

HOUSE BILL REPORT

HB 2126

As Amended by the Senate

Title: An act relating to college payment programs.

Brief Description: Authorizing a college savings plan.

Sponsors: By Representatives Kenney, Cox, McIntire and Edwards; by request of Committee on Advanced College Tuition Payment and State Treasurer.

Brief History:

Committee Activity:

Higher Education: 2/21/01, 2/23/01 [DP];

Appropriations: 2/28/01, 3/7/01 [DP].

Floor Activity:

Passed House: 3/13/01, 94-0.

Senate Amended.

Passed Senate: 4/11/01, 44-0.

<h3>Brief Summary of Bill</h3>

- Authorizes a college savings program in conjunction with the pre-paid tuition program and makes changes regarding refunding tuition units purchased as part of the college tuition payment program.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 8 members: Representatives Cox, Republican Co-Chair; Kenney, Democratic Co-Chair; Gombosky, Democratic Vice Chair; Jarrett, Republican Vice Chair; Dunn, Fromhold, Lantz and Skinner.

Staff: Marsha Reilly (786-7135).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Sehlin, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Barlean, Republican Vice Chair; Doumit, Democratic Vice Chair; Lisk, Republican Vice Chair; Alexander, Boldt, Buck, Clements,

Cody, Cox, Dunshee, Fromhold, Gombosky, Grant, Kagi, Keiser, Kenney, Kessler, Lambert, Linville, Mastin, McIntire, Mulliken, Pearson, Pflug, Ruderman, D. Schmidt, Schual-Berke, Talcott and Tokuda.

Staff: Laurie Schaffler (786-7143).

Background:

The state of Washington established a college tuition payment program in 1997. Named the Guaranteed Education Tuition program, or "GET program," it is an investment program designed to allow Washington residents an opportunity to purchase college tuition at the current price and later redeem it at no additional cost when their student attends college.

Purchased tuition units pay for the mandatory tuition and student and activities fees. If additional funds are available after paying tuition and service and activities fees, the funds may be used to pay for other fees, such as the technology fee. In cases where a student has received a scholarship, waiver or similar subsidy, the units may be applied to room and board and books.

Refunds are available under specific conditions, including death or disability of the beneficiary; the beneficiary does not attend an institution of higher education; beneficiary completes their education and has remaining unused units; that beneficiary's education was paid through scholarships; or other circumstances determined by the committee. Refunds currently are determined by a weighted average of unused tuition units.

Summary:

This bill authorizes the Guaranteed Education Tuition Committee of the Higher Education Coordinating Board to establish and operate a college savings program in conjunction with the pre-paid tuition program. The program is established under section 529 of the internal revenue code and administered in a manner consistent with the college tuition payment program. The committee shall adopt rules for implementation of this program and funds will be deposited into a non-treasury account in the custody of the State Treasurer.

The bill also amends the statute governing the advanced college tuition program by changing the amount of refund for unused units to reflect current value of the units as opposed to a weighted average.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment does two things: (1) the advanced college tuition payment program account may not be the source of start-up funds for a college savings plan, and

(2) legislative fiscal and higher education committees are added to the list of parties the Advanced College Tuition Committee will consult with as it proceeds to establish a college savings program.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed, except for Section 3, which contains an emergency clause and takes effect July 1, 2001.

Testimony For: (Higher Education) This savings plan compliments the advanced tuition program and offers a way to pay for books, room and board, and additional fees. These types of savings plans are established nationwide and offer flexibility in payment options and are a great enhancement to the tuition savings programs.

Testimony For: (Appropriations) Since there is a limit to the number of credits an individual can purchase through the GET program, a college savings plan adds a second option of setting aside money for additional educational costs.

Testimony Against: (Higher Education) None.

Testimony Against: (Appropriations) None.

Testified: (Higher Education) Representative Kenney, prime sponsor; Bruce Botka, Higher Education Coordinating Board; Betty Lockner, Higher Education Coordinating Board; and Warren Thompson; Frank Russell Company.

Testified: (Appropriations) Representative Kenney, co-prime sponsor; Representative Cox, co-prime sponsor; Betty Lochner, Guaranteed Education Tuition Program; and Bruce Botka, Higher Education Coordinating Board.