

**ESB 6087 - H AMD 1317**

By Representative Bergquist

ADOPTED AS AMENDED 03/07/2018

1 Strike everything after the enacting clause and insert the  
2 following:

3 "Sec. 1. RCW 28B.95.020 and 2016 c 69 s 2 are each amended to read  
4 as follows:

5 The definitions in this section apply throughout this chapter,  
6 unless the context clearly requires otherwise.

7 (1) "Academic year" means the regular nine-month, three-quarter,  
8 or two-semester period annually occurring between August 1st and  
9 July 31st.

10 (2) "Account" means the Washington advanced college tuition  
11 payment program account established for the deposit of all money  
12 received by the office from eligible purchasers and interest  
13 earnings on investments of funds in the account, as well as for all  
14 expenditures on behalf of eligible beneficiaries for the redemption  
15 of tuition units and for the development of any authorized college  
16 savings program pursuant to RCW 28B.95.150.

17 (3) "Advisor sold" means a channel through which a broker  
18 dealer, investment advisor, or other financial intermediary  
19 recommends the Washington college savings program established  
20 pursuant to RCW 28B.95.010 to eligible investors and assists with  
21 the opening and servicing of individual college savings program  
22 accounts.

23 (4) "College savings program account" means the Washington  
24 college savings program account established pursuant to RCW  
25 (~~28B.95.010~~) 28B.95.085.

26 (5) "Committee on advanced tuition payment and college savings"  
27 or "committee" means a committee of the following members: The state

1 treasurer, the director of the office of financial management, the  
2 director of the office, or their designees, and two members to be  
3 appointed by the governor, one representing program participants and  
4 one private business representative with marketing, public  
5 relations, or financial expertise.

6 (6) "Contractual obligation" means a legally binding contract of  
7 the state with the purchaser and the beneficiary establishing that  
8 purchases of tuition units in the advanced college tuition payment  
9 program will be worth the same number of tuition units at the time  
10 of redemption as they were worth at the time of the purchase, except  
11 as provided in RCW 28B.95.030 (7) and (8).

12 (7) "Dual credit fees" means any fees charged to a student for  
13 participation in college in the high school under RCW 28A.600.290 or  
14 running start under RCW 28A.600.310.

15 (8) "Eligible beneficiary" means the person designated as the  
16 individual whose education expenses are to be paid from the advanced  
17 college tuition payment program or the college savings program.  
18 Qualified organizations, as allowed under section 529 of the federal  
19 internal revenue code, purchasing tuition unit contracts as future  
20 scholarships need not designate a beneficiary at the time of  
21 purchase.

22 (9) "Eligible contributor" means an individual or organization  
23 that contributes money for the purchase of tuition units, and for an  
24 individual college savings program account established pursuant to  
25 this chapter for an eligible beneficiary.

26 (10) "Eligible purchaser" means an individual or organization  
27 that has entered into a tuition unit contract with the governing  
28 body for the purchase of tuition units in the advanced college  
29 tuition payment program for an eligible beneficiary, or that has  
30 entered into a participant college savings program account contract  
31 for an eligible beneficiary. The state of Washington may be an  
32 eligible purchaser for purposes of purchasing tuition units to be  
33 held for granting Washington college bound scholarships.

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1 (11) "Full-time tuition charges" means resident tuition charges  
2 at a state institution of higher education for enrollments between  
3 ten credits and eighteen credit hours per academic term.

4 (12) "Governing body" means the committee empowered by the  
5 legislature to administer the Washington advanced college tuition  
6 payment program and the Washington college savings program.

7 (13) "Individual college savings program account" means the  
8 formal record of transactions relating to a Washington college  
9 savings program beneficiary.

10 (14) "Institution of higher education" means an institution that  
11 offers education beyond the secondary level and is recognized by the  
12 internal revenue service under chapter 529 of the internal revenue  
13 code.

14 (15) "Investment board" means the state investment board as  
15 defined in chapter 43.33A RCW.

16 (16) "Investment manager" means the state investment board,  
17 another state, or any other entity as selected by the governing  
18 body, including another college savings plan established pursuant to  
19 section 529 of the internal revenue code.

20 (17) "Office" means the office of student financial assistance  
21 as defined in chapter 28B.76 RCW.

