The Guaranteed Education Tuition (GET) Program

Program Options and Analysis

Report to the Governor and Legislature
of the State of Washington

October 2011

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The Washington Higher Education Coordinating Board administers the GET Program while the Washington State Investment Board oversees its investments. The Committee on Advanced Tuition Payment, commonly referred to as the GET Committee, governs the program. The GET Committee is responsible for reviewing policies, pricing and investments.

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Senator Rodney Tom, Chair

Representative Ed Orcutt, Vice Chair

Representative Gary Alexander

Senator Lisa Brown

Representative Bob Hasegawa

Senator Mike Hewitt

Senator Andy Hill

Representative Chris Reykdal

The Legislative Advisory Committee was established by ESSB 5749 and directed to advise the GET Program. They are to advise the GET Committee and the State Actuary regarding program administration, including pricing guidelines, the unit price and the payout value.

GET Program Options and Analysis
Report to the Governor and Legislature

Table of Contents

October 1, 2011

GET Program Options and Analysis
Report to the Governor and Legislature

Executive Summary

The Guaranteed Education Tuition (GET) Program was established in 1998 to help Washington families save for their child's college education. By statute (RCW 28B.95.050), GET is a self-sustaining program administered by the Washington Higher Education Coordinating Board.

Oversight is provided by the Advanced College Tuition Payment Program Committee, also known as the GET Committee, which meets quarterly to review policies, pricing and investments. The Washington State Investment Board manages the GET fund, which on June 30, 2011 was valued at more than $1.9 billion.

This report fulfills a directive by the Washington State Legislature which was outlined in ESSB 5749 and signed into law on June 6, 2011. With assistance from the State Actuary, the GET Committee was directed to assess and report on the current financial solvency of GET, and determine if changes should be made for units purchased after September 1, 2011. The bill established a Legislative Advisory Committee to advise the Program.

Further direction in ESSB 5749 included examining and reporting on the:

a) Unit payout value;
b) Tuition unit price;
c) Enrollment period; and
d) Custom monthly contract.

This report is divided into four sections covering each of the above items and looks at the alternative program options that have been considered to address each concern. It provides a brief background for each area and, where appropriate, an analysis of GET account history since the program began.

The process involved sixteen (16) meetings between various members of the GET staff, the State Actuary, a legislative work group, and the GET Committee. An additional meeting was held September 7, 2011 with the new Legislative Advisory Committee.

The Advisory Committee reviewed all information presented but did not reach consensus on approving recommendations. The motion to affirm met with a 3-2 vote (3 were absent at the time of the vote) which was less than the five positive votes required by their adopted rules of procedure.

Research was conducted on the 135,000 GET accounts that have been opened since inception. Analysis was performed to assess the current and future financial solvency of GET as well as the financial implications for each of the Program options and Custom Monthly Plan adjustments under consideration.

Some of the findings of this report are:

- The current GET Program, with its guaranteed payout based on the highest, residential undergraduate tuition at a Washington State public university, is sustainable with a low risk of state liability as long as units are correctly priced. It continues to grow in popularity with Washington families.
- Opening a new program with a lowered payout may have a higher risk than maintaining the current Program. A new program could increase insolvency if, as a result, the number of long-term future purchasers were reduced.
- The Custom Monthly Plan, with a 7.5 percent finance charge, provides a steady flow of predictable income to the Program and is a valuable option for customers.
- The enrollment year, currently changed to November 1, 2011 – May 31, 2012, will receive continued review along with other emerging issues, such as differential tuition that is currently proposed by state universities.

This report was compiled by GET staff in cooperation with the State Actuary and members of the GET Committee. A Legislative work group, including additional representation from the Office of Financial Management, House Ways and Means, Senate Ways and Means, and the State Treasurer's Office, also contributed to the review and analysis provided in this report. Assistant Attorney General Terry Ryan was consulted on references to legal matters. Research was provided by GET staff and the State Actuary.

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GET Program Options and Analysis
Report to the Governor and Legislature

History of the GET Program

In 1997, the Legislature established the Guaranteed Education Tuition Program (GET) to, "help make higher education affordable and accessible to the citizens of the state of Washington, by offering a savings incentive that will protect purchasers and beneficiaries against rising tuition costs." Their objective was to encourage savings and make higher education financially accessible, thereby promoting a well-educated and financially secure population through the availability of a guaranteed savings option.

RCW 28B.95.050 established GET as a 529 prepaid tuition program. Such programs are named after Section 529 of the Internal Revenue Code, which specifies investments that offer tax-deferred growth and tax-free withdrawals for qualified higher education expenses.

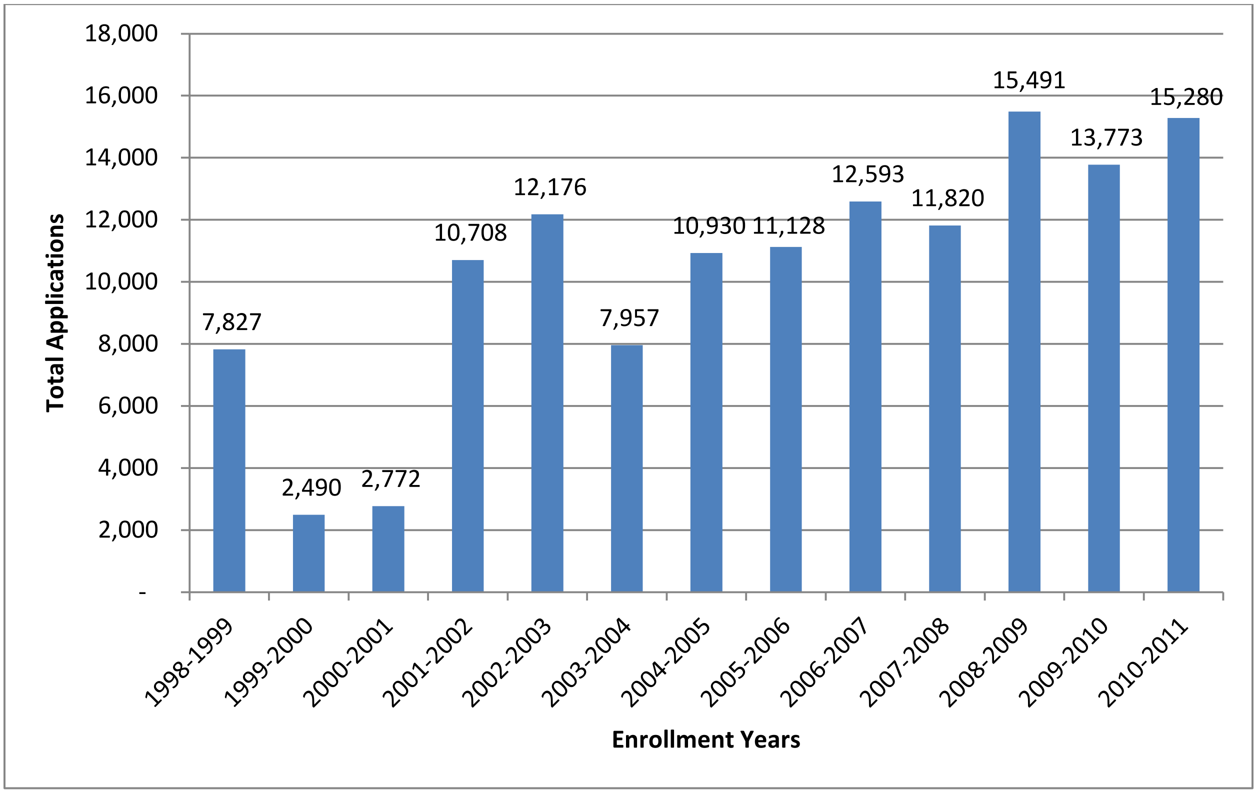
Account owners may purchase up to five years of tuition, or 500 units per student, where 100 units are valued at one year of resident, undergraduate tuition and state-mandated fees at the highest-priced public university in the state of Washington.

Units are purchased at the current price, then guaranteed to increase in value at the same pace as tuition. The cost of each unit includes a premium over current tuition to account for the estimated cost of future tuition, the projected investment returns on the GET fund, administrative costs, and a reserve to assure the fund's stability.

Units may be purchased in whole or fractional amounts, and may be used to pay for any qualified higher education expense. Qualified expenses are guided by IRS Publication 970, and generally include room/board, tuition and fees, books, supplies and equipment, as required for enrollment or attendance.

The Program's primary benefit is the guarantee that GET accounts will keep pace with rising tuition. Since inception, Washington residents have opened more than 135,000 accounts and contributed more than $1.6 billion towards their child's or grandchild's college education. GET has helped more than 22,000 students fund their higher education with distributions in excess of $254 million.

Figure 1
Total Annual Enrollments



A GET account may be opened for anyone as long as either the purchaser or the student beneficiary is a Washington State resident at the time the account is opened. GET units must be held for at least two years before use.

Purchasers reside in every county of the state. The average account holds 170 units and was established for a child at the average of 7.33 years of age. Approximately 32 percent of accounts are opened for elementary school age children, and 27 percent are opened for infants or preschoolers. Accounts are primarily opened by parents (80%) and grandparents (11%).

Purchasers have the option of a Lump Sum (cash) purchase of tuition units or the use of a Custom Monthly Plan (installment purchase plan). Historically, about 70 percent of unit purchases are Lump Sum, and 30 percent are Custom Monthly Plan purchases. For those families using the Custom Monthly Plan, the most commonly selected payment period is 10 years.

Table 1
GET Program Since Inception*

Total number of accounts	134,999
Total # of Custom Monthly units	6,275,531
Total # of Lump Sum units	20,061,383
Total units purchased	26,336,914
Total contract-related payments received	$1,681,726,134
Future Custom Monthly payments due	$372,758,957
Total fund balance	$1.82 billion
Total benefits paid out to students	$250, 627,401
Total number of students who have used benefits	22,275

*As of August 31, 2011. The program began selling units in Fall 1998.

The intent of the GET Program has been to give middle income families a safe way to save for college. Higher income families may be able to pay for tuition as charged at the time of enrollment, or have other investments which have helped them to prepare for the cost of college. Lower income families may benefit from a number of programs established by the state over the years, such as College Bound, GEAR UP, State Need Grants and State Work Study.

Typically, middle income families fall between the boundaries of ample wealth and qualification for financial assistance. The GET Program has provided a safe way to save for college that is guaranteed to keep pace with the rising cost of tuition and may reduce the need for college loans. It offers flexible ways to contribute, and eliminates the worry of navigating the ups and downs of market-based investments. The Program has attracted savings from families of all income levels and from all counties in the State of Washington.

Program Options and Analysis

The GET fund's long-term stability – its ability to meet current and projected payouts without requiring an infusion of state funds – depends on three factors: 1) the price of tuition; 2) the rate of investment returns on the fund's corpus; 3) and the annual growth in unit sales.

Until the most recent recession, despite the stock market dip in 2000 and an unexpected tuition spike of 16 percent in 2002, these three factors have moved in relative harmony since the Program began. Unit pricing successfully balanced 1) predictable tuition increases averaging seven percent annually, with 2) relatively robust investment returns, and 3) a steady upward growth in total annual sales. As recently as 2008, the Program was fully funded with a 17 percent reserve.

However, in 2008-09, our most current recession presented additional challenges. The fund's investment returns dropped significantly along with the stock market, and a corresponding decline in state tax revenue forced the Legislature to authorize tuition increases up to 14 percent. Despite these developments, a state actuarial study done at that time deemed the fund to be solvent and recommended unit pricing adjustments to increase the program's stabilization reserve, making it more responsive to changes in funding status.

In 2011, the impact of a major policy change in tuition led legislators to express renewed concern about the long-term solvency of the program. Universities are now allowed relatively free reign in setting their tuition through 2015.

The central question has been whether the state is setting itself up for future liability if it continues to guarantee that GET units will cover the full cost of tuition and fees in the future. Legislators question whether the large tuition increases of recent years, and those predicted for the immediate future, will render the fund incapable of meeting its obligations.

A recent study of the fund by the State Actuary indicates that the Program remains financially solvent. Though GET's recent funded status has risen from 69.9 percent (June 30, 2010) to 80.3 percent (June 30, 2011), the remaining deficit is the focus of Program options designed to eliminate the risk of state money ever being necessary to pay unfunded contractual obligations. It should be noted that "funded status" refers to a scenario where all GET accounts would be redeemed for full value at one time. In fact, GET accounts are continually being opened for students who will attend college 10 to 15 years in the future.

If the Program were to discontinue selling units, however, income to offset these future obligations would stop. Funds are available to make payments to current purchasers for the next 13 years or so, but beyond that, questions remain. These questions have been reviewed and four approaches have been examined to address the future financial stability of the GET Program.

In considering these scenarios, it is important to note the interrelationship of GET unit pricing and the price of tuition. Over time, the GET Committee has increased unit pricing moderately to keep pace with tuition increases. The continually rising cost of tuition, coupled with the state guarantee, have prompted steadily increasing unit sales, which have in turn increased the fund's size and boosted its total investment return. This relatively stable and measured growth model is an ideal way to promote long-term stability.

However, if GET unit prices are forced to rise rapidly over an extended period to keep up with escalating tuition, the fund's stable growth model is challenged. It is not known at what point GET unit pricing might dampen demand – and by how much. It also is not known how this reduced demand would affect the Program's stability.

There are two policy documents that inform the public about the benefits and limitations of the GET Program. One is the statute (RCW 28B.95.050), and the other is the GET Program Master Agreement. The statute is state law, and the Master Agreement is a legally binding contract. The annual enrollment kit is another communication vehicle which describes and markets the program to potential customers.

While difficult questions may remain, there is considerable evidence to suggest that, over the long term, the fund is large enough, and demand is consistent enough, to weather a period of sharp tuition increases. As long as large tuition increases do not continue indefinitely and tuition units are appropriately priced, the GET Program's actuarial stability is expected to continue. The State Actuary's GET Program analysis is an integral part of the unit price setting addressed later in this report and is included as Appendix D.

GET Program Options

The following four scenarios, or options, were considered to address future enrollment and unit payout options. The issues and concerns for each are included in Table 2.

Table 2
GET Program Options

Options Considered	Issues and concerns
Option I: Terminate the Program This option has been suggested as a way of immediately reducing the state's liability.	Achieving this objective is inadvisable for several reasons: This option would require an immediate lump sum payout at the current payout value ($102.23/unit) to purchasers who are more than four years from using their benefits. Ongoing benefits would need to be paid for those who are within four years of using their benefits (and therefore qualify for payouts over a 10-year horizon). • If the Program were to be terminated in this fiscal year, this initial payout is estimated at $1.1 billion. • After the initial payout from the $1.9 billion assets in the GET fund, there would be $800 million left to pay ongoing benefits for purchasers who are within four years of using their units. To fully meet this obligation would require an estimated cash infusion from the state of $278 million. • GET administrative expenses are not included in the above calculations. Also, the estimated $278 million would increase if not paid in this fiscal year.

GET Program Options – (Table 2 cont.)

Options Considered	Issues and concerns
Option 2: Close enrollment to new participants	This alternative does not solve the current deficit problem (80 % funded status) due to the following: Without new participants, income would be limited to investment returns and some additional purchases from existing accounts. The state would need to appropriate funds as needed to cover the unfunded liability of the current program. Payments from the state to the Program would begin when the Program runs out of money to pay future student benefits, which the state is contractually required to pay. As of June 30, 2011, that date was estimated to be in 2024. Beginning in 2024, the annual cost to the state would start with 4 years of approximately $300 million annually, gradually declining each year until 2036. The total cash infusion over 13 years has been estimated at $2.2 billion. The contract with purchasers allows account holders who have opened accounts to continue to purchase up to 500 units (equal to 5 years of tuition) for each account. Since most accounts are not fully funded, there would be additional costs for these accounts.
Option 3: Establish a new program with a different payout value.	This option doesn't address how the Program recovers from the current unfunded liability, as noted in Option 2 above. The unfunded liability may not be able to be amortized forward to a new program. The Assistant Attorney General questions whether a legal and financial responsibility would occur by transferring to new customers with a lower program payout the unfunded liability from the initial GET Program. If the two programs were separate, payments from the state to the original GET Program would begin when the Program runs out of money to pay future student benefits, which it is contractually required to pay. As of June 30, 2011, that date was estimated to be in 2024. Beginning in 2024, the annual cost to the state would start with 4 years of approximately $300 million annually, gradually declining each year until 2036. The total cash infusion over 13 years has been estimated at $2.2 billion. There may be fewer units sold under a new program with a lower payout when compared to the original GET Program. Although purchaser behavior is difficult to predict, this has occurred at prepaid programs in other states making similar changes.
Option 4: Re-price GET units for the current GET Program Include amortization of deficit in future unit prices	This option provides the alternative to minimize the cost to the state. The Program remains open for new and existing participants. It includes a recovery plan which amortizes the unfunded liability in unit prices going forward. The State keeps its promise to provide a way to help Washington families save for college. Customers are likely to retain confidence in GET, and sales would continue, though they may be impacted by higher unit prices.

**Note: In all scenarios the Program policies and options would be continually reviewed as appropriate by the GET Committee, including the annual enrollment year dates and the structure of GET Custom Monthly Plans.*

GET Committee Decision

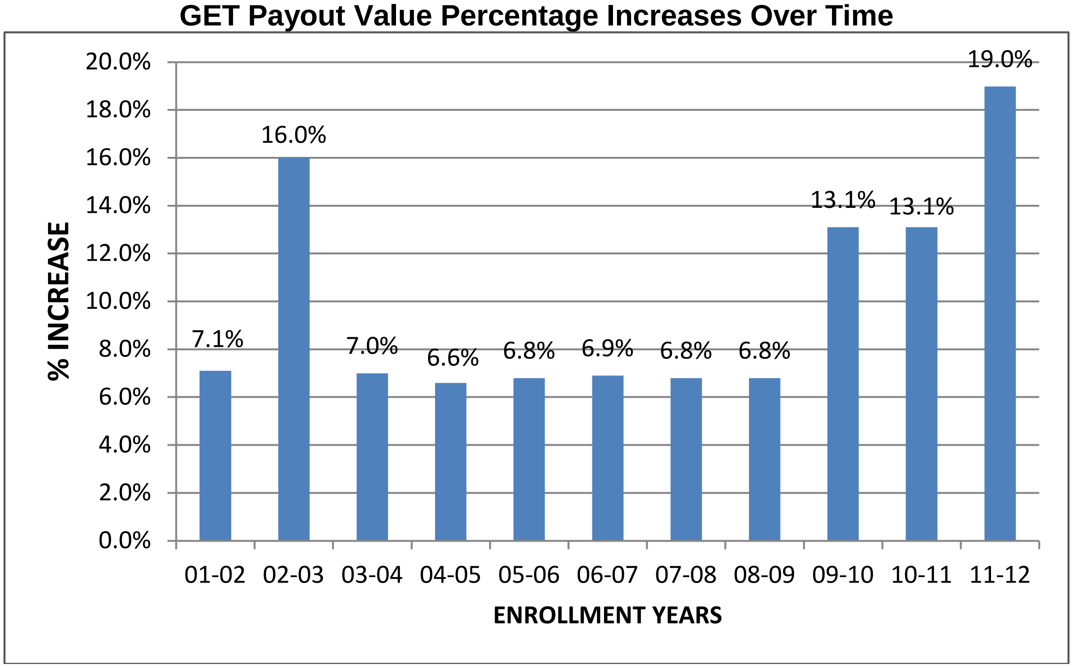
The current GET Program (Option 4) was determined by the GET Committee to be the most viable option for helping Washington families save for college. Of the options studied, it combines a strong benefit to customers with the least risk of needing money from the state to pay contractual obligations. By carefully structuring the unit price, and reviewing it annually, the Program should be able to manage the payout values over future years and still recover from any current unfunded liability.

Unit Payout Value

When GET was established by the Legislature, the GET Committee linked the payout value to the highest resident undergraduate tuition at a Washington public university. The payout value of a GET unit is established at the beginning of each academic year when the state public universities set their tuition rates. One GET unit represents 1/100th of the actual resident, undergraduate tuition and state-mandated fees at Washington's most expensive public university. This may be either University of Washington or Washington State University, whichever is highest in a particular year.

The tuition guiding GET's payout value has continually increased over time.

Figure 2
GET Payout Value Percentage Increases Over Time



As a result, GET's payout value has increased over time.

Figure 3
GET Payout Value Over Time

The current unit price is $163/unit, adopted by the GET Committee in September 2011. The current payout value is $102.23/unit. The unit purchase price is higher than the current payout value because the state guarantees that the money put into GET will always keep pace with tuition in the future, even if it doubles or triples in that time.

This "premium" over current tuition includes projections for future tuition, investment returns, administrative costs, and a financial reserve that assures stability for the program. It takes about four or five years for customers to realize a gain on their investment (more if units are purchased on the Custom Monthly Plan), but GET's increase in value is steady and guaranteed over the years. Families that purchased GET Lump Sum units 10 years ago have seen nearly a 10 percent average annual return on their investment, without worrying about the ups and downs of the stock market.

Although the payout value of a GET unit is based on tuition and state-mandated fees at University of Washington or Washington State University, a GET account may be used to pay qualified higher education expenses at colleges nationwide. GET units retain the same monetary value whether used to attend a Washington university, a local community college, a trade school, or a private or out-of-state university.

During the 2011 Legislative session, a different option for payout was considered. In SB5749, a new GET payout value was proposed to be "equivalent to the price of tuition and fees at the time a purchaser enters into a tuition unit contract, multiplied by the average percentage increase of resident undergraduate tuition and fees at all state institutions of higher education, weighted by the number of full-time equivalent resident undergraduate students."

Changing the payout value for future purchasers would have no impact on pre-existing accounts because existing account holders have a contract with the state guaranteeing the payout value that was in effect at the time their accounts were opened.

Changing the payout value for future accounts could be interpreted as instituting a "GET 2" program which could lead to negative consequences for the Program. A lower payout value, whether based on a weighted average tuition or some other methodology, could impact future cash flows in a variety of ways.

Changing the Program would likely result in a decline in customer confidence and a decline in new accounts and unit sales. This would have the effect of reducing the amount of cash being brought in and invested, thereby directly impacting the actuarial status of the Program in a negative way.

Creating a GET 2 could also lock in the liability of GET 1. The Assistant Attorney General has advised the Program may be unable to amortize the debt from GET 1 forward to a new program which offers a lower payout. Closing GET 1 would discontinue the Program's ability to sell units at a price which amortizes the current actuarial shortfall. This would increase the possibility of needing the state to make payments to fulfill GET contractual obligations.

Additionally, the GET Committee has been committed to helping families save enough money to attend our top-tier public four-year universities. Without other Program changes, a weighted average tuition payout would not allow families to save enough to fund a University of Washington or Washington State University education.

Based on the recent review completed by the State Actuary (Appendix D), the GET Committee determined that the best approach for rebuilding the program's financial reserves is to re-price GET units under the current Program rather than make significant changes to the payout value.

A Nationwide Review

GET is not the only state 529 prepaid tuition program to struggle with maintaining affordability while addressing financial stability. Nationally, there are thirteen prepaid tuition plans that are open and accepting new participants. Nine additional plans have been suspended and/or closed.

Of the 13 open prepaid tuition plans, only five, including Washington, offer a full faith or statutory guarantee. Programs that remain open attribute their continued success to 1) remaining open and continuing to sell even when the markets and tuition fluctuate, and 2) keeping a strong unit or contract price in place.

In spite of recent challenges, GET remains the second highest program nationwide in assets under management and in number of accounts opened. It is the fastest growing prepaid tuition plan in the country, and is viewed by other states as a leader in efficiency, program management, and increased participation.

Information on all open and closed prepaid tuition programs, including funding status, open accounts, assets under management, tuition assumptions, and payout values is displayed in the following tables.

Table 3 – States with Open Prepaid Tuition Plans *(As reported through June 30, 2011)*

State	Year Opened	Funding Status (as of 2/2011)	Open Accounts (un-duplicated)	Assets under management (in millions)	Tuition Assumption FY 11/ Who sets tuition	Payout Value	Full faith guarantee
Alaska	1991	100%	25,327	$276	10% State board of regents	Actual tuition cost at the University of Alaska OR investment return value.	No
Florida	1988	105%	586,550	$8,500	12.3% Legislature	Based on 5 different types of contracts.	Yes
Illinois	1998	80%	59,736	$1,100	9% Each school or system's board	Based on 3 different types of contracts.	No
Maryland	1998	100%	28,728	$658	7% tuition, 10% fees Board of Regents	Actual tuition and mandatory fees at state public colleges OR up to the weighted average tuition for private or out-of-state college.	No
Massachusetts	1995	100%	13,882	$82	N/A Each school or system's board	Weighted average tuition for 3 different contract types.	Yes
Michigan (Plan 2)	1995	83%	49,834	$906	7.3% Board of Regents	Based on 3 different contract options (highest, weighted average, or community college).	No
Mississippi	1998	75%	25,088	$245	6.5% Legislature	100% of the in-state tuition rates for actual tuition and mandatory fees; for out-of-state or private institutions, payout is the weighted-average tuition.	Yes
Nevada	1998	96%	9,955	$130	9.8% Board of Regents	Based on 5 contract options.	No
Pennsylvania	1993	94%	94,858	$1,372	3.5%-6.75% Each school or system's board	Based on the same tuition level that the purchaser buys units at.	No
Texas (Plan 2)	2008	105%	20,059	$228	6.3% Universities	Plan pay the lesser either the amount paid by purchaser fur units, plus earnings, OR 101% of then-current tuition and required fees charged by the school at the time of redemption.	No
Virginia	1996	90%	70,836	$1,924	10% Colleges with legislative oversight	Either actual tuition or payment made or actual rate of return, whichever is less.	Yes
Washington	1998	86%	115,983	$1,901	14% Legislature	Value of highest Washington, resident, undergraduate tuition and state mandated fees.	Yes

Source: College Savings Plan Network (CSPN)

Table 4 – States with Closed Prepaid Tuition Plans

State	Year Opened	Year Closed	Comments
Alabama	1990	2009	Class action law suit settled. A reduced payout was negotiated. Legislature – Brenda
Colorado	1997	2002	Closed to new participants. Participants were given the option to remain in a new stable value option (principal and interest insured), rollover to another state 529 plan, or receive a refund (with potential non-qualified distribution penalty). Participants that cashed out or rolled over received the then average cost of tuition per unit at Colorado schools.
Kentucky	2001	2004	*Did not respond to information request.*
Michigan (Plan 1)	1988	1991	*Did not respond to information request.*
Ohio	1989	2004	The program closed to new enrollments at a time of rapidly escalating tuition increases. Payouts continue on assets invested in the plan prior to 2004. Tuition increases have moderated in recent years and Ohio's program was a mature program so the assets in the prepaid plan continue to decline due to ongoing payouts.
South Carolina	1998	2006	Program closed to new participants. The Program continues to make benefit payments to current participants. Universities are required to grant a tuition waiver of any difference between an annual 7% tuition increase and actual tuition.
Tennessee	1997	2011	Recently closed to new participants and new unit sales.
Texas (Plan 1)	1996	2003	Legislature deregulated tuition in 2003. As of 8/31/10, the projected unfunded liability was $600 million. Plan benefit payments to colleges and universities are guaranteed by the Texas constitution so the Legislature will determine a funding solution.
West Virginia	1998	2003	Closed to new participants.

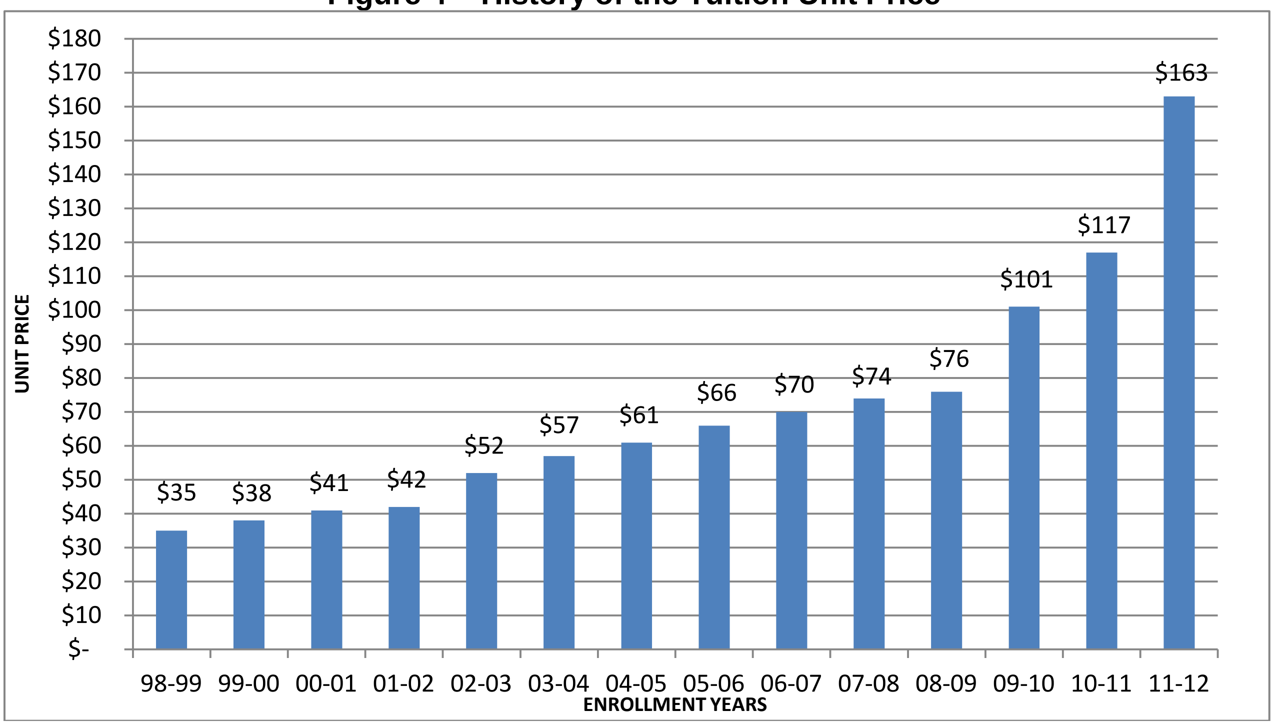
Tuition Unit Price

The GET committee sets the unit purchase price based on an actuarial formula that takes into account the expected cost of future tuition, the expected return on investments, administrative costs, and a reserve to assist in periods of higher-than-expected tuition increases or lower-than-expected investment returns.

Pricing decisions are made with the expectation that all enrollments at a specific unit price will be self-sustaining – meaning the assumptions that led to the unit price in effect at the time are sufficient to cover future tuition obligations.

As tuition has increased, the unit price has continually increased over time.

Figure 4 – History of the Tuition Unit Price



When tuition is higher than the assumed rate for that cohort, or market returns are less than expected, a gap is created between what the assumed payout would be and the actual payout for that group of participants. This gap is narrowed when investment returns are higher than anticipated or tuition increases are lower than expected.

The GET Committee builds into each unit a percentage that contributes to the overall stabilization reserve of the program, which is used to protect the fund during these times. The reserve guideline adopted by the Committee for stabilization is currently set at 15 percent.

The GET Committee may adjust the unit price twice annually. Setting a realistic, thoroughly researched unit price is a key element in maintaining the financial solvency of the GET Program.

RCW 28B.95 (Appendix A) – is the enabling legislation for the GET Program and can only be changed through the legislative process. As it pertains to setting the price, the statute states:

RCW 28B.95.020 Definitions. (15) – *"Unit purchase price" means the minimum cost to purchase one tuition unit for an eligible beneficiary. Generally, the minimum purchase price is one percent of the undergraduate tuition and fees for the current year, rounded to the nearest whole dollar, adjusted for the costs of administration and adjusted to ensure the actuarial soundness of the account. The analysis for price setting shall also include, but not be limited to, consideration of past and projected patterns of tuition increase, program liability, past and projected investment returns, and the need for a prudent stabilization reserve.*

RCW 28B.95.030 (6) – *The governing body shall annually determine the current value of a tuition unit.*

RCW 28B.95.080 – *The governing body shall annually evaluate, and cause to be evaluated by the state actuary, the soundness of the account and determine the additional assets needed, if any, to defray the obligations of the account. The governing body may, at its discretion, consult with a nationally recognized actuary for periodic assessments of the account. If funds are determined by the governing body, based on actuarial analysis, to be insufficient to ensure the actuarial soundness of the account, the governing body shall adjust the price of subsequent tuition credit purchases to ensure its soundness.*

The Master Agreement (Appendix F) – is the contract between GET account owners and the Program. It interprets the Program statutes and serves in place of rules for the Program. The Master Agreement may be amended for technical corrections, to reflect changing tax laws, and when it is in the best interest of both the Account Owners and the Program or to provide new information. If a revision is made, all current customers must be notified and provided a copy of the new Master Agreement. As it pertains to setting the price, the Master Agreement states:

III. D. Pricing Tuition Units (page 5) – *For each year, the Program will use actuarial methods to determine purchase prices for Tuition Units purchased during that year and may include a premium over current tuition costs. The price for Tuition Units covered by an individual Custom Monthly Payment Plan will not change from year to year, but remain as determined at the outset of the Agreement. Units purchased under the Lump Sum Plan shall be priced annually and also may be adjusted once during the year, if necessary, to ensure the actuarial soundness of the Program.*

VIII. D. Annual Program Analysis (page 9) – *In accordance with state law, the Program will have an annual evaluation of the actuarial soundness of the Program. The results of this evaluation will be used to determine whether one or more Unit price adjustments are needed, and if so, how much the price may be adjusted.*

Determining the current unit price

In 2009, the State Actuary was requested by the Legislature to evaluate the financial solvency of the GET Program. At that time, their analysis concluded that keeping the Program open produced only a small chance of insolvency, though if it occurred, the contribution required from the state would be significant.

