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SECOND SUBSTITUTE SENATE BILL 6508

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State of Washington

54th Legislature

1996 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators McAuliffe, Bauer, Goings, Wood, Drew, Loveland, Prince, Sheldon, Hale, Snyder, Finkbeiner, Rinehart, West, Rasmussen, Winsley and Kohl)

Read first time 02/01/96.

1 AN ACT Relating to the advance college payment program; adding a  
2 new section to chapter 28B.80 RCW; and creating a new section.

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

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 28B.80 RCW  
5 to read as follows:

6 In order to help make higher education affordable and accessible to  
7 all citizens of the state of Washington, to maintain state institutions  
8 of higher education by helping to provide a stable financial base to  
9 these institutions, to provide the citizens of Washington with  
10 financing assistance for higher education and protection against rising  
11 tuition costs, to encourage saving to enhance the ability of Washington  
12 citizens to obtain financial access to institutions of higher  
13 education, to encourage elementary and secondary students of the state  
14 to achieve academic excellence, and to promote a well-educated and  
15 financially secure population to the ultimate benefit of all citizens  
16 of the state of Washington, the advance college payment program is  
17 established. The higher education coordinating board shall develop the  
18 program to begin operation by July 1, 1998. Various programs are  
19 currently operating in a number of states and should be studied for

1 their applicability to the state of Washington. Recommendations and  
2 proposed legislation to implement the Washington advance college  
3 payment program shall be submitted to the legislature by December 1,  
4 1996. The program shall include, but not be limited to,  
5 recommendations regarding the following issues:

6 (1) An examination of potential income tax and unrelated business  
7 income tax consequences of establishing a program;

8 (2) Consideration of the impact of federal and state securities,  
9 insurance, and annuity laws on the sale of advance college payment  
10 contracts;

11 (3) An examination of state constitutional issues raised by the  
12 establishment of an advance college payment program, including  
13 limitations on state debt and prohibitions on gifts and loans of the  
14 state's credit;

15 (4) A review of state and federal financial aid policies and a  
16 determination of how such a program would impact present financial aid  
17 programs and how the plan matches the state's present and projected  
18 needs;

19 (5) An examination of the effect such a program would have on  
20 tuition, enrollment, residency, and admission policies;

21 (6) An actuarial analysis examining program risks and potential  
22 yields, computed over at least an eighteen-year horizon. This should  
23 include consideration of investment policy and participation rates  
24 necessary for maintaining an actuarially sound program;

25 (7) Consideration of who should bear the risk and pay the  
26 difference if tuition costs increase faster than interest earnings or  
27 interest earnings are lower than expected and cannot cover tuition.  
28 This shall include an examination of how purchasers can be protected  
29 from investment shortfalls and the means by which the state can reduce  
30 its liability and risk in case the program proves to be actuarially  
31 unsound; this shall be based on the assumption that an advance college  
32 payment contract is a general obligation of the state of Washington and  
33 shall contain a pledge of the full faith and credit of the state;

34 (8) Consideration of the amount, method, and timing of purchase and  
35 use, withdrawal from the program, and refunds;

36 (9) A determination of how much it would cost to start up and  
37 maintain an adequate program, including but not limited to staff,  
38 equipment, travel, and advertising needs;

1 (10) Consideration of whether the plans should cover more than  
2 undergraduate tuition costs, such as room and board, mandatory fees,  
3 graduate tuition, books, materials, and fees. This shall include  
4 consideration of potential state tax incentives and whether the program  
5 should be limited to full-time or include part-time attendance;

6 (11) An examination of ways to involve independent institutions in  
7 the program; and

8 (12) An examination of the portability of benefits across state  
9 lines, including the effect on reciprocity and other agreements.

10 NEW SECTION. **Sec. 2.** The higher education coordinating board in  
11 consultation with the state investment board, the state treasurer, the  
12 state actuary, the office of financial management, private financial  
13 institutions, and any other qualified party with experience in the  
14 areas of accounting, actuary, risk management, or investment management  
15 to assist with the development of the program in section 1 of this act.  
16 Within existing appropriations, the state investment board, the state  
17 treasurer, the state actuary, the office of financial management, and  
18 any other state agency, including legislative staff, shall fully  
19 cooperate with the higher education coordinating board in matters  
20 relating to the development of the program.

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