

GUARANTEED EDUCATION TUITION (GET) COMMITTEE MEETING
Tuesday, January 23, 2001
State Investment Board Conference Room
2424 Heritage Court SW, Olympia, Washington

MINUTES

CALL TO ORDER

Marc Gaspard, HECB Executive Director and Committee Chair, called the meeting to order at 2:05 p.m. Committee members in attendance in addition to the Chair included Michael J. Murphy, State Treasurer; Marty Brown, Director of OFM; Mooi Lien Wong and Elizabeth Stecher Berendt, citizen members representing the general public.

HECB staff in attendance:

Betty Lochner, GET Director
Larry Lee, GET Operations Manager
Steve Beacon, GET Financial Manager
Jackie Molique, GET Customer Service Manager
Denise Fry, GET Outreach Coordinator
Ann Tolo, GET Administrative Assistant
Becki Collins, HECB Director of Education Services

Guests in attendance:

Howard Fischer, Office of the Attorney General
Jim Parker, State Investment Board
Elaine Emans, Office of the State Treasurer

WELCOME

Marc Gaspard introduced Betty Lochner, GET Director, who opened the meeting with the introduction of Larry Lee, newly hired Operations Manager for GET. Betty provided a brief discussion of the agenda. No other changes were made to the agenda. Betty also noted that additional supplemental meeting materials were provided to Committee members as well as the public.

APPROVAL OF MINUTES

It was moved by Michael Murphy with a second from Beth Stecher Berendt to approve the October 19, 2000 minutes. Motion carried unanimously.

Request for Proposals

Betty went over the final draft of the Request for Proposals (RFP) to select vendors for Records Administration and Marketing for GET. Betty also reviewed and went over the timeline.

After a brief question and answer session the Committee requested the following changes be made to the RFPs: Clarify receiving time as west coast time, clarify scoring for the pricing element, clarify which elements are desirables and which are required, and clarify the pre-proposal conference as mandatory. Betty acknowledged the changes would be incorporated in the final RFP.

APPROVAL OF REQUEST FOR PROPOSALS

It was moved by Michael Murphy with a second from Mooi Lien Wong to approve the proposed Request for Proposals for Records Administration and Marketing for GET with the changes incorporated. Motion carried unanimously.

Marc Gaspard stated the RFP's were ready to be published and sent out to perspective vendors. Betty advised the Committee of the next phase in the RFP process, which includes separate pre-proposal conferences and oral presentations from finalists. The GET Committee will hold a special meeting on April 4, 2001 to consider recommendations for vendors. Treasurer Murphy stated he would like to attend the oral presentations of the Marketing finalists.

Method of calculating the Weighted Average Tuition

Betty reviewed the Method of calculating the Weighted Average Tuition (WAT) memorandum. The WAT is required by statute to be set annually for use in calculating certain program refunds. The proposed calculations for the WAT for this enrollment period, determines the WAT to be \$33.07 per unit. Marty Brown inquired if use of the WAT for refunds requires approval from the Committee. Betty advised that removing the language of using the WAT for certain refunds is a statutory change that will be addressed later in this meeting. Marc advised the Committee that there are several proposed statutory changes included later in the agenda.

APPROVAL OF METHOD OF CALCULATING WEIGHTED AVERAGE TUITION

It was moved by Marty Brown with a second from Michael Murphy to approve the proposed method of calculating the Weighted average Tuition, and that the determined value of the WAT for the 2000-01 academic year will be \$33.07 per unit. Motion carried unanimously.

Savings Plan Brief

Larry Lee presented the Savings Plan brief included in the agenda packet, which gives an overview of savings plans and the advantages to adding a savings plan in Washington State. Staff is proposing adding language to the statute that authorizes the Committee to operate a savings plan. The Committee advised staff to clarify the language in the statute as "in the event the Committee agrees to start a savings plan". Larry Lee, Operations Manager, added additional research was necessary to address the advantages and disadvantages of starting a Savings Plan. Marc noted there is a nationwide trend toward offering savings plans. Marc also informed the Committee that Costco Corporation came across the website www.savingforcollege.com, which reflects a cap rating for 529 plans. Washington State

Guaranteed Education Tuition Committee Meeting

January 23, 2001

Page 3 of 4

received a 1-cap rating (plans were rated from 1-5 caps) due in part to Washington State not having a savings plan to offer. Marc added the rollover issues would then become feasible to the GET program rather than consumers moving their funds to another state program. Marc also added that this discussion is brought to the Committee to change the language in the statute and asked the Committee if they agreed with the proposed approach.

