

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2619 HB	<b>Title:</b> State need pay it forward
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## Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Student Achievement Council	Non-zero but indeterminate cost. Please see discussion."					
<b>Total \$</b>	0	0	0	0	0	0

## Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.1	0	0	.1	0	0	.0	0	0
Caseload Forecast Council	.0	0	0	.0	0	0	.0	0	0
Student Achievement Council	2.5	519,000	519,000	4.5	840,000	840,000	5.0	1,199,000	1,199,000
<b>Total</b>	<b>2.6</b>	<b>\$519,000</b>	<b>\$519,000</b>	<b>4.6</b>	<b>\$840,000</b>	<b>\$840,000</b>	<b>5.0</b>	<b>\$1,199,000</b>	<b>\$1,199,000</b>

## Estimated Capital Budget Impact

NONE

<b>Prepared by:</b> Cherie Berthon, OFM	<b>Phone:</b> 360-902-0659	<b>Date Published:</b> Final 2/18/2014
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 37520

FNS029 Multi Agency rollup

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2619 HB	<b>Title:</b> State need pay it forward	<b>Agency:</b> 035-Office of State Actuary
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	0.2	0.1	0.1	0.0
<b>Account</b>					
<b>Total \$</b>					

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation:	Aaron Gutierrez	Phone: 3607866152	Date: 02/18/2014
Agency Approval:	Matthew M. Smith	Phone: 360-786-6140	Date: 02/18/2014
OFM Review:	Jane Sakson	Phone: 360-902-0549	Date: 02/18/2014

Request # HB 2619-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Sections 9 and 17 of this bill require the Office of Student Financial Assistance (OSFA) to estimate contributions to the State Need Pay It Forward, and College Bound Pay It Forward programs over the next twenty years. Further, OSFA is instructed to make these estimates in consultation with the Office of the State Actuary (OSA). The estimates are due by December 1, 2016.

OSA will not be able to absorb the work within current resources. According to the fiscal note prepared by the Student Achievement Council (SAC), the SAC anticipates contracting with OSA to develop a repayment model based on federal student loans, at a cost of \$25,000 per year in 2015 and 2016. OSA anticipates the work involved under that contract will impact our agency's resources as detailed below.

If the necessary work exceeds any funding received via contract with SAC, then additional resources will be required.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Consistent with SAC's fiscal note, we assume SAC will reimburse OSA for the cost of services provided.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Consistent with the description of the contracted services in SAC's fiscal note, the new services will increase our agency expenditures as detailed in Part III (Expenditures by Object or Purpose).

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		0.2	0.1	0.1	
A-Salaries and Wages		18,100	18,100	18,100	
B-Employee Benefits		4,400	4,400	4,400	
C-Professional Service Contracts					
E-Goods and Other Services		2,500	2,500	2,500	
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements		(25,000)	(25,000)	(25,000)	
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$0	\$0	\$0	\$0	\$0

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Actuary	10,777		0.1	0.0	0.0	
Policy Analyst	5,424		0.0	0.0	0.0	
Project Coordinator	4,771		0.0	0.0	0.0	
Senior Actuarial Analyst	6,575		0.1	0.1	0.1	
State Actuary	16,733		0.0	0.0	0.0	
<b>Total FTE's</b>	44,280		0.2	0.1	0.1	0.0

**Part IV: Capital Budget Impact**

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2619 HB	<b>Title:</b> State need pay it forward	<b>Agency:</b> 101-Caseload Forecast Council
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## Part I: Estimates

☒

No Fiscal Impact

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: John Steiger	Phone: 360-664-9370	Date: 01/28/2014
Agency Approval: John Steiger	Phone: 360-664-9370	Date: 01/28/2014
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/28/2014

Request # 14-033-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

The proposed legislation:

Modifies the existing state need grant (SNG) and College Bound Scholarship program by replacing the existing "grant" funding mechanism with a new "pay it forward" (PIF) need based "loan" funding mechanism. Instead of a grant, funding becomes a loan that is repaid after a student graduates or leaves college. Under PIF, students above a designated level of need would have tuition and fees paid by the state. On graduation or leaving school, students would be required to pay back the financial aid received at a rate of 1% of income for each year of support until the aid received is paid back. Those earning below a floor would be exempt from repayment.

Sec. 17 Establishes the Washington college bound pay it forward program. The new program parallels the existing Washington college bound scholarship program except that funding under the new program is delivered as a loan through the PIF funding provisions instead of through a combination of SNG and college bound scholarship grants.