22 (18) "Owner" means the eligible purchaser or the purchaser's  
23 successor in interest who shall have the exclusive authority to make  
24 decisions with respect to the tuition unit contract or the  
25 individual college savings program contract. The owner has exclusive  
26 authority and responsibility to establish and change the asset  
27 investment options for a beneficiaries' individual college savings  
28 program account.

29 (19) "Participant college savings program account contract"  
30 means a contract to participate in the Washington college savings  
31 program between an eligible purchaser and the office.

32 (20) "State institution of higher education" means institutions  
33 of higher education as defined in RCW 28B.10.016.

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1 (21) "Tuition and fees" means undergraduate tuition and services  
2 and activities fees as defined in RCW 28B.15.020 and 28B.15.041  
3 rounded to the nearest whole dollar. For purposes of this chapter,  
4 services and activities fees do not include fees charged for the  
5 payment of bonds heretofore or hereafter issued for, or other  
6 indebtedness incurred to pay, all or part of the cost of acquiring,  
7 constructing, or installing any lands, buildings, or facilities.

8 (22) "Tuition unit contract" means a contract between an  
9 eligible purchaser and the governing body, or a successor agency  
10 appointed for administration of this chapter, for the purchase of  
11 tuition units in the advanced college tuition payment program for a  
12 specified beneficiary that may be redeemed at a later date for an  
13 equal number of tuition units, except as provided in RCW 28B.95.030  
14 (7) and (8).

15 (23) "Unit cash value price" means the total value of assets  
16 under management in the advanced college tuition payment program on  
17 a date to be determined by the committee, divided by the total  
18 number of outstanding credits purchased by eligible purchasers  
19 before July 1, 2015, and any outstanding credits accrued by eligible  
20 purchasers as a result of the July 2017 unit rebase.

21 (24) "Unit purchase price" means the minimum cost to purchase  
22 one tuition unit in the advanced college tuition payment program for  
23 an eligible beneficiary. Generally, the minimum purchase price is  
24 one percent of the undergraduate tuition and fees for the current  
25 year, rounded to the nearest whole dollar, adjusted for the costs of  
26 administration and adjusted to ensure the actuarial soundness of the  
27 account. The analysis for price setting shall also include, but not  
28 be limited to consideration of past and projected patterns of  
29 tuition increases, program liability, past and projected investment  
30 returns, and the need for a prudent stabilization reserve.

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32 **Sec. 2.** RCW 28B.95.030 and 2016 c 69 s 4 are each amended to  
33 read as follows:

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1 (1) The Washington advanced college tuition payment program  
2 shall be administered by the committee on advanced tuition payment  
3 which shall be chaired by the director of the office. The committee  
4 shall be supported by staff of the office.

5 (2)(a) The Washington advanced college tuition payment program  
6 shall consist of the sale of tuition units, which may be redeemed by  
7 the beneficiary at a future date for an equal number of tuition  
8 units regardless of any increase in the price of tuition, that may  
9 have occurred in the interval, except as provided in subsections (7)  
10 and (8) of this section.

11 (b) Each purchase shall be worth a specific number of or  
12 fraction of tuition units at each state institution of higher  
13 education as determined by the governing body, except as provided in  
14 subsections (7) and (8) of this section.

15 (c) The number of tuition units necessary to pay for a full  
16 year's, full-time undergraduate tuition and fee charges at a state  
17 institution of higher education shall be set by the governing body  
18 at the time a purchaser enters into a tuition unit contract, except  
19 as provided in subsections (7) and (8) of this section.

20 (d) The governing body may limit the number of tuition units  
21 purchased by any one purchaser or on behalf of any one beneficiary,  
22 however, no limit may be imposed that is less than that necessary to  
23 achieve four years of full-time, undergraduate tuition charges at a  
24 state institution of higher education. The governing body also may,  
25 at its discretion, limit the number of participants, if needed, to  
26 ensure the actuarial soundness and integrity of the program.

27 (e) While the Washington advanced college tuition payment  
28 program is designed to help all citizens of the state of Washington,  
29 the governing body may determine residency requirements for eligible  
30 purchasers and eligible beneficiaries to ensure the actuarial  
31 soundness and integrity of the program.

32 (3)(a) No tuition unit may be redeemed until two years after the  
33 purchase of the unit.

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1 (b) Units may be redeemed for enrollment at any institution of  
2 higher education that is recognized by the internal revenue service  
3 under chapter 529 of the internal revenue code. Units may also be  
4 redeemed to pay for dual credit fees.