After discussing the presented approach, the committee approved proposing language changes to the statute including the authority to establish and operate a savings plan.

RCW Changes

Betty went over the proposed changes to the GET Statute (RCW 28B.95). These include making technical changes regarding refunds, that will make consistent the policies governing the redemption of GET units and refunds for certain conditions. Specifically it allows those requesting refunds for scholarships, death or disability, program graduation, and non-attendance to receive the same benefit amount as they would if they were using their benefits to attend college that year. The changes also include adding a new section to authorize the Committee to establish and operate a savings plan. After active discussion, it was determined that the new section would be reviewed and language revised to better define how the savings program account would be established. Marc advised that once the changes were incorporated, the Chair will review the bill and staff will forward a copy to all Committee members for their approval before the bill is introduced.

APPROVAL OF PROPOSED CHANGES TO RCW 28B.95

It was moved by Marty Brown with a second from Michael Murphy to approve the proposed changes to RCW 28B.95 with the suggested corrections. Motion carried unanimously.

PROPOSED CHANGES TO REFUND AND CANCELLATION POLICY:

Betty advised the Committee that staff is recommending changes to the current refund policy based on the proposed statutory changes, and inquired if we needed to have an emergency clause on the legislation to incorporate program ability to refund now instead of waiting until the end of session. It was agreed that an emergency clause would be added to the language in the proposed legislation. Staff recommended that the revised Cancellation and Refund Policy include approval for the payout of refunds for non-attendance, death or disability, scholarships, and graduation at the current pay out rate, instead of weighted average tuition. This would be contingent on approval of the proposed statutory changes. It would also allow assessment of a 10% penalty, or \$100, whichever is greater, on all other refunds. The revised policy would be retroactive to all pending refund requests.

APPROVAL OF PROPOSED CHANGES TO REFUND AND CANCELLATION POLICY

It was moved by Marty Brown with a second from Michael Murphy to approve the proposed changes to the Refund and Cancellation Policy, as recommended by staff. Motion carried unanimously.

APPROVAL OF AMENDED COMMITTEE CALENDAR

It was moved by Marty Brown with a second from Beth Stecher Berendt to approve the proposed amended meeting calendar to include a Special Meeting on April 4 to address the Requests for Proposal. Motion carried unanimously.

Director's Report

Betty reported that as of Jan. 18, 2001, 10,872 GET accounts have been opened, with a total value of contracts at \$95.2 million. The enrollment for installment contracts ended Jan. 15, 2001. It is estimated that over 550 students will be eligible to use the GET benefits in the 2001-02 academic year. Program materials are being translated into Spanish for greater outreach to Hispanic communities in Washington State.

NEXT MEETING

The next meeting of the GET Committee is a **Special Meeting** scheduled for Wednesday, April 4, 2001, 1:30 p.m. – 2:30 p.m. Location to be announced at a later time.

ADJOURNMENT

There being no other business, the meeting was adjourned at 3:29 p.m.

GUARANTEED EDUCATION TUITION (GET) **SPECIAL** COMMITTEE MEETING

Wednesday, April 18, 2001

919 Lakeridge Way SW

Olympia, WA 98513

MINUTES

CALL TO ORDER

Marc Gaspard, HECB Executive Director and Committee Chair, called the meeting to order at 1:40 p.m. Committee members in attendance in addition to the Chair included Michael J. Murphy, State Treasurer; Marty Brown, Director of OFM (by conference call); Mooi Lien Wong and Elizabeth Stecher Berendt, citizen members representing the general public.

HECB staff in attendance:

Betty Lochner, GET Director

Larry Lee, GET Operations Manager

Steve Beacon, GET Financial Manager

Jackie Molique, GET Customer Service Manager

Denise Fry, GET Outreach Coordinator

Becki Collins, HECB Director of Education Services

Guests in attendance:

Shane Bird, Senate Republican Caucus

WELCOME

Marc Gaspard welcomed everyone to the meeting and stated this meeting was scheduled as a special meeting to review the RFP process and consider recommendations. The minutes of the January 23, 2001 regular meeting will be presented at the May 17, 2001 meeting. Marc introduced Betty Lochner, GET Director, who opened the meeting with a brief overview of the agenda and stated a short director's report will be added at the end of the agenda.

