

E2SSB 6601 - H COMM AMD
By Committee on Appropriations

ADOPTED 03/03/2016

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

3 "Sec. 1. RCW 28B.95.010 and 1997 c 289 s 1 are each amended to
4 read as follows:

5 (1) The Washington advanced college tuition payment program is
6 established to help make higher education affordable and accessible
7 to all citizens of the state of Washington by offering a savings
8 incentive that will protect purchasers and beneficiaries against
9 rising tuition costs. (~~The program is~~)

10 (2) Subject to the availability of amounts appropriated for this
11 specific purpose, the Washington college savings program is
12 established to provide an additional financial option for
13 individuals, organizations, and families to save for college.

14 (3) These programs are designed to encourage savings and enhance
15 the ability of Washington citizens to obtain financial access to
16 institutions of higher education. In addition, the programs
17 encourage(~~s~~) elementary and secondary school students to do well in
18 school as a means of preparing for and aspiring to higher education
19 attendance. (~~This program is~~) These programs are intended to
20 promote a well-educated and financially secure population to the
21 ultimate benefit of all citizens of the state of Washington.

22 **Sec. 2.** RCW 28B.95.020 and 2015 3rd sp.s. c 36 s 6 are each
23 amended to read as follows:

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

26 (1) "Academic year" means the regular nine-month, three-quarter,
27 or two-semester period annually occurring between August 1st and July
28 31st.

29 (2) "Account" means the Washington advanced college tuition
30 payment program account established for the deposit of all money
31 received by the office from eligible purchasers and interest earnings

1 on investments of funds in the account, as well as for all
2 expenditures on behalf of eligible beneficiaries for the redemption
3 of tuition units and for the development of any authorized college
4 savings program pursuant to RCW 28B.95.150.

5 (3) "Advisor sold" means a channel through which a broker dealer,
6 investment advisor, or other financial intermediary recommends the
7 Washington college savings program established pursuant to RCW
8 28B.95.010 to eligible investors and assists with the opening and
9 servicing of individual college savings program accounts.

10 (4) "College savings program account" means the Washington
11 college savings program account established pursuant to RCW
12 28B.95.010.

13 (5) "Committee on advanced tuition payment and college savings"
14 or "committee" means a committee of the following members: The state
15 treasurer, the director of the office of financial management, the
16 director of the office, or their designees, and two members to be
17 appointed by the governor, one representing program participants and
18 one private business representative with marketing, public relations,
19 or financial expertise.

20 ((+4)) (6) "Contractual obligation" means a legally binding
21 contract of the state with the purchaser and the beneficiary
22 establishing that purchases of tuition units in the advanced college
23 tuition payment program will be worth the same number of tuition
24 units at the time of redemption as they were worth at the time of the
25 purchase, except as provided in RCW 28B.95.030(7).

26 ((+5)) (7) "Dual credit fees" means any fees charged to a
27 student for participation in college in the high school under RCW
28 28A.600.290 or running start under RCW 28A.600.310.

29 ((+6)) (8) "Eligible beneficiary" means the person ((for whom
30 the tuition unit will be redeemed for attendance at an institution of
31 higher education, participation in college in the high school under
32 RCW 28A.600.290, or participation in running start under RCW
33 28A.600.310. The beneficiary is that person named by the purchaser at
34 the time that a tuition unit contract is accepted by the governing
35 body)) designated as the individual whose education expenses are to
36 be paid from the advanced college tuition payment program or the
37 college savings program. Qualified organizations, as allowed under
38 section 529 of the federal internal revenue code, purchasing tuition
39 unit contracts as future scholarships need not designate a
40 beneficiary at the time of purchase.

1 ~~((7))~~ (9) "Eligible contributor" means an individual or
2 organization that contributes money for the purchase of tuition
3 units, and for an individual college savings program account
4 established pursuant to this chapter for an eligible beneficiary.

5 (10) "Eligible purchaser" means an individual or organization
6 that has entered into a tuition unit contract with the governing body
7 for the purchase of tuition units in the advanced college tuition
8 payment program for an eligible beneficiary, or that has entered into
9 a participant college savings program account contract for an
10 eligible beneficiary. The state of Washington may be an eligible
11 purchaser for purposes of purchasing tuition units to be held for
12 granting Washington college bound scholarships.

13 ~~((8))~~ (11) "Full-time tuition charges" means resident tuition
14 charges at a state institution of higher education for enrollments
15 between ten credits and eighteen credit hours per academic term.

16 ~~((9))~~ (12) "Governing body" means the committee empowered by
17 the legislature to administer the Washington advanced college tuition
18 payment program and the Washington college savings program.

19 ~~((10))~~ (13) "Individual college savings program account" means
20 the formal record of transactions relating to a Washington college
21 savings program beneficiary.

22 (14) "Institution of higher education" means an institution that
23 offers education beyond the secondary level and is recognized by the
24 internal revenue service under chapter 529 of the internal revenue
25 code.

26 ~~((11))~~ (15) "Investment board" means the state investment board
27 as defined in chapter 43.33A RCW.

28 ~~((12))~~ (16) "Investment manager" means the state investment
29 board, another state, or any other entity as selected by the
30 governing body, including another college savings plan established
31 pursuant to section 529 of the internal revenue code.

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

34 ~~((13))~~ (18) "Owner" means the eligible purchaser or the
35 purchaser's successor in interest who shall have the exclusive
36 authority to make decisions with respect to the tuition unit contract
37 or the individual college savings program contract. The owner has
38 exclusive authority and responsibility to establish and change the
39 asset investment options for a beneficiaries' individual college
40 savings program account.