5 (c) Units redeemed at a nonstate institution of higher education  
6 or for graduate enrollment shall be redeemed at the rate for state  
7 public institutions in effect at the time of redemption.

8 (4) The governing body shall determine the conditions under  
9 which the tuition benefit may be transferred to another family  
10 member. In permitting such transfers, the governing body may not  
11 allow the tuition benefit to be bought, sold, bartered, or otherwise  
12 exchanged for goods and services by either the beneficiary or the  
13 purchaser.

14 (5) The governing body shall administer the Washington advanced  
15 college tuition payment program in a manner reasonably designed to  
16 be actuarially sound, such that the assets of the trust will be  
17 sufficient to defray the obligations of the trust including the  
18 costs of administration. The governing body may, at its discretion,  
19 discount the minimum purchase price for certain kinds of purchases  
20 such as those from families with young children, as long as the  
21 actuarial soundness of the account is not jeopardized.

22 (6) The governing body shall annually determine current value of  
23 a tuition unit.

24 (7) For the 2015-16 and 2016-17 academic years only, the  
25 governing body shall set the payout value for units redeemed during  
26 that academic year only at one hundred seventeen dollars and eighty-  
27 two cents per unit. For academic years after the 2016-17 academic  
28 year, the governing body shall make program adjustments it deems  
29 necessary and appropriate to ensure that the total payout value of  
30 each account on October 9, 2015, is not decreased or diluted as a  
31 result of the initial application of any changes in tuition under  
32 section 3, chapter 36, Laws of 2015 3rd sp. sess. In the event the  
33 committee or governing body provides additional units under chapter  
34 36, Laws of 2015 3rd sp. sess., the committee and governing body

1 shall also increase the maximum number of units that can be redeemed  
2 in any year to mitigate the reduction in available account value  
3 during any year as a result of chapter 36, Laws of 2015 3rd sp.  
4 sess. The governing body must notify holders of tuition units after  
5 the adjustment in this subsection is made and must include a  
6 statement concerning the adjustment.

7 (8) The governing body shall allow account owners who purchased  
8 units before July 1, 2015, to redeem such units at the unit cash  
9 value price provided that all the redeemed funds are deposited  
10 immediately into an eligible Washington college savings program  
11 account established by the governing body. Within ninety days of the  
12 effective date of this section, the committee, in consultation with  
13 the state actuary and state investment board, shall:

14 (a) Establish a period that is not less than ninety days during  
15 which eligible purchasers may redeem units at the unit cash value  
16 price for the purposes of this subsection and provide at least  
17 thirty days' notice prior to the ninety-day window to all eligible  
18 account holders about the redemption option; and

19 (b) Establish the unit cash value price. The committee, in  
20 consultation with the state actuary and the state investment board,  
21 may revalue the unit cash value price established in this subsection  
22 (8)(b) up to three times during the ninety-day period in which  
23 eligible purchasers may redeem units for the unit cash value price.

24 (9)(a) After the governing body completes the requirements of  
25 subsection (8), the governing body shall adjust, by March 1, 2019, all  
26 remaining unredeemed units purchased before July 1, 2015, as follows:

27 (i) First, the governing body shall take the difference between the  
28 average unit purchase price in each individual's account and the 2016-  
29 17 unit payout value and increase the number of units in each  
30 individual's account by a number of units of equivalent total value at  
31 the 2017-18 unit purchase price, if the average unit purchase price is  
32 more than the 2016-17 unit payout value; and

33 (ii) Second, after subsection (9)(a)(i) is completed, the governing  
34 body, with assistance from the state actuary, shall grant an additional

1 number of units to each account holder with unredeemed and purchased  
2 units before July 1, 2015, in order to lower the best-estimate funded  
3 status of the program to one hundred twenty five percent. The state  
4 actuary shall select the measurement date, assumptions, and methods  
5 necessary to perform an actuarial measurement consistent with the  
6 purpose of this subsection.

7 (b) For the purpose of subsection (9), and for account holders with  
8 uncompleted custom monthly contracts, the governing body shall only  
9 include purchased and unredeemed units before July 1, 2015.

10 (10) The governing body shall collect an amortization fee as a  
11 component of each future unit sold whenever the governing body  
12 determines amortization fees are necessary to increase the best-estimate  
13 funded status of the program.

