

SENATE BILL REPORT

SB 5926

As Passed Senate, March 9, 2005

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

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

Sponsors: Senators McAuliffe, Schmidt, Pridemore, Kohl-Welles, Rockefeller, Shin and Schoesler; by request of Committee on Advanced College Tuition Payment.

Brief History:

Committee Activity: Early Learning, K-12 & Higher Education: 2/25/05, 2/28/05 [DP, w/oRec].

Passed Senate: 3/9/05, 46-0.

SENATE COMMITTEE ON EARLY LEARNING, K-12 & HIGHER EDUCATION

Majority Report: Do pass.

Signed by Senators McAuliffe, Chair; Pridemore, Vice Chair; Weinstein, Vice Chair; Schmidt, Ranking Minority Member; Berkey, Carrell, Delvin, Kohl-Welles, Pflug, Rasmussen, Rockefeller, Schoesler and Shin.

Minority Report: That it be referred without recommendation.

Signed by Senators Benton and Mulliken.

Staff: Brian Jeffries (786-7422)

Background: The Guaranteed Education Tuition (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. The Committee on Advanced College Tuition Payment (or 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 service and activity fees. The Legislature has retained authority to set resident undergraduate tuition rates, which protects the state from unanticipated obligations under the GET program. Regular service and activity 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 service and activity 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 service and activity 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 service and activity 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.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The GET program is a successful program and this bill makes some technical changes that strengthen the program. These changes protect the investments parents and grandparent make for their children's and grandchildren's futures. These changes also provide dollar for dollar value for the investments.

Testimony Against: None.

Who Testified: PRO: Senator Rosemary McAuliffe, prime sponsor; Betty Lochner, HECB; Larry Lee, HECB.