

Individual State Agency Fiscal Note

Bill Number: 1823 HB	Title: WA student loan program	Agency: 340-Student Achievement Council
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
Account					
Washington Student Loan Account-State 26T-1	175,000	320,000	495,000	540,000	540,000
Total \$	175,000	320,000	495,000	540,000	540,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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: Saranda Ross	Phone: 360-786-7068	Date: 02/10/2023
Agency Preparation: Marla Skelley	Phone: 360-485-1320	Date: 02/21/2023
Agency Approval: Brian Richardson	Phone: 360-485-1124	Date: 02/21/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/21/2023

Part II: Narrative Explanation

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

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

HB 1823 modifies the Washington student loan program. The Washington student loan program was established in the 2022 legislative session (RCW 28B.93) but is not currently active.

The Washington Student Achievement Council (WSAC) is the program administrator. This bill amends the 2022 law in the following ways:

- * Defines eligible student from undergraduate and graduate students to graduate students (Sec 1(4)).
- * Limits the interest rate to a maximum of 1 percent (Sec 3(2)(a));
- * Defines "Eligible graduate program" (Sec 2(3)) as an advanced academic degree in a specialized field of study that has a workforce shortage or is considered high demand including, but not limited to, professions in health care, behavioral and mental health, early education, K-12, higher education, law enforcement, public safety, and others, as by the office;
- * Allows WSAC to retain a consultant to design a loan program, including one or more financial advisors, to provide consultation on the sustainability of the loan program (Sec 3(4));
- * Changes the date that WSAC is to provide a report on the design, sustainability, and implementation plan for the program to the governor and the higher education committees of the legislature from December 1, 2022 to December 1, 2023 (Sec 3(5));
- * Changes the date that WSAC may begin awarding student loans from the 2024-25 academic year to the 2025-26 academic year (Sec 4(1));
- * To the extent practicable, the program design must include the recommendations for program design as provided in the report required under RCW 28B.93.020 including that the Washington student loan account have a minimum life cycle of seven years and that loans issued under the program do not exceed one percent; and,
- * Sec. 6 adds additional data collection items which are: Postgraduation employment data; time to degree completion; and,
- * Beginning December 1, 2027, an annual report is due.

This fiscal note is indeterminate, as it depends on the amount appropriated, investment income, number of applicants, number of borrowers, interest rate, loan terms, loan amounts and contracted expenses to be determined through a competitive bid process.

WSAC is providing estimates for the administrative costs to implement the changes above. In addition, expenses related to the overall program administration is described, as the program is not currently active and the total administrative expense to implement would be costs associated with this bill and 1736 E2SHB (2022 legislative session).

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Future cash receipts into the fund are indeterminate. Cash receipts would include borrower repayment of principal and interest, but amounts would be dependent on the number of borrowers, loan amounts, repayment terms, default rate, and number of borrowers eligible for income contingent repayment.

The interest rate would be 1% on any loans awarded and repaid.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Administrative Expenses for HB 1823:

The expenditures are indeterminate as the modifications made from the statute passed in 2022 require WSAC to: retain a consultant to design a loan program, including one or more financial advisors, to provide consultation on the sustainability of the loan program; loan not to exceed one percent interest; have a minimum life cycle of seven years; and only graduate students are eligible for the loan.

CONTRACTING

Contracted costs are indeterminate as they are dependent on program design elements, still to be determined, market rates for these services and the degree to which the contractor would be utilized to implement and execute the state loan program.

Listed below are WSAC assumptions based on the amended language as it relates to application and servicing contracts:

FY24 Total \$175,000 (The design phase assumes no loans issued in this fiscal year). This includes consulting for program design and implementation at \$100,000; and consulting for financial analysis to support sustainable design: \$75,000.

FY25 Total \$320,000. This includes consulting for ongoing program management (\$10,000 monthly) for total of \$120,000; application set up for \$50,000; ongoing management of application process for \$50,000 (projection but will depend on volume); servicing set up for \$50,000; and ongoing servicing \$100,000 (projection but will depend on volume).

FY26 and ongoing - Total \$270,000. This includes consulting for ongoing program management (\$10,000 monthly) for total of \$120,000; ongoing management of application process at \$50,000 (projection but will depend on volume); and ongoing servicing at \$100,000 (projection but will depend on volume).

STAFFING

WSAC staffing costs for the administration of the program, beyond what is provided above, are estimated to match the costs described in the fiscal note for E2SHB 1736 (2022), which passed into law during the 2022 legislative session. These expenses are not included in the table above but are provided to show the overall administrative costs, as this is not an active program.

(Year 1) FY24: \$434,000 for 1.0 FTE Associate Director, 0.8 FTE Program Manager A, 0.8 FTE Programmer, 0.3 FTE Program Coordinator.

(Year 2) FY25: \$565,000 for 1.0 FTE Associate Director, 1.0 FTE Program Manager, 1.0 FTE Programmer, 1.0 FTE Program Coordinator.

(Year 3+) FY26 and ongoing: \$336,000 for 0.1 FTE Associate Director, 1.0 FTE Program Manager, 0.5 FTE IT Programmer, 1.0 FTE Program Coordinator.

Staff time estimates are rounded to the nearest 0.1 FTE and staff-related and other costs are rounded to the nearest \$1,000.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
26T-1	Washington Student Loan Account	State	175,000	320,000	495,000	540,000	540,000
Total \$			175,000	320,000	495,000	540,000	540,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	175,000	320,000	495,000	540,000	540,000
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	175,000	320,000	495,000	540,000	540,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Policy Coordination and Administration (010)	175,000	320,000	495,000	540,000	540,000
Total \$	175,000	320,000	495,000	540,000	540,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

The Washington Student Achievement Council would need to establish rules, per Section 3(2)(h).