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**SUBSTITUTE HOUSE BILL 2854**

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**State of Washington**

**61st Legislature**

**2010 Regular Session**

**By** House Higher Education (originally sponsored by Representatives Kenney, Maxwell, Sells, Probst, Hasegawa, Pettigrew, Conway, Ericks, Sullivan, Hunt, Nelson, Quall, Chase, Ormsby, Lias, Upthegrove, Goodman, Pedersen, Santos, Morrell, Hudgins, Orwall, Cody, Eddy, Dickerson, Wallace, Kessler, Anderson, and Simpson)

READ FIRST TIME 02/02/10.

1       AN ACT Relating to making changes to the state higher education  
2 loan program; amending RCW 28B.97.010, 28B.97.020, and 43.79A.040;  
3 adding a new section to chapter 28B.97 RCW; creating a new section; and  
4 repealing RCW 28B.07.300, 28B.07.310, 28B.07.320, 28B.07.330,  
5 28B.07.340, 28B.07.350, 28B.07.360, 28B.07.370, and 28B.07.380.

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

7       NEW SECTION. **Sec. 1.** (1) The legislature finds that postsecondary  
8 education provides multiple pathways to enhanced opportunities for  
9 skill development, career advancement, and community and civic  
10 involvement. To increase postsecondary access and affordability, the  
11 legislature maintains a distinguished record of investing in need-based  
12 student financial aid programs, totaling more than five hundred million  
13 dollars during the 2009-2011 biennium, serving more than eighty-five  
14 thousand students. These investments currently rank Washington fifth  
15 among all states with respect to need-based grant aid per full-time  
16 equivalent enrollment.

17       (2) The legislature further finds that the principal source of  
18 financial aid to Washington students from the federal government is in  
19 the form of loans. Federal loan programs enable millions of deserving,

1 high-achieving students to access postsecondary education. At the same  
2 time, however, the proportion of undergraduate students nationally who  
3 took out a private student loan increased from five percent in the  
4 2003-04 academic year to fourteen percent in the 2007-08 academic year.  
5 Nearly two-thirds of private loan borrowers in academic year 2007-08  
6 borrowed less than they could have in Stafford loans.

7 (3) It is therefore the intent of the legislature to design and  
8 operate a state higher education loan program with the goals of: (a)  
9 Increasing postsecondary access and affordability for low and middle-  
10 income students in order to maintain the dream of opportunity for all;  
11 (b) reducing reliance on private student loans that often lack the  
12 borrower protections, fixed rates, and affordable repayment options as  
13 do federal student loans; and (c) complementing existing federal  
14 financial aid programs, including proposed changes that would maintain  
15 low interest rates on subsidized student loans while strengthening the  
16 direct loan program.

17 (4) It is further the intent of the legislature in designing and  
18 operating the Washington higher education loan program that: (a) The  
19 eligibility criteria and associated benefits be clearly defined; (b)  
20 policymakers seek a stable and predictable source of funding; (c) it be  
21 self-supporting in its operation; and (d) self-help aid not replace  
22 gift aid, to ensure that students are not overburdened with excessive  
23 debt loads that may affect their career and life aspirations and  
24 decisions.

25 **Sec. 2.** RCW 28B.97.010 and 2009 c 215 s 13 are each amended to  
26 read as follows:

27 (1) The Washington higher education loan program is created. The  
28 program is created to assist eligible students in need of additional  
29 low-cost student loans and related loan benefits.

30 (2) Moneys for the program shall be deposited in the Washington  
31 higher education loan program account established in section 4 of this  
32 act. The principal and interest from these moneys shall be used for  
33 loan activities described in this section, including administrative  
34 expenses necessary to perform the duties in this section.

