

Guaranteed Education Tuition (GET)



House Appropriations Committee

February 25, 2003

W A S H I N G T O N
H I G H E R
EDUCATION
C O O R D I N A T I N G B O A R D

GET was established in 1998

- RCW 28B.95 RCW
- Provides Washington citizens an opportunity to pre-pay college tuition
 - Encourages families to save for college



GET
GUARANTEED EDUCATION TUITIONSM

Facts about the GET Program

- GET is Washington's prepaid tuition plan, authorized by Section 529 of the Internal Revenue Service code
- GET Committee oversees program and policies
 - Chair: HECB executive director
 - Other members: State Treasurer, Director of OFM and two citizens
- State Investment Board invests and monitors funds
- HECB administers day-to-day operations

Key features of GET program

- The state guarantees that GET tuition units purchased will retain their value in the future as tuition prices rise
- Under current federal tax law, earnings on GET accounts are tax-exempt when used for college expenses
- GET Committee annually adjusts price to reflect increases in tuition (may adjusted bi-annually if necessary)
- The program is designed to be self-sustaining

How GET works

- Tuition is sold in units; 100 units equal one year's tuition at the highest-priced Washington public university
- Families may purchase a total of up to 500 units per student
- Units may be used at any accredited college, university or technical school in the U.S.
- This year's enrollment period ends March 31

Current GET statistics

- Since GET sales began in fall 1998:
 - More than 26,000 accounts have been opened
 - Buyers have purchased more than 5.4 million units
 - More than \$177 million in payments received
 - Current contracts have total value of \$247.9 million (current receipts plus future commitments)
 - 1,100 students are eligible to use GET benefits during the 2002-03 academic year
 - 2,300 expected to use benefits in 2003-04
 - 4,600 expected to use benefits in 2004-05

Tuition increases and GET

- In the 2002 legislative session, the Legislature authorized research universities to raise tuition 16%.
 - The GET unit price was set at \$42, based on the original biennial budget that tuition would rise no higher than 6.1%
 - As a result of the increased tuition, current estimates show a potential deficit, if the state takes no action
 - Current cash flow is good, and expected impact would occur no sooner than 2018, if no action is taken to decrease the projected deficit (\$21.6 million)

Tuition increases and GET

continued

- To ensure that sufficient funds are available, the following actions have been taken:
 - The GET unit price was adjusted on Sept 1, 2002 from \$42 to \$52
 - The price may be actuarially adjusted two times during the year:
 - May 1, 2003
 - Sept. 1, 2003

Tuition increases and GET

continued

- Milliman USA, the GET actuarial firm, has reviewed the impact of 2003-04 tuition increases of 8%, 10%, 12% 14% and 16%.
- Tuition increases above the historic average of 6.75% per year would increase the pay-out over time to purchasers who have already bought units

Tuition increases and GET

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- Milliman's estimate for years after 2003-04 assumes resumption of long-term tuition increases at historic level of 6.75%
- The cumulative effect of repeatedly raising tuition beyond historic level of 6.75% *could* create a need to supplement GET reserves
- The GET unit price will now be adjusted twice annually for new accounts to reflect current and expected tuition increases, investment returns and program expenses