

ESB 6087 - H AMD

By Representative Bergquist

ADOPTED AND ENGROSSED 3/7/18

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
4 read 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 July
9 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 earnings
13 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 dealer,
18 investment advisor, or other financial intermediary recommends the
19 Washington college savings program established pursuant to RCW
20 28B.95.010 to eligible investors and assists with the opening and
21 servicing of individual college savings program accounts.

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

25 (5) "Committee on advanced tuition payment and college savings"
26 or "committee" means a committee of the following members: The state
27 treasurer, the director of the office of financial management, the
28 director of the office, or their designees, and two members to be
29 appointed by the governor, one representing program participants and
30 one private business representative with marketing, public relations,
31 or financial expertise.

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

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

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

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

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

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

32 (12) "Governing body" means the committee empowered by the
33 legislature to administer the Washington advanced college tuition
34 payment program and the Washington college savings program.

35 (13) "Individual college savings program account" means the
36 formal record of transactions relating to a Washington college
37 savings program beneficiary.

38 (14) "Institution of higher education" means an institution that
39 offers education beyond the secondary level and is recognized by the

1 internal revenue service under chapter 529 of the internal revenue
2 code.

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

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

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

11 (18) "Owner" means the eligible purchaser or the purchaser's
12 successor in interest who shall have the exclusive authority to make
13 decisions with respect to the tuition unit contract or the individual
14 college savings program contract. The owner has exclusive authority
15 and responsibility to establish and change the asset investment
16 options for a beneficiaries' individual college savings program
17 account.

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

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

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

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

36 (23) "Unit cash value price" means the total value of assets
37 under management in the advanced college tuition payment program on a
38 date to be determined by the committee, divided by the total number
39 of outstanding units purchased by eligible purchasers before July 1,
40 2015, and any outstanding units accrued by eligible purchasers as a

1 result of the July 2017 unit rebase. For purposes of this
2 calculation, the total market value of assets shall exclude the total
3 accumulated market value of proceeds from units purchased after June
4 30, 2015.

5 (24) "Unit purchase price" means the minimum cost to purchase one
6 tuition unit in the advanced college tuition payment program for an
7 eligible beneficiary. Generally, the minimum purchase price is one
8 percent of the undergraduate tuition and fees for the current year,
9 rounded to the nearest whole dollar, adjusted for the costs of
10 administration and adjusted to ensure the actuarial soundness of the
11 account. The analysis for price setting shall also include, but not
12 be limited to consideration of past and projected patterns of tuition
13 increases, program liability, past and projected investment returns,
14 and the need for a prudent stabilization reserve.

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

17 (1) The Washington advanced college tuition payment program shall
18 be administered by the committee on advanced tuition payment which
19 shall be chaired by the director of the office. The committee shall
20 be supported by staff of the office.

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

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

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

36 (d) The governing body may limit the number of tuition units
37 purchased by any one purchaser or on behalf of any one beneficiary,
38 however, no limit may be imposed that is less than that necessary to
39 achieve four years of full-time, undergraduate tuition charges at a

1 state institution of higher education. The governing body also may,
2 at its discretion, limit the number of participants, if needed, to
3 ensure the actuarial soundness and integrity of the program.

4 (e) While the Washington advanced college tuition payment program
5 is designed to help all citizens of the state of Washington, the
6 governing body may determine residency requirements for eligible
7 purchasers and eligible beneficiaries to ensure the actuarial
8 soundness and integrity of the program.

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

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

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

18 (4) The governing body shall determine the conditions under which
19 the tuition benefit may be transferred to another family member. In
20 permitting such transfers, the governing body may not allow the
21 tuition benefit to be bought, sold, bartered, or otherwise exchanged
22 for goods and services by either the beneficiary or the purchaser.

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

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

33 (7) For the 2015-16 and 2016-17 academic years only, the
34 governing body shall set the payout value for units redeemed during
35 that academic year only at one hundred seventeen dollars and eighty-
36 two cents per unit. For academic years after the 2016-17 academic
37 year, the governing body shall make program adjustments it deems
38 necessary and appropriate to ensure that the total payout value of
39 each account on October 9, 2015, is not decreased or diluted as a
40 result of the initial application of any changes in tuition under

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

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

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

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

27 (9)(a) After the governing body completes the requirements of
28 subsection (8) of this section, the governing body shall adjust, by
29 March 1, 2019, all remaining unredeemed units purchased before July
30 1, 2015, as follows:

31 (i) First, the governing body shall take the difference between
32 the average unit purchase price in each individual's account and the
33 2016-17 unit payout value and increase the number of units in each
34 individual's account by a number of units of equivalent total value
35 at the 2017-18 unit purchase price, if the average unit purchase
36 price is more than the 2016-17 unit payout value; and

37 (ii) Second, after (a)(i) of this subsection is completed, the
38 governing body, with assistance from the state actuary, shall grant
39 an additional number of units to each account holder with unredeemed
40 and purchased units before July 1, 2015, in order to lower the best-

1 estimate funded status of the program to one hundred twenty-five
2 percent, subject to a limit of an increase of fifteen percent of
3 unredeemed and purchased units per account holder. The state actuary
4 shall select the measurement date, assumptions, and methods necessary
5 to perform an actuarial measurement consistent with the purpose of
6 this subsection.

7 (b) For the purpose of this subsection (9), and for account
8 holders with uncompleted custom monthly contracts, the governing body
9 shall only include purchased and unredeemed units before July 1,
10 2015.

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

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

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

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

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

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

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

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

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

38 (g) Purchase insurance from insurers licensed to do business in
39 the state, to provide for coverage against any loss in connection

1 with the account's property, assets, or activities or to further
2 insure the value of the tuition units;

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

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

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

11 (k) Contract with financial consultants, actuaries, auditors, and
12 other consultants as necessary to carry out its responsibilities
13 under this chapter;

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

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

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

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

23 (a) ((a)) State-sponsored prepaid tuition plan to a state-
24 sponsored college savings plan((τ));

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

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

29 (2) The committee shall report annually to the governor and the
30 appropriate committees of the legislature on (a) the number of
31 accounts that have been rolled into the Washington college savings
32 program from out of state and (b) the number of accounts rolled out
33 of the Washington college savings program to 529 plans into other
34 states.

35 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
36 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect April 15, 2018."

3 Correct the title.

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