35 (3) The program shall be administered by the board. In  
36 administering the program, the board must:

1 (a) Periodically assess the needs and target the benefits to  
2 selected students;

3 (b) Establish an annual loan limit equal to the cost of attendance  
4 minus any other financial aid received;

5 (c) Devise a program to address the following issues related to  
6 loans:

7 (i) Issuance of low-interest educational loans;

8 (ii) Determining loan repayment obligations and options;

9 (iii) Borrowing educational loans at low interest rates;

10 (iv) Developing conditional loans that can be forgiven in exchange  
11 for service; and

12 (v) Creating an emergency loan fund to help students until other  
13 state and federal long-term financing can be secured;

14 ~~((e))~~ (d) Accept public and private contributions;

15 ~~((d))~~ (e) Publicize the program; ~~((and~~

16 ~~e))~~ (f) As appropriate, repay loans on behalf of selected  
17 students, collect repayments, and forgive loans; and

18 (g) Work with public and private colleges and universities, career  
19 colleges, the state board for community and technical colleges, the  
20 workforce training and education coordinating board, and with students,  
21 to conduct periodic assessment of program needs. The board may also  
22 consult with other groups and individuals as needed.

23 **Sec. 3.** RCW 28B.97.020 and 2009 c 215 s 14 are each amended to  
24 read as follows:

25 The definitions in this section apply throughout this chapter  
26 unless the context clearly requires otherwise.

27 (1) "Board" means the higher education coordinating board.

28 (2) "Eligible student" means a student who meets all of the  
29 following criteria:

30 (a) Has an annual family income, adjusted for family size, that is  
31 no greater than one hundred thirty percent of the Washington state  
32 median family income;

33 (b) Has completed the free application for federal student aid;

34 (c) Is a resident student as defined in RCW 28B.15.012(2) (a)  
35 through (d);

36 (d) Is not enrolled in theology as a field of study;

1 (e) Is enrolled at least half time in a first aid-eligible  
2 certificate program or in a program leading to a first academic or  
3 technical associate degree, or bachelor's or graduate or professional  
4 degree;

5 (f) Maintains satisfactory academic progress as determined by the  
6 attending institution;

7 (g) Is not delinquent or in default on a federal or state student  
8 loan; and

9 (h) Is not past due in child support obligations.

10 (3) "Forgive" or "forgiven" means to render service in an  
11 occupation or occupational area, identified and approved by the board,  
12 in lieu of monetary repayment.

13 (4) "Institution of higher education" means a college or university  
14 in the state of Washington that is accredited by an accrediting  
15 association recognized as such by rule of the board.

16 ~~((+3))~~ (5) "Program" means the Washington higher education loan  
17 program.

18 ~~((+4))~~ (6) "Resident student" has the definition in RCW  
19 28B.15.012(2) (a) through (d).

20 NEW SECTION. Sec. 4. A new section is added to chapter 28B.97 RCW  
21 to read as follows:

22 (1) The Washington higher education loan program account is created  
23 in the custody of the state treasurer. An appropriation is not  
24 required for expenditures of funds from the account. The account is  
25 not subject to allotment procedures under chapter 43.88 RCW except for  
26 moneys used for program administration.

27 (2) The board shall deposit in the account all moneys received for  
28 the Washington higher education loan program. The account shall be  
29 self-sustaining and consist of funds appropriated by the legislature  
30 for the Washington higher education loan program, private contributions  
31 to the program, and receipts from participant repayments.

32 (3) Expenditures from the account may be used solely for the  
33 purposes authorized in this chapter and costs associated with program  
34 administration by the board.

35 (4) Disbursements from the account may be made only on the  
36 authorization of the board.

1       **Sec. 5.** RCW 43.79A.040 and 2009 c 87 s 4 are each amended to read  
2 as follows:

3       (1) Money in the treasurer's trust fund may be deposited, invested,  
4 and reinvested by the state treasurer in accordance with RCW 43.84.080  
5 in the same manner and to the same extent as if the money were in the  
6 state treasury.

7       (2) All income received from investment of the treasurer's trust  
8 fund shall be set aside in an account in the treasury trust fund to be  
9 known as the investment income account.