Suspending the Program increased the risk of insolvency, but reduced the amount of insolvency compared to keeping the Program open. Terminating the Program locked in insolvency, although at the lowest level. The study also noted that the GET Committee could virtually eliminate future insolvency risk by changing their price-setting guidelines.

In 2011, the State Actuary was requested by the Legislature to again review the financial solvency of the GET Program in light of unprecedented tuition growth and volatility. The review confirmed the findings from the 2009 analysis, and noted further that:

- The chance and amount of insolvency would decrease under a different payout option only if it didn't also reduce the long-term number of future purchasers.
- The solvency analysis changes significantly with relatively small changes in future purchaser behavior.
- Both the current Program and a new program with a lower payout would be likely to withstand unfavorable tuition and investment growth experiences for many years with a unit price that is based on higher assumptions of tuition growth.

The State Actuary recommended amortization as a fourth layer to GET unit pricing, which would pay off GET's unfunded liability. The unfunded liability has resulted from three consecutive years of double digit tuition increases, lower investment returns, and a new tuition policy shifting tuition-setting authority from the state to the universities in the coming years. The GET Committee accepted the Actuary's recommendation and decided on an amortization period of thirty years.

The current and projected GET Program funding status, including options for unit prices to include amortization, is shown in Table 5.

Table 5
Projected Program Status (If All Assumptions Are Realized)

	Current Guidelines			20-Year Amortization & 15% Reserve			30-Year Amortization & 15% Reserve		
Year	**Price**	**Premium**	**Funded Status**	**Price**	**Premium**	**Funded Status**	**Price**	**Premium**	**Funded Status**
2010	$117	1.36	69.9%	$117	1.36	69.9%	$117	1.36	69.9%
2011	143	1.40	80.3%	189	1.85	80.3%	163	1.59	80.3%
2012	151	1.25	81.5%	195	1.62	81.4%	170	1.41	81.5%
2013	159	1.18	82.4%	206	1.52	82.3%	180	1.33	82.4%
2014	167	1.12	83.1%	217	1.46	83.0%	189	1.27	83.1%
2015	177	1.08	83.8%	229	1.40	83.8%	200	1.22	83.8%
2016	186	1.05	84.3%	242	1.37	84.5%	211	1.19	84.5%
2017	196	1.05	84.9%	255	1.37	85.5%	222	1.19	85.3%
2018	207	1.05	85.6%	269	1.37	86.6%	234	1.19	86.2%
2019	218	1.05	86.2%	283	1.36	87.9%	247	1.19	87.0%
2020	230	1.05	86.8%	299	1.37	89.3%	260	1.19	88.0%
2021	243	1.05	87.4%	315	1.36	90.8%	274	1.19	89.0%
2022	256	1.05	88.0%	332	1.36	92.5%	289	1.19	90.1%
2023	270	1.05	88.6%	350	1.36	94.5%	305	1.19	91.3%
2024	284	1.05	89.2%	370	1.37	96.7%	322	1.19	92.6%
2025	300	1.05	89.9%	390	1.36	99.2%	339	1.19	94.0%
2026	316	1.05	90.6%	411	1.36	102.0%	358	1.19	95.6%
2027	333	1.05	91.3%	433	1.36	105.1%	378	1.19	97.3%
2028	352	1.05	92.1%	457	1.36	108.6%	398	1.19	99.2%
2029	371	1.05	92.9%	482	1.36	112.3%	420	1.19	101.2%
2030	391	1.05	93.8%	508	1.36	116.2%	443	1.19	103.3%
2031	412	1.05	94.7%	508	1.29	120.2%	467	1.18	105.5%
2032	435	1.05	95.7%	508	1.22	123.6%	492	1.18	107.8%
2033	459	1.05	96.7%	508	1.16	126.4%	519	1.18	110.1%
2034	484	1.05	97.7%	508	1.10	128.2%	548	1.18	112.3%
2035	$510	1.04	98.7%	$510	1.04	129.0%	$578	1.18	114.5%

Includes actual asset returns through June 30, 2011, and assumed returns thereafter.

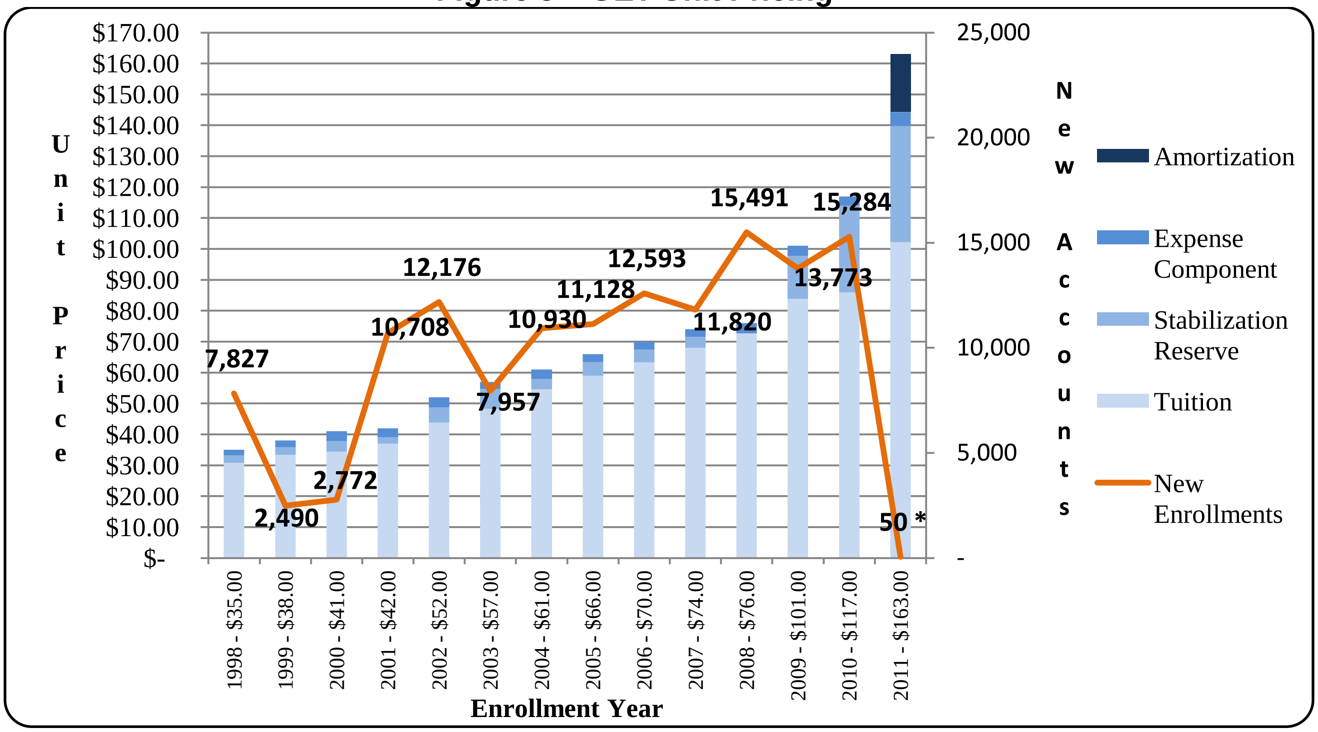
Future tuition assumptions were determined as follows, and were based on discussions held by the State Actuary with legislative staff and with representatives from most of Washington's higher education institutions.

Table 6
Tuition Assumption Structure

($ in Thousands)	Step 1 – Inflation		Step 2 - State Funding			
Year	Total Dollars	Inflationary Growth	Assumed State %	State Dollars	Tuition Dollars	Tuition Growth After State Funding
2011	$666,666		46.1%	$307,110	$359,556	
2012	703,332	5.5%	39.5%	277,816	425,516	18.3%
2013	742,015	5.5%	33.3%	247,091	494,924	16.3%
2014	782,826	5.5%	30.2%	236,414	546,413	10.4%
2015	825,882	5.5%	28.3%	233,312	592,570	8.4%
2016	871,305	5.5%	26.3%	228,718	642,588	8.4%
2017	919,227	5.5%	25.6%	234,862	684,364	6.5%
2018	969,784	5.5%	25.6%	247,780	722,004	5.5%
2019	1,023,123	5.5%	25.6%	261,408	761,715	5.5%
2020	1,079,394	5.5%	25.6%	275,785	803,609	5.5%
2021	1,138,761	5.5%	25.6%	290,953	847,808	5.5%
2022	1,201,393	5.5%	25.6%	306,956	894,437	5.5%
2023	1,267,469	5.5%	25.6%	323,838	943,631	5.5%
2024	1,337,180	5.5%	25.6%	341,650	995,531	5.5%
2025	$1,410,725	5.5%	25.6%	$360,440	$1,050,285	5.5%

Given the current projections of tuition increases, and the current unfunded liability of the GET Program, the State Actuary recommended segmenting future GET unit pricing into four parts, adding a new layer for amortization of GET's unfunded liability.

Figure 5 – GET Unit Pricing



* Chart for 2011 includes newborn enrollment to date only. Regular enrollment opens November 1, 2011

The recommended new unit price would contain the amortization component that would best balance affordability for customers and moderation of state risk.

Table 7
GET Unit Price Break-down

Category	Current Guidelines (15% Reserve Only)	15% Reserve + 20-Year Amortization of Unfunded Liability	15% Reserve + 30-Year Amortization of Unfunded Liability
Unit Price			
Expected Cost	121.60	121.60	121.60
Expenses	3.04	6.27	4.61
Reserve	18.70	19.18	18.93
Amortization		42.47	18.70
Total Unit Price	143.00	189.00	163.00
Expected Full Funding Year*	2037	2026	2029

**The plan reaches full funding before the completion of the planned amortization period due to the commingling of reserves and amortization payments. We recommend collection of amortization payments until the end of the planned amortization period to avoid the use of reserve dollars (dedicated for future unexpected costs) for past unexpected losses.*

These three pricing options were considered and subjected to thorough analysis.

Figure 6

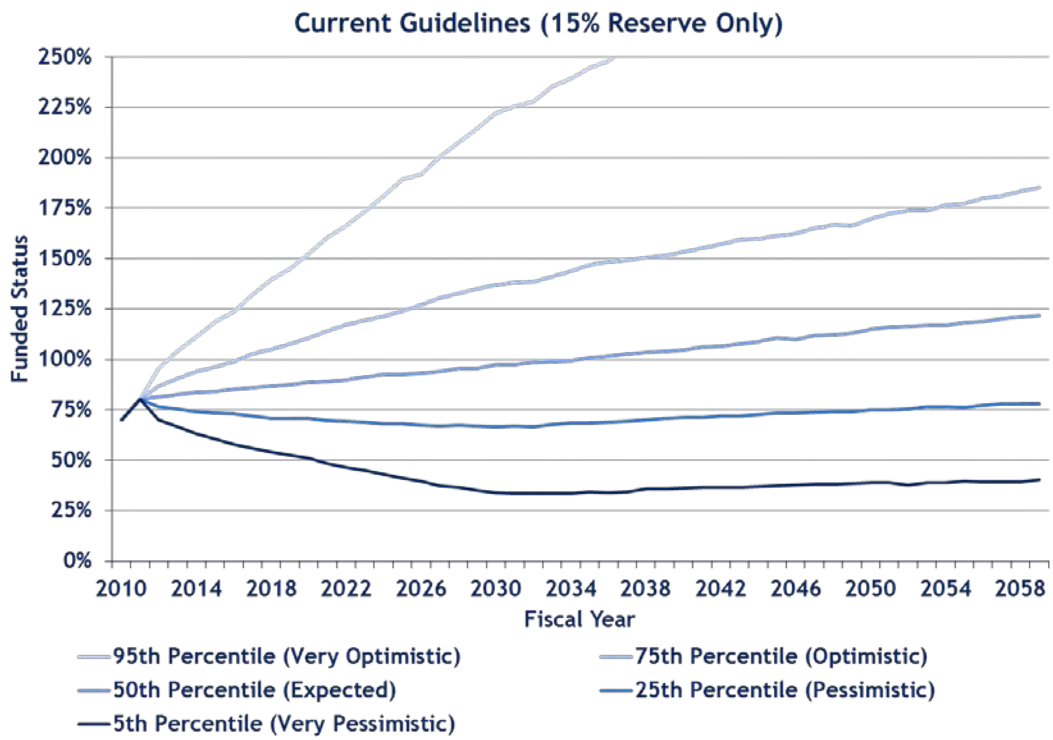


Figure 7

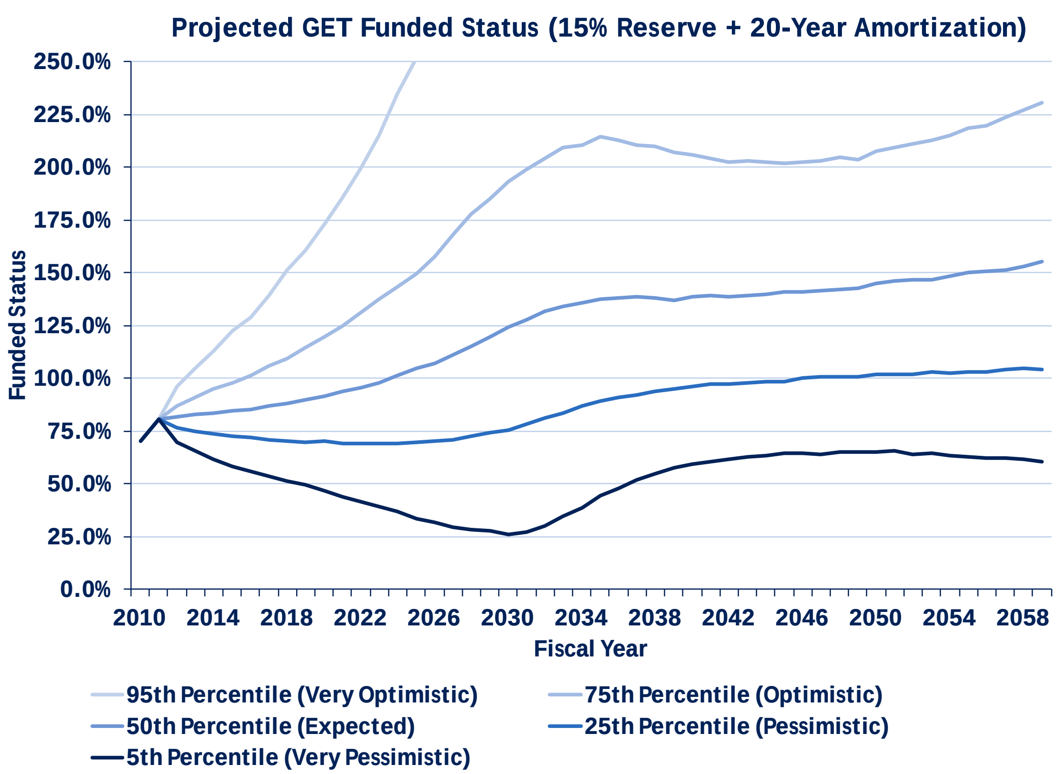
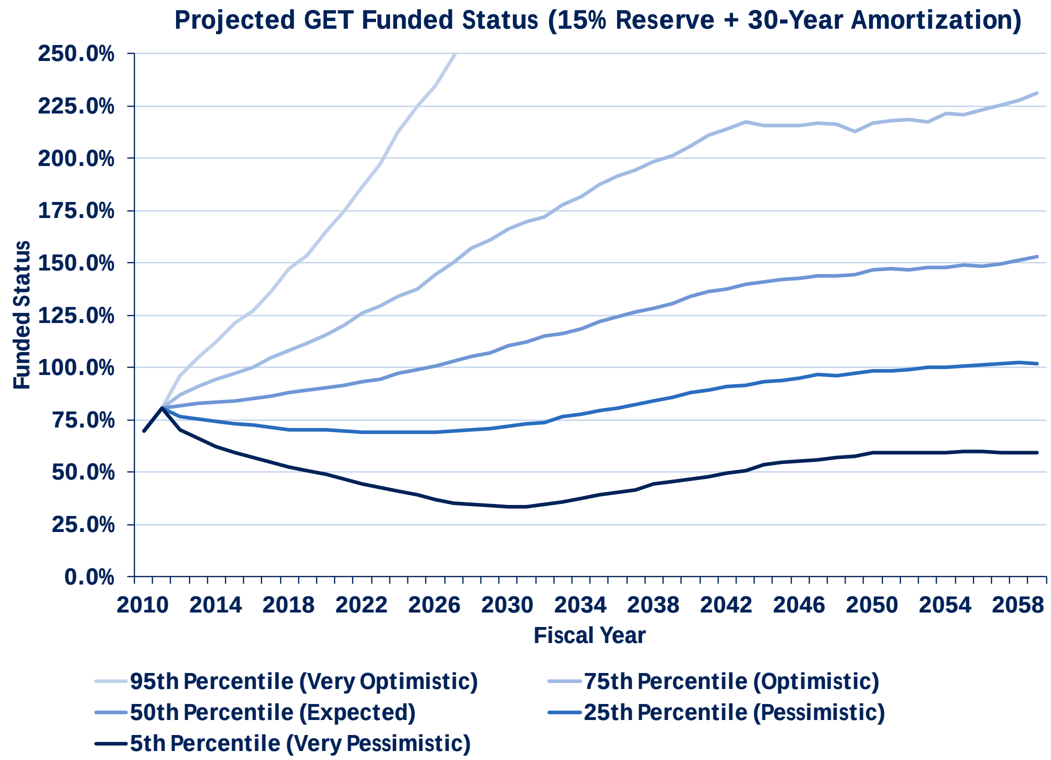


Figure 8



GET Committee Decision

The success of the GET Program, both its financial solvency and its value to Washington families, depends on a delicate balance between risk and affordability. Risk refers to the risk of future state contributions, and affordability refers to the affordability of future GET units. The GET Committee decided to include a 30-year amortization of the current deficit in current unit pricing, along with a 15 percent reserve.

After review of the complete State Actuary report (Appendix D) and discussion with the Legislative Advisory Committee, the GET Committee set the 2011-12 unit price at $163. The State Actuary will continue to monitor the Program and update the results of their risk analysis. By statute, the unit price may be set once and then adjusted once annually to ensure financial stability for the GET Program.

Enrollment Period

From 1998-2000, the Program operated with two enrollment periods: one for Lump Sum Accounts and the other for Custom Monthly Plan Accounts. In 2001, the Committee approved combining the two enrollment periods into one longer enrollment period (September 15 – May 31), due to the fact that two separate enrollment periods created customer confusion and the cost of marketing for two periods was excessive. The new single enrollment period allowed a brief span between the end of one year and the start of another to update materials, prepare for the next enrollment year, and process any remaining enrollments.

In 2002, following an unexpected 16 percent tuition increase, the committee again adjusted the enrollment period. This time, they reduced the enrollment period by 2 months (September 15 – March 31), but ensured it would end after the adjournment of the legislative session.

During the 2008-09 enrollment year, when GET experienced its highest enrollment, the influx of accounts corresponded with a nationwide economic recession. Some legislators voiced concern over how the end-of-enrollment marketing push and potential large enrollment numbers increased the program's financial liability as families sought a guaranteed savings option. After thoughtful review, the Committee continued the September 15 – March 31 enrollment period, approving year-round enrollment for children from birth to twelve months of age beginning September 15, 2009.

Table 8
Enrollment Period History

Enrollment Years	Enrollment Period	Remarks
1998-2000	September 1 – January 15 September 1 – June 30	Two enrollment period were used: Sept. 1 - Jan.15 for Custom Monthly plans Sept. 1 - June 30 for Lump Sum plans
2001	September 15 – May 31	Enrollment for both plans
2002-2010	September 15 – March 31	Enrollment for both plans
2011	November 1 – May 31	Enrollment for both plans

A few legislators still question whether the enrollment year should be open while they are in session and tuition increases are under debate. The concern has been that information regarding tuition inflation may prompt high sales of units that are under-priced. GET's current pricing guidelines include a reserve to buffer higher-than-expected tuition growth and lower-than-expected investment returns. This strategy reduces the risk of selling under-priced units and provides the Program the flexibility to extend the enrollment year over various periods, including the legislative session. The GET Committee will continue to monitor the effectiveness of their price-setting guidelines and the timing of the enrollment periods.

At its June 1, 2011 meeting, the GET Committee voted to change the upcoming enrollment period to November 1, 2011 – May 31, 2012. Year-round enrollment for children from birth to their first birthday will continue.

GET Committee Decision

The enrollment period of November 1 - May 31 allows the enrollment year and unit price- setting dates to follow more closely the actual tuition-setting schedules by universities. The date change also avoids major broadcast advertising during the legislative session, while still maintaining the benefits of being open during the winter and spring months to take advantage of marketing opportunities. The enrollment year is reviewed and may be adjusted (if needed) annually.

Table 9
GET Enrollment Year Modifications

Action	Decision support
Changed to run November 1, 2011 – May 31, 2012. *This was adopted by the GET Committee on June 1, 2011.*	• End of enrollment and unit price deadline are now closer to actual tuition-setting by universities • Avoids a major marketing push during the Legislative session • Still allows time for marketing and program changes between enrollment years to prepare marketing materials and make system adjustments • Enrollment dates still allow for holiday, New Year, graduation, baby fair promotion and outreach

Custom Monthly Contracts

The Custom Monthly Plan, or installment plan option, has been available to purchasers since the Program began in 1998. Offering installment plans reduces the overall risk to Program assets by creating a fixed, calculable return with an above market rate yield. In a typical example, if a family purchases 150 units over 10 years, they will ultimately pay $35,040 ($233.60/unit) compared to $24,450 ($163/unit) had they been able to purchase those units in Lump Sum.

Purchasers are more likely to buy more units with flexible payment plans than if they had to purchase them in Lump Sum, and approximately 30 percent are currently choosing the Custom Monthly Plan option. The advantages of offering a way to pay for units over time are many. The Custom Monthly Plan allows purchasers to have flexibility to purchase (in increments of 50) between 50 and 500 units over time, from one to 18 years. They are able to buy units at a fixed unit price, and know that their payments will remain constant over the term of their contract.

If a family is troubled financially and can no longer meet the contracted monthly payments, the flexibility of the Program allows them to convert their units to Lump Sum at the rate that would have been charged at the time of each payment. Another option available is to lessen the number of units being contracted for purchase. Of the 40,090 custom monthly accounts opened since 1998, 20 percent have downgraded or converted to Lump Sum accounts. Most of these occurred due to financial hardship within a few years following a recession.

Relatively few Custom Monthly Plan accounts are fully funded. Of the 40,090 custom monthly accounts opened since 1998, 78 percent have been contracts for 250 or fewer units. Only 4 percent have purchased contracts for more than 400 units.

Although it is possible to purchase Lump Sum units on a regular monthly basis – primarily through a scheduled automatic withdrawal from a bank account, or through monthly payroll deduction – only 3.25 percent choose to do so. With the Custom Monthly Plan, families know what they are buying, what it will cost and how long it will take. With the Lump Sum plan, regular contributions of the same amount continue to buy fewer and fewer units as the price of units goes up. Furthermore, the increase in unit cost is unknown from year to year.

The Custom Monthly Plan has charged a 7.5 percent finance charge since it was first offered to customers in 1998. The finance charge is meant to replace investment earnings (compared to Lump Sum purchases) that are not realized when the customer pays for units over time. The 7.5 percent finance charge is higher than the average investment return for the GET fund.

The finance charge is also comparable or higher than other loan sources. By comparison, the average prime loan rate over the same period has been 6.69 percent and has dropped, since December 2008, to a low of 3.25 percent. Today, purchasers who choose a home equity line of credit for loans may be offered rates from 4 percent (15 yr fixed) to 5.5 percent (30 yr fixed). The average finance charge levied by prepaid tuition plans in other states is 7.4 percent.

Table 10 illustrates finance charges in other state 529 prepaid tuition programs. Financing ranges from 0 to 8.5 percent. Five programs (three of which are open) charge higher than 7.5 percent, five programs (three of which are open) charge less than 7.5 percent, and two charge 7.5 percent, both of which are open to new enrollments.

Table 10
Summary of Finance Charges on Monthly Payment Plans as of December 31, 2010

State	Finance Charge	Comparison to GET	Year Program Began	Program Status	Program Assets $M	Program Accounts
AK	Unknown		1991	Open	$ 51.8	16,089
FL	3.90%	L	1988	Open	$ 9,999.0	895,220
IL	8.00%	H	1998	Open	$ 986.0	54,900
MA	0.00%		1995	Open	$ 83.0	15,589
MD	7.50%	Equal	1998	Open	$ 519.0	30,905
MI (2)	7.40%	L	1995	Open	$ 635.0	34,694
MS	Unknown		1997	Open	$ 211.6	21,257
NV	7.25%	L	1998	Open	$ 108.5	13,526
PA	0.00%		1993	Open	$ 1,244.0	94,098
TX (2)	8.00%	H	2008	Open	$ 291.0	18,025
VA	8.00%	H	1996	Open	$ 1,613.0	71,373
WA	7.50%	Equal	1998	Open	$ 1,375.0	116,135
AL	8.25%	H	1990	Closed	$ 487.3	74,981
CO	7.25%	L	1997	Closed	$ 29.5	3,200
KY	7.25%	L	2001	Closed	$ 109.1	6,556
OH	Unknown		1989	Closed	$ 562.1	67,795
SC	Unknown		1998	Closed	$ 126.0	6,135
TN	0.00%		1997	Closed	$ 80.5	9,019
TX (1)	Unknown		1996-2003	Closed	$ 1,846.0	94,147
WV	8.50%	H	1998	Closed	$ 82.0	6,529

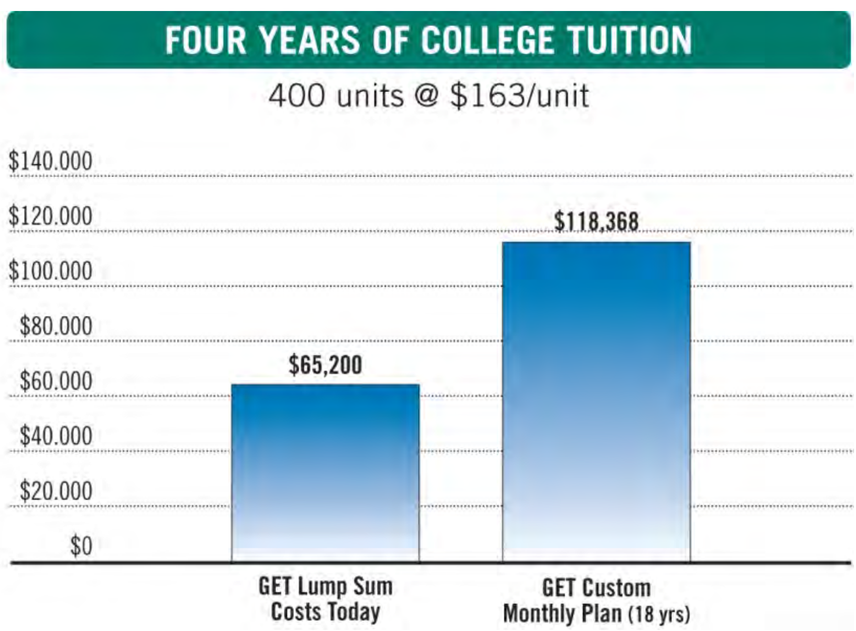
As the unit price has more than doubled over the past three years and the recession has created economic hardships, fewer low to middle income families are able to afford saving for college. With recessionary pressures felt by families of all income levels, even higher income families are increasingly choosing the Custom Monthly Plan in order to be actively saving with a known GET unit price.

Custom Monthly Plan Units @ 7.5% and $163/unit
Table 11

		2011-2012 CUSTOM MONTHLY PLAN UNITS									
Projected Benefit Use Year	Payment Term (in years)	50 Units	100 Units	150 Units	200 Units	250 Units	300 Units	350 Units	400 Units	450 Units	500 Units
Fall 2014	1	$714	$1427	$2140	$2852	$3565	$4277	$4990	$5702	$6415	$7127
Fall 2014	2	$371	$740	$1109	$1479	$1848	$2217	$2586	$2955	$3324	$3694
Fall 2015	3	$257	$512	$767	$1022	$1276	$1531	$1786	$2041	$2296	$2551
Fall 2016	4	$200	$398	$596	$794	$992	$1189	$1387	$1585	$1783	$1981
Fall 2017	5	$166	$330	$493	$657	$821	$985	$1149	$1313	$1476	$1640
Fall 2018	6	$143	$284	$426	$567	$708	$849	$991	$1132	$1273	$1414
Fall 2019	7	$127	$252	$377	$503	$628	$753	$878	$1003	$1128	$1253
Fall 2020	8	$115	$228	$341	$455	$568	$681	$794	$907	$1020	$1134
Fall 2021	9	$106	$210	$314	$418	$522	$625	$729	$833	$937	$1041
Fall 2022	10	$99	$195	$292	$388	$485	$581	$678	$775	$871	$968
Fall 2023	11	$93	$183	$274	$364	$455	$546	$636	$727	$817	$908
Fall 2024	12	$88	$173	$259	$345	$430	$516	$602	$688	$773	$859
Fall 2025	13	$84	$165	$247	$328	$410	$491	$573	$655	$736	$818
Fall 2026	14	$80	$158	$236	$314	$392	$470	$549	$627	$705	$783
Fall 2027	15	$77	$152	$227	$302	$377	$453	$528	$603	$678	$753
Fall 2028	16	$75	$147	$220	$292	$365	$437	$510	$582	$655	$727
Fall 2029	17	$72	$143	$213	$283	$353	$424	$494	$564	$634	$705
Fall 2030	18	$70	$139	$207	$275	$343	$412	$480	$548	$617	$685

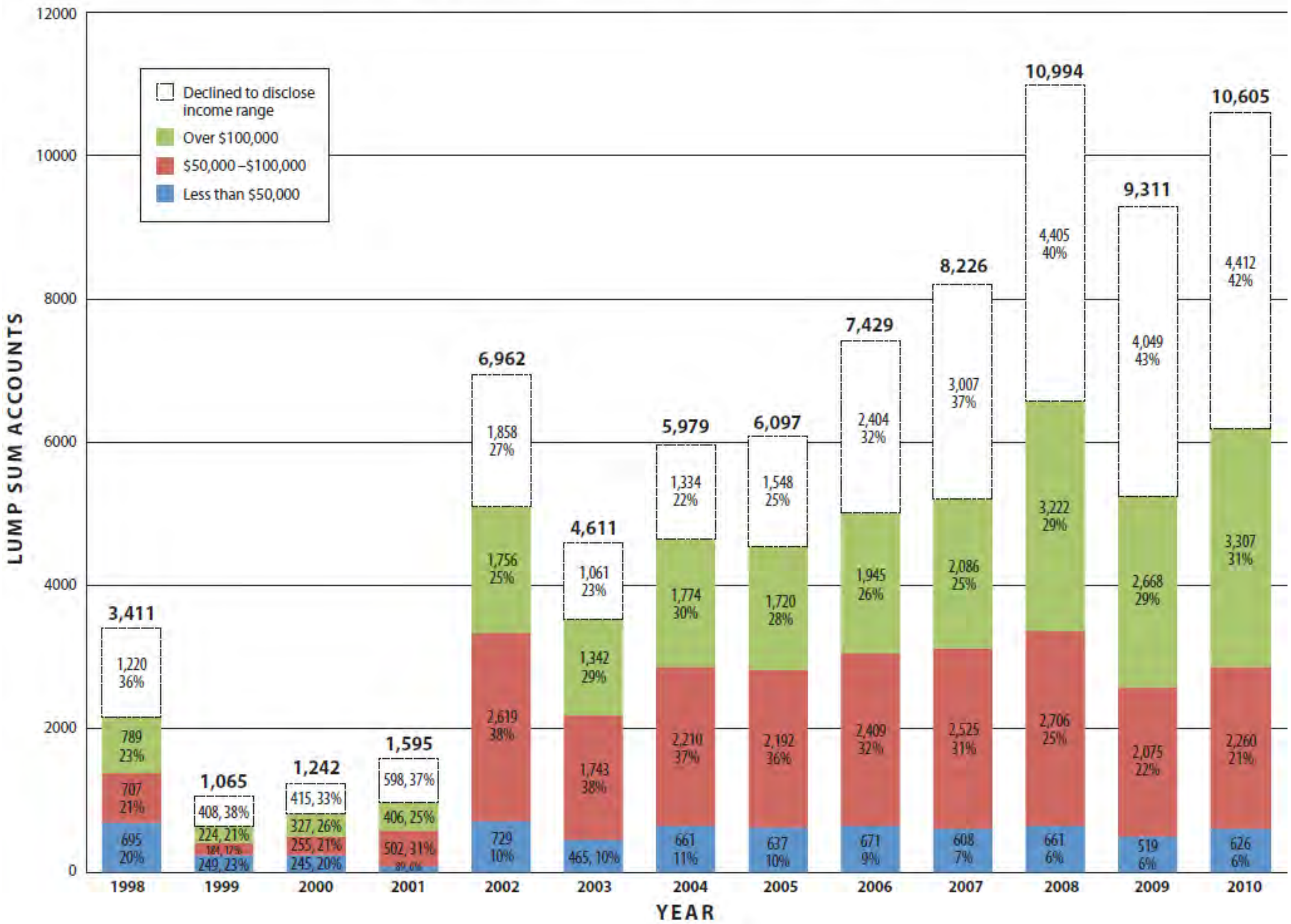
Financing over time is significantly more expensive. The chart below illustrates the cost of financing 400 units at $163/unit over 18 years @ 7.5% finance charge vs. purchasing the same number of units in Lump Sum.

