

FINAL BILL REPORT

E2SHB 1372

C 289 L 97

Synopsis as Enacted

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

Sponsors: By 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).

House Committee on Higher Education
House Committee on Appropriations
Senate Committee on Higher Education
Senate Committee on Ways & Means

Background: In general, prepaid higher education tuition programs permit families to purchase tuition units.— The units may then be redeemed in the future by a student beneficiary for tuition at an institution of higher education. The 1996 Legislature directed the Higher Education Coordinating Board to develop a proposed statute for a prepaid tuition and fee program in Washington.

Fourteen states currently operate prepaid tuition programs: 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, and South Carolina.

Summary: Creation of Program. The Washington Advanced College Tuition Payment Program is established. The program allows the purchase of tuition units that may be redeemed for future tuition at a Washington institution of higher education at no additional cost. Units redeemed out of state or for graduate programs will be redeemed at the current weighted average tuition.

To purchase units, an individual or organization enters into a contract with the Higher Education Coordinating Board (HECB) to buy tuition units for a beneficiary. The beneficiary must be named by the purchaser at the time the purchaser enters into the contract with the HECB and must be a Washington resident. Qualified organizations may purchase units for future scholarships. At the time of purchase, the HECB determines the number of units needed to pay a full year's full-time tuition and fee charges, and sets the number of tuition units that each purchase is worth.

Administration. The program is administered by a committee consisting of the state treasurer, the director of the Office of Financial Management, and the chair of the HECB, or these officers' designees. This governing body determines the cost of each unit and the redemption value at the institutions of higher education. The governing body may limit the number of units purchased on behalf of any one beneficiary, but the limit may not be less than the equivalent of four years of full-time undergraduate tuition at a state institution.

The governing body must administer the program in an actuarially sound manner to endure that amounts in the trust are sufficient to satisfy trust obligations, including administration. The governing body must publicize and promote the program.

In addition, the governing body may:

- limit the number of tuition units used in any one year;
- impose administrative fees;
- consider advance payment for room and board contracts;
- establish a corporate sponsored scholarship program fund;
- consider a college savings program;
- purchase insurance;
- determine conditions of transferring units to other family members;
- contract for services; and
- solicit and accept cash donations.

The governing body must consult 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 must recommend whether the program should continue to be administered by the governing body or be assigned to another state agency.

Account Created. The advance college tuition payment account is created in the custody of the state treasurer. The account retains its own interest earnings. The HECB authorizes expenditures from the account to institutions of higher education on behalf of the eligible beneficiaries of the program.

State Obligation. Contracts for the purchase of tuition units are legally binding on the state. If amounts in the advance college tuition payment account are insufficient to satisfy the state's obligation for a given biennium, the Legislature must appropriate to the account the amount necessary to cover those expenses.

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 must adjust 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 terminates the program or determines that the program is not financially feasible, the governing body must stop accepting any contracts or purchases. The governing body must 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 will be deposited in the general fund.

Refunds. If the beneficiary chooses not to attend college, the beneficiary will receive 95 percent of the weighted average tuition and fees in effect at that time. The refund is limited to 100 tuition units per year and 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 a beneficiary receives a tuition and fee scholarship, 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.

Votes on Final Passage:

House 96 0
Senate 42 4 (Senate amended)
House 90 1 (House concurred)

Effective: July 27, 1997