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

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

6 ~~((14))~~ (21) "Tuition and fees" means undergraduate tuition and
7 services and activities fees as defined in RCW 28B.15.020 and
8 28B.15.041 rounded to the nearest whole dollar. For purposes of this
9 chapter, services and activities fees do not include fees charged for
10 the payment of bonds heretofore or hereafter issued for, or other
11 indebtedness incurred to pay, all or part of the cost of acquiring,
12 constructing, or installing any lands, buildings, or facilities.

13 ~~((15))~~ (22) "Tuition unit contract" means a contract between an
14 eligible purchaser and the governing body, or a successor agency
15 appointed for administration of this chapter, for the purchase of
16 tuition units in the advanced college tuition payment program for a
17 specified beneficiary that may be redeemed at a later date for an
18 equal number of tuition units, except as provided in RCW
19 28B.95.030(7).

20 ~~((16))~~ (23) "Unit purchase price" means the minimum cost to
21 purchase one tuition unit in the advanced college tuition payment
22 program for an eligible beneficiary. Generally, the minimum purchase
23 price is one percent of the undergraduate tuition and fees for the
24 current year, rounded to the nearest whole dollar, adjusted for the
25 costs of administration and adjusted to ensure the actuarial
26 soundness of the account. The analysis for price setting shall also
27 include, but not be limited to consideration of past and projected
28 patterns of tuition increases, program liability, past and projected
29 investment returns, and the need for a prudent stabilization reserve.

30 **Sec. 3.** RCW 28B.95.025 and 2011 1st sp.s. c 11 s 169 are each
31 amended to read as follows:

32 The office shall maintain appropriate offices and employ and fix
33 compensation of such personnel as may be necessary to perform the
34 advanced college tuition payment program and the Washington college
35 savings program duties. The office shall consult with the governing
36 body on the selection, compensation, and other issues relating to the
37 employment of the program director. The positions are exempt from
38 classified service under chapter 41.06 RCW. The employees shall be
39 employees of the office.

1 **Sec. 4.** RCW 28B.95.030 and 2015 3rd sp.s. c 36 s 7 are each
2 amended to read as follows:

3 (1) The Washington advanced college tuition payment program shall
4 be administered by the committee on advanced tuition payment which
5 shall be chaired by the director of the office. The committee shall
6 be supported by staff of the office.

7 (2)(a) The Washington advanced college tuition payment program
8 shall consist of the sale of tuition units, which may be redeemed by
9 the beneficiary at a future date for an equal number of tuition units
10 regardless of any increase in the price of tuition, that may have
11 occurred in the interval, except as provided in subsection (7) of
12 this section.

13 (b) Each purchase shall be worth a specific number of or fraction
14 of tuition units at each state institution of higher education as
15 determined by the governing body, except as provided in subsection
16 (7) of this section.

17 (c) The number of tuition units necessary to pay for a full
18 year's, full-time undergraduate tuition and fee charges at a state
19 institution of higher education shall be set by the governing body at
20 the time a purchaser enters into a tuition unit contract, except as
21 provided in subsection (7) of this section.

22 (d) The governing body may limit the number of tuition units
23 purchased by any one purchaser or on behalf of any one beneficiary,
24 however, no limit may be imposed that is less than that necessary to
25 achieve four years of full-time, undergraduate tuition charges at a
26 state institution of higher education. The governing body also may,
27 at its discretion, limit the number of participants, if needed, to
28 ensure the actuarial soundness and integrity of the program.

29 (e) While the Washington advanced college tuition payment program
30 is designed to help all citizens of the state of Washington, the
31 governing body may determine residency requirements for eligible
32 purchasers and eligible beneficiaries to ensure the actuarial
33 soundness and integrity of the program.

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

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

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

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

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

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

19 (7) For the 2015-16 and 2016-17 academic years only, the
20 governing body shall set the payout value for units redeemed during
21 that academic year only at one hundred seventeen dollars and eighty-
22 two cents per unit. For academic years after the 2016-17 academic
23 year, the governing body shall make program adjustments it deems
24 necessary and appropriate to ensure that the total payout value of
25 each account on October 9, 2015, is not decreased or diluted as a
26 result of the initial application of any changes in tuition under
27 section 3, chapter 36, Laws of 2015 3rd sp. sess. In the event the
28 committee or governing body provides additional units under chapter
29 36, Laws of 2015 3rd sp. sess., the committee and governing body
30 shall also increase the maximum number of units that can be redeemed
31 in any year to mitigate the reduction in available account value
32 during any year as a result of chapter 36, Laws of 2015 3rd sp. sess.
33 The governing body must notify holders of tuition units after the
34 adjustment in this subsection is made and must include a statement
35 concerning the adjustment.

36 (8) The governing body shall promote, advertise, and publicize
37 the Washington advanced college tuition payment program. Materials
38 and online publications advertising the Washington advanced college
39 tuition payment program shall include a disclaimer that the
40 Washington advanced college tuition payment program's guarantee is

1 that one hundred tuition units will equal one year of full-time,
2 resident, undergraduate tuition at the most expensive state
3 institution of higher education, and that if resident, undergraduate
4 tuition is reduced, a tuition unit may lose monetary value.