Figure 9
Four Years of College Tuition

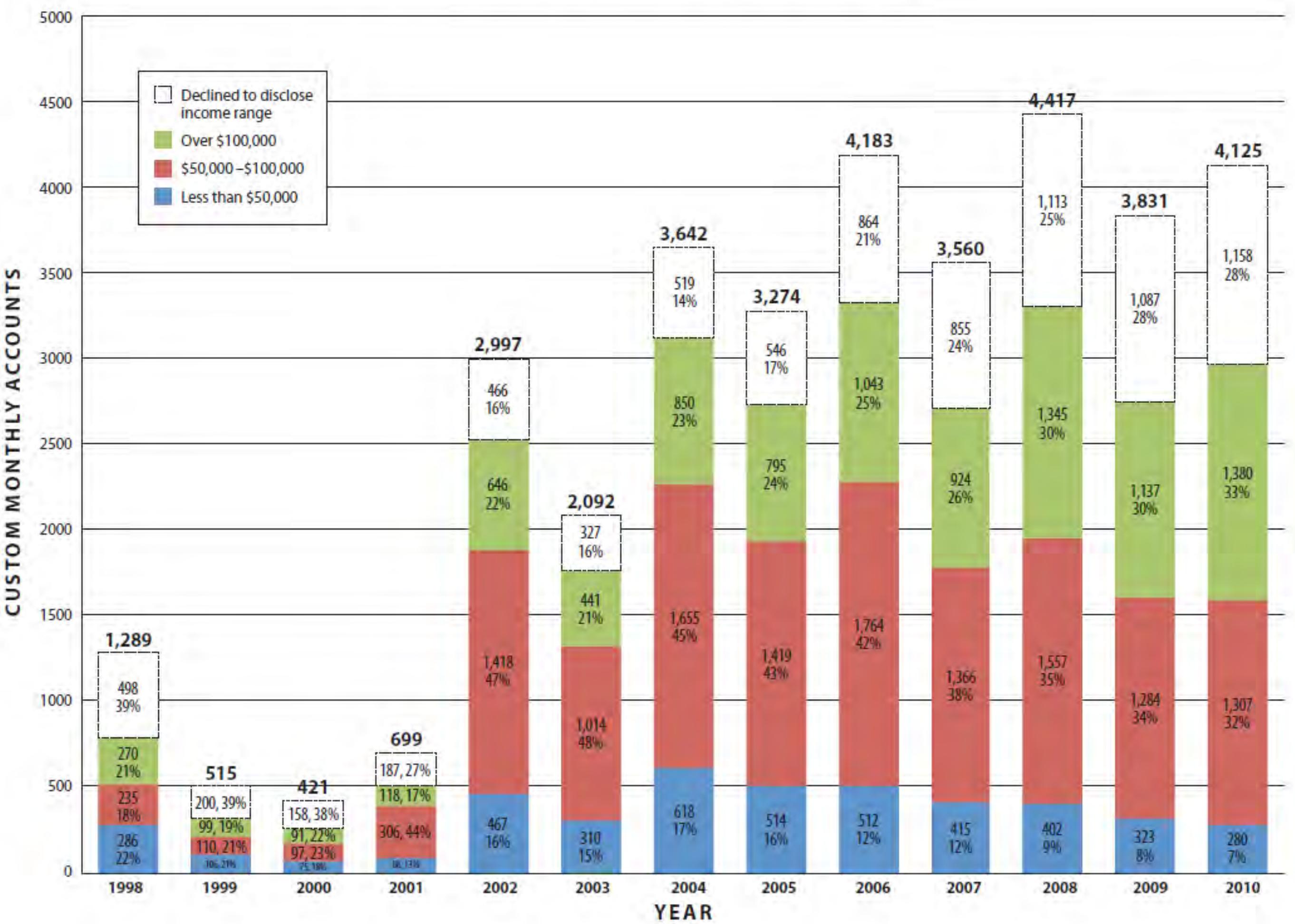


The Custom Monthly Plan is favored by families with incomes below $100,000, as shown on the following charts.

Lump Sum Accounts by Income Range



Custom Monthly Accounts by Income Range



GET Custom Monthly Options

The following are the three options reviewed to address Custom Monthly Plans during the 2011-12 enrollment year. The issues and concerns voiced for each are included below:

Table 12
GET Custom Monthly Options

Options	Considerations
Option 1 Keep the current Custom Monthly Plan contract policy. Payment plans include 7.5% finance charge paid over the life of the contract. Contracts are sold in 50 unit increments.	On average, 27% of GET accounts are Custom Monthly Plans; the last two years have averaged 29.5%. Custom Monthly Plans are increasingly popular as Lump Sum units become more expensive. The Program benefits from the steady flow of income from units purchased through Custom Monthly Payment plans. Current plans are flexible, allowing customers to lengthen terms, lower the number of contracted units, or convert to Lump Sum, if their financial circumstances change. The current 7.5% finance charge plus a high unit price premium will cause an even more distant break-even point; it may not be good financial choice unless purchased for very young children.
Option 2 Establish a new Custom Monthly contract policy with a higher finance charge	The current finance charge already exceeds rates charged by other financing options (home equity line of credit, and prime rates). The current finance charge is comparable with other state 529 prepaid tuition programs. An even higher finance charge, plus a high unit price premium, would cause an even more distant break-even point for families choosing this option.
Option 3 Discontinue offering Custom Monthly Payment plans	With this option there is a high risk of losing unit sales by making Lump Sum purchases the only choice, especially as the unit price becomes more expensive. Typically 73% are choosing the Lump Sum purchase option, but the rest choose Custom Monthly Plans. The Program would lose the benefit of the steady flow of income from units purchased through Custom Monthly Payment plans. The Program would lose the finance charge provided to the Program by Custom Monthly Payment plans. The current finance charge exceeds the expected rate of return on assets. Discontinuing these plans would have the greatest impact on low and middle income purchasers who are trying to lock in future tuition now, but pay for it over time.

GET Committee Decision

Currently nearly 30 percent of GET customers are choosing to finance their college savings through the Custom Monthly Plan. Eliminating this option could weaken the Program's long term-solvency by eliminating the steady flow of income from units purchased through Custom Monthly Payment plans. Eliminating Custom Monthly Plans would also require new analysis assuming fewer unit sales, and result in an even higher unit price for Lump Sum purchasers.

The installment plan approach continues to be a valuable way to help more Washington families save for college, especially for customers in the low to middle income ranges. GET's current finance charge of 7.5 percent is comparable to that of other state prepaid programs and is already higher than interest currently charged by other common loan sources, such as home equity lines of credit or those tied to the prime rate.

The GET Committee decided to keep the current Custom Monthly Plan policy (Option 1). Although the 7.5 percent finance charge is relatively high and makes the unit purchase more expensive, it provides a measure of financial stability for the Program while allowing low to middle income families a way to save for college on a regular, affordable basis.

Concluding Report Analysis

The preceding overview of Washington's Guaranteed Education Tuition (GET) Program has shown why GET is a widely accepted and successful prepaid tuition program. It has been embraced by thousands of families working to save for future college tuition.

With guidance from the GET Committee and the Legislative Advisory Committee, and expert management of the GET Program, we can expect to see improvements in the funded status over time. GET will continue to help families across the state in the daunting task of saving for their children's future college tuition.

Emerging issues will keep GET at the forefront of Legislative discussion, particularly regarding the differential tuition proposed for our state universities beginning with the 2012-13 academic year.

Effective August 2011 with the passage of E2SHB 1795, the Legislature has authorized Washington's institutions of higher education to begin charging students different undergraduate tuition rates. E2SHB 1795 Section 3 (3)(a) authorized the governing boards of the state universities, the regional universities, and The Evergreen State College to reduce or increase full-time tuition fees for all students through the end of the 2014-15 academic year. It stated that the reductions or increases may be made for all or portions of an institution's programs, campuses, courses, or students.

While no higher education institution has yet begun charging differential tuition rates, the University of Washington (UW) has indicated its intent to begin using this flexibility for the 2012-13 academic year. If so, it is possible that the tuition rate set for certain programs such as Engineering or Business could increase dramatically. Since GET's payout value is tied to the highest resident undergraduate tuition, the GET Program would be adversely impacted. Whichever program has the highest rate would become GET's new payout value.

As differential tuition has not yet been implemented, it is still possible to modify the process to eliminate or reduce its impact on the GET program. While there are numerous ways to initiate this change, the following options could be considered:

1. Eliminate the section in E2SHB 1795 that allows differential tuition.
2. Modify RCW 28B.15.020 and 28B.15.041 so that differential tuition is specifically excluded in these sections. This method is not without legal risk, but would exempt differential tuition from the listing of tuition and fees that GET pays.
3. Request universities to identify differential tuition as a specific program fee, not a rate of residential undergraduate tuition.
4. Specifically exempt GET account holders, who opened their account prior to the effective date of the change, from being charged the tuition differential. In essence, the institutions of higher education would be required to waive the tuition differential for students using GET units. To ensure that GET students aren't adversely impacted by this, it would be prudent to ensure institutions would not be able to factor the existence of a student's GET account in their admission decisions.

The Legislature may choose to leave differential tuition as approved in E2SHB 1795, but needs to consider carefully the impact that these new tuition rates could have on the GET Program and its future tuition liability.

Discussion in the future will continue – and modifications made as indicated – about other essential GET Program elements such as enrollment year dates, the Custom Monthly Plan, and even the Program's payout value. Predominantly, however, research and analysis support the Committee's conclusion that maintaining the GET Program in its current form reduces the chance that the Legislature will ever need to make contributions to bolster the Program's finances. It also ensures that the Guarantee Education Tuition (GET) Program can move forward in its mission to make higher education affordable and accessible to all citizens of the state of Washington.

GET Program Options and Analysis

Report to the Governor and Legislature

Appendix A:	**RCW 28B.95.050**
Appendix B:	**ESSB 5749**
Appendix C:	**HB 1795**
Appendix D:	**State Actuary Report**
Appendix E:	**Master Agreement**

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GET Program Options and Analysis

Report to the Governor and Legislature

Appendix A: RCW 28B.95.050

Chapter 28B.95 RCW

Advanced college tuition payment program

Chapter Listing

RCW Sections

28B.95.010
Washington advanced college tuition payment program — Established.

The Washington advanced college tuition payment program is established to help make higher education affordable and accessible to all citizens of the state of Washington by offering a savings incentive that will protect purchasers and beneficiaries against rising tuition costs. The program is designed to encourage savings and enhance the ability of Washington citizens to obtain financial access to institutions of higher education. In addition, the program encourages elementary and secondary school students to do well in school as a means of preparing for and aspiring to higher education attendance. This program is intended to promote a well-educated and financially secure population to the ultimate benefit of all citizens of the state of Washington.

[1997 c 289 § 1.]

28B.95.020
Definitions.

***** CHANGE IN 2011 *** (SEE 5182-S2.SL) *****

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

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

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

(3) "Board" means the higher education coordinating board as defined in chapter 28B.76 RCW.

(4) "Committee on advanced tuition payment" or "committee" means a committee of the following members: The state treasurer, the director of the office of financial management, the executive director of the higher education coordinating board, or their designees, and two members to be appointed by the governor, one representing program participants and one private business representative with marketing, public relations, or financial expertise.

(5) "Governing body" means the committee empowered by the legislature to administer the Washington advanced college tuition payment program.

(6) "Contractual obligation" means a legally binding contract of the state with the purchaser and the beneficiary establishing that purchases of tuition units will be worth the same number of tuition units at the time of redemption as they were worth at the time of the purchase.

(7) "Eligible beneficiary" means the person for whom the tuition unit will be redeemed for attendance at an institution of higher education. The beneficiary is that person named by the purchaser at the time that a tuition unit contract is accepted by the governing body. Qualified organizations, as allowed under section 529 of the federal internal revenue code, purchasing tuition unit contracts as future scholarships need not designate a beneficiary at the time of purchase.

(8) "Eligible purchaser" means an individual or organization that has entered into a tuition unit contract with the governing body for the purchase of tuition units for an eligible beneficiary. The state of Washington may be an eligible purchaser for purposes of purchasing tuition units to be held for granting Washington college bound scholarships.

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

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

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

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

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

(14) "Tuition unit contract" means a contract between an eligible purchaser and the governing body, or a successor agency appointed for administration of this chapter, for the purchase of tuition units for a specified beneficiary that may be redeemed at a later date for an equal number of tuition units.

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

[2007 c 405 § 8; 2005 c 272 § 1; 2004 c 275 § 59; 2001 c 184 § 1; 2000 c 14 § 1; 1997 c 289 § 2.]

Notes:

Part headings not law -- 2004 c 275: See note following RCW 28B.76.030.

28B.95.025
Offices and personnel.

***** CHANGE IN 2011 *** (SEE 5182-S2.SL) *****

The board shall maintain appropriate offices and employ and fix compensation of such personnel as may be necessary to perform the advanced college tuition payment program duties. The board shall consult with the governing body on the selection, compensation, and other issues relating to the employment of the program director. The positions are exempt from classified service under chapter 41.06 RCW. The employees shall be employees of the higher education coordinating board.

[2000 c 14 § 2; 1998 c 69 § 2.]

Notes:

Effective date -- 1998 c 69: "This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately [March 20, 1998]." [1998 c 69 § 6.]

28B.95.030
Administration of program — Tuition units — Promotion of program — Authority of governing body.

***** CHANGE IN 2011 *** (SEE 5182-S2.SL) *****

***** CHANGE IN 2011 *** (SEE 5749-S.SL) *****

(1) The Washington advanced college tuition payment program shall be administered by the committee on advanced tuition payment which shall be chaired by the executive director of the board. The committee shall be supported by staff of the board.

(2)(a) The Washington advanced college tuition payment program shall consist of the sale of tuition units, which may be redeemed by the beneficiary at a future date for an equal number of tuition units regardless of any increase in the price of tuition, that may have occurred in the interval.

(b) Each purchase shall be worth a specific number of or fraction of tuition units at each state institution of higher education as determined by the governing body.

(c) The number of tuition units necessary to pay for a full year's, full-time undergraduate tuition and fee charges at a state institution of higher education shall be set by the governing body at the time a purchaser enters into a tuition unit contract.

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

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

(3)(a) No tuition unit may be redeemed until two years after the purchase of the unit. Units may be redeemed for enrollment at any institution of higher education that is recognized by the internal revenue service under chapter 529 of the internal revenue code.

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

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

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

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

(7) The governing body shall promote, advertise, and publicize the Washington advanced college tuition payment program.

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

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

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

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

(d) Appoint and use advisory committees as needed to provide program direction and guidance;

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

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

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

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

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

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

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

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

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

[2005 c 272 § 2; 2000 c 14 § 3; 1997 c 289 § 3.]

28B.95.035
Committee members — Liability.

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

[1998 c 69 § 3.]

Notes:

Effective date -- 1998 c 69: See note following RCW 28B.95.025.

28B.95.040
Purchase of tuition units by organizations — Rules — Scholarship fund.

***** CHANGE IN 2011 *** (SEE 5182-S2.SL) *****

The governing body may, at its discretion, allow an organization to purchase tuition units for future use as scholarships. Such organizations electing to purchase tuition units for this purpose must enter into a contract with the governing body which, at a minimum, ensures that the scholarship shall be freely given by the purchaser to a scholarship recipient. For such purchases, the purchaser need not name a beneficiary until four months before the date when the tuition units are first expected to be used.

The governing body shall formulate and adopt such rules as are necessary to determine which organizations may qualify to purchase tuition units for scholarships under this section. The governing body also may consider additional rules for the use of tuition units if purchased as scholarships.

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

[1997 c 289 § 4.]

28B.95.050
Contractual obligation — Legally binding — Use of state appropriations.

The Washington advanced college tuition payment program is an essential state governmental function. Contracts with eligible participants shall be contractual obligations legally binding on the state as set forth in this chapter. If, and only if, the moneys in the account are projected to be insufficient to cover the state's contracted expenses for a given biennium, then the legislature shall appropriate to the account the amount necessary to cover such expenses.

The tuition and fees charged by an eligible institution of higher education to an eligible beneficiary for a current enrollment shall be paid by the account to the extent the beneficiary has remaining unused tuition units for the appropriate school.

[2000 c 14 § 4; 1997 c 289 § 5.]

28B.95.060
Washington advanced college tuition payment program account.

***** CHANGE IN 2011 *** (SEE 5182-S2.SL) *****

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

(2)(a) Except as provided in (b) of this subsection, the governing body shall deposit in the account all money received for the program. The account shall be self-sustaining and consist of payments received from purchasers of tuition units and funds received from other sources, public or private. With the exception of investment and operating costs associated with the investment of money by the investment board paid under RCW 43.33A.160 and 43.84.160, the account shall be credited with all investment income earned by the account. Disbursements from the account are exempt from appropriations and the allotment provisions of chapter 43.88 RCW. Money used for program administration is subject to the allotment of all expenditures. However, an appropriation is not required for such expenditures. Program administration shall include, but not be limited to: The salaries and expenses of the program personnel including lease payments, travel, and goods and services necessary for program operation; contracts for program promotion and advertisement, audits, and account management; and other general costs of conducting the business of the program.

(b) All money received by the program from the higher education coordinating board for the GET ready for math and science scholarship program shall be deposited in the GET ready for math and science scholarship account created in RCW 28B.105.110.

(3) The assets of the account may be spent without appropriation for the purpose of making payments to institutions of higher education on behalf of the qualified beneficiaries, making refunds, transfers, or direct payments upon the termination of the Washington advanced college tuition payment program. Disbursements from the account shall be made only on the authorization of the governing body.

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

[2007 c 214 § 13; 2000 c 14 § 5; 1998 c 69 § 4; 1997 c 289 § 6.]

Notes:

Effective date -- 1998 c 69: See note following RCW 28B.95.025.

28B.95.070
Washington advanced college tuition payment program account — Powers and duties of the investment board.

(1) The investment board has the full power to invest, reinvest, manage, contract, sell, or exchange investment money in the account. All investment and operating costs associated with the investment of money shall be paid pursuant to RCW 43.33A.160 and 43.84.160. With the exception of these expenses, the earnings from the investment of the money shall be retained by the account.

(2) All investments made by the investment board shall be made with the exercise of that degree of judgment and care pursuant to RCW 43.33A.140 and the investment policy established by the state investment board.

(3) As deemed appropriate by the investment board, money in the account may be commingled for investment with other funds subject to investment by the board.

(4) The authority to establish all policies relating to the account, other than the investment policies as set forth in subsections (1) through (3) of this section, resides with the governing body. With the exception of expenses of the investment board set forth in subsection (1) of this section, disbursements from the account shall be made only on the authorization of the governing body, and money in the account may be spent only for the purposes of the program as specified in this chapter.

(5) The investment board shall routinely consult and communicate with the governing body on the investment policy, earnings of the trust, and related needs of the program.

[2000 c 14 § 6; 1997 c 289 § 7.]

28B.95.080
Washington advanced college tuition payment program account — Actuarial soundness — Adjustment of tuition credit purchases.

***** CHANGE IN 2011 *** (SEE 5749-S.SL) *****

The governing body shall annually evaluate, and cause to be evaluated by a nationally recognized actuary, the soundness of the account and determine the additional assets needed, if any, to defray the obligations of the account.

If funds are not sufficient to ensure the actuarial soundness of the account, the governing body shall adjust the price of subsequent tuition credit purchases to ensure its soundness.

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

[1997 c 289 § 8.]

28B.95.090
Discontinuation of program — Use of units — Refunds.

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

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

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

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

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

[2005 c 272 § 3; 1997 c 289 § 9.]

28B.95.100
Program planning — Consultation with public and private entities — Cooperation.

(1) The governing body, in planning and devising the program, shall consult with the investment board, the state treasurer, the office of financial management, and the institutions of higher education.

(2) The governing body may seek the assistance of the state agencies named in subsection (1) of this section, private financial institutions, and any other qualified party with experience in the areas of accounting, actuary, risk management, or investment management to assist with preparing an accounting of the program and ensuring the fiscal soundness of the account.

(3) State agencies and public institutions of higher education shall fully cooperate with the governing body in matters relating to the program in order to ensure the solvency of the account and ability of the governing body to meet outstanding commitments.

[2000 c 14 § 7; 1997 c 289 § 10.]

28B.95.110
Refunds.

(1) The intent of the Washington advanced college tuition payment program is to redeem tuition units for attendance at an institution of higher education. Refunds shall be issued under specific conditions that may include the following:

(a) Certification that the beneficiary, who is eighteen years of age or older, will not attend an institution of higher education, will result in a refund not to exceed the current value, as determined by the governing body, in effect at the time of such certification minus a penalty at the rate established by the governing body. The refund shall be made no sooner than ninety days after such certification, less any administrative processing fees assessed by the governing body;

(b) If there is certification of the death or disability of the beneficiary, the refund shall be equal to one hundred percent of any remaining unused tuition units at the current value, as determined by the governing body, at the time that such certification is submitted to the governing body, less any administrative processing fees assessed by the governing body;

(c) If there is certification by the student of graduation or program completion, the refund shall be as great as one hundred percent of any remaining unused tuition units at the current value, as determined by the governing body, at the time that such certification is submitted to the governing body, less any administrative processing fees assessed by the governing body. The governing body may, at its discretion, impose a penalty if needed to comply with federal tax rules;

(d) If there is certification of other tuition and fee scholarships, which will cover the cost of tuition for the eligible beneficiary. The refund shall be equal to one hundred percent of the current value of tuition units, as determined by the governing body, in effect at the time of the refund request, less any administrative processing fees assessed by the governing body. The refund under this subsection may not exceed the value of the scholarship;

(e) Incorrect or misleading information provided by the purchaser or beneficiaries may result in a refund of the purchaser's investment, less any administrative processing fees assessed by the governing body. The value of the refund will not exceed the actual dollar value of the purchaser's contributions; and

(f) The governing body may determine other circumstances qualifying for refunds of remaining unused tuition units and may determine the value of that refund.

(2) With the exception of subsection (1)(b), (e), and (f) of this section no refunds may be made before the units have been held for two years.

[2005 c 272 § 4; 2001 c 184 § 3; 2000 c 14 § 8; 1997 c 289 § 12.]

Notes:

Effective date -- 2001 c 184 § 3: "Section 3 of this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2001." [2001 c 184 § 5.]

28B.95.120
Tuition units exempt from bankruptcy and enforcement of judgments.

In regard to bankruptcy filings and enforcement of judgments under Title 6 RCW, tuition units purchased more than two years prior to the date of filing or judgment will be considered excluded personal assets.

[2005 c 272 § 5.]

28B.95.150
College savings program.

***** CHANGE IN 2011 *** (SEE 5749-S.SL) *****

(1) The committee may establish a college savings program. If such a program is established, the college savings program shall be established, in such form as may be determined by the committee, to be a qualified state tuition program as defined by the internal revenue service under section 529 of the internal revenue code, and shall be administered in a manner consistent with the Washington advanced college tuition payment program. The committee, in planning and devising the program, shall consult with the state investment board, the state treasurer, a qualified actuarial consulting firm with appropriate expertise to evaluate such plans, the legislative fiscal and higher education committees, and the institutions of higher education.

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

(3) If such a college savings program is established, the college savings program account is created in the custody of the state treasurer for the purpose of administering the college savings program. If created, the account shall be a discrete nontreasury account in the custody of the state treasurer. Interest earnings shall be retained in accordance with RCW 43.79A.040. Disbursements from the account, except for program administration, are exempt from appropriations and the allotment provisions of chapter 43.88 RCW. Money used for program administration is subject to the allotment provisions, but without appropriation.

(4) The committee, after consultation with the state investment board, shall determine the investment policies for the college savings program. Program contributions may be invested by the state investment board or the committee may contract with an investment company licensed to conduct business in this state to do the investing. The committee shall keep or cause to be kept full and adequate accounts and records of the assets of each individual participant in the college savings program.

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

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

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

[2001 c 184 § 2.]

28B.95.160
GET ready for math and science scholarship program — Tuition units — Ownership and redemption.

***** CHANGE IN 2011 *** (SEE 5182-S2.SL) *****

Ownership of tuition units purchased by the higher education coordinating board for the GET ready for math and science scholarship program under RCW 28B.105.070 shall be in the name of the state of Washington and may be redeemed by the state of Washington on behalf of recipients of GET ready for math and science scholarship program scholarships for tuition and fees.

[2007 c 214 § 12.]

28B.95.900
Construction of chapter — Limitations.

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

Participation in this program does not guarantee an eligible beneficiary the right to resident tuition and fees. To qualify for resident and respective tuition subsidies, the eligible beneficiary must meet the applicable provisions of RCW 28B.15.011 through 28B.15.015.

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

[1997 c 289 § 11.]

GET Program Options and Analysis

Report to the Governor and Legislature

Appendix B: ESSB 5749

ENGROSSED SUBSTITUTE SENATE BILL 5749

State of Washington 62nd Legislature 2011 Regular Session

By Senate Higher Education & Workforce Development (originally sponsored by Senators Brown, Hewitt, and Shin)

READ FIRST TIME 02/21/11.

AN ACT Relating to the Washington advanced college tuition payment program; amending RCW 28B.95.020, 28B.95.030, 28B.95.080, and 28B.95.150; reenacting and amending RCW 44.44.040; adding a new section to chapter 28B.95 RCW; creating a new section; providing an expiration date; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 28B.95.020 and 2007 c 405 s 8 are each amended to read as follows:

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

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

(2) "Account" means the Washington advanced college tuition payment program account established for the deposit of all money received by the board from eligible purchasers and interest earnings on investments of funds in the account, as well as for all expenditures on behalf of eligible beneficiaries for the redemption of tuition units and for the

development of any authorized college savings program pursuant to RCW 28B.95.150.

(3) "Board" means the higher education coordinating board as defined in chapter 28B.76 RCW.

(4) "Committee on advanced tuition payment" or "committee" means a committee of the following members: The state treasurer, the director of the office of financial management, the executive director of the higher education coordinating board, or their designees((,)); and ((two)) four members to be appointed by the governor and confirmed by the senate for four-year terms, one representing program participants and ((one)) three private business representatives with marketing, public relations, or financial expertise. Beginning with appointments made after the effective date of this section, in making the three appointments representing private business, the governor must consider names from a list provided by the president of the senate and the speaker of the house of representatives. Appointment of the two additional members representing private business as provided for in chapter . . ., Laws of 2011 1st sp. sess. (this act) must be made by June 30, 2011, and shall be confirmed by the senate by June 30, 2012.

(5) "Governing body" means the committee empowered by the legislature to administer the Washington advanced college tuition

payment program.

(6) "Contractual obligation" means a legally binding contract of the state with the purchaser and the beneficiary establishing that purchases of tuition units will be worth the same number of tuition units at the time of redemption as they were worth at the time of the purchase.

(7) "Eligible beneficiary" means the person for whom the tuition unit will be redeemed for attendance at an institution of higher education. The beneficiary is that person named by the purchaser at the time that a tuition unit contract is accepted by the governing body. Qualified organizations, as allowed under section 529 of the federal internal revenue code, purchasing tuition unit contracts as future scholarships need not designate a beneficiary at the time of purchase.

(8) "Eligible purchaser" means an individual or organization that has entered into a tuition unit contract with the governing body for the purchase of tuition units for an eligible beneficiary. The state

of Washington may be an eligible purchaser for purposes of purchasing tuition units to be held for granting Washington college bound scholarships.

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

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

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

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

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

(14) "Tuition unit contract" means a contract between an eligible purchaser and the governing body, or a successor agency appointed for administration of this chapter, for the purchase of tuition units for a specified beneficiary that may be redeemed at a later date for an equal number of tuition units.

(15) "Unit purchase price" means the minimum cost to purchase one tuition unit for an eligible beneficiary. Generally, the minimum purchase price is one percent of the undergraduate tuition and fees for

the current year, rounded to the nearest whole dollar, adjusted for the costs of administration and adjusted to ensure the actuarial soundness of the account. The analysis for price setting shall also include, but not be limited to consideration of past and projected patterns of tuition increases, program liability, past and projected investment returns, and the need for a prudent stabilization reserve.

Sec. 2. RCW 28B.95.030 and 2005 c 272 s 2 are each amended to read as follows:

(1) The Washington advanced college tuition payment program shall be administered by the committee on advanced tuition payment which shall be chaired by the executive director of the board. The committee shall be supported by staff of the board.

(2)(a) The Washington advanced college tuition payment program shall consist of the sale of tuition units, which may be redeemed by the beneficiary at a future date for an equal number of tuition units regardless of any increase in the price of tuition, that may have occurred in the interval.

(b) Each purchase shall be worth a specific number of or fraction of tuition units at each state institution of higher education as determined by the governing body.

(c) The number of tuition units necessary to pay for a full year's, full-time undergraduate tuition and fee charges at a state institution of higher education shall be set by the governing body at the time a purchaser enters into a tuition unit contract.

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

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

(3)(a) No tuition unit may be redeemed until two years after the purchase of the unit. Units may be redeemed for enrollment at any institution of higher education that is recognized by the internal revenue service under chapter 529 of the internal revenue code.

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

(4) The governing body shall determine the conditions under which the tuition benefit may be transferred to another family member. In

permitting such transfers, the governing body may not allow the tuition benefit to be bought, sold, bartered, or otherwise exchanged for goods and services by either the beneficiary or the purchaser.

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

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

(7) The governing body shall promote, advertise, and publicize the Washington advanced college tuition payment program.

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

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

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

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

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

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

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

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

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

(i) Contract for the provision for all or part of the services

necessary for the management and operation of the program with other state or nonstate entities authorized to do business in the state;

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

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

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

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

Sec. 3. RCW 28B.95.080 and 1997 c 289 s 8 are each amended to read as follows:

The governing body shall annually evaluate, and cause to be evaluated by ((a nationally recognized)) the state actuary, the soundness of the account and determine the additional assets needed, if any, to defray the obligations of the account. The governing body may, at its discretion, consult with a nationally recognized actuary for periodic assessments of the account.

If funds are ((not sufficient)) determined by the governing body, based on actuarial analysis to be insufficient to ensure the actuarial soundness of the account, the governing body shall adjust the price of subsequent tuition credit purchases to ensure its soundness.

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

Sec. 4. RCW 28B.95.150 and 2001 c 184 s 2 are each amended to read as follows:

(1) The committee may establish a college savings program. If such a program is established, the college savings program shall be established, in such form as may be determined by the committee, to be a qualified state tuition program as defined by the internal revenue

service under section 529 of the internal revenue code, and shall be administered in a manner consistent with the Washington advanced college tuition payment program. The committee, in planning and devising the program, shall consult with the state investment board, the state treasurer, ((a qualified actuarial consulting firm with appropriate expertise to evaluate such plans)) the state actuary, the legislative fiscal and higher education committees, and the institutions of higher education. The governing body may, at its discretion, consult with a qualified actuarial consulting firm with appropriate expertise to evaluate such plans for periodic assessments of the program.

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

(3) If such a college savings program is established, the college savings program account is created in the custody of the state

treasurer for the purpose of administering the college savings program. If created, the account shall be a discrete nontreasury account in the custody of the state treasurer. Interest earnings shall be retained in accordance with RCW 43.79A.040. Disbursements from the account, except for program administration, are exempt from appropriations and the allotment provisions of chapter 43.88 RCW. Money used for program administration is subject to the allotment provisions, but without appropriation.

(4) The committee, after consultation with the state investment board, shall determine the investment policies for the college savings program. Program contributions may be invested by the state investment board or the committee may contract with an investment company licensed to conduct business in this state to do the investing. The committee shall keep or cause to be kept full and adequate accounts and records of the assets of each individual participant in the college savings program.

(5) Neither the state nor any eligible educational institution may be considered or held to be an insurer of the funds or assets of the individual participant accounts in the college savings program created

under this section nor may any such entity be held liable for any shortage of funds in the event that balances in the individual participant accounts are insufficient to meet the educational expenses of the institution chosen by the student for which the individual participant account was intended.

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

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

NEW SECTION. **Sec. 5.** (1) Pursuant to passage of Engrossed Second Substitute House Bill No. 1795 (the higher education opportunity act), and to maintain the actuarial soundness of the account and to lower the risk to the state of incurring additional unfunded liability, the governing body as defined in RCW 28B.95.020 shall, with the assistance of the state actuary, assess the financial solvency of the advanced college tuition payment program and shall determine if any changes should be made to the program for units purchased on or after September 1, 2011, including, but not limited to:

(a) Establishing a unit payout value that increases predictability and affordability to consumers;

(b) Modifying the tuition unit price;

(c) Modifying the contracting of tuition unit purchases to better align the tuition unit price paid throughout the length of the contract with the price established for each enrollment period; and

(d) Modifying the enrollment period.

(2) The governing body shall submit a report of these efforts to the governor and the appropriate fiscal committees of the legislature no later than October 1, 2011.

(3) This section expires December 31, 2011.

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

(1)(a) A legislative advisory committee to the committee on advanced tuition payment is established. The advisory committee shall consist of the following members:

(i) Two members from each of the two largest caucuses of the house of representatives appointed by the speaker of the house of representatives. At least one member from each caucus shall be a member of the house of representatives ways and means committee and at least one member from each caucus shall be a member of the house of representatives higher education committee; and

(ii) Two members from each of the two largest caucuses of the senate appointed by the president of the senate. At least one member from each caucus shall be a member of the senate ways and means committee and at least one member from each caucus shall be a member of the senate higher education and workforce development committee.

