

SENATE BILL REPORT

SB 5430

As of February 9, 2021

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

Brief Description: Concerning the advanced college tuition payment program.

Sponsors: Senator Mullet.

Brief History:

Committee Activity: Higher Education & Workforce Development: 2/09/21.

Brief Summary of Bill

- Establishes limitations on Guaranteed Education Tuition (GET) unit price increases if certain conditions are met.
- Requires adjustments to GET accounts for units purchased at the 2020-21 unit price.

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Staff: Alicia Kinne-Clawson (786-7407)

Background: Guaranteed Education Tuition. The Guaranteed Education Tuition Program (GET) is Washington's 529 prepaid college tuition plan which 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 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 1 and 500 units per child, and the account benefits from tax-free growth and withdrawals.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

GET 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 is responsible for setting the GET unit price annually. Each year, the state actuary provides an actuarial analysis to assist the committee in adopting the annual GET unit price. For 2020-21, the committee adopted a unit price of \$131.

The payout value of a GET unit represents 1/100th of the actual resident, undergraduate tuition and state-mandated fees at Washington's most expensive public university. GET credits currently payout based on a \$11,076 tuition cost.

As of June 30, 2020, the present value of future obligations to the GET program was \$1.2 billion and the present value of the fund was \$1.6 billion. The program was 132 percent funded as of June 30, 2020.

Tuition Policy. In 2015, the Legislature adopted the College Affordability Act, which reduced resident undergraduate tuition in both the 2015-16 and 2016-17 academic years. For future years, tuition increases are limited to the tuition growth factor—the 14-year rolling average of Washington's median hourly wage. For the 2020-21 academic year, the tuition growth factor is 2.5 percent.

Summary of Bill: The GET committee must adopt a GET unit price of no more than 10 percent, plus administrative fees, above the current unit payout value if:

- the best estimate funded status of the program, as provided by the state actuary, exceeds 120 percent; and
- tuition and fee increases for the academic year immediately following the best estimate funded status do not exceed the 14-year rolling average of Washington's median hourly wage.

The GET committee must retroactively adjust GET accounts for units purchased at the 2020-21 unit price by providing additional units equivalent to the difference between the 2021 unit price and 2021 unit payout value, after the unit payout value is adjusted 10 percent above the current price, plus administrative fees.

Appropriation: None.

Fiscal Note: Requested on February 7, 2021.

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

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

Staff Summary of Public Testimony: PRO: This bill makes college more affordable without having any fiscal note from the general fund. The state investment board made the

investment strategy more conservative. An unintentional consequence of the policy choice was having the actuary recommend a higher GET unit price. So, this bill makes the unit price more closely related to what is happening with tuition policy. The GET account has a healthy reserve and I am confident that even with this policy it will remain well funded. Slowing the price growth of units will only benefit parents who are trying to save for college. Affordable college benefits our state and this improves access and outcomes for families in our state.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Samantha Cruz Mendoza, Associated Students of Washington State University.

Persons Signed In To Testify But Not Testifying: No one.