Marketing, Public Relations and Call Center & Fulfillment Services

Betty Lochner went over the staff report for the RFP Process and Recommendations for Marketing, Public Relations, and Call Center/Fulfillment. After review of the report and RFP process, Betty went over how the finalists were selected and the pros and cons of each finalist. The Committee also reviewed a videotape of the commercials currently being used by other state programs that were prepared by Cathy Bonner who partnered with the Marketing Partners for their marketing proposal. The RFP review Committee unanimously recommended offering a contract to Marketing Partners for marketing and public relations, based on their expertise in the area of marketing college savings programs. Betty then reviewed the two finalists for a call center. One is the current contractor, CSG Openline, and the other is Morningside, a non-profit organization located in Olympia.

The two finalists both met the requirements of the RFP, however, Morningside offered advantages to the program in the Olympia location, ability to provide storage space for fulfillment materials, and direct phone response. The RFP Committee unanimously recommended offering a contract to Morningside for call center services.

After a brief discussion, **Michael Murphy moved to approve awarding the Marketing and Public Relations Contract to The Marketing Partners and the Call Center and Fulfillment Services Contract to Morningside. Mooi Lien seconded the motion. The motion carried unanimously.**

Records Administration

Betty Lochner reviewed the staff report for the RFP Process and Recommendation for Records Management/Customer Service Software Provider, Records Administration Services and/or Account Customer Service proposal. Two finalists were considered. They were the current contractor, InTuition, and Software and Resource Management Corporation (SCT). InTuition offers records administration that is out sourced. They are located in Jacksonville, Florida and have been under contract with the program since 1998. SCT offers a software and technical services option that allows the recordkeeping function to be brought in-house and maintained by GET staff. Betty reviewed the differences between the two finalists in the areas of cost, customer service, the added functionality of bringing the record keeping in-house, and the internal support capacity that is required. An additional 1.5 FTEs would need to be added to support the SCT option. Although the cost of purchasing software is high in the first few years, the overall savings to the program over ten years will be over \$4 million. The RFP review Committee recommended offering a contract to SCT to purchase software and technical services.

After a discussion on differences between the two options and benefits to the program to bring the recordkeeping in-house, **Michael Murphy moved to approve awarding the Records Management/Customer Service Software Provider, Records Administration Services and /or Account Customer Service Contract to SCT pending Department of Information Services approval. Mooi Lien seconded the motion. The motion carried unanimously.**

Betty advised the Committee she would be in contact with InTuition Solutions, Inc. and SCT to discuss de-conversion and an implementation time frame. Betty stated the best time frame would be August, after the program enrollment period ends. This would require a one-month extension of the existing contact with InTuition.

It was moved and carried unanimously to extend the InTuition Solutions, Inc. contract for one month, to July 31, 2001.

Directors' Report

- As of March 31, 2001, 11,524 accounts have been opened with a total value of contracts at \$101.7 million.
- The legislation authorizing the establishment and operation of a savings plan is expected to pass and be sent to the Governor for approval. It includes language that allows up to \$200,000 to be borrowed from the GET trust fund for start up. The technical changes regarding refunds is also in the final bill.
- There has been media interest in the GET program and interviews were given to both KING 5 and KIRO. KIRO's piece ran last week.
- There have been some problems with the current marketing contract with Saltmine in that they have not been paying their subcontractors, which include our Call Center and Public Relations firm. An Amendment has been signed to allow us to pay subcontractors separately.

NEXT MEETING

The next meeting of the GET Committee is scheduled for Thursday, May 17, 2001, 2:00 p.m. – 5:00 p.m. at the Utilities and Transportation Commission Building, 1300 S. Evergreen Park Dr. SW, Chandler Plaza.

ADJOURNMENT

There being no other business, the meeting was adjourned at 2:37 p.m.

Proposal for Next Scheduled GET Committee Meeting

May 17, 2001

Background

As outlined in RCW 28b.95.030, WAC 14-104-010, the GET Committee shall hold regular semi-annual meetings at such time as it may fix.

This current year the GET Committee has met for a regular meeting on January 23, 2001 and May 17, 2001, and one Special Meeting was held on April 18, 2001. The next regular meeting was scheduled for July 31, 2001.

Recommendation

Staff recommends that the next regular GET Committee meeting be re-scheduled for August 6, 2001, at the Utilities and Transportation Commission Building, 1300 Evergreen Park Drive SW, Olympia, WA, 2:00 p.m. to 5:00 p.m.