(b) All members must be appointed by June 30, 2011, and must serve a term of no less than two years.

(c) Vacancies on the advisory committee shall be filled by appointment by either the president of the senate or the speaker of the house of representatives. All such vacancies shall be filled from the same political party and from the same house as the member whose seat was vacated.

(d) The members of the advisory committee shall serve without additional compensation, but shall be reimbursed in accordance with RCW 44.04.120 while attending meetings of the advisory committee and of the committee on advanced tuition payment.

(e) The advisory committee shall appoint its own chair and vice chair and shall meet at least once annually.

(2) The advisory committee shall provide advice to the committee on advanced tuition payment and the state actuary regarding the administration of the program including, but not limited to, pricing guidelines, the tuition unit price, and the unit payout value.

(3) Staff support for the advisory committee must be jointly provided by the senate committee services and the house of representatives office of program research.

Sec. 7. RCW 44.44.040 and 2003 c 295 s 4 and 2003 c 92 s 2 are each reenacted and amended to read as follows:

The office of the state actuary shall have the following powers and duties:

(1) Perform all actuarial services for the department of retirement systems, including all studies required by law.

(2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.

(3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.

(4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which are offered in committee or on the floor of the house of representatives or the senate to any pension bill. However, a majority of the members present may suspend the requirement for an actuarial fiscal note for amendments offered on the floor of the house of representatives or the senate.

(5) Provide such actuarial services to the legislature as may be requested from time to time.

(6) Provide staff and assistance to the committee established under RCW 41.04.276.

(7) Provide actuarial assistance to the law enforcement officers' and firefighters' plan 2 retirement board as provided in chapter 2, Laws of 2003. Reimbursement for services shall be made to the state actuary under RCW 39.34.130 and section 5(5), chapter 2, Laws of 2003.

(8) Provide actuarial assistance to the committee on advanced tuition payment pursuant to chapter 28B.95 RCW, including recommending a tuition unit price to the committee on advanced tuition payment to be used in the ensuing enrollment period. Reimbursement for services shall be made to the state actuary under RCW 39.34.130.

NEW SECTION. **Sec. 8.** Sections 1 and 6 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

--- END ---

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Report to the Governor and Legislature

Appendix C: HB 1795

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1795

State of Washington 62nd Legislature 2011 1st Special Session

By House Ways & Means (originally sponsored by Representatives Carlyle, Seaquist, Haler, Reykdal, Rolfes, Probst, Morris, Sells, Pedersen, Jacks, Hudgins, Maxwell, and Frockt)

READ FIRST TIME 04/19/11.

AN ACT Relating to the higher education opportunity act; amending RCW 28B.15.031, 28B.15.067, 28B.15.0681, 28B.15.068, 28B.76.270, 28B.92.060, 28A.600.310, 39.29.011, 43.19.1906, 43.88.160, 43.03.220, 43.03.230, 43.03.240, 43.03.250, and 43.03.265; amending 2010 c 3 ss 602, 603, and 604 (uncodified); amending 2010 1st sp.s. c 37 s 901 (uncodified); amending 2010 c 1 s 8 (uncodified); adding new sections to chapter 28B.15 RCW; adding a new section to chapter 28B.10 RCW; adding a new section to chapter 28B.50 RCW; adding a new section to chapter 28B.76 RCW; adding a new section to chapter 44.28 RCW; creating new sections; repealing RCW 28B.10.920, 28B.10.921, and 28B.10.922; providing expiration dates; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec. 1.** (1) The legislature finds that in the knowledge-based, globally interdependent economy of the twenty-first century, postsecondary education is the most indispensable form of currency. Public institutions of higher education are drivers of economic growth and job creation and incubators for innovation. An educated citizenry is a critical component of our democracy, and a commitment to provide public funding for public higher education

institutions is imperative. At the same time, the legislature finds that Washington state is experiencing a profound structural shift in the funding of higher education. State support has declined dramatically over the past twenty years, thereby necessitating increases in tuition to supplant the support of higher education from general taxpayers. The problem faced by all stakeholders - students and their families, institutions, and policymakers - is a growing reliance on tuition dollars and a reduced reliance on state support. At the same time, there is insufficient visibility into the use of locally retained tuition dollars. There is little transparency regarding whether increasing tuition dollars gives students, their families, and Washington taxpayers a high-value return on investment. Responding to those concerns, and recognizing that tuition-setting authority is interrelated to a wide variety of factors including state funding, student aid, admissions, dual credit, educational effectiveness, regulatory and reporting requirements, and other policies and practices, this higher education opportunity act directs a number of higher education system reforms.

(2) It is the intent of the legislature to:

(a) Ensure that tuition dollars are spent to improve student access, affordability, and the quality of education;

(b) Establish a clear nexus between tuition dollars and improved productivity and greater accountability of public institutions of higher education;

(c) Create a modern and robust higher education financial system that funds outcomes and results rather than input and process; and

(d) Continue a commitment to public funding of higher education through state appropriations that are essential for providing access, affordability, and quality in higher education for all students across the state.

(3)(a) It is the intent of the legislature to set goals for four-year institutions of higher education to increase the number of students who earn baccalaureate degrees, while maintaining quality, and achieve the following initial degree completion targets by 2018:

(i) Increasing the number of bachelor's degrees earned by Washington's resident students from the 2009-10 academic year levels by at least six thousand degrees completed or by twenty-seven percent;

(ii) Consistent with the priority for expanding the number of enrollments and degrees in the fields of engineering, technology, biotechnology, sciences, computer sciences, and mathematics, at least two thousand of the additional degrees under this subsection (3)(a) would be awarded in the areas of science, which includes agriculture and natural resources, biology and biomedical sciences, computer and information sciences, engineering and engineering technologies, health professions and clinical sciences, mathematics and statistics, and physical sciences and science technologies; and

(iii) Attaining parity in degree attainment for students from underrepresented groups, which would mean that at least nineteen percent of the degrees awarded would include students who are low-income or are the first in their families to attend college.

(b) It is the intent of the legislature that the bachelor degree completion targets in (a) of this subsection be updated every two years based upon the state's changing population and economic needs and that targets be set for five-year periods following the 2018 target.

(c) It is the intent of the legislature to urge four-year institutions of higher education to place the highest priority on achieving the degree completion targets under (a) of this subsection. The legislature intends to examine the strategies used and progress made by institutions of higher education to meet the targets in addition to evidence of increased cost-effectiveness and efficiency. The legislature recognizes that individual institutions develop their campus goals recognizing the role of their campus as part of the system of public higher education and may implement a variety of innovative methods to achieve these goals.

Sec. 2. RCW 28B.15.031 and 2003 c 232 s 2 are each amended to read as follows:

The term "operating fees" as used in this chapter shall include the fees, other than building fees, charged all students registering at the state's colleges and universities but shall not include fees for short courses, self-supporting degree credit programs and courses, marine station work, experimental station work, correspondence or extension courses, and individual instruction and student deposits or rentals, disciplinary and library fines, which colleges and universities shall have the right to impose, laboratory, gymnasium, health, technology and

student activity fees, or fees, charges, rentals, and other income derived from any or all revenue producing lands, buildings and facilities of the colleges or universities heretofore or hereafter acquired, constructed or installed, including but not limited to income from rooms, dormitories, dining rooms, hospitals, infirmaries, housing or student activity buildings, vehicular parking facilities, land, or the appurtenances thereon, or such other special fees as may be established by any college or university board of trustees or regents from time to time. All moneys received as operating fees at any institution of higher education shall be deposited in a local account containing only operating fees revenue and related interest: PROVIDED, That a minimum of ((three and one-half)) five percent of operating fees shall be retained by the four-year institutions of higher education that increase tuition for resident undergraduate students above assumed tuition increases in the omnibus appropriations act, a minimum of four percent of operating fees shall be retained by four-year institutions of higher education that do not increase tuition for resident undergraduates above assumed increases in the omnibus appropriations act, and a minimum of three and one-half percent of operating fees shall be retained by the community and technical colleges for the purposes of RCW 28B.15.820. At least thirty percent of operating fees required to be retained by the four-year institutions for purposes of RCW 28B.15.820 shall be used only for the purposes of RCW 28B.15.820(10). Local operating fee accounts shall not be subject to appropriation by the legislature or allotment procedures under chapter 43.88 RCW.

Sec. 3. RCW 28B.15.067 and 2010 c 20 s 7 are each amended to read as follows:

(1) Tuition fees shall be established under the provisions of this chapter.

(2) ((Beginning with the 2003-04 academic year and ending with the 2012-13 academic year, reductions or increases in full-time tuition fees for resident undergraduates shall be as provided in the omnibus appropriations act)) Beginning in the 2011-12 academic year, reductions or increases in full-time tuition fees shall be as provided in the omnibus appropriations act for resident undergraduate students at community and technical colleges. The governing boards of the state

universities, regional universities, and The Evergreen State College; and the state board for community and technical colleges may reduce or increase full-time tuition fees for all students other than resident undergraduates, including nonresident students, summer school students, and students in other self-supporting degree programs. Percentage increases in full-time tuition may exceed the fiscal growth factor. The state board for community and technical colleges may pilot or institute differential tuition models. The board may define scale, scope, and rationale for the models.

(3)(a) Beginning with the ((2003-04)) 2011-12 academic year and ((ending with the 2012-13)) through the end of the 2014-15 academic year, the governing boards of the state universities, the regional universities, and The Evergreen State College((, and the state board for community and technical colleges)) may reduce or increase full-time tuition fees for all students ((other than resident undergraduates)), including summer school students and students in other self-supporting degree programs. Percentage increases in full-time tuition fees may exceed the fiscal growth factor. Reductions or increases may be made for all or portions of an institution's programs, campuses, courses, or students.

(b) Prior to reducing or increasing tuition for each academic year, the governing boards of the state universities, the regional universities, and The Evergreen State College shall consult with existing student associations or organizations with student undergraduate and graduate representatives regarding the impacts of potential tuition increases. Governing boards shall be required to provide data regarding the percentage of students receiving financial aid, the sources of aid, and the percentage of total costs of attendance paid for by aid.

(c) Prior to reducing or increasing tuition for each academic year, ((each college in)) the state board for community and technical college system shall consult with existing student associations or organizations with undergraduate student representation regarding the impacts of potential tuition increases. The state board for community and technical colleges shall provide data regarding the percentage of students receiving financial aid, the sources of aid, and the percentage of total costs of attendance paid for by aid.

(4) ((Academic year tuition for full-time students at the state's institutions of higher education beginning with 2015-16, other than summer term, shall be as charged during the 2014-15 academic year unless different rates are adopted by the legislature)) Beginning with the 2015-16 academic year through the 2018-19 academic year, the governing boards of the state universities, regional universities, and The Evergreen State College may set tuition for resident undergraduates as follows:

(a) If state funding for a college or university falls below the state funding provided in the operating budget for fiscal year 2011, the governing board may increase tuition up to the limits set in (d) of this subsection, reduce enrollments, or both;

(b) If state funding for a college or university is at least at the level of state funding provided in the operating budget for fiscal year 2011, the governing board may increase tuition up to the limits set in (d) of this subsection and shall continue to at least maintain the actual enrollment levels for fiscal year 2011 or increase enrollments as required in the omnibus appropriations act; and

(c) If state funding is increased so that combined with resident undergraduate tuition the sixtieth percentile of the total per-student funding at similar public institutions of higher education in the global challenge states under RCW 28B.15.068 is exceeded, the governing board shall decrease tuition by the amount needed for the total per-student funding to be at the sixtieth percentile under RCW 28B.15.068.

(d) The amount of tuition set by the governing board for an institution under this subsection (4) may not exceed the sixtieth percentile of the resident undergraduate tuition of similar public institutions of higher education in the global challenge states.

(5) The tuition fees established under this chapter shall not apply to high school students enrolling in participating institutions of higher education under RCW 28A.600.300 through 28A.600.400.

(6) The tuition fees established under this chapter shall not apply to eligible students enrolling in a dropout reengagement program through an interlocal agreement between a school district and a community or technical college under RCW 28A.175.100 through 28A.175.110.

(7) The tuition fees established under this chapter shall not apply

to eligible students enrolling in a community or technical college participating in the pilot program under RCW 28B.50.534 for the purpose of obtaining a high school diploma.

(8) ((For the academic years 2003-04 through 2008-09, the University of Washington shall use an amount equivalent to ten percent of all revenues received as a result of law school tuition increases beginning in academic year 2000-01 through academic year 2008-09 to assist needy low and middle-income resident law students.

(9) For the academic years 2003-04 through 2008-09, institutions of higher education shall use an amount equivalent to ten percent of all revenues received as a result of graduate academic school tuition increases beginning in academic year 2003-04 through academic year 2008-09 to assist needy low and middle-income resident graduate academic students.

(10) Any tuition increases above seven percent shall fund costs of instruction, library and student services, utilities and maintenance, other costs related to instruction as well as institutional financial

aid. Through 2010-11, any funding reductions to instruction, library and student services, utilities and maintenance and other costs related to instruction shall be proportionally less than other program areas including administration)) Beginning in the 2019-20 academic year, reductions or increases in full-time tuition fees for resident undergraduates at four-year institutions of higher education shall be as provided in the omnibus appropriations act.

Sec. 4. RCW 28B.15.0681 and 2009 c 215 s 6 are each amended to read as follows:

(1) In addition to the requirement in RCW 28B.76.300(4), institutions of higher education shall disclose to their undergraduate resident students on the tuition billing statement, in dollar figures for a full-time equivalent student:

(a) The full cost of instruction;

(b) The amount collected from student tuition and fees; and

(c) The difference between the amounts for the full cost of instruction and the student tuition and fees.

(2) The tuition billing statement shall note that the difference between the cost and tuition under subsection (1)(c) of this section was paid by state tax funds and other moneys.

(3) Beginning in the 2010-11 academic year, the amount determined in subsection (1)(c) of this section shall be labeled an "opportunity pathway" on the tuition billing statement.

(4) Beginning in the 2010-11 academic year, institutions of higher education shall label financial aid awarded to resident undergraduate students as an "opportunity pathway" on the tuition billing statement or financial aid award notification. Aid granted to students outside of the financial aid package provided through the institution of higher education and loans provided by the federal government are not subject to the labeling provisions in this subsection. All other aid from all sources including federal, state, and local governments, local communities, nonprofit and for-profit organizations, and institutions of higher education must be included. The disclosure requirements specified in this section do not change the source, award amount, student eligibility, or student obligations associated with each award. Institutions of higher education retain the ability to customize their tuition billing statements to inform students of the assistance source, amount, and type so long as provisions of this section are also fulfilled.

(5) Institutions of higher education shall provide the following information to all undergraduate resident students either on the tuition billing statement or via a link to a web site detailing the following information:

(a) The sources of all institutional revenue received during the prior academic or fiscal year, including but not limited to state, federal, local, and private sources;

(b) The uses of tuition revenue collected during the prior academic or fiscal year by program category as determined by the office of financial management; and

(c) The accountability and performance data under RCW 28B.76.270.

(6) The tuition billing statement disclosures shall be in twelve-point type and boldface type where appropriate.

(((6))) (7) All tuition billing statements or financial aid award notifications at institutions of higher education must notify resident undergraduate students of federal tax credits related to higher education for which they may be eligible.

NEW SECTION. **Sec. 5.** A new section is added to chapter 28B.15 RCW to read as follows:

(1) To ensure institutional quality, promote access, and advance the public mission of the state universities, the regional universities, and The Evergreen State College, the authority to increase or decrease tuition rates shall be considered within the context of performance-based measures and goals for each state university, regional university, and The Evergreen State College. By September 1, 2011, and September 1st every two years thereafter, the state universities, the regional universities, and The Evergreen State College shall each negotiate an institutional performance plan with the office of financial management that includes expected outcomes that must be achieved by each institution in the subsequent biennium.

(2) At a minimum, an individual institutional performance plan must include but is not limited to the following expected outcomes:

(a) Time and credits to degree;

(b) Retention and success of students from low-income, diverse, or underrepresented communities;

(c) Baccalaureate degree production for resident students; and

(d) Degree production in high-employer demand programs of study and critical state need areas.

NEW SECTION. **Sec. 6.** A new section is added to chapter 28B.15 RCW to read as follows:

(1) Beginning with the 2011-12 academic year, any four-year institution of higher education that increases tuition beyond levels assumed in the omnibus appropriations act is subject to the financial aid requirements included in this section and shall remain subject to these requirements through the 2018-19 academic year.

(2) Beginning July 1, 2011, each four-year institution of higher education that raises tuition beyond levels assumed in the omnibus appropriations act shall, in a manner consistent with the goal of enhancing the quality of and access to their institutions, provide financial aid to offset full-time tuition fees for resident undergraduate students as follows:

(a) Subtract from the full-time tuition fees an amount that is equal to the maximum amount of a state need grant award that would be given to an eligible student with a family income at or below fifty percent of the state's median family income as determined by the higher education coordinating board; and

(b) Offset the remainder as follows:

(i) Students with demonstrated need whose family incomes are at or below fifty percent of the state's median family income shall receive financial aid equal to one hundred percent of the remainder if an institution's full-time tuition fees for resident undergraduate students is five percent or greater of the state's median family income for a family of four as provided by the higher education coordinating board;

(ii) Students with demonstrated need whose family incomes are greater than fifty percent and no more than seventy percent of the state's median family income shall receive financial aid equal to seventy-five percent of the remainder if an institution's full-time tuition fees for resident undergraduate students is ten percent or greater of the state's median family income for a family of four as provided by the higher education coordinating board;

(iii) Students with demonstrated need whose family incomes exceed seventy percent and are less than one hundred percent of the state's median family income shall receive financial aid equal to fifty percent of the remainder if an institution's full-time tuition fees for resident undergraduate students is fifteen percent or greater of the state's median family income for a family of four as provided by the higher education coordinating board; and

(iv) Students with demonstrated need whose family incomes are at or exceed one hundred percent and are no more than one hundred twenty-five percent of the state's median family income shall receive financial aid equal to twenty-five percent of the remainder if an institution's full-time tuition fees for resident undergraduate students is twenty percent or greater of the state's median family income for a family of four as provided by the higher education coordinating board.

(3) The financial aid required in subsection (2) of this section shall:

(a) Be reduced by the amount of other financial aid awards, not including the state need grant;

(b) Be prorated based on credit load; and

(c) Only be provided to students up to demonstrated need.

(4) Financial aid sources and methods may be:

(a) Tuition revenue or locally held funds;

(b) Tuition waivers created by a four-year institution of higher education for the specific purpose of serving low and middle-income students; or

(c) Local financial aid programs.

(5) Use of tuition waivers as specified in subsection (4)(b) of

this section shall not be included in determining total state tuition waiver authority as defined in RCW 28B.15.910.

(6) By August 15, 2012, and August 15th every year thereafter, four-year institutions of higher education shall report to the governor and relevant committees of the legislature on the effectiveness of the various sources and methods of financial aid in mitigating tuition increases. A key purpose of these reports is to provide information regarding the results of the decision to grant tuition-setting authority to the four-year institutions of higher education and whether tuition setting authority should continue to be granted to the institutions or revert back to the legislature after consideration of the impacts on students, including educational access, affordability, and quality. These reports shall include:

(a) The amount of additional financial aid provided to middle-income and low-income students with demonstrated need in the aggregate and per student;

(b) An itemization of the sources and methods of financial aid provided by the four-year institution of higher education in the aggregate and per student;

(c) An analysis of the combined impact of federal tuition tax credits and financial aid provided by the institution of higher education on the net cost to students and their families resulting from tuition increases;

(d) In cases where tuition increases are greater than those assumed in the omnibus appropriations act at any four-year institution of higher education, the institution must include an explanation in its report of why this increase was necessary and how the institution will mitigate the effects of the increase. The institution must include in this section of its report a plan and specific timelines; and

(e) An analysis of changes in resident student enrollment patterns, participation rates, graduation rates, and debt load, by race and

ethnicity, gender, state and county of origin, age, and socioeconomic status, and a plan to mitigate effects of reduced diversity due to tuition increases. This analysis shall include disaggregated data for resident students in the following income brackets:

(i) Up to seventy percent of the median family income;

(ii) Between seventy-one percent and one hundred twenty-five percent of the median family income; and

(iii) Above one hundred twenty-five percent of the median family income.

(7) Beginning in the 2012-13 academic year, the University of Washington shall enroll during each academic year at least the same number of resident freshman undergraduate students at the Seattle campus, as defined in RCW 28B.15.012, as enrolled during the 2009-10 academic year. This requirement shall not apply to nonresident undergraduate and graduate and professional students.

Sec. 7. RCW 28B.15.068 and 2009 c 540 s 1 are each amended to read as follows:

(1) ((Beginning with the 2007-08 academic year and ending with the 2016-17 academic year, tuition fees charged to full-time resident undergraduate students, except in academic years 2009-10 and 2010-11, may increase no greater than seven percent over the previous academic year in any institution of higher education. Annual reductions or increases in full-time tuition fees for resident undergraduate students shall be as provided in the omnibus appropriations act, within the seven percent increase limit established in this section. For academic years 2009-10 and 2010-11 the omnibus appropriations act may provide tuition increases greater than seven percent. To the extent that state appropriations combined with tuition and fee revenues are insufficient to achieve the total per-student funding goals established in subsection (2) of this section, the legislature may revisit state appropriations, authorized enrollment levels, and changes in tuition fees for any given fiscal year.

(2) The state shall adopt as its goal total per-student funding levels, from state appropriations plus tuition and fees, of at least the sixtieth percentile of total per-student funding at similar public institutions of higher education in the global challenge states. In defining comparable per-student funding levels, the office of financial

management shall adjust for regional cost-of-living differences; for differences in program offerings and in the relative mix of lower division, upper division, and graduate students; and for accounting and reporting differences among the comparison institutions. The office of financial management shall develop a funding trajectory for each four-year institution of higher education and for the community and technical college system as a whole that when combined with tuition and fees revenue allows the state to achieve its funding goal for each four-year institution and the community and technical college system as a whole no later than fiscal year 2017. The state shall not reduce enrollment levels below fiscal year 2007 budgeted levels in order to improve or alter the per-student funding amount at any four-year institution of higher education or the community and technical college system as a whole. The state recognizes that each four-year institution of higher education and the community and technical college system as a whole have different funding requirements to achieve desired performance levels, and that increases to the total per-student funding amount may need to exceed the minimum funding goal.

(3))) By September 1st of each year beginning in ((2008)) 2011, the office of financial management shall report to the governor, the higher education coordinating board, and appropriate committees of the legislature with updated estimates of:

(a) The total per-student funding level that represents the sixtieth percentile of funding for ((comparable)) similar institutions of higher education in the global challenge states((, and the progress toward that goal that was made for each of the public institutions of higher education)); and

(b) The tuition that represents the sixtieth percentile of resident undergraduate tuition for similar institutions of higher education in the global challenge states.

(((4))) (2) As used in this section, "global challenge states" are the top performing states on the new economy index published by the progressive policy institute as of July 22, 2007. The new economy index ranks states on indicators of their potential to compete in the new economy. At least once every five years, the office of financial management shall determine if changes to the list of global challenge states are appropriate. The office of financial management shall report its findings to the governor and the legislature.

(((5) During the 2009-10 and the 2010-11 academic years, institutions of higher education shall include information on their billing statements notifying students of tax credits available through the American opportunity tax credit provided in the American recovery and reinvestment act of 2009.)) (3) Institutions of higher education, in collaboration with relevant student associations, shall aim to have all students who can benefit from available tax credits that mitigate the costs of higher education take advantage of these opportunities. These tax credits include the American opportunity tax credit provided in the American recovery and reinvestment act of 2009, the lifetime learning credit, and other relevant tax credits for as long as they are available.

(4)(a) Institutions shall make every effort to communicate to students and their families the benefits of such tax credits and provide assistance to students and their families on how to apply.

(b) Information about relevant tax credits shall, to the greatest extent possible, be incorporated into financial aid counseling, admission information, and individual billing statements.

(c) Institutions shall, to the greatest extent possible, use all means of communication, including but not limited to web sites, online catalogues, admission and registration forms, mass email messaging, social media, and outside marketing to ensure information about relevant tax credits is visible and compelling, and reaches the maximum amount of student and families that can benefit.

(5) In the event that the economic value of the American opportunity tax credit is reduced or expires at any time before December 31, 2012, institutions of higher education shall:

(a) Develop an updated tuition mitigation plan established under section 6 of this act for the purpose of minimizing, to the greatest extent possible, the increase in net cost of tuition or total cost of attendance for students resulting from any such change. This plan shall include the methods specified by the four-year institution of higher education to avoid adding additional loan debt burdens to students regardless of the source of such loans;

(b) Report to the governor and the relevant committees of the legislature on their plans to adjust their tuition mitigation plans no later than ninety days after any such change to the American opportunity tax credit.

Sec. 8. RCW 28B.76.270 and 2004 c 275 s 11 are each amended to read as follows:

(1) The board shall establish an accountability monitoring and reporting system as part of a continuing effort to make meaningful and substantial progress towards the achievement of long-term performance goals in higher education.

(2) To provide consistent, easily understood data among the public four-year institutions of higher education within Washington and in other states, the following data must be reported annually by December 1st, and at a minimum include data recommended by a national organization representing state chief executives. The board may change the data requirements to be consistent with best practices across the country. This data must, to the maximum extent possible, be disaggregated by race and ethnicity, gender, state and county of origin, age, and socioeconomic status, and include the following for the four-year institutions of higher education:

(a) Bachelor's degrees awarded;

(b) Graduate and professional degrees awarded;

(c) Graduation rates: The number and percentage of students who graduate within four years for bachelor's degrees and within the extended time, which is six years for bachelor's degrees;

(d) Transfer rates: The annual number and percentage of students who transfer from a two-year to a four-year institution of higher education;

(e) Time and credits to degree: The average length of time in years and average number of credits that graduating students took to earn a bachelor's degree;

(f) Enrollment in remedial education: The number and percentage of entering first-time undergraduate students who place into and enroll in remedial mathematics, English, or both;

(g) Success beyond remedial education: The number and percentage of entering first-time undergraduate students who complete entry college-level math and English courses within the first two consecutive academic years;

(h) Credit accumulation: The number and percentage of first-time undergraduate students completing two quarters or one semester worth of credit during their first academic year;

(i) Retention rates: The number and percentage of entering undergraduate students who enroll consecutively from fall-to-spring and fall-to-fall at an institution of higher education;

(j) Course completion: The percentage of credit hours completed out of those attempted during an academic year;

(k) Program participation and degree completion rates in bachelor and advanced degree programs in the sciences, which includes agriculture and natural resources, biology and biomedical sciences, computer and information sciences, engineering and engineering technologies, health professions and clinical sciences, mathematics and statistics, and physical sciences and science technologies, including participation and degree completion rates for students from traditionally underrepresented populations;

(l) Annual enrollment: Annual unduplicated number of students enrolled over a twelve-month period at institutions of higher education including by student level;

(m) Annual first-time enrollment: Total first-time students enrolled in a four-year institution of higher education;

(n) Completion ratio: Annual ratio of undergraduate and graduate degrees and certificates, of at least one year in expected length, awarded per one hundred full-time equivalent undergraduate students at the state level;

(o) Market penetration: Annual ratio of undergraduate and graduate degrees and certificates, of at least one year in program length, awarded relative to the state's population age eighteen to twenty-four years old with a high school diploma;

(p) Student debt load: Median three-year distribution of debt load, excluding private loans or debts incurred before coming to the institution;

(q) Data related to enrollment, completion rates, participation rates, and debt load shall be disaggregated for students in the following income brackets to the maximum extent possible:

(i) Up to seventy percent of the median family income;

(ii) Between seventy-one percent and one hundred twenty-five percent of the median family income; and

(iii) Above one hundred twenty-five percent of the median family income; and

(r) Yearly percentage increases in the average cost of undergraduate instruction.

(3) Four-year institutions of higher education must count all students when collecting data, not only first-time, full-time freshmen.

(4) Based on guidelines prepared by the board, each four-year institution and the state board for community and technical colleges shall submit a biennial plan to achieve measurable and specific improvements each academic year on statewide and institution-specific performance measures. Plans shall be submitted to the board along with the biennial budget requests from the institutions and the state board for community and technical colleges. Performance measures established

for the community and technical colleges shall reflect the role and mission of the colleges.

(((3))) (5) The board shall approve biennial performance targets for each four-year institution and for the community and technical college system and shall review actual achievements annually. The state board for community and technical colleges shall set biennial performance targets for each college or district, where appropriate.

(((4))) (6) The board shall submit a report on progress towards the statewide goals, with recommendations for the ensuing biennium, to the fiscal and higher education committees of the legislature along with the board's biennial budget recommendations.

(((5))) (7) The board, in collaboration with the four-year institutions and the state board for community and technical colleges, shall periodically review and update the accountability monitoring and reporting system.

(((6))) (8) The board shall develop measurable indicators and benchmarks for its own performance regarding cost, quantity, quality, and timeliness and including the performance of committees and advisory groups convened under this chapter to accomplish such tasks as improving transfer and articulation, improving articulation with the K-12 education system, measuring educational costs, or developing data protocols. The board shall submit its accountability plan to the legislature concurrently with the biennial report on institution progress.

(9) In conjunction with the office of financial management, all four-year institutions of higher education must display the data described in subsection (2) of this section in a uniform dashboard

format on the office of financial management's web site no later than December 1, 2011, and updated thereafter annually by December 1st. To the maximum extent possible, the information must be viewable by race and ethnicity, gender, state and county of origin, age, and socioeconomic status. The information may be tailored to meet the needs of various target audiences such as students, researchers, and the general public.

Sec. 9. RCW 28B.92.060 and 2009 c 215 s 4 are each amended to read as follows:

In awarding need grants, the board shall proceed substantially as follows: PROVIDED, That nothing contained herein shall be construed to prevent the board, in the exercise of its sound discretion, from following another procedure when the best interest of the program so dictates:

(1) The board shall annually select the financial aid award recipients from among Washington residents applying for student financial aid who have been ranked according to:

(a) Financial need as determined by the amount of the family contribution; and

(b) Other considerations, such as whether the student is a former foster youth, or is a placebound student who has completed an associate of arts or associate of science degree or its equivalent.

(2) The financial need of the highest ranked students shall be met by grants depending upon the evaluation of financial need until the total allocation has been disbursed. Funds from grants which are declined, forfeited or otherwise unused shall be reawarded until disbursed, except that eligible former foster youth shall be assured receipt of a grant. The board, in consultation with four-year institutions of higher education, and the state board for community and technical colleges, shall develop award criteria and methods of disbursement based on level of need, and not solely rely on a first-come, first-served basis.

(3) A student shall be eligible to receive a state need grant for up to five years, or the credit or clock hour equivalent of five years, or up to one hundred twenty-five percent of the published length of time of the student's program. A student may not start a new associate degree program as a state need grant recipient until at least five

years have elapsed since earning an associate degree as a need grant recipient, except that a student may earn two associate degrees concurrently. Qualifications for renewal will include maintaining satisfactory academic progress toward completion of an eligible program as determined by the board. Should the recipient terminate his or her enrollment for any reason during the academic year, the unused portion of the grant shall be returned to the state educational grant fund by the institution according to the institution's own policy for issuing refunds, except as provided in RCW 28B.92.070.

(4) In computing financial need, the board shall determine a maximum student expense budget allowance, not to exceed an amount equal to the total maximum student expense budget at the public institutions plus the current average state appropriation per student for operating expense in the public institutions. Any child support payments received by students who are parents attending less than half-time shall not be used in computing financial need.

(5)(a) A student who is enrolled in three to six credit-bearing quarter credits, or the equivalent semester credits, may receive a grant for up to one academic year before beginning a program that leads to a degree or certificate.

(b) An eligible student enrolled on a less-than-full-time basis shall receive a prorated portion of his or her state need grant for any academic period in which he or she is enrolled on a less-than-full-time basis, as long as funds are available.

(c) An institution of higher education may award a state need grant to an eligible student enrolled in three to six credit-bearing quarter credits, or the semester equivalent, on a provisional basis if:

(i) The student has not previously received a state need grant from that institution;

(ii) The student completes the required free application for federal student aid;

(iii) The institution has reviewed the student's financial condition, and the financial condition of the student's family if the student is a dependent student, and has determined that the student is likely eligible for a state need grant; and

(iv) The student has signed a document attesting to the fact that the financial information provided on the free application for federal student aid and any additional financial information provided directly

to the institution is accurate and complete, and that the student agrees to repay the institution for the grant amount if the student submitted false or incomplete information.

(6) As used in this section, "former foster youth" means a person who is at least eighteen years of age, but not more than twenty-four years of age, who was a dependent of the department of social and health services at the time he or she attained the age of eighteen.

Sec. 10. RCW 28A.600.310 and 2009 c 450 s 8 are each amended to read as follows:

(1) Eleventh and twelfth grade students or students who have not yet received the credits required for the award of a high school diploma and are eligible to be in the eleventh or twelfth grades may apply to a participating institution of higher education to enroll in courses or programs offered by the institution of higher education. A student receiving home-based instruction enrolling in a public high school for the sole purpose of participating in courses or programs offered by institutions of higher education shall not be counted by the school district in any required state or federal accountability reporting if the student's parents or guardians filed a declaration of intent to provide home-based instruction and the student received home-based instruction during the school year before the school year in which the student intends to participate in courses or programs offered by the institution of higher education. Students receiving home-based instruction under chapter 28A.200 RCW and students attending private schools approved under chapter 28A.195 RCW shall not be required to meet the student learning goals, obtain a certificate of academic achievement or a certificate of individual achievement to graduate from high school, or to master the essential academic learning requirements. However, students are eligible to enroll in courses or programs in participating universities only if the board of directors of the student's school district has decided to participate in the program. Participating institutions of higher education, in consultation with school districts, may establish admission standards for these students. If the institution of higher education accepts a secondary school pupil for enrollment under this section, the institution of higher education shall send written notice to the pupil and the pupil's school district

within ten days of acceptance. The notice shall indicate the course and hours of enrollment for that pupil.