Sec. 16(13) Students enrolled in the College bound scholarship program on or before June 30, 2014 remain eligible for college bound scholarship (grant) funding; students enrolling after June 30, 2014 are eligible for the Washington college bound program with funding delivered through the Pay It Forward (loan) funding mechanism.

Sec. 22 Requires the Caseload Forecast Council (CFC) to forecast the newly designated Washington college bound Pay It Back caseload (CFC currently forecasts the CBSP caseload).

The CFC could forecast the new Washington college bound Pay It Forward program caseload with no additional resources.

Bill as written does not specifically amend RCW 43.88C.010 to add the mandate that CFC forecast the new program caseload.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

## Part III: Expenditure Detail

## Part IV: Capital Budget Impact

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2619 HB	<b>Title:</b> State need pay it forward	<b>Agency:</b> 340-Student Achievement Council
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.
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### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	5.0	2.5	4.5	5.0
<b>Account</b>					
General Fund-State 001-1	0	519,000	519,000	840,000	1,199,000
<b>Total \$</b>	0	519,000	519,000	840,000	1,199,000

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: Marc Webster	Phone: 360-753-7862	Date: 02/04/2014
Agency Approval: Don Bennett	Phone: 360-753-7810	Date: 02/04/2014
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/04/2014

Request # 2619-1



## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

This bill converts the existing State Need Grant and College Bound Scholarship need-based grant programs to “pay it forward” programs, in which post-secondary students receive a tuition discount at the time of their enrollment and contract with the state to pay a percentage of their income to repay the cost of this benefit. Student repayments are limited to the full cost of assistance borne by the state on the student’s behalf or 23 years from the time a student graduates or leaves an institution. Students are obligated to commit a portion of their income for 20 years following a one-year grace period, but they may also suspend repayments for any two years during that time. Students’ taxable earnings must be greater than \$30,000 (if filing federal income taxes as an individual) or \$40,000 (if filing jointly) to trigger the repayment obligation, and this obligation is calculated on taxable income above those minimum levels.

The Washington Student Achievement Council’s Office of Student Financial Assistance (OSFA) would manage the new programs, including collecting information on tuition costs paid, working with the State Actuary to estimate repayment, and collecting repayment from participants after they graduate. Programs that involve conditional repayment and which require tracking students for many years following their enrollment are much more complex, thus the costs to administer the new program are considerably higher.

Sections 1-8 and 11-15 amend existing statutory reference to the “State Need Grant” program or the “College Bound Scholarship.” Section 9 outlines the new State Need Pay it Forward program, and tasks the OSFA with recovering contributions, assessing penalties on those who do not make their required payments, and working with the State Actuary to estimate repayments for both the State Need- and College Bound Pay it Forward programs. Section 16 allows all secondary students who sign up for the current College Bound scholarship through June of 2014 to remain in the existing program. Sign ups for College Bound beginning in July 2015 enter the new College Bound Pay it Forward program that is created in Section 17.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Cash receipts are indeterminate at this time, but would begin in 2017 as a small number of students who left college in their first year begin repayment. In 2018, the initial cohort of certificate completers will have passed their one-year grace period and begun repayment. These collections would ramp up significantly as baccalaureate students entering college in the fall of 2015 graduate and begin repayment, though this would not occur before the end of the 2017-19 biennium. At full phase-in, the collections would be significant.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

The estimates in this fiscal note assume an eligible student population of 100,000 per year. This is roughly the number of students eligible for the current State Need Grant program.

To successfully administer the program, the OSFA must:

- Develop program policies, to include contract/promissory note with loan terms, fees, deferment eligibility
- Collect financial need information and select eligible recipients in collaboration with institutions

- Fund disbursement
- Monitor borrower enrollment
- Loan repayment
- Collect income information
- Monitor deferments
- Collection activities, if borrower defaults
- Work with OSA to model repayment revenue
- Prepare annual report
- Develop rules

#### Billing:

Based on existing contracts for billing for the Aerospace Student Loan program and State Need Grant repayment, the State Need Pay it Forward program would cost \$1 per participant per month. Not all students would require billing, as many students would not earn enough to trigger repayment, especially in the early years of the program. Thus, billing cost range from a single contact to verify annual income to possible quarterly billing for low balances to monthly billing. Billing costs would begin in FY 2017, and grow annually, with a larger increase in 2021 when the initial cohort of baccalaureate students begins repayment.