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

18       (4)(a) Monthly, the state treasurer shall distribute the earnings  
19 credited to the investment income account to the state general fund  
20 except under (b) and (c) of this subsection.

21       (b) The following accounts and funds shall receive their  
22 proportionate share of earnings based upon each account's or fund's  
23 average daily balance for the period: The Washington promise  
24 scholarship account, the college savings program account, the  
25 Washington advanced college tuition payment program account, the  
26 agricultural local fund, the American Indian scholarship endowment  
27 fund, the foster care scholarship endowment fund, the foster care  
28 endowed scholarship trust fund, the students with dependents grant  
29 account, the basic health plan self-insurance reserve account, the  
30 contract harvesting revolving account, the Washington state combined  
31 fund drive account, the commemorative works account, the Washington  
32 international exchange scholarship endowment fund, the toll collection  
33 account, the developmental disabilities endowment trust fund, the  
34 energy account, the fair fund, the family leave insurance account, the  
35 food animal veterinarian conditional scholarship account, the fruit and  
36 vegetable inspection account, the future teachers conditional  
37 scholarship account, the game farm alternative account, the GET ready  
38 for math and science scholarship account, the grain inspection

1 revolving fund, the Washington higher education loan program account,  
2 the juvenile accountability incentive account, the law enforcement  
3 officers' and firefighters' plan 2 expense fund, the local tourism  
4 promotion account, the pilotage account, the produce railcar pool  
5 account, the regional transportation investment district account, the  
6 rural rehabilitation account, the stadium and exhibition center  
7 account, the youth athletic facility account, the self-insurance  
8 revolving fund, the sulfur dioxide abatement account, the children's  
9 trust fund, the Washington horse racing commission Washington bred  
10 owners' bonus fund and breeder awards account, the Washington horse  
11 racing commission class C purse fund account, the individual  
12 development account program account, the Washington horse racing  
13 commission operating account (earnings from the Washington horse racing  
14 commission operating account must be credited to the Washington horse  
15 racing commission class C purse fund account), the life sciences  
16 discovery fund, the Washington state heritage center account, the  
17 reduced cigarette ignition propensity account, and the reading  
18 achievement account. However, the earnings to be distributed shall  
19 first be reduced by the allocation to the state treasurer's service  
20 fund pursuant to RCW 43.08.190.

21 (c) The following accounts and funds shall receive eighty percent  
22 of their proportionate share of earnings based upon each account's or  
23 fund's average daily balance for the period: The advanced right-of-way  
24 revolving fund, the advanced environmental mitigation revolving  
25 account, the city and county advance right-of-way revolving fund, the  
26 federal narcotics asset forfeitures account, the high occupancy vehicle  
27 account, the local rail service assistance account, and the  
28 miscellaneous transportation programs account.

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

32 NEW SECTION. **Sec. 6.** The following acts or parts of acts are each  
33 repealed:

34 (1) RCW 28B.07.300 (Student loan financing--Authority--Liability)  
35 and 2007 c 36 s 3;

36 (2) RCW 28B.07.310 (Administration of alternative state educational  
37 loans) and 2007 c 36 s 4;

- 1 (3) RCW 28B.07.320 (Revenue bonds--Issuance--Payment--Personal
- 2 liability) and 2007 c 36 s 5;
- 3 (4) RCW 28B.07.330 (Revenue refunding bonds) and 2007 c 36 s 6;
- 4 (5) RCW 28B.07.340 (Trust funds--Trust agreements) and 2007 c 36 s
- 5 7;
- 6 (6) RCW 28B.07.350 (Proceeds fund) and 2007 c 36 s 8;
- 7 (7) RCW 28B.07.360 (Default) and 2007 c 36 s 9;
- 8 (8) RCW 28B.07.370 (Debt limitation) and 2007 c 36 s 11; and
- 9 (9) RCW 28B.07.380 (Sale of assets) and 2007 c 36 s 12.

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