operations account.

7 (c) The following accounts and funds must receive eighty percent
8 of their proportionate share of earnings based upon each account's or
9 fund's average daily balance for the period: The advance right-of-way
10 revolving fund, the advanced environmental mitigation revolving
11 account, the federal narcotics asset forfeitures account, the high
12 occupancy vehicle account, the local rail service assistance account,
13 and the miscellaneous transportation programs account.

14 (d) Any state agency that has independent authority over accounts
15 or funds not statutorily required to be held in the custody of the
16 state treasurer that deposits funds into a fund or account in the
17 custody of the state treasurer pursuant to an agreement with the
18 office of the state treasurer shall receive its proportionate share
19 of earnings based upon each account's or fund's average daily balance
20 for the period.

21 (5) In conformance with Article II, section 37 of the state
22 Constitution, no trust accounts or funds shall be allocated earnings
23 without the specific affirmative directive of this section.

24 NEW SECTION. **Sec. 10.** Sections 1 through 8 of this act
25 constitute a new chapter in Title 28B RCW.

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