Our best estimate of billing costs (assuming a small group of students begin repayment in 2017 after dropping out in the fall quarter of 2015-16, and growing with the first cohort of certificate completers entering repayment in 2018, associate's degree and long-term certificates in 2019, and baccalaureate graduates in 2021) are as follows:

2017: \$5,000

2018: \$99,000

2019: \$198,000

2020: \$396,000

2021: \$495,000

2022: \$784,080

2023: \$914,760

#### Staffing:

Year one – 1 FTE IT programmer, 1 FTE program associate, 3 FTE program coordinators

Second year and beyond - .25 IT programmer, .5 FTE program associate, 4 FTE program coordinators

Administration may scale up as the number of both participants and re-payers increase; this would likely occur after 2021.

The OSFA would create a web-based application for State Need Pay it Forward and develop the contract that each participant would sign.

The program associate would manage the rulemaking process and administer the new rules; we anticipate a comprehensive review/update of the administrative code every 4 years. Program coordinators would manage the changes to the current College Bound program with K-12, work on contract processing, manage employment and wage verification, and on communications.

These costs assume that OSFA could match students with wage information collected by the Employment Security Department (ESD) for many students employed within the state of Washington. The contracts for both programs would require each participant to submit proof of income to the OSFA; this would be used for participants who are employed in other states or in entities (such as certain non-profits, the military and many federal agencies) that do not report data to ESD.

Existing State Need Grant staff would continue in the new program; as the eligibility and distribution requirements do not change, there is no reduced workload for current staff.

Contracts:

Sections 9 and 17 require OSFA to work with the Office of the State Actuary to estimate repayments in both the State Need- and College Bound Pay it Forward programs by Dec. 2016. Thus, OSFA estimates that it would contract with OSA to develop a repayment model based on federal student loans, at a cost of \$25,000 per year in 2015 and 2016.

Given the volume of contracts to manage, OSFA would also contract with the State Attorney General's office for legal review of the documents and management processes. This contract would be on-going, and would cost \$10,000 per year.

Note:

Section 7(10)(b)(iii) requires WSAC to report, by December of 2014, on "the outcomes of students receiving the state need pay it forward contracts...and options for prioritization of the state need pay it forward program and possible consequences of implementing each option. As there would be no outcomes to report, WSAC assumes it will not submit a report in 2014.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		5.0	2.5	4.5	5.0
A-Salaries and Wages		259,000	259,000	397,000	446,000
B-Employee Benefits		92,000	92,000	154,000	171,000
C-Professional Service Contracts				5,000	297,000
E-Goods and Other Services		129,000	129,000	231,000	257,000
G-Travel		4,000	4,000	8,000	8,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements		35,000	35,000	45,000	20,000
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$0	\$519,000	\$519,000	\$840,000	\$1,199,000

#### III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Program Associate	60,000		1.0	0.5	0.5	0.8
Program Coordinator	39,500		3.0	1.5	3.8	4.0
Programmer	80,000		1.0	0.5	0.3	0.3
<b>Total FTE's</b>	179,500		5.0	2.5	4.5	5.0

#### III. C - Expenditures By Program (optional)

Program	FY 2014	FY 2015	2013-15	2015-17	2017-19
Financial Aid & Grant Programs (030)		519,000	519,000	840,000	1,199,000
<b>Total \$</b>		519,000	519,000	840,000	1,199,000

### Part IV: Capital Budget Impact

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2619 HB	<b>Title:</b> State need pay it forward	<b>Agency:</b> SDF-School District Fiscal Note - SPI
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## Part I: Estimates

☒ No Fiscal Impact

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

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- ☐ Requires new rule making, complete Part V.

Legislative Contact: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: Melissa Stricklett	Phone: 360 725-6302	Date: 02/05/2014
Agency Approval: TJ Kelly	Phone: (360) 725-6301	Date: 02/05/2014
OFM Review: Kate Davis	Phone: (360) 902-0570	Date: 02/05/2014

Request # HB 2619-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

The current College Bound Scholarship (state need grant based) is replaced with Pay It Forward, which requires repaying the funds over time. The bill requires Office of Superintendent of Public Instruction (OSPI) to notify schools and school districts to notify students, parents, teachers, counselors, and principals about the program. The Office of Financial Assistance will be developing and managing the program, including the development of curriculum for use in promoting the program, as well as, legislative reports.

Section 9 defines how and when the contribution amounts will be paid.

Section 17 defines eligible students.

Student eligibility takes effect July 1, 2014 and implementation takes effect July 1, 2015.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

None

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

No expenditures are assumed from OSPI due to the Office of Financial Assistance will develop and manage the program, including the development of curriculum for use in promoting the program, as well as, legislative reports. Notification to school district costs are absorbable and can be made with other notifications.

## Part III: Expenditure Detail

## Part IV: Capital Budget Impact

NONE

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*