
SUBSTITUTE SENATE BILL 6508

State of Washington

54th Legislature

1996 Regular Session

By Senate Committee on Higher Education (originally sponsored by Senators McAuliffe, Bauer, Goings, Wood, Drew, Loveland, Prince, Sheldon, Hale, Snyder, Finkbeiner, Rinehart, West, Rasmussen, Winsley and Kohl)

Read first time 01/25/96.

1 AN ACT Relating to the advance college payment program; adding a
2 new section to chapter 28B.80 RCW; creating a new section; and making
3 an appropriation.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 28B.80 RCW
6 to read as follows:

7 In order to help make higher education affordable and accessible to
8 all citizens of the state of Washington, to maintain state institutions
9 of higher education by helping to provide a stable financial base to
10 these institutions, to provide the citizens of Washington with
11 financing assistance for higher education and protection against rising
12 tuition costs, to encourage saving to enhance the ability of Washington
13 citizens to obtain financial access to institutions of higher
14 education, to encourage elementary and secondary students of the state
15 to achieve academic excellence, and to promote a well-educated and
16 financially secure population to the ultimate benefit of all citizens
17 of the state of Washington, the advance college payment program is
18 established. The higher education coordinating board shall develop the
19 program to begin operation by July 1, 1998. Various programs are

1 currently operating in a number of states and should be studied for
2 their applicability to the state of Washington. Recommendations and
3 proposed legislation to implement the Washington advance college
4 payment program shall be submitted to the legislature by December 1,
5 1996. The program shall include, but not be limited to,
6 recommendations regarding the following issues:

7 (1) An examination of potential income tax and unrelated business
8 income tax consequences of establishing a program;

9 (2) Consideration of the impact of federal and state securities,
10 insurance, and annuity laws on the sale of advance college payment
11 contracts;

12 (3) An examination of state constitutional issues raised by the
13 establishment of an advance college payment program, including
14 limitations on state debt and prohibitions on gifts and loans of the
15 state's credit;

16 (4) A review of state and federal financial aid policies and a
17 determination of how such a program would impact present financial aid
18 programs and how the plan matches the state's present and projected
19 needs;

20 (5) An examination of the effect such a program would have on
21 tuition, enrollment, residency, and admission policies;

22 (6) An actuarial analysis examining program risks and potential
23 yields, computed over at least an eighteen-year horizon. This should
24 include consideration of investment policy and participation rates
25 necessary for maintaining an actuarially sound program;

26 (7) Consideration of who should bear the risk and pay the
27 difference if tuition costs increase faster than interest earnings or
28 interest earnings are lower than expected and cannot cover tuition.
29 This shall include an examination of how purchasers can be protected
30 from investment shortfalls and the means by which the state can reduce
31 its liability and risk in case the program proves to be actuarially
32 unsound; this shall be based on the assumption that an advance college
33 payment contract is a general obligation of the state of Washington and
34 shall contain a pledge of the full faith and credit of the state;

35 (8) Consideration of the amount, method, and timing of purchase and
36 use, withdrawal from the program, and refunds;

37 (9) A determination of how much it would cost to start up and
38 maintain an adequate program, including but not limited to staff,
39 equipment, travel, and advertising needs;

1 (10) Consideration of whether the plans should cover more than
2 undergraduate tuition costs, such as room and board, mandatory fees,
3 graduate tuition, books, materials, and fees. This shall include
4 consideration of potential state tax incentives and whether the program
5 should be limited to full-time or include part-time attendance;

6 (11) An examination of ways to involve independent institutions in
7 the program; and

8 (12) An examination of the portability of benefits across state
9 lines, including the effect on reciprocity and other agreements.

10 NEW SECTION. **Sec. 2.** The higher education coordinating board in
11 consultation with the state investment board, the state treasurer, the
12 state actuary, the office of financial management, private financial
13 institutions, and any other qualified party with experience in the
14 areas of accounting, actuary, risk management, or investment management
15 to assist with the development of the program in section 1 of this act.
16 Within existing appropriations, the state investment board, the state
17 treasurer, the state actuary, the office of financial management, and
18 any other state agency, including legislative staff, shall fully
19 cooperate with the higher education coordinating board in matters
20 relating to the development of the program.

21 NEW SECTION. **Sec. 3.** The sum of seventy thousand dollars, or as
22 much thereof as may be necessary, is appropriated from the general fund
23 to the higher education coordinating board for the biennium ending June
24 30, 1997, to carry out the purposes of this act.

--- END ---