

HOUSE BILL REPORT

HB 2021

As Passed House:

March 8, 2005

Title: An act relating to the advanced college tuition payment program.

Brief Description: Modifying provisions in the advanced college tuition payment program.

Sponsors: By Representatives Kenney and Cox; by request of Committee on Advanced College Tuition Payment.

Brief History:

Committee Activity:

Higher Education: 2/24/05, 2/25/05 [DP].

Floor Activity:

Passed House: 3/8/05, 97-0.

Brief Summary of Bill

- Permits any Washington resident to purchase tuition units under the Guaranteed Education Tuition (GET) Program.
- Protects the GET Program assets from bankruptcy proceedings.
- Creates a single value for all payouts and refunds, based on the current value of tuition and fees at a public higher education institution rather than on a weighted average.
- Excludes from coverage under the GET program any portion of student services and activities fees used to pay for bonds or debt on capital facilities projects.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 12 members: Representatives Kenney, Chair; Sells, Vice Chair; Cox, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Buri, Dunn, Fromhold, Hasegawa, Jarrett, Ormsby, Roberts and Sommers.

Staff: Barbara McLain (786-7383).

Background:

The GET Program was created in 1998 as Washington's prepaid college tuition program. The GET Program allows families to purchase tuition units at current prices for use at a later date. These funds are invested by the State Investment Board and the purchaser is guaranteed that one year's worth of units purchased now will be worth one year's worth of public university tuition in the future.

Customers can purchase up to 500 units and then redeem them at any accredited public or private college or university in the country. A GET Committee oversees the program, including regularly setting and revising the purchase price for a tuition unit to ensure an actuarially sound program.

Anyone can purchase a GET unit, but the designated beneficiary must be a resident of Washington at the time the unit is purchased. Assets in an individual's or family's GET account are not protected from creditors in a bankruptcy proceeding.

Under the statute, the purchase price of a unit is to be based on a weighted average tuition and fees, adjusted to ensure actuarial soundness. From the beginning of the program, the purchase price and the annual payout amount have been adjusted to equal the highest tuition and fees for a resident undergraduate student at a Washington public university. However, there are certain circumstances where refunds are required to be based on the weighted average tuition, which is a lesser amount.

Payouts for an academic year are required to be based on the state's fiscal year which runs from July 1 to June 30, even though a typical academic year runs from August 1 to July 31.

The tuition and fees that form the basis of a tuition unit under the GET program include student services and activities (S & A) fees. The Legislature has retained authority to set resident undergraduate tuition rates, which protects the state from unanticipated obligations under the GET program. Regular S & A fees are not set by the Legislature, but under current law these fees may not increase faster than the rate of increase in tuition. However, any portion of S & A fees that is to pay for bonded debt on capital facilities projects is exempt from legislative control on its amount or rate of increase. When student centers or recreational facilities are built using S & A fees, the impact can be between \$100 and \$400 per student in additional annual fees.

Summary of Bill:

The requirement that the named beneficiary under the GET Program be a resident of Washington is removed. The intent of the GET Program is to help citizens in Washington, but the program's governing committee may determine residency requirements for eligible purchasers and beneficiaries to maintain the actuarial soundness of the program.

Tuition units purchased more than two years before the filing of bankruptcy proceedings or a bankruptcy judgment are excluded from consideration as personal assets.

The concept of weighted average tuition is removed from the GET Program statutes. Refunds payable if the program is terminated or if a beneficiary chooses not to attend college are based on the current value of tuition and fees, as determined by the program's governing committee.

An academic year for purposes of the GET Program is redefined as August 1 through July 31, rather than July 1 through June 30.

Under the GET Program, "tuition and fees" does not include S & A fees charged now or in the future for the payment of bonds or other indebtedness for acquiring, constructing, or installing any lands, buildings, or facilities.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The GET Program continues to be highly successful. The proposed changes are intended to keep the program running efficiently. More than 20 states provide some form of protection from creditors in their college savings plans. Washington is the only state that has a restriction on who can purchase tuition units. The current law prevents grandparents and non-custodial parents who live in Washington from investing in college for their family members who live elsewhere. From the beginning of the program, it was determined that using a current value of tuition and fees was more sound than relying on a weighted average. However, there are still a few places in the code that reference the weighted average. Three universities have bonded against a portion of the S & A fee. They have been advised to report this separately, so these fees are not included in calculating the GET Program payout value. However, the law needs to be clarified to prevent any future inclusion of fees that are outside the control of the Legislature.

Testimony Against: None.

Persons Testifying: Representative Kenney, prime sponsor; and Betty Lochner and Larry Lee, Guaranteed Education Tuition Program.

Persons Signed In To Testify But Not Testifying: None.