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ENGROSSED SENATE BILL 6087

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State of Washington

65th Legislature

2018 Regular Session

By Senators Mullet, Palumbo, Carlyle, Braun, Kuderer, Dhingra, Pedersen, Takko, McCoy, Liiias, and Conway

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1 AN ACT Relating to the Washington higher education tuition  
2 payment and college savings programs; amending RCW 28B.95.020,  
3 28B.95.030, and 28B.95.045; providing an effective date; and  
4 declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 28B.95.020 and 2016 c 69 s 2 are each amended to  
7 read as follows:

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

10 (1) "Academic year" means the regular nine-month, three-quarter,  
11 or two-semester period annually occurring between August 1st and July  
12 31st.

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

20 (3) "Advisor sold" means a channel through which a broker dealer,  
21 investment advisor, or other financial intermediary recommends the

1 Washington college savings program established pursuant to RCW  
2 28B.95.010 to eligible investors and assists with the opening and  
3 servicing of individual college savings program accounts.

4 (4) "College savings program account" means the Washington  
5 college savings program account established pursuant to RCW  
6 (~~28B.95.010~~) 28B.95.085.

7 (5) "Committee on advanced tuition payment and college savings"  
8 or "committee" means a committee of the following members: The state  
9 treasurer, the director of the office of financial management, the  
10 director of the office, or their designees, and two members to be  
11 appointed by the governor, one representing program participants and  
12 one private business representative with marketing, public relations,  
13 or financial expertise.

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

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

23 (8) "Eligible beneficiary" means the person designated as the  
24 individual whose education expenses are to be paid from the advanced  
25 college tuition payment program or the college savings program.  
26 Qualified organizations, as allowed under section 529 of the federal  
27 internal revenue code, purchasing tuition unit contracts as future  
28 scholarships need not designate a beneficiary at the time of  
29 purchase.

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

34 (10) "Eligible purchaser" means an individual or organization  
35 that has entered into a tuition unit contract with the governing body  
36 for the purchase of tuition units in the advanced college tuition  
37 payment program for an eligible beneficiary, or that has entered into  
38 a participant college savings program account contract for an  
39 eligible beneficiary. The state of Washington may be an eligible

1 purchaser for purposes of purchasing tuition units to be held for  
2 granting Washington college bound scholarships.

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

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

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

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

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

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

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

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

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

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

36 (21) "Tuition and fees" means undergraduate tuition and services  
37 and activities fees as defined in RCW 28B.15.020 and 28B.15.041  
38 rounded to the nearest whole dollar. For purposes of this chapter,  
39 services and activities fees do not include fees charged for the  
40 payment of bonds heretofore or hereafter issued for, or other

1 indebtedness incurred to pay, all or part of the cost of acquiring,  
2 constructing, or installing any lands, buildings, or facilities.

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

9 (23) "Unit cash value price" means the total value of assets  
10 under management in the advanced college tuition payment program on a  
11 date to be determined by the committee, divided by the total number  
12 of outstanding credits purchased by eligible purchasers before July  
13 1, 2015, and any outstanding credits accrued by eligible purchasers  
14 as a result of the July 2017 unit rebase.

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

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

27 (1) The Washington advanced college tuition payment program shall  
28 be administered by the committee on advanced tuition payment which  
29 shall be chaired by the director of the office. The committee shall  
30 be supported by staff of the office.

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

37 (b) Each purchase shall be worth a specific number of or fraction  
38 of tuition units at each state institution of higher education as

1 determined by the governing body, except as provided in subsections  
2 (7) and (8) of this section.

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

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

15 (e) While the Washington advanced college tuition payment program  
16 is designed to help all citizens of the state of Washington, the  
17 governing body may determine residency requirements for eligible  
18 purchasers and eligible beneficiaries to ensure the actuarial  
19 soundness and integrity of the program.

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

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

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

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

34 (5) The governing body shall administer the Washington advanced  
35 college tuition payment program in a manner reasonably designed to be  
36 actuarially sound, such that the assets of the trust will be  
37 sufficient to defray the obligations of the trust including the costs  
38 of administration. The governing body may, at its discretion,  
39 discount the minimum purchase price for certain kinds of purchases

1 such as those from families with young children, as long as the  
2 actuarial soundness of the account is not jeopardized.

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

5 (7) For the 2015-16 and 2016-17 academic years only, the  
6 governing body shall set the payout value for units redeemed during  
7 that academic year only at one hundred seventeen dollars and eighty-  
8 two cents per unit. For academic years after the 2016-17 academic  
9 year, the governing body shall make program adjustments it deems  
10 necessary and appropriate to ensure that the total payout value of  
11 each account on October 9, 2015, is not decreased or diluted as a  
12 result of the initial application of any changes in tuition under  
13 section 3, chapter 36, Laws of 2015 3rd sp. sess. In the event the  
14 committee or governing body provides additional units under chapter  
15 36, Laws of 2015 3rd sp. sess., the committee and governing body  
16 shall also increase the maximum number of units that can be redeemed  
17 in any year to mitigate the reduction in available account value  
18 during any year as a result of chapter 36, Laws of 2015 3rd sp. sess.  
19 The governing body must notify holders of tuition units after the  
20 adjustment in this subsection is made and must include a statement  
21 concerning the adjustment.

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

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

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

39 (9) The governing body shall promote, advertise, and publicize  
40 the Washington advanced college tuition payment program. Materials

1 and online publications advertising the Washington advanced college  
2 tuition payment program shall include a disclaimer that the  
3 Washington advanced college tuition payment program's guarantee is  
4 that one hundred tuition units will equal one year of full-time,  
5 resident, undergraduate tuition at the most expensive state  
6 institution of higher education, and that if resident, undergraduate  
7 tuition is reduced, a tuition unit may lose monetary value.

8 ~~((9))~~ (10) In addition to any other powers conferred by this  
9 chapter, the governing body may:

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

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

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

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

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

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

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

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

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

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

34 (k) Contract with financial consultants, actuaries, auditors, and  
35 other consultants as necessary to carry out its responsibilities  
36 under this chapter;

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

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

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

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

6       (a) ((a)) State-sponsored prepaid tuition plan to a state-  
7 sponsored college savings plan((τ));

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

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

12       (2) The committee shall report annually to the governor and the  
13 appropriate committees of the legislature on (a) the number of  
14 accounts that have been rolled into the Washington college savings  
15 program from out of state and (b) the number of accounts rolled out  
16 of the Washington college savings program to 529 plans into other  
17 states.

18       NEW SECTION.   **Sec. 4.** This act is necessary for the immediate  
19 preservation of the public peace, health, or safety, or support of  
20 the state government and its existing public institutions, and takes  
21 effect April 15, 2018.

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