5 (9) In addition to any other powers conferred by this chapter,
6 the governing body may:

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

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

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

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

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

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

19 (g) Purchase insurance from insurers licensed to do business in
20 the state, to provide for coverage against any loss in connection
21 with the account's property, assets, or activities or to further
22 insure the value of the tuition units;

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

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

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

31 (k) Contract with financial consultants, actuaries, auditors, and
32 other consultants as necessary to carry out its responsibilities
33 under this chapter;

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

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

38 NEW SECTION. Sec. 5. A new section is added to chapter 28B.95
39 RCW to read as follows:

1 (1) The Washington college savings program shall be administered
2 by the committee, which shall be chaired by the director of the
3 office. The committee shall be supported by staff of the office.

4 (2) The Washington college savings program shall consist of the
5 college savings program account and the individual college savings
6 program accounts, and shall allow an eligible purchaser to establish
7 an individual college savings program account for an eligible
8 beneficiary whereby the money in the account may be invested and used
9 for enrollment at any institution of higher education that is
10 recognized by the internal revenue service under chapter 529 of the
11 internal revenue code. Money in the account may also be used to pay
12 for dual credit fees.

13 (3) The Washington college savings program is open to eligible
14 purchasers and eligible beneficiaries who are residents or
15 nonresidents of Washington state.

16 (4) The Washington college savings program shall not require
17 eligible purchasers to make an initial minimum contribution in any
18 amount that exceeds twenty-five dollars when establishing a new
19 account.

20 (5) The committee may contract with other state or nonstate
21 entities that are authorized to do business in the state for the
22 investment of moneys in the college savings program, including other
23 college savings plans established pursuant to section 529 of the
24 internal revenue code. The investment of eligible contributors'
25 deposits may be in credit unions, savings and loan associations,
26 banks, mutual savings banks, purchase life insurance, shares of an
27 investment company, individual securities, fixed annuity contracts,
28 variable annuity contracts, any insurance company, other 529 plans,
29 or any investment company licensed to contract business in this
30 state.

31 (6) The governing body shall determine the conditions under which
32 control or the beneficiary of an individual college savings program
33 account may be transferred to another family member. In permitting
34 such transfers, the governing body may not allow the individual
35 college savings program account to be bought, sold, bartered, or
36 otherwise exchanged for goods and services by either the beneficiary
37 or the purchaser.

38 (7) The governing body shall promote, advertise, and publicize
39 the Washington college savings program.

1 (8) The governing body shall develop materials to educate
2 potential account owners and beneficiaries on (a) the differences
3 between the advanced college tuition payment program and the
4 Washington college savings program, and (b) how the two programs can
5 complement each other to save towards the full cost of attending
6 college.

7 (9) In addition to any other powers conferred by this chapter,
8 the governing body may:

9 (a) Impose limits on the amount of contributions that may be made
10 on behalf of any eligible beneficiary;

11 (b) Determine and set age limits and any time limits for the use
12 of benefits under this chapter;

13 (c) Establish incentives to encourage participation in the
14 Washington college savings program to include but not be limited to
15 entering into agreements with any public or private employer under
16 which an employee may agree to have a designated amount deducted in
17 each payroll period from the wages due the employee for the purpose
18 of making contributions to a participant college savings program
19 account;

20 (d) Impose and collect administrative fees and charges in
21 connection with any transaction under this chapter;

22 (e) Appoint and use advisory committees and the state actuary as
23 needed to provide program direction and guidance;

24 (f) Formulate and adopt all other policies and rules necessary
25 for the efficient administration of the program;

26 (g) Purchase insurance from insurers licensed to do business in
27 the state, to provide for coverage against any loss in connection
28 with the account's property, assets, or activities;

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

32 (i) Contract for the provision for all or part of the services
33 necessary for the management and operation of the Washington college
34 savings program with other state or nonstate entities authorized to
35 do business in the state for the investment of moneys;

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

38 (k) Contract with financial consultants, actuaries, auditors, and
39 other consultants as necessary to carry out its responsibilities
40 under this chapter;

1 (l) Review advisor sold 529 college savings plan programs used by
2 other states to supplement direct-sold channels, provide additional
3 program access and options, increase overall college savings by
4 residents, and if deemed appropriate, establish an advisor sold
5 option for the Washington college savings program;

6 (m) Solicit and accept gifts, bequests, cash donations, and
7 grants from any person, governmental agency, private business, or
8 organization; and

9 (n) Perform all acts necessary and proper to carry out the duties
10 and responsibilities of the Washington college savings program under
11 this chapter.

12 (10) It is the intent of the legislature to establish policy
13 goals for the Washington college savings program. The policy goals
14 established under this section are deemed consistent with creating a
15 nationally competitive 529 savings plan. The Washington college
16 savings program should support achievement of these policy goals:

17 (a) Process: To have an investment manager design a thoughtful,
18 well-diversified glide path for age-based portfolios and offer a
19 robust suite of investment options;

20 (b) People: To have a well-resourced, talented, and long-tenured
21 investment manager;

22 (c) Parent: To demonstrate that the committee is a good caretaker
23 of college savers' capital and can manage the plan professionally;

24 (d) Performance: To demonstrate that the program's options have
25 earned their keep with solid risk-adjusted returns over relevant time
26 periods; and

27 (e) Price: To demonstrate that the investment options are a good
28 value.

29 (11) The powers, duties, and functions of the Washington college
30 savings program must be performed in a manner consistent with the
31 policy goals in subsection (10) of this section.