WASHINGTON STATE
INVESTMENT BOARD

GET

Prepaid College Tuition Program

First Quarter 2001

Update

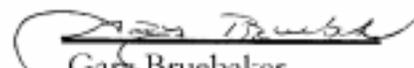
TABLE OF CONTENTS

Portfolio Size and Allocation	1
Performance.	2

Dated: May 8, 2001



Diana Will
Investment Officer - Asset Allocation



Gary Bruebaker
Chief Investment Officer

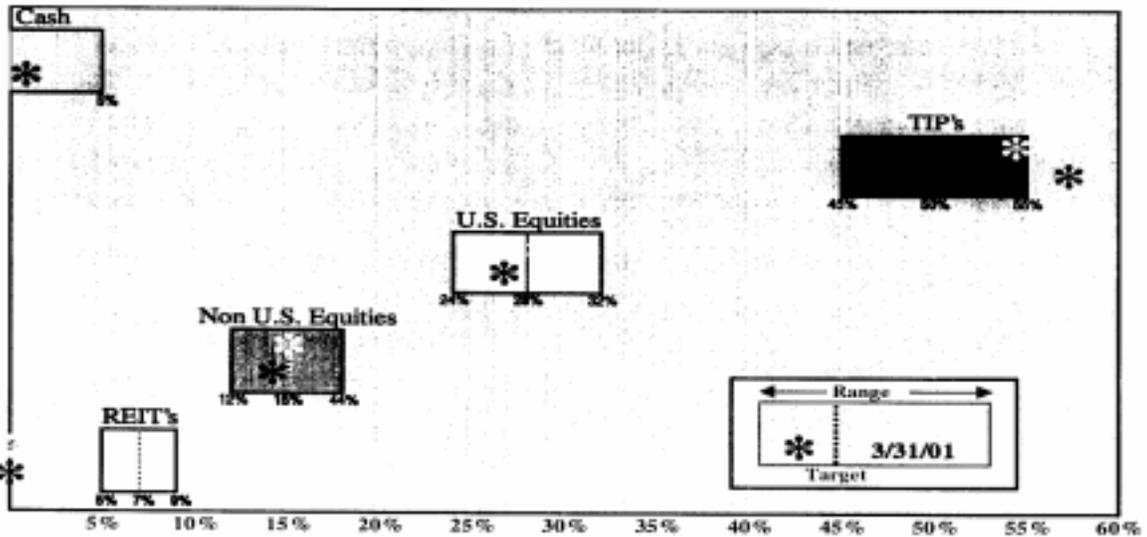
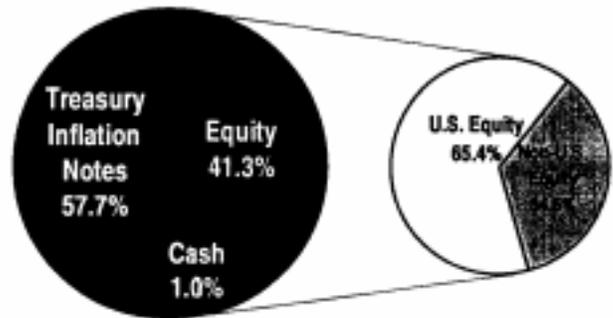
GET - College Tuition Program

