

SENATE BILL REPORT

E2SHB 1372

As Reported By Senate Committee On:
Higher Education, March 25, 1997
Ways & Means, April 3, 1997

Title: An act relating to the Washington advanced college tuition payment program.

Brief Description: Creating the Washington advanced college tuition payment program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Carlson, Mason, Radcliff, O'Brien, Dunn, Kenney, Sheahan, Talcott, Hatfield, Schoesler, Mitchell, Costa, Cooper, Dickerson, Keiser, Wood and Kessler).

Brief History:

Committee Activity: Higher Education: 3/24/97, 3/25/97 [DPA-WM].
Ways & Means: 4/3/97 [DPA (HIE)].

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Wood, Chair; Winsley, Vice Chair; Bauer, Kohl and Patterson.

Staff: Jean Six (786-7423)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Higher Education.

Signed by Senators West, Chair; Deccio, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, McDonald, Rossi, Sheldon, Snyder, Spanel, Swecker, Thibaudeau and Winsley.

Staff: Michael Groesch (786-7434)

Background: The 1996 Legislature directed the Higher Education Coordinating Board to develop a proposed statute for a prepaid tuition and fee program in Washington. The budget provision stated:

A recommended program design and draft legislation shall be submitted to the Office of Financial Management by September 30, 1996, for consideration in the 1997 legislative session. The development of the program shall be conducted in consultation with the state's Investment Board, Office of the State Treasurer, Office of the State Actuary, the Office of Financial Management, private financial institutions, and other qualified parties with experience in the areas of accounting, actuary, risk management, or investment management.—

Fourteen states currently operate prepaid tuition programs. They are Alabama, Alaska, Colorado, Florida, Louisiana, Massachusetts, Michigan, Mississippi, Ohio, Pennsylvania, Tennessee, Texas, Virginia, and Wisconsin. The following states are considering programs: California, Maine, Maryland, Missouri, New York, Rhode Island, South Carolina, and Washington.

Summary of Amended Bill: Administration. The Washington Advanced College Tuition Payment Program is established. The program allows families to buy tuition units. The units are redeemable for future tuition at a Washington institution of higher education at no additional cost. Units redeemed out of state or for graduate programs are redeemed at the current weighted average tuition.

The governing body determines the cost of each unit and the redemption value at institutions of higher education. The number of units purchased may be limited by the governing body, but the limit cannot be less than four years at a state institution of higher education. The governing body may also limit the number of tuition units used in any one year; impose administrative fees; use advisory committees; consider advance payment for room and board contracts; consider a college savings program; purchase insurance; contract for services with state and non-state entities; employ persons to carry out the act; contract with financial consultants, actuaries, auditors; and solicit and accept cash donations and grants from any person or organization. All governing body activities related to the trust must maintain the actuarial soundness and integrity of the program.

The governing body determines conditions of transfer to other family members and publicize the program. The governing body may allow an organization to purchase tuition units for future scholarships. The governing body consults with the State Investment Board, the Office of the State Treasurer, the Office of the State Actuary, the Office of Financial Management, and institutions of higher education regarding operation of the program. After two years, the governing body recommends whether the program should stay with the governing body or be assigned to another state agency.

State Obligation. The governing body's contract is legally binding on the state. Tuition contract means a contract between the purchaser and the governing body. If the money in the account is insufficient to pay the state's obligation for a given biennium, the legislature shall appropriate to the account the amount necessary to cover such expenses.–

Advance College Tuition Payment Account. The account is created in the custody of the Office of the State Treasurer. All interest from the account must be deposited in the account. Payments from the account must be made to the institutions of higher education on behalf of the qualified beneficiaries.

The State Investment Board. The State Investment Board has power to invest, reinvest, manage, contract, sell, or exchange investment money in the account. The State Investment Board must consult and communicate with the governing body on the investment policy, earnings of the trust, and related needs of the program.

Accountability. The governing body must annually evaluate the program. If funds are inadequate, the governing body adjusts the price of subsequent tuition credit purchases to

ensure soundness. If there are insufficient purchases, the governing body must request such funds from the Legislature as required to ensure the integrity of the program.

Program Termination. If the state determines the program is not financially feasible or terminates the program, the governing body must stop accepting any contracts or purchases. The governing body will honor all tuition contracts for beneficiaries enrolled or within four years of graduation from a secondary school or for 10 fiscal years from the termination date. Other contract holders will receive a refund equal to the value of the current weighted average tuition unit. Excess funds are deposited in the general fund.

Refunds. If the beneficiary chooses not to attend college, the beneficiary receives 95 percent of the current weighted average tuition and fees in effect at that time. The refund is limited to 100 tuition units per year. The refund must be made 90 days after certification of non-attendance.

Upon death or disability of the beneficiary, the governing body refunds 100 percent of unused tuition units. If the student graduates or completes the academic program, the governing body refunds up to 100 percent of any remaining unused weighted average tuition units.

If the beneficiaries receive tuition and fee scholarships, the governing body refunds 100 percent of the current weighted average tuition unit. Incorrect or misleading information may result in a refund of the purchaser's investment.

Scholarship. The HECB is permitted to establish a corporate-sponsored scholarship fund.

Amended Bill Compared to Substitute Bill: The governing body is the Committee on Advanced Tuition Payment which administers the program. The committee membership is the chair of HECB, the State Treasurer, and the Director of OFM, or their designees.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This provides an opportunity for the economic middle class to plan for the future higher education of their children. The units will be available around Christmas time.

Testimony Against: None.

Testified: Rep. Don Carlson, prime sponsor; Donna Lawrence, PA Director, State Treasurer; Susan Patrick, HECB.