(2)(a) In lieu of tuition and fees, as defined in RCW 28B.15.020 and 28B.15.041((,)):

(i) Running start students shall pay to the community or technical college all other mandatory fees as established by each community or technical college and, in addition, the state board for community and technical colleges may authorize a fee of up to ten percent of tuition and fees as defined in RCW 28B.15.020 and 28B.15.041; and

(ii) All other institutions of higher education operating a running start program may charge running start students a fee of up to ten percent of tuition and fees as defined in RCW 28B.15.020 and 28B.15.041 in addition to technology fees.

(b) The fees charged under this subsection (2) shall be prorated based on credit load.

(3)(a) The institutions of higher education must make available fee waivers for low-income running start students. Each institution must establish a written policy for the determination of low-income students before offering the fee waiver. A student shall be considered low income and eligible for a fee waiver upon proof that the student is currently qualified to receive free or reduced-price lunch. Acceptable documentation of low-income status may also include, but is not limited to, documentation that a student has been deemed eligible for free or reduced-price lunches in the last five years, or other criteria established in the institution's policy.

(b) Institutions of higher education, in collaboration with relevant student associations, shall aim to have students who can benefit from fee waivers take advantage of these waivers. Institutions shall make every effort to communicate to students and their families the benefits of the waivers and provide assistance to students and their families on how to apply. Information about waivers shall, to the greatest extent possible, be incorporated into financial aid counseling, admission information, and individual billing statements. Institutions also shall, to the greatest extent possible, use all means of communication, including but not limited to web sites, online catalogues, admission and registration forms, mass e-mail messaging, social media, and outside marketing to ensure that information about

waivers is visible, compelling, and reaches the maximum number of students and families that can benefit.

(4) The pupil's school district shall transmit to the institution of higher education an amount per each full-time equivalent college student at statewide uniform rates for vocational and nonvocational students. The superintendent of public instruction shall separately calculate and allocate moneys appropriated for basic education under RCW 28A.150.260 to school districts for purposes of making such

payments and for granting school districts seven percent thereof to offset program related costs. The calculations and allocations shall be based upon the estimated statewide annual average per full-time equivalent high school student allocations under RCW 28A.150.260, excluding small high school enhancements, and applicable rules adopted under chapter 34.05 RCW. The superintendent of public instruction, the higher education coordinating board, and the state board for community and technical colleges shall consult on the calculation and distribution of the funds. The funds received by the institution of higher education from the school district shall not be deemed tuition or operating fees and may be retained by the institution of higher education. A student enrolled under this subsection shall be counted for the purpose of meeting enrollment targets in accordance with terms and conditions specified in the omnibus appropriations act.

(5) The state board for community and technical colleges, in collaboration with the other institutions of higher education that participate in the running start program and the office of the superintendent of public instruction, shall identify, assess, and report on alternatives for providing ongoing and adequate financial support for the program. Such alternatives shall include but are not limited to student tuition, increased support from local school districts, and reallocation of existing state financial support among the community and technical college system to account for differential running start enrollment levels and impacts. The state board for community and technical colleges shall report the assessment of alternatives to the governor and to the appropriate fiscal and policy committees of the legislature by September 1, 2010.

NEW SECTION. **Sec. 11.** A new section is added to chapter 28B.10 RCW to read as follows:

(1) A graduate of a community or technical college in this state who has earned a transferable associate of arts or sciences degree when admitted to a four-year institution of higher education shall have junior standing. A graduate who has earned the direct transfer associate of arts degree will be deemed to have met the lower division general education requirements of the receiving four-year institution of higher education. A graduate who has earned the associate of science transfer degree will be deemed to have met most requirements that prepare the graduate for baccalaureate degree majors in science, technology, engineering, and math and will be required to complete only such additional lower division, general education courses at the receiving four-year institutions of higher education as would have been required to complete the direct transfer associate of arts degree.

(2) A student who has earned the equivalent of ninety quarter credit hours and has completed the general education requirements at that four-year institution of higher education in Washington when admitted to another four-year institution of higher education shall

have junior standing and shall be deemed to have met the lower division general education requirements of the institution to which the student transfers.

(3) The community and technical colleges, jointly with the four-year institutions of higher education, must develop a list of academic courses that are equivalent to one-year's worth of general education credit and that would transfer for that purpose to any other two or four-year institution of higher education. If a student completes one-year's worth of general education credits, the student may be issued a one-year academic completion certificate. This certificate shall be accepted at any transferring two or four-year institution of higher education.

(4) Each institution of higher education must develop a minimum of one degree within the arts and sciences disciplines that can be completed within the equivalent of ninety quarter upper division credits by any student who enters an institution of higher education with junior status and lower division general education requirements completed.

(5) Each four-year institution of higher education must publish a list of recommended courses for each academic major designed to help

students who are planning to transfer design their course of study. Publication of the list of courses must be easily identified and accessible on the institution's web site.

(6) The requirements to publish a list of recommended courses for each academic major under this section does not apply if an institution does not require courses or majors to meet specific requirements but generally applies credits earned towards degree requirements.

NEW SECTION. **Sec. 12.** A new section is added to chapter 28B.50 RCW to read as follows:

(1)(a) Community and technical colleges must identify and publish in their admissions materials the college level courses that are recognized by all four-year institutions of higher education as transferable to the four-year institutions of higher education. Publication of the list of courses must be easily identified and accessible on the college's web site.

(b) If a four-year institution of higher education does not require courses of majors for transfer, the community and technical colleges must identify and publish the transfer policy of the institution in their admissions materials and make the transfer policy of the institution easily identifiable on the college's web site.

(2) Community and technical colleges must create a list of courses that satisfy the basic requirements, distribution requirements, and approved electives for:

(a) A one-year academic completion certificate as provided for under section 11 of this act; and

(b) A transferrable associate of arts or sciences degree as provided for under section 11 of this act.

(3) To the extent possible, each community and technical college must develop links between the lists in subsections (1) and (2) of this section and its list of courses, and develop methods to encourage students to check the lists in subsections (1) and (2) of this section when the students are registering for courses.

Sec. 13. RCW 39.29.011 and 2009 c 486 s 7 are each amended to read as follows:

All personal service contracts shall be entered into pursuant to competitive solicitation, except for:

(1) Emergency contracts;

(2) Sole source contracts;

(3) Contract amendments;

(4) Contracts between a consultant and an agency of less than twenty thousand dollars. However, contracts of five thousand dollars or greater but less than twenty thousand dollars shall have documented evidence of competition, which must include agency posting of the contract opportunity on the state's common vendor registration and bid notification system. Agencies shall not structure contracts to evade these requirements; ((and))

(5) Contracts between a consultant and an institution of higher education of less than one hundred thousand dollars. However, contracts of ten thousand dollars or greater but less than one hundred thousand dollars shall have documented evidence of competition, which must include an institution of higher education's posting of the contract opportunity on the state's common vendor registration and bid notification system. Institutions of higher education may not structure contracts to evade these requirements; and

(6) Other specific contracts or classes or groups of contracts exempted from the competitive solicitation process by the director of the office of financial management when it has been determined that a competitive solicitation process is not appropriate or cost-effective.

Sec. 14. RCW 43.19.1906 and 2008 c 215 s 5 are each amended to read as follows:

Insofar as practicable, all purchases and sales shall be based on competitive bids, and a formal sealed, electronic, or web-based bid procedure, subject to RCW 43.19.1911, shall be used as standard procedure for all purchases and contracts for purchases and sales executed by the state purchasing and material control director and under the powers granted by RCW 43.19.190 through 43.19.1939. This requirement also applies to purchases and contracts for purchases and sales executed by agencies, including educational institutions, under delegated authority granted in accordance with provisions of RCW 43.19.190 or under RCW 28B.10.029. However, formal sealed, electronic, or web-based competitive bidding is not necessary for:

(1) Emergency purchases made pursuant to RCW 43.19.200 if the

sealed bidding procedure would prevent or hinder the emergency from being met appropriately;

(2) Purchases not exceeding thirty-five thousand dollars, or subsequent limits as calculated by the office of financial management: PROVIDED, That the state director of general administration shall establish procedures to assure that purchases made by or on behalf of the various state agencies shall not be made so as to avoid the thirty-five thousand dollar bid limitation, or subsequent bid limitations as calculated by the office of financial management: PROVIDED FURTHER, That the state purchasing and material control director is authorized to reduce the formal sealed bid limits of thirty-five thousand dollars, or subsequent limits as calculated by the office of financial management, to a lower dollar amount for purchases by individual state agencies if considered necessary to maintain full disclosure of competitive procurement or otherwise to achieve overall state efficiency and economy in purchasing and material control. Quotations from three thousand dollars to thirty-five thousand dollars, or subsequent limits as calculated by the office of financial management, shall be secured from at least three vendors to assure establishment of a competitive price and may be obtained by telephone or written quotations, or both. The agency shall invite at least one quotation each from a certified minority and a certified women-owned vendor who shall otherwise qualify to perform such work. Immediately after the award is made, the bid quotations obtained shall be recorded and open to public inspection and shall be available by telephone inquiry. A record of competition for all such purchases from three thousand dollars to thirty-five thousand dollars, or subsequent limits as calculated by the office of financial management, shall be documented for audit purposes. Purchases up to three thousand dollars may be made without competitive bids based on buyer experience and knowledge of the market in achieving maximum quality at minimum cost;

(3) Purchases which are clearly and legitimately limited to a single source of supply and purchases involving special facilities, services, or market conditions, in which instances the purchase price may be best established by direct negotiation;

(4) Purchases of insurance and bonds by the risk management division under RCW 43.41.310;

(5) Purchases and contracts for vocational rehabilitation clients of the department of social and health services: PROVIDED, That this exemption is effective only when the state purchasing and material control director, after consultation with the director of the division of vocational rehabilitation and appropriate department of social and health services procurement personnel, declares that such purchases may be best executed through direct negotiation with one or more suppliers in order to expeditiously meet the special needs of the state's

vocational rehabilitation clients;

(6) Purchases by universities for hospital operation or biomedical teaching or research purposes and by the state purchasing and material control director, as the agent for state hospitals as defined in RCW 72.23.010, and for health care programs provided in state correctional institutions as defined in RCW 72.65.010(3) and veterans' institutions as defined in RCW 72.36.010 and 72.36.070, made by participating in contracts for materials, supplies, and equipment entered into by nonprofit cooperative hospital group purchasing organizations;

(7) Purchases for resale by institutions of higher education to other than public agencies when such purchases are for the express purpose of supporting instructional programs and may best be executed through direct negotiation with one or more suppliers in order to meet the special needs of the institution;

(8) Purchases by institutions of higher education not exceeding ((thirty-five)) one hundred thousand dollars: PROVIDED, That for purchases between ((three)) ten thousand dollars and ((thirty-five)) one hundred thousand dollars quotations shall be secured from at least three vendors to assure establishment of a competitive price and may be obtained by telephone or written quotations, or both. For purchases between ((three)) ten thousand dollars and ((thirty-five)) one hundred thousand dollars, each institution of higher education shall invite at least one quotation each from a certified minority and a certified women-owned vendor who shall otherwise qualify to perform such work. A record of competition for all such purchases made from ((three)) ten thousand to ((thirty-five)) one hundred thousand dollars shall be documented for audit purposes;

(9) Off-contract purchases of Washington grown food when such food is not available from Washington sources through an existing contract. However, Washington grown food purchased under this subsection must be

of an equivalent or better quality than similar food available through the contract and be able to be paid from the agency's existing budget. This requirement also applies to purchases and contracts for purchases executed by state agencies, including institutions of higher education, under delegated authority granted in accordance with RCW 43.19.190 or under RCW 28B.10.029; and

(10) Negotiation of a contract by the department of transportation, valid until June 30, 2001, with registered tow truck operators to provide roving service patrols in one or more Washington state patrol tow zones whereby those registered tow truck operators wishing to participate would cooperatively, with the department of transportation, develop a demonstration project upon terms and conditions negotiated by the parties.

Beginning on July 1, 1995, and on July 1st of each succeeding odd-numbered year, the dollar limits specified in this section shall be adjusted as follows: The office of financial management shall calculate such limits by adjusting the previous biennium's limits by the appropriate federal inflationary index reflecting the rate of inflation for the previous biennium. Such amounts shall be rounded to the nearest one hundred dollars. However, the three thousand dollar figure in subsection((s)) (2) ((and (8))) of this section may not be adjusted to exceed five thousand dollars.

As used in this section, "Washington grown" has the definition in RCW 15.64.060.

Sec. 15. RCW 43.88.160 and 2006 c 1 s 6 are each amended to read as follows:

This section sets forth the major fiscal duties and responsibilities of officers and agencies of the executive branch. The regulations issued by the governor pursuant to this chapter shall provide for a comprehensive, orderly basis for fiscal management and control, including efficient accounting and reporting therefor, for the executive branch of the state government and may include, in addition, such requirements as will generally promote more efficient public management in the state.

(1) Governor; director of financial management. The governor, through the director of financial management, shall devise and supervise a modern and complete accounting system for each agency to

the end that all revenues, expenditures, receipts, disbursements, resources, and obligations of the state shall be properly and systematically accounted for. The accounting system shall include the development of accurate, timely records and reports of all financial affairs of the state. The system shall also provide for central accounts in the office of financial management at the level of detail deemed necessary by the director to perform central financial management. The director of financial management shall adopt and periodically update an accounting procedures manual. Any agency maintaining its own accounting and reporting system shall comply with the updated accounting procedures manual and the rules of the director adopted under this chapter. An agency may receive a waiver from complying with this requirement if the waiver is approved by the director. Waivers expire at the end of the fiscal biennium for which they are granted. The director shall forward notice of waivers granted to the appropriate legislative fiscal committees. The director of financial management may require such financial, statistical, and other reports as the director deems necessary from all agencies covering any period.

(2) Except as provided in chapter 43.88C RCW, the director of financial management is responsible for quarterly reporting of primary operating budget drivers such as applicable workloads, caseload estimates, and appropriate unit cost data. These reports shall be transmitted to the legislative fiscal committees or by electronic means to the legislative evaluation and accountability program committee.

Quarterly reports shall include actual monthly data and the variance between actual and estimated data to date. The reports shall also include estimates of these items for the remainder of the budget period.

(3) The director of financial management shall report at least annually to the appropriate legislative committees regarding the status of all appropriated capital projects, including transportation projects, showing significant cost overruns or underruns. If funds are shifted from one project to another, the office of financial management shall also reflect this in the annual variance report. Once a project is complete, the report shall provide a final summary showing estimated start and completion dates of each project phase compared to actual

dates, estimated costs of each project phase compared to actual costs, and whether or not there are any outstanding liabilities or unsettled claims at the time of completion.

(4) In addition, the director of financial management, as agent of the governor, shall:

(a) Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each agency that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls. The system developed by the director shall include criteria for determining the scope and comprehensiveness of internal controls required by classes of agencies, depending on the level of resources at risk.

Each agency head or authorized designee shall be assigned the responsibility and authority for establishing and maintaining internal audits following the standards of internal auditing of the institute of internal auditors;

(b) Make surveys and analyses of agencies with the object of determining better methods and increased effectiveness in the use of manpower and materials; and the director shall authorize expenditures for employee training to the end that the state may benefit from training facilities made available to state employees;

(c) Establish policies for allowing the contracting of child care services;

(d) Report to the governor with regard to duplication of effort or lack of coordination among agencies;

(e) Review any pay and classification plans, and changes thereunder, developed by any agency for their fiscal impact: PROVIDED, That none of the provisions of this subsection shall affect merit systems of personnel management now existing or hereafter established by statute relating to the fixing of qualifications requirements for recruitment, appointment, or promotion of employees of any agency. The director shall advise and confer with agencies including appropriate standing committees of the legislature as may be designated by the speaker of the house and the president of the senate regarding the fiscal impact of such plans and may amend or alter the plans, except

that for the following agencies no amendment or alteration of the plans may be made without the approval of the agency concerned: Agencies headed by elective officials;

(f) Fix the number and classes of positions or authorized employee years of employment for each agency and during the fiscal period amend the determinations previously fixed by the director except that the director shall not be empowered to fix the number or the classes for the following: Agencies headed by elective officials;

(g) Adopt rules to effectuate provisions contained in (a) through (f) of this subsection.

(5) The treasurer shall:

(a) Receive, keep, and disburse all public funds of the state not expressly required by law to be received, kept, and disbursed by some other persons: PROVIDED, That this subsection shall not apply to those public funds of the institutions of higher learning which are not subject to appropriation;

(b) Receive, disburse, or transfer public funds under the treasurer's supervision or custody;

(c) Keep a correct and current account of all moneys received and disbursed by the treasurer, classified by fund or account;

(d) Coordinate agencies' acceptance and use of credit cards and other payment methods, if the agencies have received authorization under RCW 43.41.180;

(e) Perform such other duties as may be required by law or by regulations issued pursuant to this law.

It shall be unlawful for the treasurer to disburse public funds in the treasury except upon forms or by alternative means duly prescribed by the director of financial management. These forms or alternative means shall provide for authentication and certification by the agency head or the agency head's designee that the services have been rendered or the materials have been furnished; or, in the case of loans or grants, that the loans or grants are authorized by law; or, in the case of payments for periodic maintenance services to be performed on state owned equipment, that a written contract for such periodic maintenance services is currently in effect; and the treasurer shall not be liable under the treasurer's surety bond for erroneous or improper payments so made. When services are lawfully paid for in advance of full performance by any private individual or business entity other than

equipment maintenance providers or as provided for by RCW 42.24.035, such individual or entity other than central stores rendering such services shall make a cash deposit or furnish surety bond coverage to the state as shall be fixed in an amount by law, or if not fixed by law, then in such amounts as shall be fixed by the director of the department of general administration but in no case shall such required cash deposit or surety bond be less than an amount which will fully indemnify the state against any and all losses on account of breach of promise to fully perform such services. Except for institutions of higher education, no payments shall be made in advance for any equipment maintenance services to be performed more than twelve months after such payment. Any such bond so furnished shall be conditioned that the person, firm or corporation receiving the advance payment will apply it toward performance of the contract. The responsibility for recovery of erroneous or improper payments made under this section shall lie with the agency head or the agency head's designee in accordance with regulations issued pursuant to this chapter. Nothing in this section shall be construed to permit a public body to advance funds to a private service provider pursuant to a grant or loan before services have been rendered or material furnished.

(6) The state auditor shall:

(a) Report to the legislature the results of current post audits that have been made of the financial transactions of each agency; to this end the auditor may, in the auditor's discretion, examine the books and accounts of any agency, official, or employee charged with the receipt, custody, or safekeeping of public funds. Where feasible in conducting examinations, the auditor shall utilize data and findings from the internal control system prescribed by the office of financial management. The current post audit of each agency may include a section on recommendations to the legislature as provided in (c) of this subsection.

(b) Give information to the legislature, whenever required, upon any subject relating to the financial affairs of the state.

(c) Make the auditor's official report on or before the thirty-first of December which precedes the meeting of the legislature. The report shall be for the last complete fiscal period and shall include determinations as to whether agencies, in making expenditures, complied with the laws of this state. The state auditor is authorized to

perform or participate in performance verifications and performance audits as expressly authorized by the legislature in the omnibus biennial appropriations acts or in the performance audit work plan approved by the joint legislative audit and review committee. The state auditor, upon completing an audit for legal and financial compliance under chapter 43.09 RCW or a performance verification, may report to the joint legislative audit and review committee or other appropriate committees of the legislature, in a manner prescribed by the joint legislative audit and review committee, on facts relating to the management or performance of governmental programs where such facts are discovered incidental to the legal and financial audit or performance verification. The auditor may make such a report to a legislative committee only if the auditor has determined that the agency has been given an opportunity and has failed to resolve the management or performance issues raised by the auditor. If the auditor makes a report to a legislative committee, the agency may submit to the committee a response to the report. This subsection (6) shall not be construed to authorize the auditor to allocate other than de minimis resources to performance audits except as expressly authorized in the appropriations acts or in the performance audit work plan. The results of a performance audit conducted by the state auditor that has been requested by the joint legislative audit and review committee must only be transmitted to the joint legislative audit and review committee.

(d) Be empowered to take exception to specific expenditures that have been incurred by any agency or to take exception to other practices related in any way to the agency's financial transactions and to cause such exceptions to be made a matter of public record, including disclosure to the agency concerned and to the director of financial management. It shall be the duty of the director of financial management to cause corrective action to be taken within six months, such action to include, as appropriate, the withholding of funds as provided in RCW 43.88.110. The director of financial management shall annually report by December 31st the status of audit resolution to the appropriate committees of the legislature, the state auditor, and the attorney general. The director of financial management shall include in the audit resolution report actions taken as a result of an audit including, but not limited to, types of

personnel actions, costs and types of litigation, and value of recouped goods or services.

(e) Promptly report any irregularities to the attorney general.

(f) Investigate improper governmental activity under chapter 42.40 RCW.

(((g))) In addition to the authority given to the state auditor in this subsection (6), the state auditor is authorized to conduct performance audits identified in RCW 43.09.470. Nothing in this subsection (6) shall limit, impede, or restrict the state auditor from conducting performance audits identified in RCW 43.09.470.

(7) The joint legislative audit and review committee may:

(a) Make post audits of the financial transactions of any agency and management surveys and program reviews as provided for in chapter 44.28 RCW as well as performance audits and program evaluations. To this end the joint committee may in its discretion examine the books, accounts, and other records of any agency, official, or employee.

(b) Give information to the legislature or any legislative committee whenever required upon any subject relating to the performance and management of state agencies.

(c) Make a report to the legislature which shall include at least the following:

(i) Determinations as to the extent to which agencies in making expenditures have complied with the will of the legislature and in this connection, may take exception to specific expenditures or financial practices of any agencies; and

(ii) Such plans as it deems expedient for the support of the state's credit, for lessening expenditures, for promoting frugality and economy in agency affairs, and generally for an improved level of fiscal management.

Sec. 16. RCW 43.03.220 and 2011 c 5 s 902 are each amended to read as follows:

(1) Any part-time board, commission, council, committee, or other similar group which is established by the executive, legislative, or judicial branch to participate in state government and which functions primarily in an advisory, coordinating, or planning capacity shall be identified as a class one group.

(2) Absent any other provision of law to the contrary, no money beyond the customary reimbursement or allowance for expenses may be paid by or through the state to members of class one groups for attendance at meetings of such groups.

(3) Beginning July 1, 2010, through June 30, 2011, no person designated as a member of a class one board, commission, council, committee, or similar group may receive an allowance for subsistence, lodging, or travel expenses if the allowance cost is funded by the state general fund. Exceptions may be granted under section 605, chapter 3, Laws of 2010. Class one groups, when feasible, shall use an alternative means of conducting a meeting that does not require travel while still maximizing member and public participation and may use a meeting format that requires members to be physically present at one location only when necessary or required by law. Meetings that require a member's physical presence at one location must be held in state facilities whenever possible. Meetings conducted using private facilities must be approved by the director of the office of financial management, except for facilities provided free of charge. Meetings of class one groups affiliated with institutions of higher education do not require such approval.

(4) Beginning July 1, 2010, through June 30, 2011, class one groups that are funded by sources other than the state general fund are encouraged to reduce travel, lodging, and other costs associated with conducting the business of the group including use of other meeting formats that do not require travel.

Sec. 17. RCW 43.03.230 and 2011 c 5 s 903 are each amended to read as follows:

(1) Any agricultural commodity board or commission established pursuant to Title 15 or 16 RCW shall be identified as a class two group for purposes of compensation.

(2) Except as otherwise provided in this section, each member of a

class two group is eligible to receive compensation in an amount not to exceed one hundred dollars for each day during which the member attends an official meeting of the group or performs statutorily prescribed duties approved by the chairperson of the group. A person shall not receive compensation for a day of service under this section if the person (a) occupies a position, normally regarded as full-time in

nature, in any agency of the federal government, Washington state government, or Washington state local government; and (b) receives any compensation from such government for working that day.

(3) Compensation may be paid a member under this section only if it is authorized under the law dealing in particular with the specific group to which the member belongs or dealing in particular with the members of that specific group.

(4) Beginning July 1, 2010, through June 30, 2011, no person designated as a member of a class two board, commission, council, committee, or similar group may receive an allowance for subsistence, lodging, or travel expenses if the allowance cost is funded by the state general fund. Exceptions may be granted under section 605, chapter 3, Laws of 2010. Class two groups, when feasible, shall use an alternative means of conducting a meeting that does not require travel while still maximizing member and public participation and may use a meeting format that requires members to be physically present at one location only when necessary or required by law. Meetings that require a member's physical presence at one location must be held in state facilities whenever possible. Meetings conducted using private facilities must be approved by the director of the office of financial management, except for facilities provided free of charge. Meetings of class two groups affiliated with institutions of higher education do not require such approval.

(5) Beginning July 1, 2010, through June 30, 2011, class two groups that are funded by sources other than the state general fund are encouraged to reduce travel, lodging, and other costs associated with conducting the business of the group including use of other meeting formats that do not require travel.

Sec. 18. RCW 43.03.240 and 2011 c 5 s 904 are each amended to read as follows:

(1) Any part-time, statutory board, commission, council, committee, or other similar group which has rule-making authority, performs quasi judicial functions, has responsibility for the administration or policy direction of a state agency or program, or performs regulatory or licensing functions with respect to a specific profession, occupation, business, or industry shall be identified as a class three group for purposes of compensation.

(2) Except as otherwise provided in this section, each member of a class three group is eligible to receive compensation in an amount not

to exceed fifty dollars for each day during which the member attends an official meeting of the group or performs statutorily prescribed duties approved by the chairperson of the group. A person shall not receive compensation for a day of service under this section if the person (a) occupies a position, normally regarded as full-time in nature, in any agency of the federal government, Washington state government, or Washington state local government; and (b) receives any compensation from such government for working that day.

(3) Compensation may be paid a member under this section only if it is authorized under the law dealing in particular with the specific group to which the member belongs or dealing in particular with the members of that specific group.

(4) Beginning July 1, 2010, through June 30, 2011, no person designated as a member of a class three board, commission, council, committee, or similar group may receive an allowance for subsistence, lodging, or travel expenses if the allowance cost is funded by the state general fund. Exceptions may be granted under section 605, chapter 3, Laws of 2010. Class three groups, when feasible, shall use an alternative means of conducting a meeting that does not require travel while still maximizing member and public participation and may use a meeting format that requires members to be physically present at one location only when necessary or required by law. Meetings that require a member's physical presence at one location must be held in state facilities whenever possible. Meetings conducted using private facilities must be approved by the director of the office of financial management, except for facilities provided free of charge. Meetings of class three groups affiliated with institutions of higher education do not require such approval.

(5) Beginning July 1, 2010, through June 30, 2011, class three groups that are funded by sources other than the state general fund are encouraged to reduce travel, lodging, and other costs associated with conducting the business of the group including use of other meeting formats that do not require travel.

Sec. 19. RCW 43.03.250 and 2011 c 5 s 905 are each amended to read as follows:

(1) A part-time, statutory board, commission, council, committee, or other similar group shall be identified as a class four group for purposes of compensation if the group:

(a) Has rule-making authority, performs quasi-judicial functions, or has responsibility for the administration or policy direction of a state agency or program;

(b) Has duties that are deemed by the legislature to be of overriding sensitivity and importance to the public welfare and the operation of state government; and

(c) Requires service from its members representing a significant demand on their time that is normally in excess of one hundred hours of meeting time per year.

(2) Each member of a class four group is eligible to receive compensation in an amount not to exceed one hundred dollars for each day during which the member attends an official meeting of the group or performs statutorily prescribed duties approved by the chairperson of the group. A person shall not receive compensation for a day of service under this section if the person (a) occupies a position, normally regarded as full-time in nature, in any agency of the federal government, Washington state government, or Washington state local government; and (b) receives any compensation from such government for working that day.

(3) Compensation may be paid a member under this section only if it is authorized under the law dealing in particular with the specific group to which the member belongs or dealing in particular with the members of that specific group.

(4) Beginning July 1, 2010, through June 30, 2011, class four groups, when feasible, shall use an alternative means of conducting a meeting that does not require travel while still maximizing member and public participation and may use a meeting format that requires members to be physically present at one location only when necessary or required by law. Meetings that require a member's physical presence at one location must be held in state facilities whenever possible. Meetings conducted using private facilities must be approved by the director of the office of financial management, except for facilities provided free of charge. Meetings of class four groups affiliated with institutions of higher education do not require such approval.

Sec. 20. RCW 43.03.265 and 2011 c 5 s 906 are each amended to read as follows:

(1) Any part-time commission that has rule-making authority, performs quasi-judicial functions, has responsibility for the policy direction of a health profession credentialing program, and performs regulatory and licensing functions with respect to a health care profession licensed under Title 18 RCW shall be identified as a class five group for purposes of compensation.

(2) Except as otherwise provided in this section, each member of a class five group is eligible to receive compensation in an amount not to exceed two hundred fifty dollars for each day during which the member attends an official meeting of the group or performs statutorily prescribed duties approved by the chairperson of the group. A person shall not receive compensation for a day of service under this section if the person (a) occupies a position, normally regarded as full-time in nature, in any agency of the federal government, Washington state government, or Washington state local government; and (b) receives any compensation from such government for working that day.

(3) Compensation may be paid a member under this section only if it is necessarily incurred in the course of authorized business consistent

with the responsibilities of the commission established by law.

(4) Beginning July 1, 2010, through June 30, 2011, no person designated as a member of a class five board, commission, council, committee, or similar group may receive an allowance for subsistence, lodging, or travel expenses if the allowance cost is funded by the state general fund. Exceptions may be granted under section 605, chapter 3, Laws of 2010. Class five groups, when feasible, shall use an alternative means of conducting a meeting that does not require travel while still maximizing member and public participation and may use a meeting format that requires members to be physically present at one location only when necessary or required by law. Meetings that require a member's physical presence at one location must be held in state facilities whenever possible. Meetings conducted using private facilities must be approved by the director of the office of financial management, except for facilities provided free of charge. Meetings of class five groups affiliated with institutions of higher education do not require such approval.

(5) Beginning July 1, 2010, through June 30, 2011, class five groups that are funded by sources other than the state general fund are encouraged to reduce travel, lodging, and other costs associated with conducting the business of the group including use of other meeting formats that do not require travel.

Sec. 21. 2010 c 3 s 602 (uncodified) is amended to read as follows:

(1) From March 17, 2010, until July 1, 2011, state agencies of the legislative, executive, and judicial branches shall not enter into any contracts or other agreements entered into for the acquisition of personal services not related to an emergency or other catastrophic event that requires government action to protect life or public safety.

(2) This section does not apply to personal services contracts or other agreements for the acquisition of personal services where the costs are funded exclusively from private or federal grants, where the costs are for tax and fee collection, where the costs are for revenue generation and auditing activities, where the costs are for the review and research conducted by the joint transportation committee pursuant to RCW 44.04.300, where the costs are necessary to receive or maintain federal funds by the state, or((, in)) to institutions of higher education((, where the costs are not funded from state funds or tuition)). This section also does not apply where costs are related to hearing officers, where costs are related to real estate appraisals or habitat assessments, where costs are related to carrying out a court order, or where costs are related to information technology contracts related to an information services board approved information technology project, or where costs are related to judicial information system technology projects.

(3) Exceptions to this section may be granted under section 605,

chapter 3, Laws of 2010.

Sec. 22. 2010 c 3 s 603 (uncodified) is amended to read as follows:

(1) From March 17, 2010, until July 1, 2011, state agencies of the legislative, executive, and judicial branches shall not enter into any contracts or other agreements for the acquisition of any item of

equipment the cost of which exceeds five thousand dollars and is not related to an emergency or other catastrophic event that requires government action to protect life or public safety.

(2) This section does not apply to the unemployment insurance program of the employment security department, to costs that are for tax and fee collection, for revenue generation and audit activities, or for receiving or maintaining federal funds by the state, or((, in)) to institutions of higher education((, to costs not funded from state funds or tuition)). This section also does not apply to costs that are funded exclusively from private or federal grants, or for equipment necessary to complete a project funded in the omnibus capital or transportation appropriation acts, or the operational divisions of the department of information services, or cost related to the continuation, renewal, or establishment of maintenance for existing computer software licensing and existing computer hardware, or for costs related to the judicial information system.

(3) Exceptions to this section may be granted under section 605, chapter 3, Laws of 2010.

Sec. 23. 2010 c 3 s 604 (uncodified) is amended to read as follows:

(1) State agencies of the legislative, executive, and judicial branches shall not make expenditures for the cost or reimbursement of out-of-state travel or out-of-state training by state employees where the travel or training is not related to an emergency or other catastrophic event that requires government action to protect life or public safety, or direct service delivery, and the travel or training occurs after March 17, 2010, and before July 1, 2011.