March 31, 2001

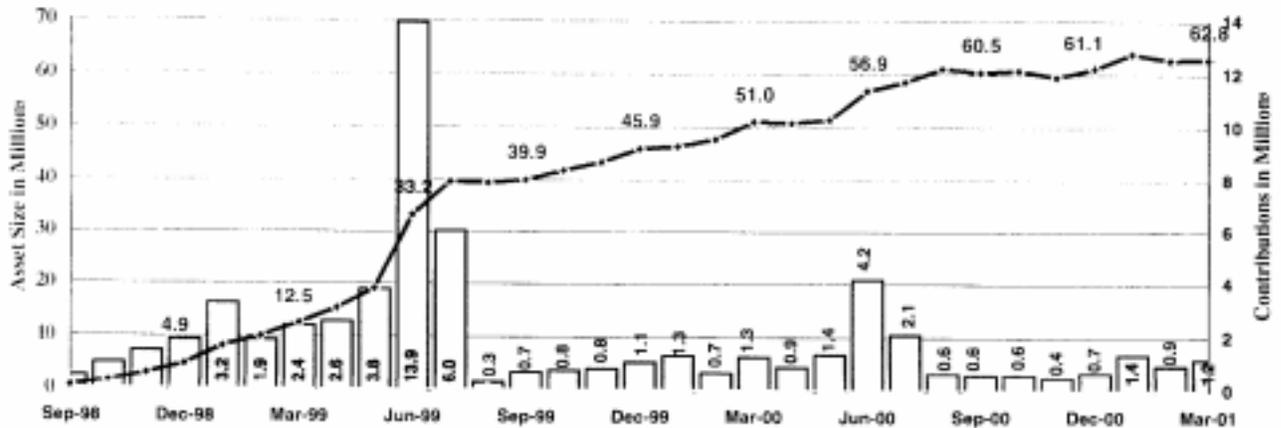
Portfolio Size

Total	\$62,786,401
Cash	643,745
Treasury Inflation Notes	36,233,086
U.S. Equities	16,947,086
Non-U.S. Equities	8,962,484
REITS	0

Asset Class Breakdown



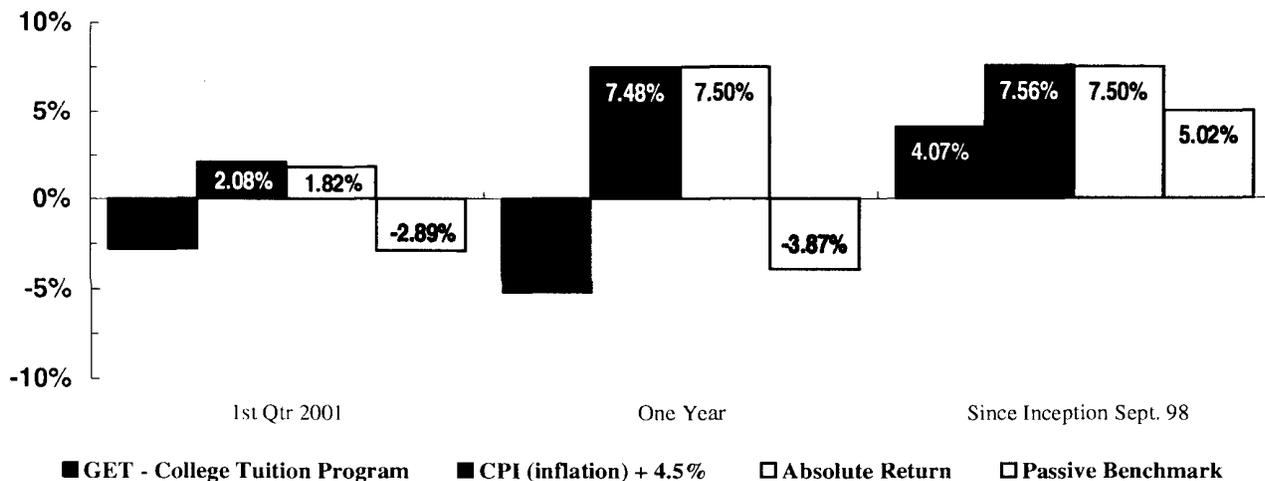
Growth of the assets managed by the State Investment Board



