

# SENATE BILL REPORT

## SB 5923

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As of June 23, 2017

**Title:** An act relating to the Washington higher education tuition payment and college savings programs.

**Brief Description:** Concerning Washington higher education tuition payment and college savings programs.

**Sponsors:** Senators Mullet, Palumbo, Braun, Pedersen and Carlyle.

**Brief History:**

**Committee Activity:** Higher Education: 6/27/17.

**Brief Summary of Bill**

- Allows Guaranteed Education Tuition (GET) accountholders to transfer the asset value of the GET credits at the unit cash value price for a six month period after opening the Washington College Savings Plan.
- Delays the acceptance of new tuition unit contracts and authorizes the sale of new tuition units from July 1, 2017 until the opening of the Washington College Savings Plan.

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### SENATE COMMITTEE ON HIGHER EDUCATION

**Staff:** Clint McCarthy (786-7319)

**Background:** Qualified tuition plans, referred to as "529 plans" are plans authorized by the United States Internal Revenue Service and operated by a state or educational institution. These plans provide tax advantages and other potential incentives to make it easier to save for college and other post-secondary training for a designated beneficiary, such as a child or grandchild. There are two 529 plans authorized in the state of Washington: the Guaranteed Education Tuition Program and the Washington College Savings Plan.

The Guaranteed Education Tuition Program (GET). The GET Program is Washington's 529 prepaid college tuition plan that was established in 1998. As a prepaid tuition program, GET has a participant payout structure tied to in-state tuition rather than market-based investment returns. Historically, 100 GET units have equaled one year of resident undergraduate tuition

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and state-mandated fees at the state's highest-priced public university. GET accounts can be used at nearly any public or private college in the country. Families can buy between one and 500 units per child, and the account benefits from tax-free growth and withdrawals.

The GET Program is administered by the GET Committee. The GET Committee is comprised of the State Treasurer, the Director of the Office of Financial Management, the Executive Director of the Student Achievement Council, and two citizen members. The GET Committee, at the Legislature's direction, has maintained the \$117.82 unit payout value for the 2015-16 and 2016-17 academic years. The committee also voted to delay new program enrollments and new unit purchases effective July 1, 2015 for a period not to exceed two years. Current statute requires the GET Committee to reopen the GET Program to new enrollments on July 1, 2017.

Nationally, the historical average annual increase in tuition at public universities nationwide has been five percent, with the average increase for public universities at 2.9 percent during the 2014-15 school year. Tuition growth at the most expensive public university in Washington state has remained flat since 2011-12, rising to \$11,782 for three academic years between 2012 and 2015, before being reduced to \$11,245 in 2015-16 and \$10,171 in 2016-17. GET credits currently payout based on a tuition cost of \$11,782, even though the highest in-state tuition is \$10,171 for the 2016-17 school year. The payout value for GET credits has been 117.82 per credit since the 2012-13 school year.

As of June 30, 2016, the present value of future obligations to the GET Program was \$1.7 billion and the present value of the fund is \$2.3 billion. The program was 135.6 percent funded as of June 30, 2016. As of January 31, 2017, the total assets in the GET Program were \$2,098,388,156 billion and the total number of GET units purchased and unredeemed were \$14,988,862 million. Based on these figures, the value of a GET credit is \$140.00 per credit.

The Washington College Savings Plan (WCSP). The WCSP was authorized during the 2016 legislative session. The money contributed to a WCSP can be invested in stock or bond mutual funds or in money market funds, and the earnings are not subject to federal tax as long as the money is used only for qualified college expenses. Direct sold savings programs allow states to offer college savings plans through which residents and, in many cases, non-residents can invest without paying a "load," or sales fee. This type of plan, which can be bought directly from the plan's sponsor or program manager without the assistance of a broker, is generally less expensive because it waives or does not charge sales fees that may apply to broker-sold plans. Unlike the GET program, where tuition units have a guaranteed value when they are redeemed, the state of Washington does not guarantee a specific outcome for an accountholder's asset. The District of Columbia and 38 states offer direct sold savings programs. Washington and Wyoming are the two states that currently do not offer direct sold programs. The GET Committee plans to have Washington's direct sold program available to consumers in late 2017.

**Summary of Bill:** Reopening the GET program is delayed from July 1, 2017, to open once the WCSP has been opened.

Defines the term "unit cash value price" as the total value of assets under management in the guaranteed education tuition account divided by the total number of outstanding credits purchased by eligible purchasers in accounts opened before July 1, 2015. Eligible purchasers of GET credits are authorized to redeem units at the unit cash value price as long as the funds are immediately deposited into the WCSP within six months of the program opening. After the first six months, tuition units may only be redeemed for the payout value determined by the GET Committee.

The state treasurer must track funds associated with any new GET accounts created after July 1, 2017, separately from accounts created June 30, 2015, or earlier.

**Appropriation:** None.

**Fiscal Note:** Requested on June 22, 2017

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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