

ESB 6087 - H COMM AMD  
By Committee on Appropriations

NOT ADOPTED 03/07/2018

1 Strike everything after the enacting clause and insert the  
2 following:

3 "Sec. 1. RCW 28B.95.020 and 2016 c 69 s 2 are each amended to  
4 read as follows:

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

7 (1) "Academic year" means the regular nine-month, three-quarter,  
8 or two-semester period annually occurring between August 1st and July  
9 31st.

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

17 (3) "Advisor sold" means a channel through which a broker dealer,  
18 investment advisor, or other financial intermediary recommends the  
19 Washington college savings program established pursuant to RCW  
20 28B.95.010 to eligible investors and assists with the opening and  
21 servicing of individual college savings program accounts.

22 (4) "College savings program account" means the Washington  
23 college savings program account established pursuant to RCW  
24 (~~28B.95.010~~) 28B.95.085.

25 (5) "Committee on advanced tuition payment and college savings"  
26 or "committee" means a committee of the following members: The state  
27 treasurer, the director of the office of financial management, the  
28 director of the office, or their designees, and two members to be  
29 appointed by the governor, one representing program participants and  
30 one private business representative with marketing, public relations,  
31 or financial expertise.

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

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

10 (8) "Eligible beneficiary" means the person designated as the  
11 individual whose education expenses are to be paid from the advanced  
12 college tuition payment program or the college savings program.  
13 Qualified organizations, as allowed under section 529 of the federal  
14 internal revenue code, purchasing tuition unit contracts as future  
15 scholarships need not designate a beneficiary at the time of  
16 purchase.

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

21 (10) "Eligible purchaser" means an individual or organization  
22 that has entered into a tuition unit contract with the governing body  
23 for the purchase of tuition units in the advanced college tuition  
24 payment program for an eligible beneficiary, or that has entered into  
25 a participant college savings program account contract for an  
26 eligible beneficiary. The state of Washington may be an eligible  
27 purchaser for purposes of purchasing tuition units to be held for  
28 granting Washington college bound scholarships.

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

32 (12) "Governing body" means the committee empowered by the  
33 legislature to administer the Washington advanced college tuition  
34 payment program and the Washington college savings program.

35 (13) "Individual college savings program account" means the  
36 formal record of transactions relating to a Washington college  
37 savings program beneficiary.

38 (14) "Institution of higher education" means an institution that  
39 offers education beyond the secondary level and is recognized by the

1 internal revenue service under chapter 529 of the internal revenue  
2 code.

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

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

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

11 (18) "Owner" means the eligible purchaser or the purchaser's  
12 successor in interest who shall have the exclusive authority to make  
13 decisions with respect to the tuition unit contract or the individual  
14 college savings program contract. The owner has exclusive authority  
15 and responsibility to establish and change the asset investment  
16 options for a beneficiaries' individual college savings program  
17 account.

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

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

23 (21) "Tuition and fees" means undergraduate tuition and services  
24 and activities fees as defined in RCW 28B.15.020 and 28B.15.041  
25 rounded to the nearest whole dollar. For purposes of this chapter,  
26 services and activities fees do not include fees charged for the  
27 payment of bonds heretofore or hereafter issued for, or other  
28 indebtedness incurred to pay, all or part of the cost of acquiring,  
29 constructing, or installing any lands, buildings, or facilities.

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

36 (23) "Unit cash value price" means the total value of assets  
37 under management in the advanced college tuition payment program on a  
38 date to be determined by the committee, divided by the total number  
39 of outstanding credits purchased by eligible purchasers before July

1 1, 2015, and any outstanding credits accrued by eligible purchasers  
2 as a result of the July 2017 unit rebase.

3 (24) "Unit purchase price" means the minimum cost to purchase one  
4 tuition unit in the advanced college tuition payment program for an  
5 eligible beneficiary. Generally, the minimum purchase price is one  
6 percent of the undergraduate tuition and fees for the current year,  
7 rounded to the nearest whole dollar, adjusted for the costs of  
8 administration and adjusted to ensure the actuarial soundness of the  
9 account. The analysis for price setting shall also include, but not  
10 be limited to consideration of past and projected patterns of tuition  
11 increases, program liability, past and projected investment returns,  
12 and the need for a prudent stabilization reserve.

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

15 (1) The Washington advanced college tuition payment program shall  
16 be administered by the committee on advanced tuition payment which  
17 shall be chaired by the director of the office. The committee shall  
18 be supported by staff of the office.

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

25 (b) Each purchase shall be worth a specific number of or fraction  
26 of tuition units at each state institution of higher education as  
27 determined by the governing body, except as provided in subsections  
28 (7) and (8) of this section.

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

34 (d) The governing body may limit the number of tuition units  
35 purchased by any one purchaser or on behalf of any one beneficiary,  
36 however, no limit may be imposed that is less than that necessary to  
37 achieve four years of full-time, undergraduate tuition charges at a  
38 state institution of higher education. The governing body also may,

1 at its discretion, limit the number of participants, if needed, to  
2 ensure the actuarial soundness and integrity of the program.

3 (e) While the Washington advanced college tuition payment program  
4 is designed to help all citizens of the state of Washington, the  
5 governing body may determine residency requirements for eligible  
6 purchasers and eligible beneficiaries to ensure the actuarial  
7 soundness and integrity of the program.

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

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

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

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

22 (5) The governing body shall administer the Washington advanced  
23 college tuition payment program in a manner reasonably designed to be  
24 actuarially sound, such that the assets of the trust will be  
25 sufficient to defray the obligations of the trust including the costs  
26 of administration. The governing body may, at its discretion,  
27 discount the minimum purchase price for certain kinds of purchases  
28 such as those from families with young children, as long as the  
29 actuarial soundness of the account is not jeopardized.