32 (12) The policy goals in this section are intended to be the
33 basis for establishing detailed and measurable objectives and related
34 performance measures.

35 (13) It is the intent of the legislature that the committee
36 establish objectives and performance measures for the investment
37 manager to progress toward the attainment of the policy goals in
38 subsection (10) of this section. The committee shall submit
39 objectives and performance measures to the legislature for its review
40 and shall provide an updated report on the objectives and measures

1 before the regular session of the legislature during even-numbered
2 years thereafter.

3 NEW SECTION. **Sec. 6.** A new section is added to chapter 28B.95
4 RCW to read as follows:

5 (1) The committee shall create an expedited process by which
6 owners can complete a direct rollover of a 529 account from (a) a
7 state-sponsored prepaid tuition plan to a state-sponsored college
8 savings plan, (b) a state-sponsored college savings plan to a state-
9 sponsored prepaid tuition plan, or (c) a state-sponsored prepaid
10 tuition plan or a state-sponsored college savings plan to an out-of-
11 state eligible 529 plan.

12 (2) The committee shall report annually to the governor and the
13 appropriate committees of the legislature on (a) the number of
14 accounts that have been rolled into the Washington college savings
15 program from out of state and (b) the number of accounts rolled out
16 of the Washington college savings program to 529 plans into other
17 states.

18 **Sec. 7.** RCW 28B.95.035 and 1998 c 69 s 3 are each amended to
19 read as follows:

20 No member of the committee is liable for the negligence, default,
21 or failure of any other person or members of the committee to perform
22 the duties of office and no member may be considered or held to be an
23 insurer of the funds or assets of any of the advanced college tuition
24 payment program or any of the Washington college savings program.

25 **Sec. 8.** RCW 28B.95.040 and 2011 1st sp.s. c 11 s 171 are each
26 amended to read as follows:

27 The governing body may, at its discretion, allow an organization
28 to purchase tuition units or establish savings plans for future use
29 as scholarships. Such organizations electing to purchase tuition
30 units or establish Washington college savings program accounts for
31 this purpose must enter into a contract with the governing body
32 which, at a minimum, ensures that the scholarship shall be freely
33 given by the purchaser to a scholarship recipient. For such
34 purchases, the purchaser need not name a beneficiary until four
35 months before the date when the tuition units are first expected to
36 be used.

1 The governing body shall formulate and adopt such rules as are
2 necessary to determine which organizations may qualify to purchase
3 tuition units or establish Washington college savings program
4 accounts for scholarships under this section. The governing body also
5 may consider additional rules for the use of tuition units or
6 Washington college savings program accounts if purchased as
7 scholarships.

8 The governing body may establish a scholarship fund with moneys
9 from the Washington advanced college tuition payment program account.
10 A scholarship fund established under this authority shall be
11 administered by the office and shall be provided to students who
12 demonstrate financial need. Financial need is not a criterion that
13 any other organization need consider when using tuition units as
14 scholarships. The office also may establish its own corporate-
15 sponsored scholarship fund under this chapter.

16 NEW SECTION. **Sec. 9.** A new section is added to chapter 28B.95
17 RCW to read as follows:

18 (1) The Washington college savings program account is created in
19 the custody of the state treasurer. The account shall be a discrete
20 nontreasury account retaining its interest earnings in accordance
21 with RCW 43.79A.040.

22 (2) The governing body shall deposit in the account all moneys
23 received for the program. The account shall be self-sustaining and
24 consist of payments received for the purposes of college savings for
25 the beneficiary. With the exception of investment and operating costs
26 associated with the investment of money by a nonstate entity or paid
27 under RCW 43.08.190, 43.33A.160, and 43.84.160, the account shall be
28 credited with all investment income earned by the account.
29 Disbursements from the account are exempt from appropriations and the
30 allotment provisions of chapter 43.88 RCW. Money used for program
31 administration is subject to the allotment of all expenditures.
32 However, an appropriation is not required for such expenditures.
33 Program administration includes, but is not limited to: The salaries
34 and expenses of the Washington college savings program personnel
35 including lease payments, travel, and goods and services necessary
36 for program operation; contracts for Washington college savings
37 program promotion and advertisement, audits, and account management;
38 and other general costs of conducting the business of the Washington
39 college savings program.

1 (3) The account is authorized to maintain a cash deficit in the
2 account for a period no more than five fiscal years to defray its
3 initial program administration costs. By December 31, 2017, the
4 governing body shall establish a program administration spending plan
5 and a fee schedule to discharge any projected cash deficit to the
6 account. The legislature may make appropriations into the account for
7 the purpose of reducing program administration costs.

8 (4) The assets of the account may be spent without appropriation
9 for the purpose of making payments to institutions of higher
10 education on behalf of the qualified beneficiaries, making refunds,
11 transfers, or direct payments upon the termination of the Washington
12 college savings program. Disbursements from the account shall be made
13 only on the authorization of the governing body.

14 (5) With regard to the assets of the account, the state acts in a
15 fiduciary, not ownership, capacity. Therefore the assets of the
16 program are not considered state money, common cash, or revenue to
17 the state.

18 **Sec. 10.** RCW 28B.95.080 and 2011 1st sp.s. c 12 s 3 are each
19 amended to read as follows:

20 The governing body shall annually evaluate, and cause to be
21 evaluated by the state actuary, the soundness of the advanced college
22 tuition payment program account and determine the additional assets
23 needed, if any, to defray the obligations of the account. The
24 governing body may, at its discretion, consult with a nationally
25 recognized actuary for periodic assessments of the account.