(2) This section does not apply to travel expenditures when the costs are funded exclusively from private or federal grants. This section does not apply to the unemployment insurance program of the employment security department, to costs that are for tax and fee collection, for revenue generation and audit activities, or for receiving or maintaining federal funds by the state, or((, in)) to institutions of higher education((, to costs not funded from state funds or tuition)). This section also does not apply to costs related to carrying out a court order or to costs to travel by air into Washington state from any airport located in a contiguous state of

which the largest city is part of a metropolitan statistical area with a city located in Washington state, or to motor vehicle and parking costs for single day travel to a contiguous state or British Columbia, Canada.

(3) Exceptions to this section may be granted under section 605, chapter 3, Laws of 2010.

Sec. 24. 2010 1st sp.s. c 37 s 901 (uncodified) is amended to read as follows:

(1) From May 4, 2010, until July 1, 2011, state agencies of the legislative, executive, and judicial branches shall not establish new staff positions or fill vacant existing staff positions except as specifically authorized by this section.

(2) The following activities of state agencies are exempt from subsection (1) of this section:

(a) Direct custody, supervision, and patient care in corrections, juvenile rehabilitation, institutional care of veterans, the mentally ill, developmentally disabled, state hospitals, the special commitment center, and the schools for the blind and the deaf;

(b) Direct protective services to children and other vulnerable populations in the department of social and health services;

(c) Washington state patrol investigative services and field enforcement;

(d) Hazardous materials response and emergency cleanup;

(e) Emergency public health and patient safety response and the public health laboratory;

(f) Military operations and emergency management within the military department;

(g) Firefighting;

(h) Enforcement officers in the department of fish and wildlife, the liquor control board, the gambling commission, and the department of natural resources;

(i) Park rangers at the parks and recreation commission;

(j) Seasonal employment by natural resources agencies to the extent that employment levels do not exceed the prior fiscal year;

(k) Seasonal employment in the department of transportation maintenance programs to the extent that employment levels do not exceed the prior fiscal year;

(l) Employees hired on a seasonal basis by the department of agriculture for inspection and certification of agricultural products and for insect detection;

(m) Activities directly related to tax and fee collection, revenue generation, auditing, and recovery;

(n) In institutions of higher education, ((any positions directly related to academic programs, as well as positions not funded from state funds or tuition, positions that are filled by enrolled students at their own institution as student workers, positions in campus police and security, positions related to emergency management and response, and positions related to student health care and counseling)) all positions;

(o) Operations of the state lottery and liquor control board business enterprises;

(p) The unemployment insurance program of the employment security department; and

(q) Activities that are necessary to receive or maintain federal funds by the state.

(3) The exemptions specified in subsection (2) of this section do not require the establishment of new staff positions or the filling of vacant staff positions in the activities specified.

(4) Exceptions to this section may be granted under section 605 ((of this act)), chapter 3, Laws of 2010.

(5) Also exempted from this section are positions related to facility realignments in the department of corrections, positions related to the transfer of programs between state agencies assumed in ((this act)) chapter 3, Laws of 2010, and disability determination staff funded solely by federal funds.

Sec. 25. 2010 c 1 s 8 (uncodified) is amended to read as follows:

(1) Notwithstanding sections 1 through 5, chapter 1, Laws of 2010, institutions of higher education may grant a wage or salary increase for additional academic responsibilities during the summer quarter if the following conditions are met:

(a) The salary increase can be paid within existing resources; and

(b) The salary increase will not adversely impact the provision of client services.

(2) Notwithstanding sections 1 through 5, chapter 1, Laws of 2010, and provided that any increase is not funded from state funds, institutions of higher education may grant a wage or salary increase to critical academic personnel as needed for retention purposes where the loss of such personnel would be likely to result in a loss of grant or other funding.

(3) Any institution granting a wage or salary increase under this section from February 15, 2010, through June 30, 2011, shall submit a report to the fiscal committees of the legislature no later than July 31, 2011, detailing the positions for which salary increases were granted, the size of the increases, and the reasons for giving the increases.

NEW SECTION. **Sec. 26.** The following acts or parts of acts are each repealed:

(1) RCW 28B.10.920 (Performance agreements--Generally) and 2008 c 160 s 2;

(2) RCW 28B.10.921 (Performance agreements--Contents) and 2008 c 160 s 3; and

(3) RCW 28B.10.922 (Performance agreements--State committee--Development of final proposals--Implementation--Updates) and 2008 c 160 s 4.

NEW SECTION. **Sec. 27.** The office of financial management shall work with the appropriate state agencies as determined by the office of financial management, and the council of presidents to convene an interagency work group to develop and implement improved administration and management practices that enhance the efficiency and effectiveness of operations throughout higher education campuses. The council of presidents shall appoint a lead higher education institution to provide administrative support to the work group within that institution's current resources. The work group shall report to the legislature by November 15, 2012, and November 15, 2013, on its progress, anticipated outcomes, policy recommendations, and performance measures for demonstrating achievement of improved efficiencies and effectiveness.

NEW SECTION. **Sec. 28.** A new section is added to chapter 28B.76 RCW to read as follows:

(1) The board, the state board for community and technical colleges, the council of presidents, the four-year institutions of higher education, the private independent higher education institutions, and the private career schools shall collaborate to carry out the following goals:

(a) Increase the number of students who receive academic credit for prior learning and the number of students who receive credit for prior learning that counts towards their major or towards earning their degree, certificate, or credential, while ensuring that credit is awarded only for high quality, course-level competencies;

(b) Increase the number and type of academic credits accepted for prior learning in institutions of higher education, while ensuring that credit is awarded only for high quality, course-level competencies;

(c) Develop transparent policies and practices in awarding academic credit for prior learning;

(d) Improve prior learning assessment practices across the institutions of higher education;

(e) Create tools to develop faculty and staff knowledge and expertise in awarding credit for prior learning and to share exemplary policies and practices among institutions of higher education;

(f) Develop articulation agreements when patterns of credit for prior learning are identified for particular programs and pathways; and

(g) Develop outcome measures to track progress on the goals outlined in this section.

(2) The board shall convene the academic credit for prior learning work group.

(a) The work group must include the following members:

(i) One representative from the higher education coordinating board;

(ii) One representative from the state board for community and technical colleges;

(iii) One representative from the council of presidents;

(iv) Two representatives each from faculty from two and four-year institutions of higher education;

(v) Two representatives from private career schools;

(vi) Two representatives from business; and

(vii) Two representatives from labor.

(b) The purpose of the work group is to coordinate and implement the goals in subsection (1) of this section.

(3) The board shall report progress on the goals and outcome measures annually by December 31st.

(4) For the purposes of this section, "prior learning" means the knowledge and skills gained through work and life experience; through military training and experience; and through formal and informal education and training from in-state and out-of-state institutions including foreign institutions.

NEW SECTION. **Sec. 29.** (1) The legislature finds that the methods of providing funds to four-year public institutions of higher education are based upon factors such as prior years' budget provisos and inaccurate assumptions about the number of full-time equivalent enrollments. The bases for these funding assumptions have grown disconnected to legislative expectations and lack transparency and accountability.

(2) A joint select legislative task force on the baccalaureate funding formula is established. The task force shall consist of the following members:

(a) Two members from each caucus of the senate appointed by the president of the senate, two of the members must be members of the ways and means committee and two must be members of the higher education and workforce development committee; and

(b) Two members from each caucus of the house of representatives appointed by the speaker of the house of representatives, two of the members must be members of the ways and means committee and two must be members of the higher education committee.

(3) The task force shall:

(a) Review statutes and budget provisos which govern public institutions offering baccalaureate degrees;

(b) Specify the range of public interests and outcomes which are served by public expenditures for higher education services;

(c) Review the basis for the state funding of public institutions offering baccalaureate degrees; and

(d) Prepare and approve a recommended state operating budget method which offers greater efficacy, transparency, and accountability for baccalaureate institutions which receive public funds.

(4) The task force shall use legislative facilities, and staff support shall be provided by senate committee services and the house office of program research. The meetings of the task force shall be

planned for times which coincide with regular meetings of legislative committees to the maximum extent possible.

(5) Members of the task force shall not be reimbursed for travel expenses.

(6) The task force shall report its findings and recommendations to the governor and appropriate committees of the legislature by January 16, 2012.

(7) This section expires June 30, 2012.

NEW SECTION. **Sec. 30.** This act may be known and cited as the higher education opportunity act.

NEW SECTION. **Sec. 31.** A new section is added to chapter 44.28 RCW to read as follows:

(1) During calendar year 2018, the joint committee shall complete a systemic performance audit of the tuition-setting authority in RCW 28B.15.067 granted to the governing boards of the state universities, regional universities, and The Evergreen State College. The audit must include a separate analysis of both the authority granted in RCW 28B.15.067(3) and the authority in RCW 28B.15.067(4). The purpose of the audit is to evaluate the impact of institutional tuition-setting authority on student access, affordability, and institutional quality.

(2) The audit must include an evaluation of the following outcomes for each four-year institution of higher education:

(a) Changes in undergraduate enrollment, retention, and graduation by race and ethnicity, gender, state and county of origin, age, and socioeconomic status;

(b) The impact on student transferability, particularly from Washington community and technical colleges;

(c) Changes in time and credits to degree;

(d) Changes in the number and availability of online programs and undergraduate enrollments in the programs;

(e) Changes in enrollments in the running start and other dual enrollment programs;

(f) Impacts on funding levels for state student financial aid programs;

(g) Any changes in the percent of students who apply for student financial aid using the free application for federal student aid (FAFSA);

(h) Any changes in the percent of students who apply for available tax credits;

(i) Information on the use of building fee revenue by fiscal or academic year; and

(j) Undergraduate tuition and fee rates compared to undergraduate tuition and fee rates at similar institutions in the global challenge states.

(3) The audit must include recommendations on whether to continue tuition-setting authority beyond the 2018-19 academic year.

(4) In conducting the audit, the auditor shall solicit input from key higher education stakeholders, including but not limited to students and their families, faculty, and staff. To the maximum extent possible, data for the University of Washington and Washington State University shall be disaggregated by branch campus.

(5) The auditor shall report findings and recommendations to the appropriate committees of the legislature by December 15, 2018.

(6) This section expires December 31, 2018.

NEW SECTION. **Sec. 32.** Sections 21 through 26 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

NEW SECTION. **Sec. 33.** The higher education coordinating board, the state board for community and technical colleges, and the council of presidents shall convene a work group, with representatives from higher education institutions, including faculty representatives, to develop a plan for creating common course numbering for all common lower division courses at all institutions of higher education. The plan shall include, but not be limited to the following: (1) Identification of key issues and barriers to implementing common course numbering; (2) cost estimates related to implementation of common course numbering; (3) faculty and staff time required for development

and maintenance of common course numbering; (4) a definition of common courses; and (5) an implementation timeline. The plan shall be delivered to the higher education committees of the legislature and the governor by December 1, 2011.

--- END ---

GET

Guaranteed Education Tuition℠

Buy tomorrow's college tuition today.

GET Program Options and Analysis

Report to the Governor and Legislature

Appendix D: State Actuary Report

August 16, 2011

Betty Lochner
Director
Guaranteed Education Tuition
PO Box 43430
Olympia, WA 98504-3430

RE: ACTUARIAL ANALYSIS*

We updated the Guaranteed Education Tuition (GET's) financial status for the new tuition-setting policy established in the last legislative session. Should the GET Committee decide to retain the structure and terms of the current program, we also provide pricing information for the next enrollment period.

Current Program Status

We updated the program's financial status, measured at June 30, 2010, for the new tuition-setting policy established in the 2011 Legislative Session. We summarize the updated status below.

- Present value of all GET contracts is $2.288 billion (up from $2.039).
- Market value of assets at June 30, 2010, is $1.599 billion.
- Unfunded liability is $688 million (up from $441 million).
- 69.9 percent funded status at June 30, 2010 (down from 78.4).
- 80.3 percent projected funded status at June 30, 2011.

Please see the body of this letter for information on the program's projected status, sensitivity analysis, and risk analysis. In the appendix, we disclose the data, assumptions, and methods we used to prepare this analysis plus cash-flow projections.

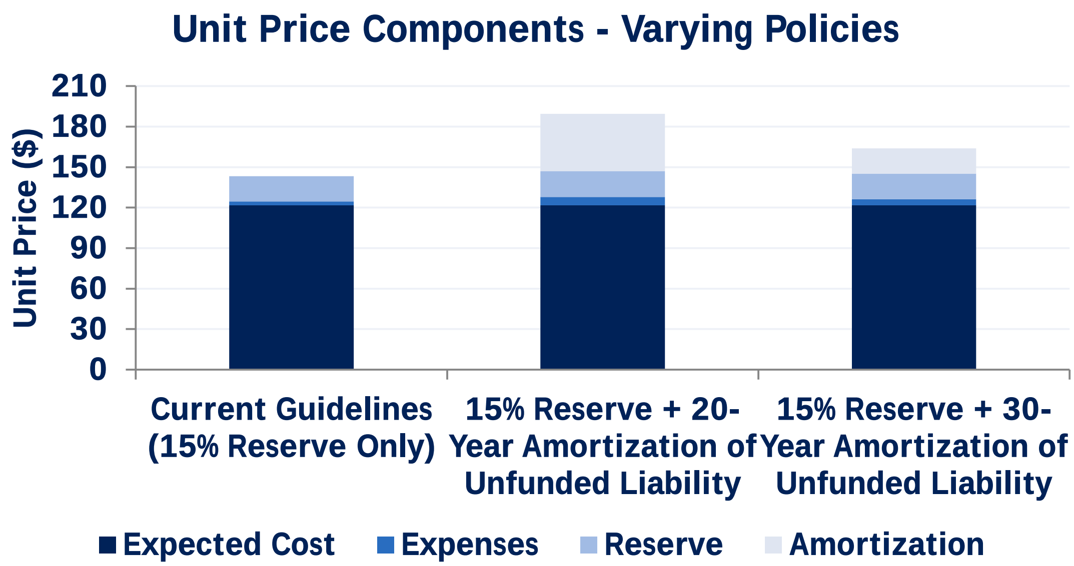
* *This communication is intended for GET committee members only. This analysis will become outdated. Please replace this analysis with future analysis when available.*

Pricing Information

Should the GET Committee decide to retain the structure and terms of the current program, the price-setting guidelines (how we price future units) become the core risk management function. We recommend the following four parts for future GET unit pricing:

- **Expected Cost** – Covers the expected cost of future tuition. Given a current unit value of $102, the expected cost of tuition is $122. If tuition were expected to grow at the same rate as investment returns, the expected cost of tuition would equal the current unit value.
- **Expenses** – Covers the expected cost of expenses over the life of the unit. Currently, this adds about $3 to the price.
- **Reserve** – Covers unexpected future costs such as above-expected tuition growth or below-expected investment returns. The current price-setting guidelines call for a 15 percent reserve. This would equate to about $19. This component can be increased or decreased to alter the probability that a unit will ever create unfunded liability in the future.
- **Amortization** – Covers unexpected past costs. The current price-setting guidelines do not contain this component. Rather the current reserving policy covers both past and future unexpected costs. It is important to collect amortization payments for the entire planned period. Ending the amortization sooner will effectively result in the use of reserve dollars (dedicated for future unexpected costs) for past unexpected losses.

The chart below shows these four components under three possible price-setting guidelines.



Category	Current Guidelines (15% Reserve Only)	15% Reserve + 20-Year Amortization of Unfunded Liability	15% Reserve + 30-Year Amortization of Unfunded Liability
Unit Price			
Expected Cost	121.60	121.60	121.60
Expenses	3.04	6.27	4.61
Reserve	18.70	19.18	18.93
Amortization		42.47	18.70
Total Unit Price	**143.00**	**189.00**	**163.00**
Expected Full Funding Year*	**2037**	**2026**	**2029**

** The plan reaches full funding before the completion of the planned amortization period due to the commingling of reserves and amortization payments. We recommend collection of amortization payments until the end of the planned amortization period to avoid the use of reserve dollars (dedicated for future unexpected costs) for past unexpected losses.*

Projected Program Status

The following table displays the program's projected status if all assumptions are realized. Please see the Sensitivity Analysis section for information on how the projected funded status changes if future experience differs from our assumptions.

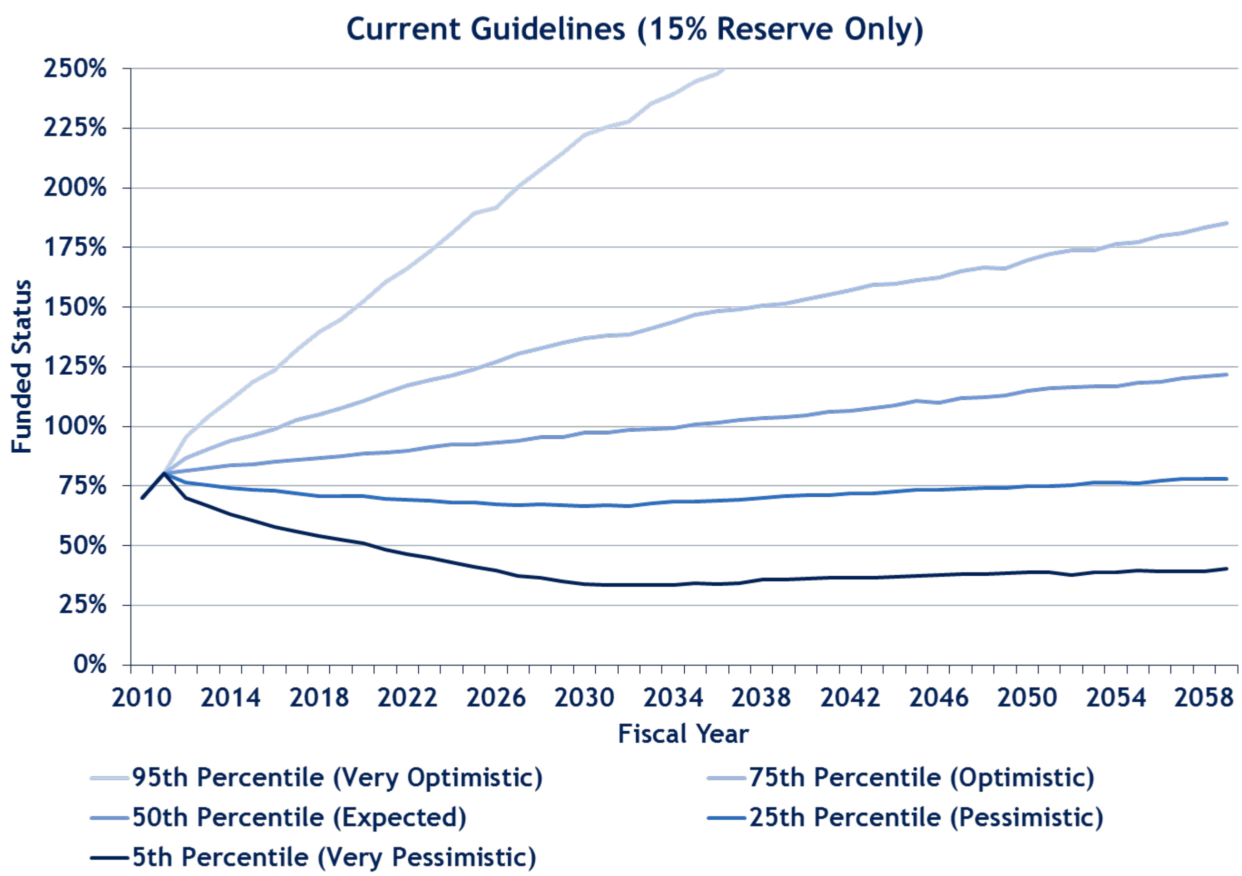
Projected Program Status (If All Assumptions Are Realized)									
	Current Guidelines			20-Year Amortization & 15% Reserve			30-Year Amortization & 15% Reserve		
Year	Price	Premium	Funded Status	Price	Premium	Funded Status	Price	Premium	Funded Status
2010	$117	$1.36	69.9%	$117	$1.36	69.9%	$117	$1.36	69.9%
2011	143	1.40	80.3%	189	1.85	80.3%	163	1.59	80.3%
2012	151	1.25	81.5%	195	1.62	81.4%	170	1.41	81.5%
2013	159	1.18	82.4%	206	1.52	82.3%	180	1.33	82.4%
2014	167	1.12	83.1%	217	1.46	83.0%	189	1.27	83.1%
2015	177	1.08	83.8%	229	1.40	83.8%	200	1.22	83.8%
2016	186	1.05	84.3%	242	1.37	84.5%	211	1.19	84.5%
2017	196	1.05	84.9%	255	1.37	85.5%	222	1.19	85.3%
2018	207	1.05	85.6%	269	1.37	86.6%	234	1.19	86.2%
2019	218	1.05	86.2%	283	1.36	87.9%	247	1.19	87.0%
2020	230	1.05	86.8%	299	1.37	89.3%	260	1.19	88.0%
2021	243	1.05	87.4%	315	1.36	90.8%	274	1.19	89.0%
2022	256	1.05	88.0%	332	1.36	92.5%	289	1.19	90.1%
2023	270	1.05	88.6%	350	1.36	94.5%	305	1.19	91.3%
2024	284	1.05	89.2%	370	1.37	96.7%	322	1.19	92.6%
2025	300	1.05	89.9%	390	1.36	99.2%	339	1.19	94.0%
2026	316	1.05	90.6%	411	1.36	102.0%	358	1.19	95.6%
2027	333	1.05	91.3%	433	1.36	105.1%	378	1.19	97.3%
2028	352	1.05	92.1%	457	1.36	108.6%	398	1.19	99.2%
2029	371	1.05	92.9%	482	1.36	112.3%	420	1.19	101.2%
2030	391	1.05	93.8%	508	1.36	116.2%	443	1.19	103.3%
2031	412	1.05	94.7%	508	1.29	120.2%	467	1.18	105.5%
2032	435	1.05	95.7%	508	1.22	123.6%	492	1.18	107.8%
2033	459	1.05	96.7%	508	1.16	126.4%	519	1.18	110.1%
2034	484	1.05	97.7%	508	1.10	128.2%	548	1.18	112.3%
2035	$510	$1.04	98.7%	$510	$1.04	129.0%	$578	$1.18	114.5%

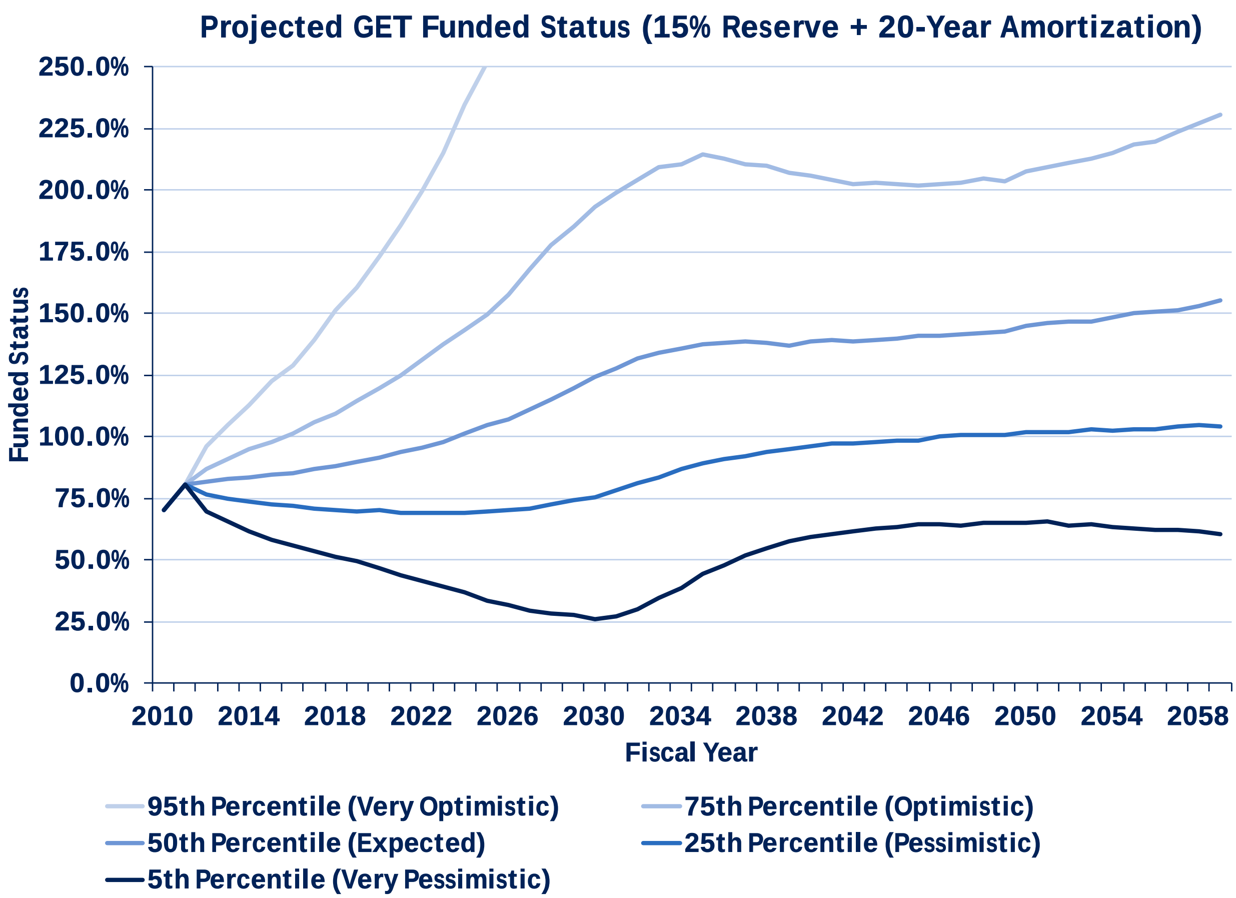
Includes actual asset returns through June 30, 2011, and assumed returns thereafter.

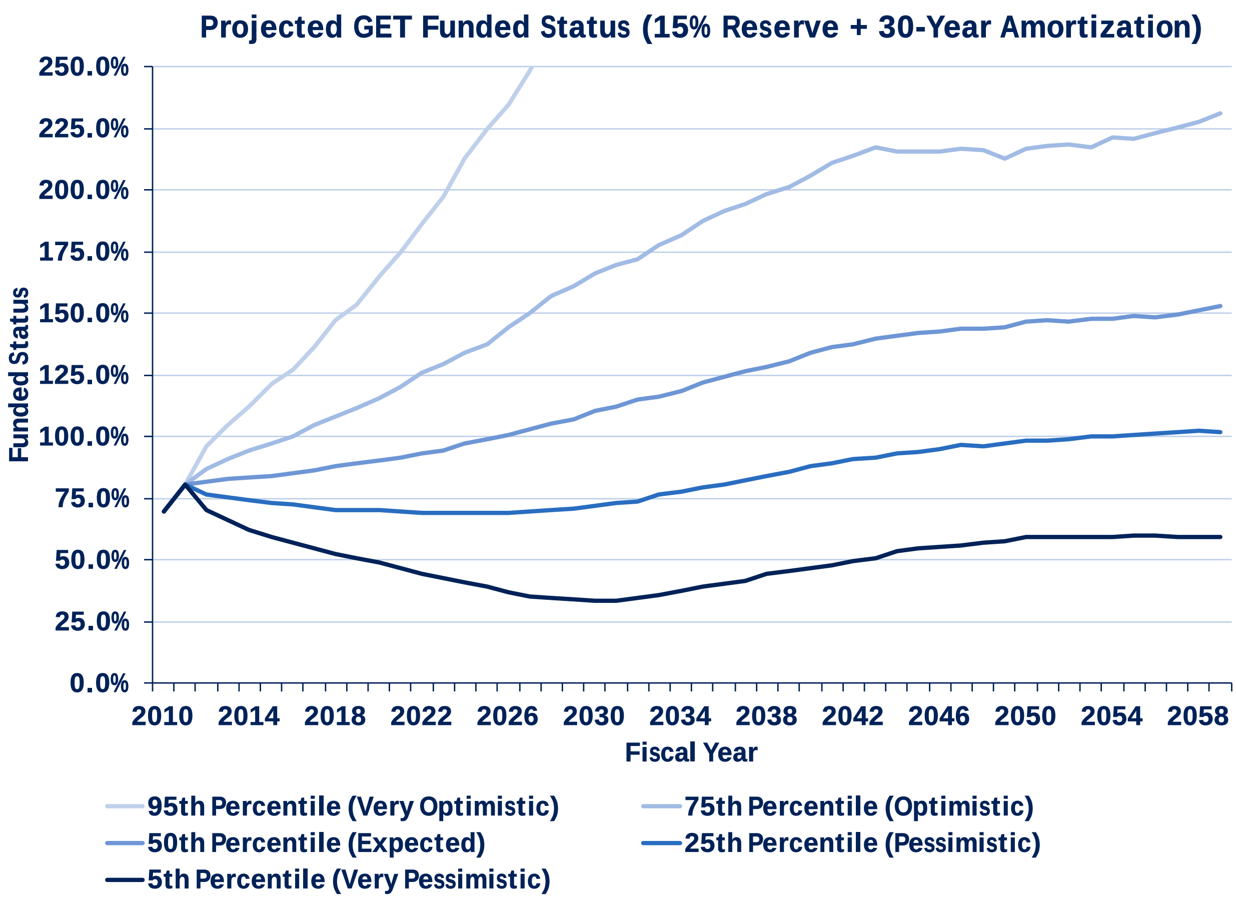
Sensitivity Analysis

Understanding the range of possible future outcomes is just as important as understanding the expected outcome. In the following three charts, we provide information to help the reader understand how much the program's funded status may change when actual experience varies from our expectations [i.e., above average tuition growth and below average investment returns (pessimistic); below average tuition growth and above average investment returns (optimistic)].

We provide one chart for each of the three price-setting guidelines presented earlier.




Projected GET Funded Status (15% Reserve + 20-Year Amortization)
Funded Status
250.0%
225.0%
200.0%
175.0%
150.0%
125.0%
100.0%
75.0%
50.0%
25.0%
0.0%
2010
2014
2018
2022
2026
2030
2034
2038
2042
2046
2050
2054
2058
Fiscal Year
95th Percentile (Very Optimistic)
75th Percentile (Optimistic)
50th Percentile (Expected)
25th Percentile (Pessimistic)
5th Percentile (Very Pessimistic)


Projected GET Funded Status (15% Reserve + 30-Year Amortization)
Funded Status
250.0%
225.0%
200.0%
175.0%
150.0%
125.0%
100.0%
75.0%
50.0%
25.0%
0.0%
2010
2014
2018
2022
2026
2030
2034
2038
2042
2046
2050
2054
2058
Fiscal Year
95th Percentile (Very Optimistic)
75th Percentile (Optimistic)
50th Percentile (Expected)
25th Percentile (Pessimistic)
5th Percentile (Very Pessimistic)

Risk Analysis

The program's future success depends on maintaining a delicate balance between risk and affordability. In this case, "risk" represents the risk of the state needing to make a contribution to the program and "affordability" represents the affordability of future GET units. Improving one risk will typically increase the risk of the other.

The following two tables summarize key risk metrics and the solvency report cards from our 2009 GET Solvency Study. Both tables reflect the impact of the new tuition-setting policy.

Key Risk Metrics			
Risk Category	Current Guidelines (15% Reserve)	15% Reserve + 20-Year Amortization of Unfunded Liability	15% Reserve + 30-Year Amortization of Unfunded Liability
Probability of Insolvency over 50 years	2.0%	2.9%	1.1%
Probability of Funded Status Under 50% over 50 years*	30.5%	22.3%	22.5%
Probability of Purchaser Experiencing Negative Return	0.1%	10.0%	1.4%
Probability of Average Annual Sales Below 750,000	10.4%	27.1%	15.3%
Average Expected Annual Units Sold (Next 20 Years)	1,442,099	727,722	988,244

**Probability of funded status below 50 percent over consecutive years is less than the probability of funded status below 50 percent in a single year.*

Solvency Report Cards

Please see the 2009 GET Solvency Study for more information on the development and use of the solvency report cards.

Solvency Report Card - Current Guidelines (15% Reserve Only)			C	
Category	Value	Score	Grade	Weight
Probability of State Contributions	2.0%	87	B	25%
Worst Case 50-Year State Contributions (millions)	$8,822	71	C	25%
Average Funded Status	101%	87	B	20%
Probability of Funded Status Under 50%	30.5%	39	F	20%
Average Annual Change in Premium Level	1.18%	95	A	10%
Total Solvency Score		**74**	**C**	**100%**

Solvency Report Card - 15% Reserve + 20-Year Amortization of Unfunded Liability				
Category	**Value**	**Score**	**Grade**	**Weight**
Probability of State Contributions	2.9%	81	B	25%
Worst Case 50-Year State Contributions (millions)	$2,111	93	A	25%
Average Funded Status	122%	100	A	20%
Probability of Funded Status Under 50%	22.3%	56	F	20%
Average Annual Change in Premium Level	2.21%	89	B	10%
Total Solvency Score		**84**	**B**	**100%**

B

Solvency Report Card - 15% Reserve + 30-Year Amortization of Unfunded Liability				
Category	**Value**	**Score**	**Grade**	**Weight**
Probability of State Contributions	1.1%	93	A	25%
Worst Case 50-Year State Contributions (millions)	$2,270	93	A	25%
Average Funded Status	118%	100	A	20%
Probability of Funded Status Under 50%	22.5%	56	F	20%
Average Annual Change in Premium Level	1.57%	93	A	10%
Total Solvency Score		**87**	**B**	**100%**

B

Actuarial Certification

We prepared this analysis to assist the GET Committee in evaluating the current status of the program and recommend new price-setting guidelines should the committee decide to retain the current structure and terms of the program. Please do not use this analysis for other purposes.

