

# SENATE BILL REPORT

## SHB 2088

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As of May 18, 2011

**Title:** An act relating to creating the opportunity scholarship board to assist middle-income students and invest in high employer demand programs.

**Brief Description:** Creating the opportunity scholarship board to assist middle-income students and invest in high employer demand programs.

**Sponsors:** House Committee on Ways & Means (originally sponsored by Representatives Probst, Haler, Frockt, Zeiger, Tharinger, Asay, Orwall, Armstrong, Carlyle, Maxwell, Springer, Kenney, Seaquist, Finn, Haigh, Dammeier, Smith, Goodman, Lytton, Stanford, Dahlquist, Ladenburg, Wylie and Rivers).

**Brief History:** Passed House: 5/17/11, 84-8.

**Committee Activity:** Ways & Means: 5/18/11.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Maria Hovde (786-7710)

**Background:** There are various forms of student financial aid: some is private, and some is supported by the state, such as the State Need Grant (SNG). The Legislature has created public-private partnership scholarship programs in the past. As an example, the GET Ready for Math and Science Program was authorized under RCW 28B.105. Per this statute, the Higher Education Coordinating Board (HECB) contracted with a program administrator, and the administrator solicited funds from private contributors. The state then matched those contributions and the administrator awarded conditional math and science focused scholarships.

**Summary of Bill:** Opportunity Scholarship and Opportunity Expansion Programs. The Opportunity Scholarship Program is created to provide scholarships to low- and middle-income Washington residents to help them earn baccalaureate degrees in high employer demand and other programs of study and to encourage them to remain in the state to work. The scholarships are funded by a combination of private and state monies.

The Opportunity Expansion program is created to increase the number of baccalaureate degrees in high employer demand and other programs and invest in programs and students to meet labor market demands. Competitive awards will be granted to institutions of higher

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education for this purpose. These awards are funded with voluntary contributions of high technology research and development tax credits.

Program Administrator. The HECB contracts with a program administrator, defined as a college scholarship organization that is a private nonprofit entity with expertise in managing scholarships and college advising. The program administrator sets up and manages the scholarship and endowment accounts, staffs the Opportunity Scholarship Board (Board), and administers the Opportunity Scholarship Program. The program administrator is paid an administrative fee as determined by the Board.

Opportunity Scholarship Board. The Board is created and made up of seven appointed persons. One person is appointed by the Speaker of the House of Representatives, one by the President of the Senate, and five by the Governor. Four of the persons appointed by the Governor are to be selected from a list of nominees provided by the private sector donors to the Opportunity Scholarship and Opportunity Expansion programs. The Governor may request an additional list or lists. The Board will identify eligible education and training programs for purposes of the opportunity scholarship, select institutions of higher education to receive opportunity expansion awards, and make recommendations with respect to funding sources for opportunity expansion awards.

Opportunity Scholarships. Scholarship recipients must (1) be a resident student who has received their high school diploma or GED in Washington; (2) be accepted into an eligible education program as determined by the Board; (3) declare an intention to obtain a baccalaureate degree (whether starting at a two- or four-year school); and (4) have a family income at or below 125 percent of the median family income. Generally, the annual amount of a scholarship is \$1,000 or the dollar difference between tuition fees charged in the 2008-09 academic year and the academic year for which a scholarship is being distributed, but the amount can be an amount necessary to cover all eligible expenses, as determined by the administrator.

Opportunity scholarships are funded by a combination of private contributions and state match monies and may be issued from one of two accounts: either the scholarship account or the endowment account. Scholarships may be issued from principal and earnings in the scholarship account, and disbursement may commence in December 2011 as long as at least \$5 million in state match has been received in the Opportunity Scholarship Account. By contrast, the principal in the endowment account may not be invaded. Scholarships may only be issued from the endowment account after state match has been paid to both the scholarship account and the endowment account; state appropriations to the SNG meet or exceed such appropriations made in 2011-13; and eligibility for the SNG is maintained at a minimum of 70 percent of the median family income. Additionally, progress must have been made toward reaching global challenge state funding goals – meaning that the state must demonstrate progress toward the goal of total per-student funding levels from state appropriations plus tuition of at least the 60th percentile of total per-student funding at similar public institutions of higher education in Washington's global challenge states or current contributions may, at the request of the donor, be refunded. Washington's global challenge states are California, Colorado, Maryland, New Jersey, Connecticut, Virginia, Minnesota, and North Carolina.

At least 50 percent of all private contributions must be deposited into the scholarship account until total receipts in that account reach \$20 million; after which, the Board determines the distribution between scholarship and endowment accounts. State match, which must be appropriated by the Legislature, is earned for private contributions made after the effective date and paid beginning the later of January 1, 2014, or the first year with state revenues 10 percent higher than those received in fiscal year 2008. These state match payments are capped at \$50 million annually. The first \$5 million in state match must be deposited into the scholarship account and thereafter must be deposited into the scholarship and endowment accounts in equal proportion to the private funds deposited in each account.

Opportunity Scholarship Match Transfer Account. The Opportunity Scholarship Match Transfer Account is created as a nonappropriated account to be administered by the HECB, and must consist of appropriations by the Legislature, gifts, grants, or donations for this purpose.

Opportunity Expansion Program. Opportunity expansion monies will be distributed by the Board to public institutions of higher education that propose programs designed to increase the number of baccalaureate degrees produced in high employer demand and other programs of study. These programs must have a strong emphasis on serving students who received their high school diploma or GED in Washington or who are adult Washington residents returning to school. Criteria will be developed by the Board for evaluating proposals and awarding funds and priority will be given to proposals that include a public-private partnership that leverages additional private funds and to proposals that are innovative, efficient, and cost-effective. Institutions of higher education that receive these awards may not supplant existing general fund state revenues with these monies.

This program will initially be funded through voluntary contributions of the existing high technology research and development (R&D) tax credits. The Department of Revenue (DOR) reports the amount contributed to the State Treasurer and the Legislature appropriates the funds.

Reporting Requirements. Beginning December 1, 2012, the Board must annually report to the HECB, the Governor, and the appropriate committees of the Legislature regarding the Opportunity Scholarship and Opportunity Expansions Programs including, but not limited to (1) which education programs are eligible for the scholarship; (2) the number of applicants and participants; (3) the number and amount of scholarships awarded and from which fund the monies were awarded; (4) the institution and education program where a scholarship recipient enrolled; and (5) the total amount of private contributions and state match monies received for the scholarship program, how the funds were distributed between the two accounts, the interest or other earnings, and the amount of any administrative fee paid to the program administrator. The Board may report to the Governor and appropriate committees of the Legislature with recommendations as to whether any scholarships should be repaid in the event the participant does not complete the education program and a source of funds for the opportunity expansion program in addition to the voluntary contribution of the R&D tax credit.

The Office of Financial Management must report annually to the Board, the Governor, and the relevant committees of the Legislature regarding the percentage of Washington

households with incomes in the middle-income bracket or higher. The HECB must report annually to the Board, the Governor, and the relevant committees of the Legislature regarding the increase in the number of degrees in high employer demand or other programs of study over the average of the preceding ten academic years. The Workforce Training and Education Board must include in its comprehensive plan specific strategies to reach the goal of increasing the percentage of Washington households living in the "middle-income bracket" or higher. The DOR must report to the State Treasurer on the amount of R&D tax credits voluntarily contributed to the Opportunity Expansion Program.

In 2018 the Joint Legislative Audit and Review Committee must evaluate and report upon the Opportunity Scholarship and Expansion programs.

**Appropriation:** None.

**Fiscal Note:** Requested on May 10, 2011.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.