26 If funds are determined by the governing body, based on actuarial
27 analysis to be insufficient to ensure the actuarial soundness of the
28 account, the governing body shall adjust the price of subsequent
29 tuition credit purchases to ensure its soundness.

30 If there are insufficient numbers of new purchases to ensure the
31 actuarial soundness of the account, the governing body shall request
32 such funds from the legislature as are required to ensure the
33 integrity of the program. Funds may be appropriated directly to the
34 account or appropriated under the condition that they be repaid at a
35 later date. The repayment shall be made at such time that the account
36 is again determined to be actuarially sound.

37 NEW SECTION. **Sec. 11.** A new section is added to chapter 28B.95
38 RCW to read as follows:

1 The governing body shall begin and continue to accept
2 applications for new tuition unit contracts and authorize the sale of
3 new tuition units by July 1, 2017. Upon reopening the advanced
4 college tuition payment program, in any year in which the total
5 annual sale of tuition units is below five hundred thousand, the
6 governing body shall determine how to reinvigorate the advanced
7 college tuition payment program to incentivize Washingtonians to
8 enter into tuition unit contracts and purchase tuition units.

9 **Sec. 12.** RCW 28B.95.090 and 2005 c 272 s 3 are each amended to
10 read as follows:

11 (1) In the event that the ((state)) legislature determines that
12 the advanced college tuition payment program is not financially
13 feasible, or for any other reason, the ((state)) legislature may
14 declare the discontinuance of the program. At the time of such
15 declaration, the governing body will cease to accept any further
16 tuition unit contracts or purchases.

17 (2) The remaining tuition units for all beneficiaries who have
18 either enrolled in higher education or who are within four years of
19 graduation from a secondary school shall be honored until such
20 tuition units have been exhausted, or for ten fiscal years from the
21 date that the program has been discontinued, whichever comes first.
22 All other contract holders shall receive a refund equal to the value
23 of the current tuition units in effect at the time that the program
24 was declared discontinued.

25 (3) At the end of the ten-year period, any tuition units
26 remaining unused by currently active beneficiaries enrolled in higher
27 education shall be refunded at the value of the current tuition unit
28 in effect at the end of that ten-year period.

29 (4) At the end of the ten-year period, all other funds remaining
30 in the account not needed to make refunds or to pay for
31 administrative costs shall be deposited to the state general fund.

32 (5) The governing body may make refunds under other exceptional
33 circumstances as it deems fit, however, no tuition units may be
34 honored after the end of the tenth fiscal year following the
35 declaration of discontinuance of the program.

36 NEW SECTION. **Sec. 13.** A new section is added to chapter 28B.95
37 RCW to read as follows:

1 (1) The investment manager has the full power to invest,
2 reinvest, manage, contract, sell, or exchange investment money in the
3 Washington college savings program without limitation as to the
4 amount pursuant to RCW 43.84.150 and 43.33A.140. All investment and
5 operating costs associated with the investment of money must be paid
6 to the investment manager as allowed by RCW 43.33A.160 and 43.84.160.
7 With the exception of these expenses and the administrative costs
8 authorized in sections 5 and 9 of this act, one hundred percent of
9 all earnings from investments accrue directly to the owner of the
10 individual college savings program account.

11 (2) The governing body may allow owners to self-direct the
12 investment of moneys in individual college savings program accounts
13 through the selection of investment options. The governing body may
14 provide plans that it deems are in the interests of the owners and
15 beneficiaries.

16 (a) The investment manager, after consultation with the governing
17 body, shall provide a set of options for owners to choose from for
18 investment of individual college savings program account
19 contributions, including an age-based investment option.

20 (b) The investment manager has the full authority to invest
21 moneys pursuant to the investment directions of the owner of a self-
22 directed individual college savings program account.

23 (3) Annually on each December 1st, the committee shall report to
24 the governor and the appropriate committees of the legislature
25 regarding the total fees charged to each investment option offered in
26 the Washington college savings program. It is the intent of the
27 legislature that fees charged to the owner not exceed one-half of one
28 percent for any investment option on an annual basis. Beginning
29 January 1, 2018, fees charged to the owner may not exceed one-half of
30 one percent for any investment option on an annual basis.

31 (4) In the next succeeding legislative session following receipt
32 of a report required under subsection (3) of this section, the
33 appropriate committees of the legislature shall review the report and
34 consider whether any legislative action is necessary with respect to
35 the investment option with fees that exceed one-half of one percent,
36 including but not limited to consideration of whether any legislative
37 action is necessary with respect to reducing the fees and expenses
38 associated with the underlying investment option. With the exception
39 of fees associated with the administration of the program authorized
40 in sections 5 and 9 of this act, all moneys in the college savings

1 program account, all property and rights purchased with the account,
2 and all income attributable to the account, shall be held in trust
3 for the exclusive benefit of the owners and their eligible
4 beneficiaries.

5 (5) All investments made by the investment manager shall be made
6 with the exercise of that degree of judgment and care expressed in
7 chapter 43.33A RCW.

8 (6) As deemed appropriate by the investment manager, money in the
9 Washington college savings program account may be commingled for
10 investment with other funds subject to investment by the investment
11 manager.

12 (7) The authority to establish all policies relating to the
13 Washington college savings program and the Washington college savings
14 program account, other than investment policies resides with the
15 governing body. With the exception of expenses of the investment
16 manager as provided in subsection (1) of this section, disbursements
17 from the Washington college savings program account shall be made
18 only on the authorization of the governing body or its designee, and
19 moneys in the account may be spent only for the purposes of the
20 Washington college savings program as specified in this chapter.

