

HOUSE BILL REPORT

SB 5430

As Reported by House Committee On:
College & Workforce Development

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:

College & Workforce Development: 3/22/21, 3/24/21 [DPA].

Brief Summary of Bill
(As Amended By Committee)

- Limits the price of a Guaranteed Education Tuition (GET) unit to no more than 10 percent above the current unit payout value if certain conditions are met.
- Requires adjustments for GET accounts for GET units purchased at the 2020-21 unit price.

HOUSE COMMITTEE ON COLLEGE & WORKFORCE DEVELOPMENT

Majority Report: Do pass as amended. Signed by 13 members: Representatives Slatter, Chair; Entenman, Vice Chair; Leavitt, Vice Chair; Chambers, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Chandler, Hansen, Hoff, Kraft, Paul, Pollet, Sells and Sutherland.

Staff: Megan Mulvihill (786-7304).

Background:

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.

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. The GET account values are measured in units. An individual can purchase a GET unit at a set price with a state-backed guarantee that the unit will be worth the same amount of tuition in the future, regardless of the actual price of tuition. Historically, 100 GET units have equaled one year of resident undergraduate tuition and state-mandated fees at the state's highest-priced public university. A GET account can be used at nearly any public or private college in the country. A GET account holder can buy between one and 800 units per beneficiary, and the account benefits from tax-free growth and withdrawals.

The GET program is administered by the GET committee and Washington Student Achievement Council (WSAC) staff. The GET committee is comprised of the state treasurer, the director of the Office of Financial Management, the executive director of the WSAC, and two citizen members. The GET fund is managed by the Washington State Investment Board. 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 the 2020-21 enrollment period, the committee adopted a unit price of \$133.

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. The 2020-21 GET unit payout is \$111.03 based on an annual tuition cost of \$11,103.

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 131 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 Amended Bill:

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

- the state actuary's best estimate of the funded status of the program exceeds 120 percent as of July 1 of each year; and
- tuition and fee increases for the academic year immediately following the July 1

estimate do not exceed the tuition growth factor.

For GET units purchased at the 2020-21 unit price, the GET Committee must provide additional units equivalent to the difference between the 2020-21 unit price and the 2020-21 unit payout value, after the unit payout value is adjusted 10 percent above the current price, including administrative fees.

Amended Bill Compared to Original Bill:

The amended bill made the 10 percent calculation inclusive of administrative fees for both the GET unit price cap and the 2020-21 price adjustment.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The goal is to make college more affordable for Washington families who chose to save using the GET program. It is a well-funded program. This year, the cost of a year's worth of GET units went from \$12,100 to \$13,300, whereas the actual cost of tuition was \$11,100. Tuition only increased \$300. The state actuary cannot assume the Legislature will always keep the current tuition policy and has to use larger tuition assumptions than what tuition growth has actually been. This proposal would increase the number of GET units for those who purchased units last year. It results in about an \$800 savings for someone who bought a year's worth of tuition.

(Opposed) None.

Persons Testifying: Senator Mullet, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.