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

32 (7) For the 2015-16 and 2016-17 academic years only, the  
33 governing body shall set the payout value for units redeemed during  
34 that academic year only at one hundred seventeen dollars and eighty-  
35 two cents per unit. For academic years after the 2016-17 academic  
36 year, the governing body shall make program adjustments it deems  
37 necessary and appropriate to ensure that the total payout value of  
38 each account on October 9, 2015, is not decreased or diluted as a  
39 result of the initial application of any changes in tuition under  
40 section 3, chapter 36, Laws of 2015 3rd sp. sess. In the event the

1 committee or governing body provides additional units under chapter  
2 36, Laws of 2015 3rd sp. sess., the committee and governing body  
3 shall also increase the maximum number of units that can be redeemed  
4 in any year to mitigate the reduction in available account value  
5 during any year as a result of chapter 36, Laws of 2015 3rd sp. sess.  
6 The governing body must notify holders of tuition units after the  
7 adjustment in this subsection is made and must include a statement  
8 concerning the adjustment.

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

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

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

26 (9)(a) After the governing body completes the requirements of  
27 subsection (8) of this section, the governing body shall adjust, by  
28 June 30, 2019, all unredeemed units purchased before July 1, 2015, as  
29 follows:

30 (i) First, the governing body shall take the difference between  
31 the average unit purchase price in each individual's account and the  
32 2016-17 unit payout value and increase the number of units in each  
33 individual's account by a number of units of equivalent total value  
34 at the 2017-18 unit purchase price, if the average unit purchase  
35 price is more than the 2016-17 unit payout value; and

36 (ii) Second, after (a)(i) of this subsection is completed, if the  
37 funded status of the Washington advanced college tuition payment  
38 program is above one hundred twenty-five percent as of the June 30,  
39 2018, guaranteed education tuition annual valuation report as  
40 determined by the state actuary, the governing body shall determine

1 the difference between the funded status of the program as a whole  
2 and a funded status of one hundred twenty-five percent, calculate the  
3 cash equivalent value above one hundred twenty-five percent funded  
4 status, and add additional units, at the 2016-17 unit payout value,  
5 in a proportion equal to each account holder's total unredeemed units  
6 purchased before July 1, 2015.

7 (b) For the purpose of this subsection (9), the governing body  
8 shall only include purchased and unredeemed units in a custom monthly  
9 contract.

10 (10) In any year that the funded status of the program, as  
11 determined by the guaranteed education tuition annual valuation  
12 report prepared by the state actuary, or its successor, falls below  
13 one hundred fifteen percent, the governing body shall impose an  
14 amortization fee of at least one dollar per every new unit purchased  
15 for every five percent below one hundred fifteen percent funded.

16 (11) The governing body shall promote, advertise, and publicize  
17 the Washington advanced college tuition payment program. Materials  
18 and online publications advertising the Washington advanced college  
19 tuition payment program shall include a disclaimer that the  
20 Washington advanced college tuition payment program's guarantee is  
21 that one hundred tuition units will equal one year of full-time,  
22 resident, undergraduate tuition at the most expensive state  
23 institution of higher education, and that if resident, undergraduate  
24 tuition is reduced, a tuition unit may lose monetary value.

25 ~~((+9))~~ (12) In addition to any other powers conferred by this  
26 chapter, the governing body may:

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

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

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

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

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

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

39 (g) Purchase insurance from insurers licensed to do business in  
40 the state, to provide for coverage against any loss in connection

1 with the account's property, assets, or activities or to further  
2 insure the value of the tuition units;

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

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

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

11 (k) Contract with financial consultants, actuaries, auditors, and  
12 other consultants as necessary to carry out its responsibilities  
13 under this chapter;

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

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

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

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

23 (a) ((a)) State-sponsored prepaid tuition plan to a state-  
24 sponsored college savings plan((τ));

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

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

29 (2) The committee shall report annually to the governor and the  
30 appropriate committees of the legislature on (a) the number of  
31 accounts that have been rolled into the Washington college savings  
32 program from out of state and (b) the number of accounts rolled out  
33 of the Washington college savings program to 529 plans into other  
34 states.

35 NEW SECTION. **Sec. 4.** This act is necessary for the immediate  
36 preservation of the public peace, health, or safety, or support of



1 the state government and its existing public institutions, and takes  
2 effect April 15, 2018."

3 Correct the title.

EFFECT: (1) Requires the Guaranteed Education Tuition (GET) Committee, by June 30, 2019, to adjust all unredeemed GET units purchased before July 1, 2015, after the option to roll over to the Washington College Savings program for the unit cash value price is completed, as follows:

(a) First, the GET Committee must take the difference of the average unit purchase price in each individual's account and the 2016-17 unit payout value and increase the number of units in each individual's account by a number of units of equivalent total value at the 2017-18 unit purchase price, if the average unit purchase price is more than the 2016-17 unit payout value; and

(b) Second, if the funded status of the GET program is above 125 percent as of the June 30, 2018, GET Actuarial Valuation Report (GAVR), the GET Committee must determine the difference between the funded status of the whole program and a funded status of 125 percent. Then the GET Committee must calculate the cash equivalent value above 125 percent funded status and add additional units at the 2016-17 unit payout value in a proportion equal to each account holder's total unredeemed units.

(2) Requires the GET Committee to charge an amortization fee of at least one dollar per every new unit purchased for every 5 percent below 115 percent funded, according to the annual GAVR.

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