21 (8) The investment manager shall routinely consult and
22 communicate with the governing body on the investment policy,
23 earnings of the trust, and related needs of the Washington college
24 savings program.

25 **Sec. 14.** RCW 28B.95.100 and 2000 c 14 s 7 are each amended to
26 read as follows:

27 (1) The governing body, in planning and devising the advanced
28 college tuition payment program and the Washington college savings
29 program, shall consult with the investment board, the state
30 treasurer, the office of financial management, and the institutions
31 of higher education.

32 (2) The governing body may seek the assistance of the state
33 agencies named in subsection (1) of this section, private financial
34 institutions, and any other qualified party with experience in the
35 areas of accounting, actuary, risk management, or investment
36 management to assist with preparing an accounting of the programs and
37 ensuring the fiscal soundness of the advanced college tuition payment
38 program account and the Washington college savings program account.

1 (3) State agencies and public institutions of higher education
2 shall fully cooperate with the governing body in matters relating to
3 the programs in order to ensure the solvency of the advanced college
4 tuition payment account and the Washington college savings program
5 account and ability of the governing body to meet outstanding
6 commitments.

7 NEW SECTION. **Sec. 15.** A new section is added to chapter 28B.95
8 RCW to read as follows:

9 The intent of the Washington college savings program is to make
10 distributions from individual college savings program accounts for
11 beneficiaries' attendance at public or private institutions of higher
12 education. Federal penalties and taxes associated with 529 savings
13 plan refunds may apply to any refund issued by the Washington college
14 savings plan. Refunds shall be issued under specific conditions that
15 may include the following:

16 (1) Certification that the beneficiary, who is eighteen years of
17 age or older, will not attend a public or private institution of
18 higher education, will result in a refund not to exceed the current
19 value at the time of such certification. The refund shall be made no
20 sooner than ninety days after such certification, less any
21 administrative processing fees assessed by the governing body;

22 (2) If there is certification of the death or disability of the
23 beneficiary, the refund shall be equal to one hundred percent of the
24 current value at the time that such certification is submitted to the
25 governing body, less any administrative processing fees assessed by
26 the governing body;

27 (3) If there is certification by the student of graduation or
28 program completion, the refund shall be as great as one hundred
29 percent of the current value at the time that such certification is
30 submitted to the governing body, less any administrative processing
31 fees assessed by the governing body. The governing body may, at its
32 discretion, impose a penalty if needed to comply with federal tax
33 rules;

34 (4) If there is certification of other tuition and fee
35 scholarships that will cover the cost of tuition for the eligible
36 beneficiary, the refund may not exceed the value of the scholarship
37 or scholarships, less any administrative processing fees assessed by
38 the governing body;

1 (5) Incorrect or misleading information provided by the purchaser
2 or beneficiaries may result in a refund of the purchaser's and
3 contributors' contributions, less any administrative processing fees
4 assessed by the governing body. The value of the refund must not
5 exceed the actual dollar value of the purchaser's or contributors'
6 contributions; and

7 (6) The governing body may determine other circumstances
8 qualifying for refunds of remaining unused participant Washington
9 college savings program account balances and may determine the value
10 of that refund.

11 NEW SECTION. **Sec. 16.** A new section is added to chapter 28B.95
12 RCW to read as follows:

13 With regard to bankruptcy filings and enforcement of judgments
14 under Title 6 RCW, participant Washington college savings program
15 account deposits made more than two years before the date of filing
16 or judgment are considered excluded personal assets.

17 **Sec. 17.** RCW 28B.95.150 and 2012 c 198 s 16 are each amended to
18 read as follows:

19 (1) The committee may establish a college savings program. If
20 such a program is established, the college savings program shall be
21 established, in such form as may be determined by the committee, to
22 be a qualified state tuition program as defined by the internal
23 revenue service under section 529 of the internal revenue code, and
24 shall be administered in a manner consistent with the Washington
25 advanced college tuition payment program. The committee, in planning
26 and devising the program, shall consult with the state investment
27 board, the state treasurer, the state actuary, the legislative fiscal
28 and higher education committees, and the institutions of higher
29 education. The governing body may, at its discretion, consult with a
30 qualified actuarial consulting firm with appropriate expertise to
31 evaluate such plans for periodic assessments of the program.

32 (2) Up to two hundred thousand dollars of administrative fees
33 collected from guaranteed education tuition program participants may
34 be applied as a loan to fund the development and start-up of a
35 college savings program. This loan must be repaid with interest
36 before the conclusion of the biennium following the biennium in which
37 the committee draws funds for this purpose from the advanced college
38 tuition payment program account.

1 (3) The committee, after consultation with the state investment
2 board or other contracted investment manager, shall determine the
3 investment policies for the college savings program. Program
4 contributions may be invested by the state investment board, in which
5 case it and not the committee shall determine the investment policies
6 for the college savings program, or the committee may contract with
7 an investment company licensed to conduct business in this state to
8 do the investing. The committee shall keep or cause to be kept full
9 and adequate accounts and records of the assets of each individual
10 participant in the college savings program.

11 (4)(a) The governing body may elect to have the state investment
12 board serve as investment manager for the funds in the college
13 savings program. Members of the state investment board and its
14 officers and employees are not considered an insurer of the funds or
15 assets and are not liable for any action or inaction.