This analysis involves calculations that require assumptions about future economic and demographic events. Actuarial Standards of Practice (ASOP) for prepaid tuition programs have not been defined within the actuarial profession. We used the ASOPs for pensions where possible to guide our analysis of GET. We believe that the assumptions, methods, and calculations used in this analysis are reasonable and appropriate for the primary purpose as stated above, and are in conformity with generally accepted actuarial principles and standards of practice as of the date of this letter. The use of another set of assumptions and methods, however, could also be reasonable and could produce materially different results.

Since the analysis is based on assumptions about future events, actual results will differ to the extent that future experience differs from those assumptions. Significant differences between the actual and assumed future enrollments will impact the results. This analysis will need to be updated in the future if the Legislature enacts either major reform to current tuition policy or other changes to GET.

The GET Program staff provided the participant, asset, and historical data to us. The Washington State Investment Board (WSIB) also provided recent asset data to us. We checked the data for reasonableness as appropriate based on the purpose of this analysis. An audit of the data was not performed. We relied on all the information provided as complete and accurate. In our opinion, this information is adequate and substantially complete for the purposes of this analysis.

We advise readers of this analysis to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this communication as a whole. Distribution of, or reliance on, only parts of this analysis could result in its misuse and may mislead others.

The analysis in this letter will become outdated very quickly. Please replace this analysis with any future actuarial analysis.

Consistent with the Code of Professional Conduct that applies to actuaries, I (Matthew Smith) must disclose any potential conflict of interest. I purchased units in GET; however, this does not impair my ability to act fairly. I performed all analysis without bias or influence. The Legislature mandated the Office of the State Actuary to perform actuarial services for GET and I supervised the actuarial analysis performed.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein and are available to provide extra guidance and explanations as needed.

Sincerely,

Matthew M. Smith, FCA, EA, MAAA
State Actuary

Troy Dempsey, ASA, EA, MAAA
Actuary

Appendix – Data, Assumptions, Methods, and Cash-Flow Projection

Data We Used

We relied on participant and asset data provided by GET program staff and relied on asset data provided by WSIB to perform our analysis. The participant data reflects contract information through April 30, 2011. The asset data reflects actual returns through June 30, 2011. We did not audit this data and have relied on the data as complete and accurate for purposes of this analysis.

Assumptions We Made

Most of the assumptions we made remain unchanged from those disclosed in our *2009 GET Solvency Study*. We made the following assumption changes to complete this analysis:

First, we assumed the GET Committee would follow their new price-setting guidelines over the 50-year projection period. The new price-setting guidelines ("current guidelines") require a 15 percent reserve when the program is less than 100 percent funded, a 5 percent reserve when the program is over 150 percent funded, and a 10 percent reserve in between.

We updated the model with actual investment returns through June 30, 2011. The investment returns from July 1, 2010 through June 30, 2011, were 20.46 percent. We altered the expectation of future investment returns in line with WSIB's latest Capital Market Assumptions (CMAs) and asset allocation. The new assumptions have an expected value of 6.32 percent per year. The results of this analysis would change under different CMAs.

We increased our tuition growth assumptions in response to the new tuition-setting policy established during the 2011 Legislative Session (see Tuition Growth Assumption below for details).

In addition, we changed the mix of "cash constrained" and "investor" type purchasers from 50/50 to 70 percent and 30 percent respectively. Please see the *2009 GET Solvency Study* for a description of these two purchaser types.

Tuition Growth Assumption

The table below shows the updated tuition assumption under the new tuition-setting policy.

Tuition Assumption	
Year	Tuition Growth
2009	
2010	20.0%
2011	18.0%
2012	12.0%
2013	10.0%
2014	10.0%
2015	8.0%
2016	5.5%

We assumed tuition would be normally distributed with a mean of 20, 18, 12, 10, 10, and 8 percent, and a standard deviation of 0, 2, 3, 4, 5, and 5 percent respectively in years 2010 through 2015. In 2016 and beyond, we assumed tuition would be normally distributed with a mean of 5.5 percent and standard deviation of 5.39 percent.

The tables below show the structure of the tuition model we used to set the new tuition growth assumption. Structurally, the model has the ability to add extra components such as a high tuition/high financial aid model or changing enrollment. However, since we've assumed these components are steady during this period we've left them out of the display.

The tuition model has three main structural components:

1. **Long-Term Inflationary Growth** – This represents the increase in total dollars spent on instruction. Over the last 20 years, this has increased by about 4 percent per year. We assume it will grow by 5.5 percent in the future.
2. **State Funding** – This represents the increase or decrease in the percent of total dollars assumed to come from the state versus tuition. Historically, it has decreased from approximately 80 percent to 35 percent. This has put upward pressure on tuition since tuition increased to replace lost state funding. We assume state funding will continue to decline to about 25 percent and level out. As a result, we project tuition will increase above long-term inflationary levels over the six-year period where state funding is assumed to decrease.
3. **Peer Catch-Up** – This represents additional total funding growth above the 5.5 percent inflationary component intended to improve quality and catch up to peer institutions (assumed to grow at 5.5 percent). We assume University of Washington will close half of the current gap between it and its peer institutions by increasing total funding 1.5 percent more per year over the next six years.

Tuition Assumption Structure						
($ in Thousands)	Step 1 – Inflation		Step 2 - State Funding			
Year	Total Dollars	Inflationary Growth	Assumed State %	State Dollars	Tuition Dollars	Tuition Growth After State Funding
2011	$666,666		46.1%	$307,110	$359,556	
2012	703,332	5.5%	39.5%	277,816	425,516	18.3%
2013	742,015	5.5%	33.3%	247,091	494,924	16.3%
2014	782,826	5.5%	30.2%	236,414	546,413	10.4%
2015	825,882	5.5%	28.3%	233,312	592,570	8.4%
2016	871,305	5.5%	26.3%	228,718	642,588	8.4%
2017	919,227	5.5%	25.6%	234,862	684,364	6.5%
2018	969,784	5.5%	25.6%	247,780	722,004	5.5%
2019	1,023,123	5.5%	25.6%	261,408	761,715	5.5%
2020	1,079,394	5.5%	25.6%	275,785	803,609	5.5%
2021	1,138,761	5.5%	25.6%	290,953	847,808	5.5%
2022	1,201,393	5.5%	25.6%	306,956	894,437	5.5%
2023	1,267,469	5.5%	25.6%	323,838	943,631	5.5%
2024	1,337,180	5.5%	25.6%	341,650	995,531	5.5%
2025	$1,410,725	5.5%	25.6%	$360,440	$1,050,285	5.5%

Tuition Assumption Structure						
Step 3 - Peer Catch Up						
Year	Peer Funding (per FTE)	Peer Funding Growth	UW Funding (per FTE)	UW Funding Growth	UW Funding as % of Peer	Tuition Growth After State Funding & Peer Catch Up
2011	$27,049		$23,273		86%	
2012	28,537	5.50%	24,902	7.00%	87%	20.0%
2013	30,106	5.50%	26,645	7.00%	89%	18.0%
2014	31,762	5.50%	28,510	7.00%	90%	12.0%
2015	33,509	5.50%	30,506	7.00%	91%	10.0%
2016	35,352	5.50%	32,642	7.00%	92%	10.0%
2017	$37,296	5.50%	$34,926	7.00%	94%	8.0%
2018						5.5%
2019						5.5%
2020						5.5%
2021						5.5%
2022						5.5%
2023						5.5%
2024						5.5%
2025						5.5%

We assumed the GET Committee would price future units in line with these expectations.

The tuition growth assumption does not consider differential tuition. The impact from differential tuition could vary based on how it interacts with the current contracts. If the payout value is tied to the highest rate of differential tuition, the tuition growth assumption would likely increase. However, if the payout value were tied to the lowest rate of differential tuition, the tuition growth assumption could actually decrease as base tuition may not need to increase as fast with higher differential tuition making up the difference.

Methods We Used (How We Applied The Assumptions)

Nearly all the methods we used remain unchanged from those disclosed in our 2009 GET Solvency Study. We made the following method changes to complete this analysis.

We replaced stochastic output with deterministic output (100 percent likelihood) for the following variables:

- Tuition growth during 2011-2012. We set this at 20 percent based on UW's recently announced tuition increase for the 2011-2012 school year.
- Assumed number of units purchased during 2011 enrollment. We set this at 2,697,696 based on actual data from GET instead of modeling expected enrollments.

We used a single, closed amortization period to illustrate other possible price-setting guidelines. The unit price associated with the 20 and 30-year amortization policies shown in this letter increase at 5.5 percent per year so that they remain a constant percent of expected future unit prices.

Otherwise, the methods we used are consistent with the methods disclosed in the 2009 GET Solvency Study.

Cash Flow Projections

We display cash-flow projections under the 30-year amortization policy in the following table.

Cash Flow Projection of 30-Year Amortization Policy (If All Assumptions are Realized)											
($ in millions)							Cash Inflows			Cash Outflows	
Fiscal Year	Funded Status	Price*	Units Sold	BOY Fund Value**	BOY Asset Value	Net Cash Flow	Lump Sum	Monthly Plan	Investment	Unit Use	Expense
2010	70%	$117	$2,697,696	$1,598	$1,375	$472	$227	$43	$278	($73)	($2)
2011	80%	163	883,507	2,125	1,847	163	103	53	115	(105)	(3)
2012	82%	170	894,631	2,290	2,010	144	109	54	124	(141)	(3)
2013	82%	180	882,730	2,436	2,154	123	114	56	132	(177)	(3)
2014	83%	189	893,592	2,561	2,277	110	122	58	139	(205)	(3)
2015	84%	200	899,227	2,674	2,387	97	129	59	145	(234)	(3)
2016	85%	211	957,573	2,776	2,485	101	145	61	151	(253)	(3)
2017	85%	222	967,582	2,885	2,586	103	155	64	157	(269)	(3)
2018	86%	234	976,408	2,999	2,689	101	164	67	163	(290)	(3)
2019	87%	247	984,299	3,111	2,790	99	175	70	169	(310)	(3)
2020	88%	260	994,268	3,223	2,889	100	186	73	174	(330)	(3)
2021	89%	274	1,003,502	3,337	2,989	98	198	76	180	(353)	(3)
2022	90%	289	1,012,195	3,451	3,086	97	210	79	186	(375)	(3)
2023	91%	305	1,020,530	3,567	3,184	101	224	83	191	(394)	(3)
2024	93%	322	1,028,669	3,689	3,285	109	238	87	197	(411)	(3)
2025	94%	339	1,039,007	3,821	3,394	120	253	92	204	(425)	(3)
2026	96%	358	1,047,076	3,967	3,514	133	270	96	211	(441)	(3)
2027	97%	378	1,055,345	4,128	3,647	155	287	102	219	(450)	(3)
2028	99%	398	1,065,885	4,314	3,802	187	305	108	229	(452)	(3)
2029	101%	420	1,074,754	4,534	3,989	234	325	115	242	(445)	(3)
2030	103%	443	1,084,093	4,803	4,223	287	346	123	257	(435)	(3)
2031	106%	467	1,147,587	5,127	4,510	359	386	131	275	(429)	(3)
2032	108%	492	1,158,327	5,532	4,869	415	410	140	298	(431)	(3)
2033	110%	519	1,168,119	5,995	5,284	468	436	150	325	(439)	(3)
2034	112%	$548	$1,177,208	$6,514	$5,752	$521	$464	$161	$354	($455)	($3)

** Shown in dollars (not in millions).*

*** Fund Value includes present value of monthly contract receivables. Fund Value is used for funded status measurement since liabilities include monthly contract units.*

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Actuarial Analysis
Revised Tables

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Revised Tables for August 16, 2011 Analysis*

September 2, 2011

Projected Program Status (If All Assumptions Are Realized)									
	Current Guidelines			20-Year Amortization & 15% Reserve			30-Year Amortization & 15% Reserve		
Year	Price	Premium	Funded Status	Price	Premium	Funded Status	Price	Premium	Funded Status
2010	$117	1.36	69.9%	$117	1.36	69.9%	$117	1.36	69.9%
2011	143	1.40	80.3%	189	1.85	80.3%	163	1.59	80.3%
2012	151	1.25	81.5%	195	1.62	81.4%	170	1.41	81.5%
2013	159	1.18	82.4%	206	1.52	82.3%	180	1.33	82.4%
2014	167	1.12	83.1%	217	1.46	83.0%	189	1.27	83.1%
2015	177	1.08	83.8%	229	1.40	83.8%	200	1.22	83.8%
2016	186	1.05	84.3%	242	1.37	84.5%	211	1.19	84.5%
2017	196	1.05	84.9%	255	1.37	85.5%	222	1.19	85.3%
2018	207	1.05	85.6%	269	1.37	86.6%	234	1.19	86.2%
2019	218	1.05	86.2%	283	1.36	87.9%	247	1.19	87.0%
2020	230	1.05	86.8%	299	1.37	89.3%	260	1.19	88.0%
2021	243	1.05	87.4%	315	1.36	90.8%	274	1.19	89.0%
2022	256	1.05	88.0%	332	1.36	92.5%	289	1.19	90.1%
2023	270	1.05	88.6%	350	1.36	94.5%	305	1.19	91.3%
2024	284	1.05	89.2%	370	1.37	96.7%	322	1.19	92.6%
2025	300	1.05	89.9%	390	1.36	99.2%	339	1.19	94.0%
2026	316	1.05	90.6%	411	1.36	102.0%	358	1.19	95.6%
2027	333	1.05	91.3%	433	1.36	105.1%	378	1.19	97.3%
2028	352	1.05	92.1%	457	1.36	108.6%	398	1.19	99.2%
2029	371	1.05	92.9%	482	1.36	112.3%	420	1.19	101.2%
2030	391	1.05	93.8%	508	1.36	116.2%	443	1.19	103.3%
2031	412	1.05	94.7%	508	1.29	120.2%	467	1.18	105.5%
2032	435	1.05	95.7%	508	1.22	123.6%	492	1.18	107.8%
2033	459	1.05	96.7%	508	1.16	126.4%	519	1.18	110.1%
2034	484	1.05	97.7%	508	1.10	128.2%	548	1.18	112.3%
2035	$510	1.04	98.7%	$510	1.04	129.0%	$578	1.18	114.5%

Includes actual asset returns through June 30, 2011, and assumed returns thereafter.

** Revised to remove dollar signs where necessary and re-label column headings for clarity. The values in the tables did not change*

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Cash Flow Projection of 30-Year Amortization Policy (If All Assumptions are Realized)											
($ in millions)							Cash Inflows			Cash Outflows	
BOY June 30	Funded Status	Price*	Units Sold	BOY Fund Value**	BOY Asset Value	Net Cash Flow	Lump Sum	Monthly Plan	Investment	Unit Use	Expense
2010	70%	$117	2,697,696	$1,598	$1,375	$472	$227	$43	$278	($73)	($2)
2011	80%	163	883,507	2,125	1,847	163	103	53	115	(105)	(3)
2012	82%	170	894,631	2,290	2,010	144	109	54	124	(141)	(3)
2013	82%	180	882,730	2,436	2,154	123	114	56	132	(177)	(3)
2014	83%	189	893,592	2,561	2,277	110	122	58	139	(205)	(3)
2015	84%	200	899,227	2,674	2,387	97	129	59	145	(234)	(3)
2016	85%	211	957,573	2,776	2,485	101	145	61	151	(253)	(3)
2017	85%	222	967,582	2,885	2,586	103	155	64	157	(269)	(3)
2018	86%	234	976,408	2,999	2,689	101	164	67	163	(290)	(3)
2019	87%	247	984,299	3,111	2,790	99	175	70	169	(310)	(3)
2020	88%	260	994,268	3,223	2,889	100	186	73	174	(330)	(3)
2021	89%	274	1,003,502	3,337	2,989	98	198	76	180	(353)	(3)
2022	90%	289	1,012,195	3,451	3,086	97	210	79	186	(375)	(3)
2023	91%	305	1,020,530	3,567	3,184	101	224	83	191	(394)	(3)
2024	93%	322	1,028,669	3,689	3,285	109	238	87	197	(411)	(3)
2025	94%	339	1,039,007	3,821	3,394	120	253	92	204	(425)	(3)
2026	96%	358	1,047,076	3,967	3,514	133	270	96	211	(441)	(3)
2027	97%	378	1,055,345	4,128	3,647	155	287	102	219	(450)	(3)
2028	99%	398	1,065,885	4,314	3,802	187	305	108	229	(452)	(3)
2029	101%	420	1,074,754	4,534	3,989	234	325	115	242	(445)	(3)
2030	103%	443	1,084,093	4,803	4,223	287	346	123	257	(435)	(3)
2031	106%	467	1,147,587	5,127	4,510	359	386	131	275	(429)	(3)
2032	108%	492	1,158,327	5,532	4,869	415	410	140	298	(431)	(3)
2033	110%	519	1,168,119	5,995	5,284	468	436	150	325	(439)	(3)
2034	112%	$548	1,177,208	$6,514	$5,752	$521	$464	$161	$354	($455)	($3)

** Shown in dollars (not in millions).*

*** Fund Value includes present value of monthly contract receivables. Fund Value is used for funded status measurement since liabilities include monthly contract units.*

GET

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GET Program Options and Analysis

Report to the Governor and Legislature

Appendix E: Master Agreement

Master Agreement

Before you open a Guaranteed Education Tuition account, please carefully read the 2011-2012 Master Agreement, which explains the rules of the Program. When you sign your enrollment form, you are agreeing to the terms of the Master Agreement.

2011-2012 MASTER AGREEMENT

I. DEFINITIONS

The following Terms when used in the Agreement and the Enrollment form for purchase of Tuition Units will have the meanings set forth below:

A. "529 Plan" means a qualified tuition program within the meaning of Section 529 of the Code.

B. "Academic Year" means the regular nine month, three quarter or two semester period annually occurring between August 1st and July 31st.

C. "Account" means the record that contains the details of payments, fees paid and/or charged, Units purchased, Units distributed, Units refunded and remaining Units in connection with a particular designated Student under an Agreement.

D. "Account Owner" or "Purchaser" means the Individual, Partnership, Corporation, Trust, Estate, Association, Organization, or Government entity who/that establishes an Account and has designated control of the Account.

E. "Account Owner Survivor" or "Purchaser Survivor" means an individual authorized by the Account Owner to take control of an Account upon the death or incapacity of the Account Owner. Failure to assign an Account Owner Survivor will result in all rights and obligations automatically transferring to the Student Beneficiary, unless a new GET Account Owner is explicitly identified in estate documents (Account Owner's will). If the Student is a minor, a Guardian must be named and the account will become blocked until the Student reaches 18 years of age. Proof of guardianship is required.

F. "Actuarial Soundness" means the Program is projected to have the funds needed to pay future obligations as determined by an actuary. The actuarial formula incorporates several factors, including estimated future tuition, projected inflation and investment returns, and administrative costs. It also includes a reserve to adjust for periods of lower-than-expected returns or higher-than-expected tuition, and amortization of past losses.

G. "Agreement" means the legally binding contract between the State and the Account Owner in favor of the Student Beneficiary resulting from acceptance by the State of the Account Owner's Enrollment form and payment for the purchase of Tuition Units under the Program.

H. "Benefit Use Year" means the year the Student may begin the distribution of Units.

I. "Blocked Account" means an Account that has use restrictions. (Usually, the Account Owner is a minor and the Account is restricted as a result of a court order or the Account Owner dies and has not designated an Account Owner Survivor.) In most cases, no funds may be distributed without a court order or until the minor reaches the age of majority (18 years of age in the State of Washington).

J. "Code" means the Internal Revenue Code of 1986, as amended.

K. "Committee" means the Committee on Advanced Tuition Payment, which governs the Advanced College Tuition Payment Program, also known as the "Guaranteed Education Tuition" program.

L. "Custodian" means a person who has entered into an Agreement with the Program where (1) the Account Owner is a minor or (2) the Account is funded from an UGMA or UTMA and the Custodian is required to act under the terms of the UGMA or UTMA. The Custodian is responsible for performing all duties of the Account Owner, unless otherwise provided by the Program.

M. "Custom Monthly Payment Plan" means a plan selected during the enrollment period for the purchase of 50 to 500 Tuition Units over a period of 1 to 18 years. Monthly payments include a finance charge.

N. "Distribution" means payment by the Program to the Student's Institution of Higher Education toward the cost of Qualified Higher Education Expenses and/or reimbursement to the Account Owner or Student, if authorized by the Account Owner.

O. "Family Member" means parents, brothers, sisters, stepparents, stepbrothers, stepsisters, aunts, uncles, first cousins and other eligible blood or legal relatives as set forth in Section 529(e)(2) of the Code.

P. "Full-time Tuition" means resident undergraduate tuition charges at a State Institution of Higher Education for enrollment between 10 credit hours and 18 credit hours per academic term.

Q. "Gift Contribution" means the purchase of additional Tuition Units or payments by an individual who is not the original Account Owner in connection with an established Account.

R. "Giftor" means an individual authorized by the Account Owner to make Gift Contributions to an Account.

S. "Guardian" means an adult authorized to make decisions on an Account owned by a minor Account Owner.

T. "Information Release" means an individual other than the Account Owner who is authorized to make verbal inquiries about an Account. The Program cannot release the Account Owner's Login ID and password to the Information Release individual.

U. "Institution of Higher Education" means an "eligible educational institution" under Section 529 (e)(5) of the Code. The institution must be recognized by the U.S. Department of Education as eligible to participate in student financial aid programs.

V. "Lump Sum Plan" means a plan for the purchase of 1 to 500 Tuition Units at the Unit Price in effect on the date that payment is received by the Program. Additional Lump Sum Units may be purchased at any time at the Unit Price in effect on the date each payment is received by the Program.

W. "Master Scholarship Account" means an Account opened by an Organization for the purposes of awarding Guaranteed Education Tuition Units as scholarships.

X. "Nonqualified Refunds" means all distributions that are not Qualified Refunds.

Y. "Organization" means a state or local governmental unit, or a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Code, that is registered or licensed to operate in the State.

Z. "Program" means the Advanced College Tuition Payment Program, known as "Guaranteed Education Tuition" or "GET."

AA. "Qualified Higher Education Expenses" means eligible education expenses in connection with a Student Beneficiary's attendance at an Institution of Higher Education within the meaning of Section 529 of the Code. Generally, these expenses include the following: (1) tuition, all state-mandatory and college-specific fees, and the costs of textbooks, supplies, and equipment required for the enrollment or attendance of a Student Beneficiary at an Institution of Higher Education;
(2) the costs of room and board (subject to certain limits) during any academic period during which the Student Beneficiary is enrolled at least half-time in a degree, certificate, or other program that leads to a recognized education credential awarded by an eligible Institution of Higher Education; and (3) expenses for special needs services for a special needs Student Beneficiary that are incurred in connection with his or her enrollment or attendance at an Institution of Higher Education.

BB. "Qualified Refunds" means (1) refunds made because the Student Beneficiary received a scholarship, provided that the scholarship is greater than or equal to the amount distributed or (2) refunds made as a result of the Student Beneficiary's death or disability.

CC. "Resident Student" means an individual who has met the requirements at a State Institution of Higher Education to be classified as a resident of the State of Washington in order to qualify for resident undergraduate tuition and fees.

DD. "State" means the State of Washington.

EE. "State Institution of Higher Education" means a public college or university in the State of Washington, as defined in RCW 28B.10.016.

FF. "Student" or "Student Beneficiary" means the beneficiary for whom Tuition Units will be distributed for attendance at an Institution of Higher Education.

GG. "Tuition and Fees" means resident undergraduate tuition and mandatory services and activities fees, as defined in RCW 28B.15.020 and 28B.15.041 rounded to the nearest whole dollar. State-mandated fees are those provided by statute, including operating, building and student activity fees. They do not include institutionally mandated fees that may be required at each individual school. Schools may impose their own fees, such as technology, library, recreation and fees to secure repayment of bonded indebtedness, and other types of fees. These fees are not considered state-mandated fees and, therefore, are not covered in the payout value amount.

HH. "Tuition Unit" or "Unit" means 1/100th of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year of distribution.

II. "Unit Payout Value" means 1 percent of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year at the time of distribution. This value is known at the beginning of each Academic Year after the state public universities set their tuition rates (usually available after August 1). The Unit Payout Value is different from the Unit Purchase Price.

JJ. "Unit Purchase Price" means 1 percent of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year at the time of purchase, rounded to the nearest whole dollar, AND adjusted for the costs of Program administration and to ensure the actuarial soundness of the Program. The Unit Purchase Price is based on an actuarial formula, which incorporates several factors, including the current cost of tuition, estimated future tuition, inflation, investment returns and administrative costs, and the need for a reserve to assist in periods of fluctuating returns or higher than average tuition. The Unit Purchase Price is different from the Unit Payout Value.

II. ESTABLISHING AN ACCOUNT

A. Submitting an Enrollment Form

1. *Completed Enrollment form.* The Enrollment form submitted to the Program must be completed according to the Enrollment form instructions. A valid email address is required to access your account online and receive Program communication (see section X. B.). A separate Enrollment form is required for each Student. The Enrollment form must be completed online by midnight on the last day of the enrollment period or postmarked by the last day of the enrollment period in order to be processed. An Account Owner with a child from birth to 12 months of age may enroll that child at any point during the year. Outside of the regular enrollment period, a birth certificate must be provided to verify that the child is less than 12 months of age at the time of enrollment. Online enrollment is not available for newborns outside of the regular enrollment period; paper enrollment forms are available on our Web site. Either the Account Owner or Student must be a resident of the State of Washington at the time the Enrollment form is submitted. For purposes of establishing an Account, a resident is defined as an individual whose permanent legal residence is Washington State. It includes military personnel who reside out-of-state but list Washington as their home of record in their military files. You must be a U.S. citizen or resident alien to open an Account.
2. *Initial Payment.* The Account Owner must send the payment for the nonrefundable enrollment fee with each Enrollment form. The Account Owner also must include payment for the purchase of a minimum of one Tuition Unit with the Enrollment form if enrolling in the Lump Sum Plan only.

B. Enrollment Form Acceptance, Agreement

1. *Written Confirmation by the Program.* A binding Agreement will be established once the Program confirms in writing or by electronic mail to the Account Owner that it has accepted the Enrollment form.
2. *Return of Enrollment Form.* If an Enrollment form is not accepted, an amount equal to any payment made will be returned to the Account Owner. The Agreement must designate an Account Owner who has a valid Social Security Number (or a Taxpayer or Employer Identification Number) or the enrollment will be rejected.

3. *Title to Agreement.* The Account Owner will hold title to an Agreement, and only the Account Owner may exercise rights under such Agreement, unless the Account Owner's ownership rights are transferred to the Account Owner Survivor, or to the Student as described below. Any person making a Gift Contribution will not have any title to or rights under the Agreement. If the Program is unable to locate either the Account Owner or Student within the time periods required under the Agreement, the Program will treat the value of any Tuition Units credited to the Account as forfeited and funds shall become the property of the Program.
4. *Automatic Transfer of Ownership.* The Student designated in an Agreement will automatically assume the Account Owner's rights and responsibilities under and title to the Agreement in the event that the Account Owner dies, becomes legally incompetent or cannot be located by the Program and has not designated an Account Owner Survivor to assume control of the Agreement. In such event, the Program, without further notice, consent, authorization or otherwise, shall act at the specific direction of the Student Beneficiary if not a minor. If the Student is a minor, the Account shall become a Blocked Account unless the Program receives a court order specifically stating that the Guardian may act on behalf of the Student. (See Definition of Account Owner Survivor for further details).
5. *Voluntary Transfer of Ownership.* The original Account Owner may transfer ownership of or rights under the Agreement to another person to act as Account Owner only if such transfer is not prohibited by state or federal law or regulation, and is specifically approved in writing by the Program. The new Account Owner must agree to the transfer by signing the Account Owner Change form and shall be subject to the terms of the Agreement. The signatures of the new Account Owner and the original Account Owner must be notarized.

C. The Account Owner

Only one Account Owner is allowed.

1. *Qualifications.* The Account Owner must meet the following qualifications (as applicable):
   a. Individual Account Owners. An individual Account Owner must provide their date of birth and a valid Social Security Number. In certain cases, other documentation may be acceptable to the Program.
   b. Minor Account Owners. For an individual Account Owner under the age of 18 years, an adult must sign the Enrollment form and certify that he or she will serve as Guardian or Custodian under the Agreement.
   c. Account Owners not Individuals (except Trust Accounts). In the case of a legal entity opening an Account, a legally authorized representative of the entity must sign the Enrollment form. The authorized representative is an individual designated by a Partnership, Corporation, Trust, Estate, Association, Organization, or Government entity to control an Account. An authorized representative must sign all Program forms and acts as the Account Owner on behalf of the entity. Only one authorized representative is allowed. In the case of a Trust, the Trustee is the Authorized Representative. The entity must notify the program in writing if the Authorized Representative changes.
   d. Trust Accounts. A Trust must be previously established before opening a Trust-owned GET Account. The following is required for all Trust-owned accounts: Official trust documents showing full legal name, TIN, names of the Trustees and their notarized signatures. Only one Trustee is named on the Account, though others may be listed as Information Release Persons. No distributions may be made from Trust accounts until all required documentation is received by the Program.
   e. Scholarship Programs. An Organization may open a Master Scholarship Account on behalf of its scholarship program. See the Program Master Scholarship Policy on the Program Web site or contact the Program for more details.
   f. Court-ordered or Blocked Accounts. A court may order funds to be deposited into a blocked account for the benefit of a minor child. The court will specify any restrictions and the terms of distribution. A Guardian must be provided as a point of contact on behalf of the minor child.
2. *Notice to Account Owners.* All official notices from the Program will be directed only to the Account Owner, unless otherwise requested in writing by the Account Owner.
3. *Using Funds from UGMA/UTMA Accounts.* Custodians for minors under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act ("UGMA/UTMA") may open an Account using funds from an UGMA/UTMA Account subject to the state laws and rules governing such UGMA/UTMA accounts.
   - When proceeds from UGMA/UTMA accounts are to be used to purchase Tuition Units under an Agreement, the Student must be shown as the Account Owner of the Account and a Custodian must be designated. The Custodian is not the owner of the Account and has a legal obligation to use UGMA/UTMA funds solely for the benefit of the Student. The Custodian on this type of Account may not change the Account Owner or Student without a court order.
   - The Student will obtain control of the Account and all rights under the Agreement upon reaching the age of majority. These rights include, but are not limited to, the right to cancel the Agreement and receive a refund pursuant to the Program refund policy, or to use the Tuition Units for educational purposes. Once the minor Account Owner reaches the age of 18, the Custodian will be removed and new login information will be requested from the Account Owner. A new email and password will be required to access the account online.
   - Any and all contributions to this Account will be considered UGMA/UTMA funds and become an asset of the Student and also will be subject to UGMA/UTMA restrictions. An Account Owner should open a separate Account with the Program if he or she prefers to keep new contributions free from these restrictions.
   - The Program will not be liable for any consequences related to a Custodian's improper use, transfer, or characterization of UGMA/UTMA or other custodial funds.
   - You cannot name an Account Owner Survivor for GET accounts funded with UGMA/UTMA proceeds. However, you may name a Custodian Survivor, who will act as Custodian upon the original Custodian's death or incapacity.
4. *Power of Attorney.* The Program will accept a Power of Attorney. It is the Account Owner's responsibility to notify the program when the Power of Attorney ends. If the Account Owner is deceased, the Power of Attorney is void.

D. The Student

1. *Designation of Student.* Except as described below, the Agreement must designate, as beneficiary of the Agreement, a Student who has a valid Social Security Number or has applied for a Social Security Number. If the Student does not have a Social Security Number, the Account Owner must submit the Student's Social Security Number within

six months after the date of receipt of the Enrollment form. The Student need not be related to the Account Owner. There is currently no age restriction for the Student although the student's date of birth must be provided. The Student may be the same person as the Account Owner.

2. *Scholarship Programs.* An Organization opening an Account need not designate a Student at the time of enrollment. Upon awarding a scholarship, the Organization will be required to submit a Scholarship Transfer form provided by the Program and to designate a Student as beneficiary at least four months prior to distribution as part of the requirements for initial distribution. Additional enrollment and transfer fees may apply.
3. *Change in Designated Student.* For any reason during the Agreement term, the Account Owner may, by written request, designate a new Student, who must be a Family Member of the previously designated Student. No Account Owner or Student may receive payment or other consideration in connection with such a change. The Program may require a court order to change or disallow changes in the designated Student for Blocked Accounts.
4. *Designation of the Benefit Use Year.* The Account Owner must designate a Benefit Use Year for the Student. Units may not be used until this date or later. Changing this date affects the accumulation of eligible units and is allowed only in certain circumstances. Please contact the Program for more information.

III. PURCHASING TUITION UNITS

A. Annual Enrollment Period

Annually, the Program will announce an enrollment period. Enrollment forms to establish a new Lump Sum Plan or Custom Monthly Payment Plan may be submitted only during an enrollment period. However, an Account Owner with a child from birth to 12 months of age may enroll that child at any point during the year. At any time outside of the regular enrollment period, a birth certificate must be provided to verify that the child is less than 12 months of age at the time of enrollment. Additional Lump Sum Plan purchases and Gift contributions may be made to existing Accounts at any time, including outside of an enrollment period.

The terms and features of GET in subsequent enrollment periods may differ from the terms and features described in this Master Agreement. No representation is made or assurance given that there will be additional enrollment periods, or that enrollment periods will take place annually. The Committee may limit the number of Contracts that may be purchased in any given enrollment period, current or subsequent, although there are currently no plans for any such limits. The terms and features of any enrollment period may change as necessitated by alterations to state law. See RCW 28B.95.