14 (11) The governing body shall promote, advertise, and publicize  
15 the Washington advanced college tuition payment program. Materials  
16 and online publications advertising the Washington advanced college  
17 tuition payment program shall include a disclaimer that the  
18 Washington advanced college tuition payment program's guarantee is  
19 that one hundred tuition units will equal one year of full-time,  
20 resident, undergraduate tuition at the most expensive state  
21 institution of higher education, and that if resident, undergraduate  
22 tuition is reduced, a tuition unit may lose monetary value.

23 ~~((9))~~ (12) In addition to any other powers conferred by this  
24 chapter, the governing body may:

25 (a) Impose reasonable limits on the number of tuition units or  
26 units that may be used in any one year;

27 (b) Determine and set any time limits, if necessary, for the use  
28 of benefits under this chapter;

29 (c) Impose and collect administrative fees and charges in  
30 connection with any transaction under this chapter;

31 (d) Appoint and use advisory committees and the state actuary as  
32 needed to provide program direction and guidance;

33 (e) Formulate and adopt all other policies and rules necessary  
34 for the efficient administration of the program;



1 (f) Consider the addition of an advanced payment program for  
2 room and board contracts and also consider a college savings  
3 program;

4 (g) Purchase insurance from insurers licensed to do business in  
5 the state, to provide for coverage against any loss in connection  
6 with the account's property, assets, or activities or to further  
7 insure the value of the tuition units;

8 (h) Make, execute, and deliver contracts, conveyances, and other  
9 instruments necessary to the exercise and discharge of its powers  
10 and duties under this chapter;

11 (i) Contract for the provision for all or part of the services  
12 necessary for the management and operation of the program with other  
13 state or nonstate entities authorized to do business in the state;

14 (j) Contract for other services or for goods needed by the  
15 governing body in the conduct of its business under this chapter;

16 (k) Contract with financial consultants, actuaries, auditors,  
17 and other consultants as necessary to carry out its responsibilities  
18 under this chapter;

19 (l) Solicit and accept cash donations and grants from any  
20 person, governmental agency, private business, or organization; and

21 (m) Perform all acts necessary and proper to carry out the  
22 duties and responsibilities of this program under this chapter.

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24 **Sec. 3.** RCW 28B.95.045 and 2016 c 69 s 6 are each amended to  
25 read as follows:

26 (1) The committee shall create an expedited process by which  
27 owners can complete a direct rollover or investment change of a 529  
28 account from a:

29 (a) ((a)) State-sponsored prepaid tuition plan to a state-  
30 sponsored college savings plan((τ));

31 (b) ((a)) State-sponsored college savings plan to a state-  
32 sponsored prepaid tuition plan((τ)); or

33 (c) ((a)) State-sponsored prepaid tuition plan or a state-  
34 sponsored college savings plan to an out-of-state eligible 529 plan.

1 (2) The committee shall report annually to the governor and the  
2 appropriate committees of the legislature on (a) the number of  
3 accounts that have been rolled into the Washington college savings  
4 program from out of state and (b) the number of accounts rolled out  
5 of the Washington college savings program to 529 plans into other  
6 states.

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8 NEW SECTION. **Sec. 4.** This act is necessary for the immediate  
9 preservation of the public peace, health, or safety, or support of  
10 the state government and its existing public institutions, and takes  
11 effect April 15, 2018."

EFFECT:

- Requires the Guaranteed Education Tuition (GET) Committee, by March 1, 2019, to adjust all remaining unredeemed GET units purchased before July 1, 2015, after the option to roll over to the Washington College Savings program for the unit cash value price is completed, as follows:
  - (1) First, the GET Committee must take the difference of the average unit purchase price in each individual's account and the 2016-17 unit payout value and increase the number of units in each individual's account by a number of units of equivalent total value at the 2017-18 unit purchase price, if the average unit purchase price is more than the 2016-17 unit payout value; and
  - (2) Second, with assistance from the State Actuary, grant an additional number of units to each account holder with unredeemed and purchased units before July 1, 2015, in order to lower the best-estimate funded status of the GET program to 125 percent.
- Requires the GET Committee to collect an amortization fee as a component of each future unit sold whenever the governing body determines an amortization fee is necessary to increase the best-estimate funded status of the GET program.

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