16 (b) Members of the state investment board and its officers and
17 employees are not liable to the state, to the fund, or to any other
18 person as a result of their activities as members, whether
19 ministerial or discretionary, except for willful dishonesty or
20 intentional violations of law. The state investment board in its
21 discretion may purchase liability insurance for members.

22 (c) If selected by the governing body to be the investment
23 manager, the state investment board retains all authority to
24 establish all investment policies relating to the investment of
25 college savings program moneys.

26 (d) The state investment board shall routinely consult and
27 communicate with the committee on the investment policy, earnings of
28 the accounts, and related needs of the college savings program.

29 (5) The owner has exclusive authority and responsibility to
30 establish and change the asset allocation for an individual
31 participant college savings program account.

32 (6) Neither the state nor any eligible educational institution
33 may be considered or held to be an insurer of the funds or assets of
34 the individual participant accounts in the college savings program
35 created under this section nor may any such entity be held liable for
36 any shortage of funds in the event that balances in the individual
37 participant accounts are insufficient to meet the educational
38 expenses of the institution chosen by the student for which the
39 individual participant account was intended.

1 (~~(5)~~) (7) The committee shall adopt rules to implement this
2 section. Such rules shall include but not be limited to
3 administration, investment management, recordkeeping, promotion, and
4 marketing; compliance with internal revenue service standards and
5 applicable securities regulations; application procedures and fees;
6 start-up costs; phasing in the savings program and withdrawals
7 therefrom; deterrents to early withdrawals and provisions for
8 hardship withdrawals; and reenrollment in the savings program after
9 withdrawal.

10 (~~(6)~~) (8) The committee may, at its discretion, determine to
11 cease operation of the college savings program if it determines the
12 continuation is not in the best interest of the state. The committee
13 shall adopt rules to implement this section addressing the orderly
14 distribution of assets.

15 **Sec. 18.** RCW 28B.95.900 and 1997 c 289 s 11 are each amended to
16 read as follows:

17 This chapter shall not be construed as a promise that any
18 beneficiary shall be granted admission to any institution of higher
19 education, will earn any specific or minimum number of academic
20 credits, or will graduate from any such institution. In addition,
21 this chapter shall not be construed as a promise of either course or
22 program availability.

23 Participation in (~~this~~) the advanced college tuition payment
24 program or the Washington college savings program does not guarantee
25 an eligible beneficiary the right to resident tuition and fees. To
26 qualify for resident and respective tuition subsidies, the eligible
27 beneficiary must meet the applicable provisions of RCW 28B.15.011
28 through 28B.15.015.

29 This chapter shall not be construed to imply that the redemption
30 of tuition units in the advanced college tuition payment program
31 shall be equal to any value greater than the undergraduate tuition
32 and services and activities fees at a state institution of higher
33 education as computed under this chapter. Eligible beneficiaries will
34 be responsible for payment of any other fee that does not qualify as
35 a services and activities fee including, but not limited to, any
36 expenses for tuition surcharges, tuition overload fees, laboratory
37 fees, equipment fees, book fees, rental fees, room and board charges,
38 or fines.

1 **Sec. 19.** RCW 43.33A.135 and 2010 1st sp.s. c 7 s 36 are each
2 amended to read as follows:

3 The state investment board has the full power to establish
4 investment policy, develop participant investment options, and manage
5 investment funds for the college savings program, if the committee on
6 advanced tuition payment and college savings selects the state
7 investment board as the investment manager pursuant to section 5 of
8 this act, and for the state deferred compensation plan, consistent
9 with the provisions of RCW 41.50.770 and 41.50.780. The board may
10 continue to offer the investment options provided as of June 11,
11 1998, until the board establishes a deferred compensation plan
12 investment policy and adopts new investment options after considering
13 the recommendations of the department of retirement systems.

14 **Sec. 20.** RCW 43.33A.190 and 2000 c 247 s 701 are each amended to
15 read as follows:

16 (~~Pursuant to RCW 41.34.130,~~) The state investment board shall
17 invest all self-directed investment moneys under teachers' retirement
18 system plan 3, the school employees' retirement system plan 3, and
19 the public employees' retirement system plan 3 pursuant to RCW
20 41.34.130 and under the college savings program, if the committee on
21 advanced tuition payment and college savings selects the state
22 investment board as the investment manager pursuant to section 5 of
23 this act, with full power to establish investment policy, develop
24 investment options, and manage self-directed investment funds.

25 **Sec. 21.** RCW 43.79A.040 and 2013 c 251 s 5 and 2013 c 88 s 1 are
26 each reenacted and amended to read as follows:

27 (1) Money in the treasurer's trust fund may be deposited,
28 invested, and reinvested by the state treasurer in accordance with
29 RCW 43.84.080 in the same manner and to the same extent as if the
30 money were in the state treasury, and may be commingled with moneys
31 in the state treasury for cash management and cash balance purposes.

32 (2) All income received from investment of the treasurer's trust
33 fund must be set aside in an account in the treasury trust fund to be
34 known as the investment income account.

35 (3) The investment income account may be utilized for the payment
36 of purchased banking services on behalf of treasurer's trust funds
37 including, but not limited to, depository, safekeeping, and
38 disbursement functions for the state treasurer or affected state

1 agencies. The investment income account is subject in all respects to
2 chapter 43.88 RCW, but no appropriation is required for payments to
3 financial institutions. Payments must occur prior to distribution of
4 earnings set forth in subsection (4) of this section.