B. Number of Tuition Units

1. *Minimum Purchase.* For Lump Sum Plan Accounts, the minimum purchase shall be one Tuition Unit. For each new or reinstated Lump Sum Plan Account, the Account Owner must purchase at least the minimum purchase amount within 90 days of opening the Account or the Account may be cancelled at the discretion of the Program. For Custom Monthly Payment Plan Accounts, the Account Owner must select between 50 and 500 Tuition Units, in increments of 50, to be purchased under the Agreement.
2. *Maximum Number of Tuition Units.* No Student designated on an Account or multiple Accounts may be the beneficiary in the aggregate of more than 500 Tuition Units.
3. *Overpayments.* If a Custom Monthly Payment Plan is paid-in-full and the Program receives additional payments to the Account from the Account Owner, the Program will do the following:
   - Overpayments of $50 or less – The Program will NOT notify the Account Owner and will automatically apply the overpayment to purchase Lump Sum Units.
   - Overpayments of more than $50 – The Program will notify the Account Owner that the payment was received and the Account Owner may elect to purchase Lump Sum Units, transfer the overpayment to another Account, or receive the funds back. If the overpayment was received as a gift, payment will be returned to the Giftor.

   If the Account Owner does not respond within 60 days, the funds will be posted as a Lump Sum Unit purchase. If the total Tuition Units in the Account exceed 500, the excess amount will be returned to the Account Owner or Giftor (if overpayment was a gift). Funds will be returned no sooner than two weeks after their receipt.

C. Purchase Options

1. *General.* Tuition Units under an Agreement may be purchased under the Lump Sum Plan, the Custom Monthly Payment Plan, or a combination of the two. The Program's price chart sets forth the purchase prices of specific numbers of Tuition Units paid for through a Custom Monthly Payment Plan purchased over a specified payment period.
2. *Lump Sum Plan.* The Account Owner may choose to purchase Tuition Units covered by the Agreement in one Lump Sum payment at the time of the enrollment. Additional Tuition Units may be purchased by Lump Sum Plan payment at a later time at the price in effect at the time of purchase of those Tuition Units. Payments are posted to Accounts on the date the payment is received by the Program. Lump Sum Plan purchases may be made at any time during the year. Units purchased under the Lump Sum Plan shall be priced annually and may also be adjusted once during the year, if necessary, to ensure the actuarial soundness of the Program. Account Owners may add a Custom Monthly Payment Plan to their existing Lump Sum Account by submitting an Account Change Request Form during an open enrollment period. The Custom Monthly Payment Plan is subject to the pricing in effect at the time the Account Change Request is submitted.
3. *Custom Monthly Payment Plan.* The Account Owner may choose to purchase Tuition Units by making monthly payments under a Custom Monthly Payment Plan. The Account Owner must indicate in the Enrollment form the total number of Tuition Units to be purchased under the Agreement, and if purchasing a Custom Monthly Payment Plan, the specified payment period. Monthly payments include a finance charge of 7.5 percent per annum for the life of the payment plan plus the cost of processing the payments. Custom Monthly Payment Plans may be set up for 1 to 18 years in duration. The Program shall supply a coupon book to an Account Owner making monthly payments, unless the Account Owner selects the option to make payments through payroll deduction or automatic monthly withdrawal. However, each monthly installment payment will be due on the monthly due date, even if the Account Owner does not receive a payment coupon book before the payment is due. The Program sets the price for the purchase of a specific number of Tuition Units over a specific period of time. No Units purchased under a Custom Monthly Payment Plan may be used until the Account has been paid in full. Custom

Monthly Payment Plans may be paid off early, although there is no reduction in total finance charges paid or any financial advantage to doing so.

The Account Owner may request to modify his or her Custom Monthly Payment Plan by completing an Account Change Request. The aspects of the agreement that may be amended include reducing or increasing the total payment term of the contract, reducing the total number of units purchased over the life of the contract, and converting the Custom Monthly Payment Plan to a Lump Sum Account. When reducing the payment term of a Custom Monthly Payment Plan, the payment term must be equal to or greater than the number of years the Custom Monthly Payment Plan has been in effect. This option may reduce the total finance charges paid. Increasing the number of units in a Custom Monthly Payment Plan may be done only during the same open enrollment period. If outside that enrollment period a new Custom Monthly plan must be opened during an open enrollment period. In addition, the new units are subject to the Custom Monthly Payment Plan pricing in effect at the time the Account Change Request is submitted.

4. *Combination Purchases.* The Account Owner also may choose to purchase certain Tuition Units by Lump Sum purchase and purchase other Tuition Units under a Custom Monthly Payment Plan.

D. Pricing of Tuition Units

1. *Annual Determination by Program.* For each year, the Program will use actuarial methods to determine purchase prices for Tuition Units purchased during that year which may include a premium over current tuition costs. The price for Tuition Units covered by an individual Custom Monthly Payment Plan will not change from year to year, but remain as determined at the outset of the Agreement. The price of units purchased under the Lump Sum Plan shall be set annually and may also be adjusted once during the year, if necessary, to ensure the actuarial soundness of the Program.
2. *Determination of Prices.* The prices shall be determined based on 1 percent of the highest resident undergraduate Tuition and Fees for the four-year State Institutions of Higher Education for the current Academic Year, rounded to the nearest whole dollar, adjusted for the costs of administration and adjusted as determined by the Program to ensure the actuarial soundness of the Program. The applicable purchase prices for Tuition Units may vary depending on the purchase payment option identified in the Enrollment form.

E. Methods of Payment

1. *Acceptable Methods.* Payment of the purchase price for Tuition Units and required fees must be made in United States currency, using any of the payment methods permitted by the Program, which may include (without limitation) the following:
   - Personal or cashier's check; or
   - Money order; or
   - Automatic Withdrawal Authorization – Account Owners selecting this method must complete the Automatic Withdrawal Authorization form provided by the Program, including a voided check for verification of routing and bank account numbers; or
   - Payroll deduction – Account Owners selecting this method must be employed by an organization that offers payroll deduction for the Program and must complete a Payroll Deduction Authorization form provided by, or acceptable to, the Program; or
   - Payment online through the Program's Web site via an online automatic payment option. There is a nominal $1 fee assessed by U.S. Bank per transaction.
   - Credit or debit cards – Credit or debit cards will be accepted for payment of enrollment fees only and not for Unit purchases.
2. *Wire Transfers.* The Program does not accept payments via wire transfer.
3. *Fees.* Account Owners will be responsible for any fees charged by a bank or other entity that may be applicable to the payment method selected, including fees assessed on returned payments. See J. Dishonored Payments.

F. Gift Contributions

1. *Gift Contributions to an Existing Account.* A person may purchase Tuition Units for a Student designated on an existing Account by paying an amount referred to as a "Gift Contribution." A Gift Contribution may purchase additional Tuition Units or, in the case of a Custom Monthly Payment Plan, may be applied to current or future monthly payments covered by the Agreement, and together with the Tuition Units covered by the Agreement, are subject to the maximum purchase amount. If the Student has a Custom Monthly Payment Plan, the Gift Contribution will be applied to the payments on the Custom Monthly Payment Plan, unless the Program receives written instructions to purchase additional Lump Sum Units. If a Gift Contribution results in an Account balance that exceeds the 500 Tuition Unit maximum, the excess amount will be returned to the Giftor.
2. *Timing of Gift Contributions.* Persons may make Gift Contributions to an established Account at any time, including outside an enrollment period. The Tuition Unit price posted to an Account will be the price in effect at the time payment is received.
3. *Purchase Price.* The purchase price of additional Tuition Units paid for by a Gift Contribution will be the same as the price applying to Lump Sum Plan purchases at the time the Gift Contribution is received. If applied to a Custom Monthly Payment Plan, it is applied at the rates established in the Agreement.
4. *Ownership of Tuition Units.* Tuition Units purchased and payments made by a Gift Contribution will be added to an existing Account and will be owned by and subject to direction solely by the Account Owner of the existing Account, not by the person making the Gift Contribution.
5. *Terms of Existing Agreement.* Purchase of Tuition Units by a Gift Contribution shall not affect the terms of the applicable existing Agreement.

G. Rollovers

In connection with the purchase of Tuition Units for an Account, the Account Owner must indicate whether the purchase is funded by a rollover contribution from a Coverdell Education Savings Account, a qualified U.S. Savings Bond (as described in Section 135(c)(2)(C) of the Code) or another 529 Qualified Tuition Program for the same Student or for a new Student who is a Family Member of the original Student. If it is a rollover contribution, the Account Owner must provide acceptable documentation showing the earnings portion of the contribution. To the extent such documentation is not provided, the Program will treat the entire amount of the rollover contribution as earnings. Rollovers may be subject to taxes and program penalties on earnings. Please see the Tax Matters section of the Program Details guide for more details.

Acceptable documentation includes the following:

- 529 Plan Assets: An account statement issued by the 529 program that shows the earnings or loss portion of the Account Owner's withdrawal.
- Coverdell Education Savings Accounts: An account statement or documentation issued by the account custodian that shows the basis and earnings in the Account Owner's account.
- U.S. Savings Bond: An account statement or IRS Form 1099INT from the redeeming institution that shows the interest that has accrued on the bond.
- Such other documentation determined by the Program to be acceptable in accordance with future guidance issued by the IRS.

Rollovers between 529 plans for the same Student Beneficiary are permitted only if it has been at least 12 months since the most recent such rollover for that Student Beneficiary. There is no restriction on the frequency of rollovers between 529 plans for different Student Beneficiaries. The distribution must be reinvested in another 529 plan within 60 days of the withdrawal date. The Program does not perform direct rollovers to other state 529 programs. Distributions of this type fall under the Program's Cancellation and Refund Policy (described herein). Rollover payments will be applied to Lump Sum Unit purchases unless the Account Owner specifies otherwise.

H. Prepayment

An Account Owner may prepay any amount due under a Custom Monthly Payment Plan before the applicable monthly due date. The Program will automatically apply prepayments in the following order of priority: (1) to any outstanding fees, charges, or penalties, under the Agreement; and (2) to future monthly payments in chronological order by due date. Upon a prepayment, there will be no reduction in the total monthly payments and the finance charge component thereof.

I. Failure to Pay When Due

1. *Payment Made Late.* If any monthly payment is made more than 15 days after the applicable monthly due date, such amount will be treated as a late payment. Each late payment will be subject to a late payment fee as described in the Program Fees chart.
2. *Failure to Pay.* If the initial Custom Monthly Payment Plan payment is not made within 90 days after the first payment due date or if a Custom Monthly Payment Plan is more than 180 days behind in payments, the Agreement to purchase Units under the Custom Monthly Payment Plan may be cancelled and the Program may automatically convert the Account to a Lump Sum Plan. Any outstanding fees will be withdrawn by the Program from the Account at the time of conversion.

J. Dishonored Payments

1. *Dishonored Payment.* If a check, automatic withdrawal or other payment by an Account Owner is not honored or not paid in full by the applicable bank or other entity (including stop payments), the payment will be treated as a dishonored payment. Each dishonored payment will be subject to a dishonored payment fee (see Program Fees chart).

   Replacement payments made to offset dishonored payments will be processed at the Unit price in effect at the time the replacement payment is received.
2. *Initial Payment.* If the dishonored payment represents the initial payment, the Program may choose not to accept the Enrollment form or, if the Enrollment form has previously been accepted, may cancel the Agreement.
3. *Monthly Payment.* If the dishonored payment is a Custom Monthly Payment Plan payment, the amounts relating to the dishonored payment will remain due.

IV. DISTRIBUTION OF TUITION UNITS

A. Distribution of Tuition Units

For Tuition Units to be distributed, the following shall occur:

- For Units purchased by a Lump Sum Plan purchase, the Units must be paid in full and held for two full calendar years. Any outstanding fees must be paid before distribution can be approved or processed.
- For Units purchased in a Custom Monthly Payment Plan, the Custom Monthly Payment Plan must be paid in full, there must be no outstanding fees, and the Agreement must have been in effect for two years before any Units purchased under the Agreement may be used.
- The Account Owner has notified the Program using an acceptable method of his or her intent to have the Tuition Units distributed on behalf of the Student. See the Program Web site or contact the Program for more information.
- The Student must have enrolled in an eligible Institution of Higher Education on or after the projected Benefit Use Year set forth in the Enrollment form. The Benefit Use Year may not be changed to a date prior to the student's enrollment in an eligible institution.
- The Program will reimburse actual tuition expenses charged to the Student for enrollment in the Running Start Program. Reimbursement is also allowed for all non-subsidized required eligible expenses.

B. Eligible Expenses

The Program may require documentation from the Account Owner and/or Student necessary to confirm that a distribution will be used only for Qualified Higher Education Expenses at an Institution of Higher Education, as allowed by federal tax law in effect at the time. From time to time, changes in federal law may affect the types of Qualified Higher Education Expenses and Institutions of Higher Education for which distributions may be used.

C. Use of Tuition Units

Tuition Units may be used for Qualified Higher Education Expenses at any eligible Institution of Higher Education. The value of 100 Tuition Units is not guaranteed to cover the full amount of Tuition and Fees unless used at a State Institution of Higher Education.

D. Timing and Maximum Distribution

Unless eligible Units are available from a previous Benefit Use Year, the Student may not request a distribution of more than 125 Units in the Academic Year of August 1 to July 31. Subject to any further restrictions imposed by state or federal laws or regulations, all requests for a distribution from an Account must be made within 10 years after the Benefit Use Year or within 10 years after the first distribution date for such Account, whichever is later, unless the Program approves the Account Owner's written request for an extension before that time.

E. Request for Distribution

The Program will provide the Account Owner with information on completing an Intent to Enroll form, which must be completed and returned to the Program by the date required on the form. If the Program does not receive the form by the due date, distribution of Units may be delayed. If the Account has been opened by an Organization in connection with a scholarship program, the Organization also must designate the Student and provide the information required by the Program for purposes of distribution at least four months prior to the expected distribution date. The information received may be verified by telephone.

F. Payment of Distribution

1. *Payment to Institutions.* Except as provided in F.2. below, any distribution by the Program on behalf of a Student will be paid directly to the Institution of Higher Education at which the Student is enrolling. If a payment from the Program results in a credit at the Student's Institution of Higher Education, that Institution may issue a refund to the Student. In most cases, the Program does not accept these payments back and will not credit the Student's Account.
2. *Reimbursement.* At the option of the Account Owner, distributions may be paid to the Account Owner or Student for Qualified Higher Education Expenses in the form of a reimbursement. Reimbursements to Students require a notarized signature from the Account Owner. Reimbursements may be requested for the current and prior academic year only.
3. *Conditions to Payment.* A distribution will be made only after the Program determines:
   a. Eligibility of the Institution. The Student's institution is an Institution of Higher Education as defined in the Agreement.
   b. Qualified Higher Education Expenses. The amount of any distribution will not exceed the value of Units available to be distributed and will be used for Qualified Higher Education Expenses.
4. *Value of Tuition Units to be Distributed.* Tuition Units shall be valued at the time of distribution as set forth in the definitions of this Agreement.
5. *Forfeiture of Account.* The Program may terminate the Account if there is no activity on the Account in the 10 years after the Student reaches the projected Benefit Use Year and no notification of intended usage or request for extension has been received by the Program. The Program will begin notifying the Account Owner 180 days prior to forfeiture. If the Account Owner cannot be reached, the Program will attempt to contact the Student and/or other persons listed on the Account. If the Program receives no response, the rights to distributions or refunds under the Agreement will be forfeited and the Program will retain any funds remaining in the Account.
6. *Tax Implications.* The Program shall not be responsible for any state or federal taxes imposed on the Account Owner, the Student or otherwise in connection with any distribution of Units and such persons are urged to consult their tax advisor. See "Tax Matters" in the Program Details guide for more tax information.

V. REFUNDS

A. General Refund Rules

1. All refunds will be made according to State law, including RCW 28B.95.110, Program rules and policies, and Section 529 of the Code.
2. Refunds will be made by the Program only for Tuition Units held in an Account for a minimum of two calendar years or such shorter period as may be imposed by state or federal laws, regulations or policies.
3. The Program may charge fees or a Program penalty in connection with refunds as set forth in greater detail below. The Program shall deduct all outstanding fees and the Program refund penalty from Account payments.
4. The Program will make refunds to the Account Owner (or Student, if specified in writing by the Account Owner), or as otherwise described in the applicable Agreement.
5. Subject to any further restrictions imposed by state or federal law or regulations, or Program limitations as indicated below, all requests for a refund from an Account must be made within 10 years after the Benefit Use Year or the first distribution date for such Account, whichever is later, unless the Program approves the Account Owner's written request for an extension before that time. Refunds for scholarships must be requested during the academic year in which the scholarships are awarded.

B. Request for Refund

1. Only the Account Owner may request a refund of amounts credited to the Account except as described within the applicable Agreement.
2. The refund request must include a notarized Refund/Cancellation Request form signed by the Account Owner and other documentation required by the Program, as detailed in the Program Cancellation and Refund Policy (available on the Program Web site or by contacting the Program) in effect on the date of the refund request.
3. The Program Director must approve refunds from Accounts older than six months into which the Account Owner has paid over $500.

C. Reasons for Refunds – Penalty Fees

1. *Qualified Refunds.* The Program will refund Tuition Units and will not assess a Program refund penalty fee or refund fees for Qualified Refunds. The IRS does not assess a 10 percent penalty tax, but the earnings portion of all Qualified Refunds will be subject to federal income tax. The following documentation must be submitted with the Refund/Cancellation Request form:
   - Death - In connection with the death of the Student, a request must be accompanied by a copy of the Student's death certificate.
   - Disability - In connection with the disability of the Student, a request must be accompanied by appropriate documentation from a medical professional demonstrating that the disability prevents or would prevent the Student from attending any Institution of Higher Education.
   - Scholarship - As a result of the Student's receipt of a scholarship, a request must be accompanied by documentation of the scholarship, including the awarding entity, the amount of the scholarship and the term for which it was awarded (must be within the current academic year). Qualified Refunds in connection with a scholarship are limited to the scholarship award, not to exceed 125 Units per Academic Year. Scholarship refunds must be requested during the academic year the scholarship is awarded. The program is unable to process retroactive or cumulative scholarship refunds. The Account Owner may request a Qualified Refund without a Program refund penalty for the cash value of scholarships received by the Student for the year the scholarship is received. Instead of requesting a Qualified Refund, the Account Owner may elect to use an amount equivalent to the scholarship to pay for the Student's other Qualified Higher Education Expenses.
2. *Nonqualified Refunds.* Except as provided below, the Program will assess a Program refund penalty fee and refund fees on any Nonqualified Refund. In addition to the Program refund penalty fee and refund fees, Nonqualified Refunds are also subject to a 10 percent penalty tax on earnings payable to the IRS by the Account Owner. The earnings portion of all refunds will be subject to federal income tax.

a. Nonqualified Refunds requested due to a Student's graduation or completion of a program. The Program does not assess the Program refund penalty fee for Nonqualified Refunds due to a Student's graduation or completion of a program from a qualified institution of higher education. However, the earnings portion of the distribution is still subject to federal income tax and a 10 percent penalty tax payable to the IRS by the Account Owner.

b. Program Refund Penalty Fee. The program refund penalty fee amount is 10 percent of the earnings at the time of the refund, or $100, whichever is greater.

D. Payment of Refund

1. *Units Eligible for Refund.* For Tuition Units to be refunded, the following shall occur:
   - For Units purchased by a Lump Sum Plan, the Units must be paid in full and held for two full calendar years.
   - For Units purchased by a Custom Monthly Payment Plan, the Custom Monthly Payment Plan must be paid in full, there must be no outstanding fees, and the Agreement must have been in effect for two years before any Units purchased under the Agreement may be refunded. If the Custom Monthly Payment Plan is not paid in full, the Program will convert the plan to a Lump Sum Plan and refund the Units according to the Lump Sum Plan.
2. *Limits on Refunded Units.* For approved refunds, all Tuition Units minus any Program refund penalty and refund fees will be refunded except refunds requested due to:
   - Student Nonattendance. The refund is limited to 125 Units per academic year. The refund will be made no sooner than 90 days after the Refund/Cancellation Request form and any other documentation required in the Program Refund and Cancellation Policy is received. The Account Owner must complete the Refund/Cancellation Request form each academic year for the refund of additional Tuition Units, until all Units are refunded.
   - Scholarship. For a Refund because of a scholarship for the Student, the refund is limited to the scholarship award, not to exceed 125 Units per Academic Year.
   - Except as specified above, partial refunds are not allowed.
3. *Refund Amount.* The Program will calculate the amount of any refund pursuant to the terms of the applicable Agreement. The refund amount paid is based on the current Unit Payout Value, as determined by the Committee, at the time the Program approves the refund, unless otherwise required by state law. The refund will be minus any applicable Program refund penalty fee, refund fees, or other outstanding fees or charges.

E. Refund Requests Due to Bankruptcy

Certain funds may be protected against bankruptcy of the Account Owner. See G. Bankruptcy Provisions in "Section IX, Other Considerations" of the applicable Agreement. If a refund is requested due to bankruptcy, the Account Owner or Bankruptcy Trustee must provide the Program with a copy of the bankruptcy filing. The Units will be valued at the Unit Payout Value in effect at the time the refund is approved. All outstanding fees will be deducted but the Program will not assess a Program refund penalty fee or other penalties or fees. Payments will be made payable per the Bankruptcy Trustee.

F. Refund Decision Appeal Process

If the Program denies a refund request, the Account Owner may submit a letter to the Program Director within 10 days after notification, asking for reconsideration. If the Director denies reconsideration, the Account Owner may submit a letter to the Committee Chair within 10 days after notification, asking for reconsideration. The Committee Chair will conduct a brief adjudicative proceeding on the merits of the request and render a final decision.

G. Termination of Right to Refund

Any value of Tuition Units under an Agreement which has not been paid as a distribution or refund within 10 years after the Student reaches the projected Benefit Use Year or 10 years after the initial distribution date, whichever is later, or as imposed by state or federal law or regulation, may be paid by the Program to the Account Owner as a Nonqualified Refund, after deducting the Program refund penalty fee and outstanding fees from such amount. The Program shall notify the Account Owner of the value of the Units and the right to a refund prior to the expiration of the usage of the Units. If no request for a refund is made by the Account Owner or extension of usage or transfer to another Student is requested by the Account Owner, the balance shall become the property of the Program.(See section IV.F.5 for additional information.)

H. Tax Implications

The Program shall not be responsible for any state or federal taxes imposed on the Account Owner, the Student or otherwise in connection with any refund, including the 10 percent penalty tax payable to the IRS in connection with a Nonqualified Refund. The Program sends a tax document to recipients of Qualified and Nonqualified Refunds made during the calendar year as required by the IRS. The tax document details the gross distribution, gain (or loss) and the basis of all distributions. See "Tax Matters" in the Program Details guide for more tax information.

VI. FEES/PENALTIES

The Program will establish fees and penalties, and will adjust such fees and penalties from time to time. The Account Owner should refer to the current schedule for fees and penalties provided by the Program. The Account Owner agrees that the Program shall have the right to deduct fees and penalties before any distribution or refund. This may reduce the number of Tuition Units credited to an Account.

VII. AGREEMENT CANCELLATION

A. Full Cancellation

1. *Program Cancellations.* The Program may cancel an Agreement immediately if: (i) the Account Owner has supplied materially false or misleading information or has made a material misrepresentation on or in connection with an Enrollment form or an Agreement; (ii) the Account Owner fails to provide a valid Social Security Number for the Student within six months after the date of enrollment; (iii) the value of the Tuition Units held in an Account Owner's Account as then calculated is less than an amount determined by the Program to be minimal; (iv) the initial payment is dishonored; or (v) the Account Owner fails to comply with the terms of the Agreement (other than failure to make monthly payment by the monthly due date) and does not correct such failure within 30 days after receiving notice of such failure.
2. *Within three working days.* The Account Owner may cancel his or her Account within three working days after the Program receives the Enrollment form and initial payment. The Program will return all payments to the Account, including the enrollment fee.

3. *Within six months.* The Account Owner may cancel his or her Account within six months after the Program receives the initial payment. The Program will return all payments to the Account, except the non-refundable enrollment fee and any other outstanding fees.
4. *Accounts with less than $500.* The Account Owner may cancel his or her Account at any time, if the Account Owner has paid $500 or less into his or her Account. The Program will return all payments to the Account, except the non-refundable enrollment fee and any other outstanding fees.

B. Account Conversion

If a Custom Monthly Payment Plan is not in good standing, the Program may declare a conversion of the Account. Monthly payments on a converted Account will be used to purchase paid-in-full Lump Sum Plan Units at the prices in effect on each payment date. After conversion, only Lump Sum Plan Units may be purchased in that Account.

C. Cancellation Fees

In the event of any full cancellation of an Agreement by the Program, the Program may deduct any applicable Program refund penalty fee and any other unpaid fees and charges from amounts credited to the Account and shall then transmit to the Account Owner any remaining amounts on deposit.

VIII. OPERATION OF THE FUND

A. Pooled Accounts

All amounts received under Agreements will be commingled and held by the Program in accordance with federal and state law. The Program will not separately invest amounts paid under an individual Agreement, but will maintain records showing the Account Owner, the Student, the amount paid and the number of Tuition Units purchased, distributed and refunded in connection with an Agreement.

B. Investment and Use

1. *Investment.* The Program is permitted to invest amounts paid under Agreements in accordance with state law and the Washington State Investment Board's investment policy. The Program is not required to invest such amounts.
2. *Investment Not Subject to Direction.* No Account Owner or Student may direct the investment of amounts paid to or otherwise held by the Program in connection with any Agreement.
3. *Use.* The Program may apply amounts paid under Agreements to pay for or reimburse the Washington State Investment Board for its administrative expenses in connection with the Program.

C. Reserve

The Program will accumulate amounts as a stabilization reserve, available to pay obligations of the Program if the Program does not otherwise have revenues in any particular year suffcient to pay such obligations. Reserve amounts will not be held, maintained or invested separately by the Program.

D. Annual Program Analysis

In accordance with state law, the Program will have an annual evaluation of the actuarial soundness of the Program. The results of this evaluation will be used to determine whether one or more Unit price adjustments are needed, and if so, how much the price will be adjusted.

E. Fund Termination

1. *Declaration of Termination.* If the State declares that the Program is not financially feasible, or for any other reason determines that the Program shall be terminated, the Committee will cease to accept any further Agreements or Tuition Unit purchases.
2. *Remaining Tuition Units.* The remaining Tuition Units for all Students who have either enrolled in an Institution of Higher Education or who are within four years of their eighteenth birthday shall be honored until such Tuition Units have been exhausted, or for 10 fiscal years from the date the Program was terminated, whichever comes first. All other Account Owners shall receive a refund equal to the current value of the Tuition Units in effect at the time of termination, as determined by the Committee.
3. *At the End of the 10-Year Closeout Period.* At the end of the 10-year closeout period, any Tuition Units remaining unused by current Students enrolled in an Institution of Higher Education shall be refunded at the value of a Unit in effect at the end of the 10-year closeout period.
4. *Remaining Amounts.* At the end of the 10-year closeout period, all other amounts not needed to make refunds or to pay for administrative costs shall be deposited in the State General Fund.

F. State Guarantee

The Washington Advanced College Tuition Payment Program is an essential State governmental function. Agreements with eligible participants are contractual obligations legally binding on the State. The State guarantee is backed by State law (RCW 28B.95). The State guarantees that purchases of Tuition Units will be worth the same number of Tuition Units at the time of redemption as they were worth at the time of the purchase. If, and only if, the money in the Program is projected to be insufficient to cover the Program's contracted expenses for a given biennium, then the State legislature shall appropriate to the Program the amount of money necessary to cover such expenses. This means that, if future tuition increases required the Program to pay out more money during a given biennium than available, the State legislature would be required by State law to appropriate State funds to cover the expenses. Distributions and refunds shall be made by the Program as outlined in Sections IV and V of this Master Agreement. The Program does not guarantee the Unit Payout Value will exceed the Unit Purchase Price.

IX. OTHER CONSIDERATIONS

A. Transferability

The Agreement between the State and the Account Owner is not transferable by the Account Owner for payment or other consideration except as allowed under Sections II B (4) and (5). No Account Owner, Student or other person or entity may pledge an Account or any amounts credited to an Account as collateral in connection with a loan or other arrangement.

B. Tax Considerations

The Program is designed to qualify for treatment as a qualified tuition program under Section 529 of the Code, and is subject to any changes to state or federal law. Federal law, effective Jan. 1, 2002, permits Account Owners or Students to be exempt from payment of income tax on any increased value of distributed Units if such Units are used for Qualified Higher Education Expenses. Payments to Accounts are considered completed gifts for federal estate and gift tax purposes. The Program is not liable for the effect of any state or federal taxes on any transactions or activity in conjunction with an Agreement, including the 10 percent penalty tax which must be paid to the IRS on earnings in connection with a nonqualified distribution. All Account Owners and Students are solely responsible for payment of any applicable taxes or submission of any required forms or other documents to taxing entities. Account Owners are strongly advised to consult a tax advisor regarding the consequences of their participation in the Program. See "Tax Matters" in the Program Details guide for more tax information.

C. Coordination with Other Education Incentives
Contributions may be made to a Coverdell Education Savings Account and the Program in the same year for the same Student. HOPE Scholarship and Lifetime Learning Credits can be claimed in the same year that a qualified distribution is taken from the Program, provided the distribution is not used for the same expenses. See "Tax Matters" in the Program Details guide for more tax information.

D. Securities Law Considerations
Agreements may be considered securities for the purpose of certain state or federal laws. As a result, if the State of Washington were to eliminate its residency requirement in the future, the Program may still be prevented from allowing potential Account Owners located in other states to establish contracts. If allowed, Account Owners might be required to file additional documentation or to pay additional fees to enroll in the Program.

E. Impact on Financial Aid and Medicaid
Financial Aid. The Program cannot determine and makes no representation as to what effect, if any, an Agreement may have on future state, federal, institutional, or private financial aid eligibility of any Student. The receipt of, or potential for receipt of, distributions or refunds under an Agreement may affect a Student's qualification for or receipt of such financial aid. Funds from an Account are typically listed on the Free Application for Federal Student Aid (FAFSA) as an asset of the Account Owner. The amount listed is the refund value of all Accounts of the Account Owner on the date of filing the FAFSA. Assets are used in the calculation of the Expected Family Contribution (EFC), which is used by Institutions to determine need for financial aid. However, treatment of such assets may vary and the Program cannot advise in this area. The Account Owner should contact the financial aid office at the Student Beneficiary's Eligible Institution for information on financial aid award procedures.

Medicaid. Rules vary greatly so it is unclear how local and state government agencies will treat program assets when determining Medicaid eligibility. If this is a concern, the Account Owner should consult a qualified advisor to determine how an Account may affect Medicaid eligibility.

F. Residency, Financial Aid, and Academic Status
Purchase of an Agreement or other participation in the Program, including being named as a Student under an Agreement, does not constitute any guarantee of:

- Admission to any Institution of Higher Education; or
- Classification as a resident of the State of Washington for purpose of admission to or tuition at any State Institution of Higher Education; or
- Eligibility for any form of state, federal, institutional or private student financial aid; or
- Graduation from any Institution of Higher Education.

G. Bankruptcy Provisions

- Under State law RCW 28B.95 and RCW 6.15.010 (5), effective July 24, 2005, funds used to purchase Tuition Units more than two years prior to the date of a bankruptcy filing or court judgment will be considered excluded personal assets of the Account Owner.
- Under federal law, effective October 17, 2005, funds used to purchase Tuition Units more than two years prior to the bankruptcy filing are exempt. The protection is limited to $5,000 for funds held for only one to two years. Funds held in an Account for less than one year are not protected. The Student Beneficiary cannot be the debtor and must be the debtor's child, stepchild, grandchild, or stepgrandchild.

X. MISCELLANEOUS

A. Notice to Program
Notice to the Program shall be sent by mail to Guaranteed Education Tuition, P.O. Box 43450, Olympia, Washington 98504-3450, by fax to 360.704.6200 or by email to GETInfo@hecb.wa.gov.

B. Communication from Program
The Program is committed to increased efficiency and reduced cost by using email communication and online processes whenever possible. Therefore, the default method of communication will be via email and/or online Account notifications. Account owners may request paper communication by contacting the Program or indicating that preference in the account profile (Email Communication Center) section of their online Account.

C. Records
Records for the Program shall be subject to the public disclosure laws of the State and the exemption from disclosure provided therein.

D. Washington Law Governs
The laws of the State of Washington shall govern each Agreement. Account Owners agree to jurisdiction of the Washington state courts over any disputes in connection with the Program or any Agreement.

E. Amendments
The Program reserves the right to amend any Agreement to the extent required by law or to the extent necessary or desirable in order to preserve favorable tax treatment under federal and state law or for reasons in the interest of Account Owners and the Program and to make technical corrections. This Master Agreement supersedes all previous Master Agreements.

F. Severability
If any court of competent jurisdiction finds any portion of these Master Agreement terms or the Enrollment form to be invalid or unenforceable, such invalid or unenforceable portion shall be severed from these Master Agreement terms or the Enrollment form, as applicable, and the remainder of these Master Agreement terms or the Enrollment form will remain in full force and effect.

G. Purchases by Persons Employed or Related to the Program
Members of the Committee, Program staff and persons employed by service providers in connection with the Program may purchase Tuition Units to the extent consistent with State and federal law and upon the same terms and conditions as the public at large.