5 (4)(a) Monthly, the state treasurer must distribute the earnings
6 credited to the investment income account to the state general fund
7 except under (b), (c), and (d) of this subsection.

8 (b) The following accounts and funds must receive their
9 proportionate share of earnings based upon each account's or fund's
10 average daily balance for the period: The Washington promise
11 scholarship account, the Washington advanced college tuition payment
12 program account, the Washington college savings program account, the
13 accessible communities account, the community and technical college
14 innovation account, the agricultural local fund, the American Indian
15 scholarship endowment fund, the foster care scholarship endowment
16 fund, the foster care endowed scholarship trust fund, the contract
17 harvesting revolving account, the Washington state combined fund
18 drive account, the commemorative works account, the county enhanced
19 911 excise tax account, the toll collection account, the
20 developmental disabilities endowment trust fund, the energy account,
21 the fair fund, the family leave insurance account, the food animal
22 veterinarian conditional scholarship account, the fruit and vegetable
23 inspection account, the future teachers conditional scholarship
24 account, the game farm alternative account, the GET ready for math
25 and science scholarship account, the Washington global health
26 technologies and product development account, the grain inspection
27 revolving fund, the industrial insurance rainy day fund, the juvenile
28 accountability incentive account, the law enforcement officers' and
29 firefighters' plan 2 expense fund, the local tourism promotion
30 account, the multiagency permitting team account, the pilotage
31 account, the produce railcar pool account, the regional
32 transportation investment district account, the rural rehabilitation
33 account, the stadium and exhibition center account, the youth
34 athletic facility account, the self-insurance revolving fund, the
35 children's trust fund, the Washington horse racing commission
36 Washington bred owners' bonus fund and breeder awards account, the
37 Washington horse racing commission class C purse fund account, the
38 individual development account program account, the Washington horse
39 racing commission operating account, the life sciences discovery
40 fund, the Washington state heritage center account, the reduced

1 cigarette ignition propensity account, the center for childhood
2 deafness and hearing loss account, the school for the blind account,
3 the Millerssylvania park trust fund, the public employees' and
4 retirees' insurance reserve fund, and the radiation perpetual
5 maintenance fund.

6 (c) The following accounts and funds must receive eighty percent
7 of their proportionate share of earnings based upon each account's or
8 fund's average daily balance for the period: The advanced right-of-
9 way revolving fund, the advanced environmental mitigation revolving
10 account, the federal narcotics asset forfeitures account, the high
11 occupancy vehicle account, the local rail service assistance account,
12 and the miscellaneous transportation programs account.

13 (d) Any state agency that has independent authority over accounts
14 or funds not statutorily required to be held in the custody of the
15 state treasurer that deposits funds into a fund or account in the
16 custody of the state treasurer pursuant to an agreement with the
17 office of the state treasurer shall receive its proportionate share
18 of earnings based upon each account's or fund's average daily balance
19 for the period.

20 (5) In conformance with Article II, section 37 of the state
21 Constitution, no trust accounts or funds shall be allocated earnings
22 without the specific affirmative directive of this section.

23 NEW SECTION. **Sec. 22.** If specific funding for the purposes of
24 this act, referencing this act by bill or chapter number, is not
25 provided by June 30, 2016, in the omnibus appropriations act, this
26 act is null and void."

27 Correct the title.

EFFECT: Requires the Committee on Advanced Tuition Payment and
College Savings (Committee) to begin and continue to accept
applications for new tuition unit contracts and authorize the sale of
new tuition units by July 1, 2017.

Requires the Committee to determine how to reinvigorate the
Advanced College Tuition Payment Program, more commonly known as the
Guaranteed Education Tuition (GET) program, in any year in which the
total annual sales of tuition units is below 500,000.

Changes the authority to discontinue the GET Program from the
"governing body" to the "legislature" if the program is deemed not
financially feasible.

Clarifies that federal penalties and taxes associated with 529
college savings plan refunds would apply to any refund issued by the
Committee, rather than just a refund in which a beneficiary 18 years

of age or older certifies that he or she will not attend an institution of higher education.

Clarifies that if certification of other tuition and fee scholarships that cover the cost of tuition for the eligible beneficiary is presented, the refund issued may not exceed the value of the scholarship or scholarships, less any administrative fees, rather than 100 percent of the current value of the account at the time of the refund request.

Requires the State Investment Board to be selected by the Committee to be the investment manager for the Washington College Savings Program (program) in order to have full power to establish investment policies, investment options, and manage investments for the program.

Adds a definition of "advisor sold" to the Washington College Savings Program (program) to mean a channel through which a broker dealer, investment advisor, or other financial intermediary recommends the program to eligible investors and assists with the opening and servicing of individual college savings program accounts.

Permits the governing body of the program to establish an advisor sold option for the program if deemed appropriate after reviewing other advisor sold 529 college savings programs.

Requires any materials or online publications advertising the Guaranteed Education Tuition (GET) program to include a disclaimer stating that the guarantee is that 100 tuition units will be equal to one year of full-time, resident, undergraduate tuition at the most expensive state institution of higher education, and that if resident, undergraduate tuition is decreased, a tuition unit may lose monetary value.

Requires the governing body of the Washington College Savings Program to include an age-based investment option for individual college savings program account owners.

Limits the investment fees charged to the owner of an individual college savings program account to no more than one-half of 1 percent on an annual basis beginning January 1, 2018.

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