GET - College Tuition Program

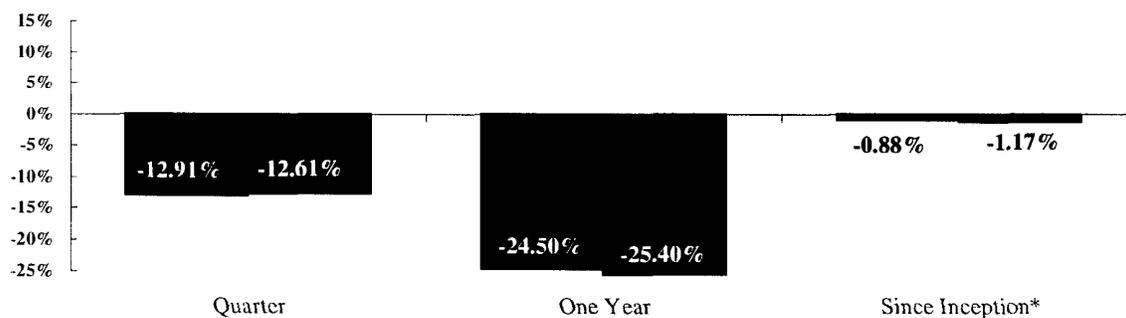
March 31, 2001

Total Return

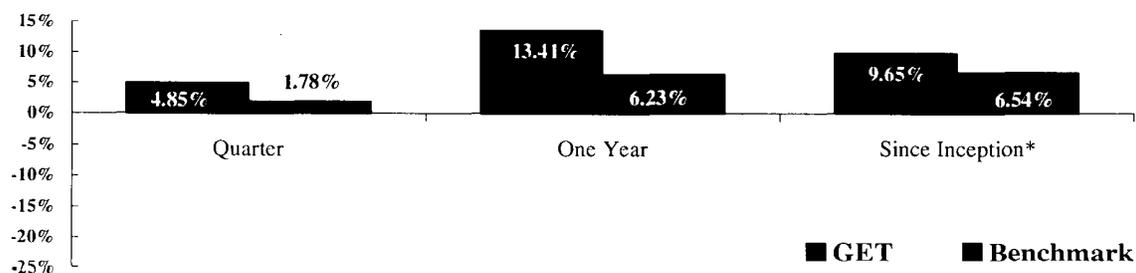


Return Breakdown

Equity Return



Treasury Inflation Protection Return



*Inception date is March 1, 1999 when the WSIB first invested in these asset categories

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2126

Chapter 184, Laws of 2001

57th Legislature
2001 Regular Legislative Session

COLLEGE PAYMENT PROGRAMS

EFFECTIVE DATE: 7/22/01 - Except section 3, which becomes effective 7/1/01.

Passed by the House April 19, 2001
Yeas 90 Nays 0

FRANK CHOPP
Speaker of the House of Representatives

CLYDE BALLARD
Speaker of the House of Representatives

Passed by the Senate April 18, 2001
~~Yeas 46 Nays 0~~

BRAD OWEN
President of the Senate

Approved May 7, 2001

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

We, Timothy A. Martin and Cynthia Zehnder, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2126** as passed by the House of Representatives and the Senate on the dates hereon set forth.

CYNTHIA ZEHNDER

Chief Clerk

TIMOTHY A. MARTIN

Chief Clerk

FILED

May 7, 2001 - 1:26 p.m.

**Secretary of State
State of Washington**

HOUSE BILL 2126

AS AMENDED BY THE SENATE

Passed Legislature - 2001 Regular Session

State of Washington 57th Legislature 2001 Regular Session

By Representatives Kenney, Cox, McIntire and Edwards; by request of
Committee on Advanced College Tuition Payment and State Treasurer

Read first time 02/15/2001. Referred to Committee on Higher
Education.

1 AN ACT Relating to college payment programs; amending RCW
2 28B.95.020, 28B.95.110, and 43.79A.040; adding a new section to
3 chapter 28B.95 RCW; providing an effective date; and declaring an
4 emergency.

5

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

7

8 **Sec. 1.** RCW 28B.95.020 and 2000 c 14 s 1 are each amended to read
9 as follows:

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

12 (1) "Academic year" means the regular nine-month, three-quarter,
13 or two-semester period annually occurring between July 1st and June
14 30th.

15 (2) "Account" means the Washington advanced college tuition
16 payment program account established for the deposit of all money
17 received by the board from eligible purchasers and interest earnings
18 on investments of funds in the account, as well as for all
19 expenditures on behalf of eligible beneficiaries for the redemption of
20 tuition units and for the development of any authorized college
21 savings program pursuant to section 2 of this act.

1 (3) "Board" means the higher education coordinating board as
2 defined in chapter 28B.80 RCW.

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

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

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

18 (7) "Eligible beneficiary" means the person for whom the tuition
19 unit will be redeemed for attendance at an institution of higher
20 education. The beneficiary is that person named by the purchaser at
21 the time that a tuition unit contract is accepted by the governing
22 body. With the exception of tuition unit contracts purchased by
23 qualified organizations as future scholarships, the beneficiary must
24 reside in the state of Washington or otherwise be a resident of the
25 state of Washington at the time the tuition unit contract is accepted
26 by the governing body.

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

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

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

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

39 (12) "State institution of higher education" means institutions of

1 higher education as defined in RCW 28B.10.016.

2 (13) "Tuition and fees" means undergraduate tuition and services
3 and activities fees as defined in RCW 28B.15.020 and 28B.15.041
4 rounded to the nearest whole dollar. The maximum tuition and fees
5 charges recognized for beneficiaries enrolled in a state technical
6 college shall be equal to the tuition and fees for the community
7 college system.

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

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

23 (16) "Weighted average tuition" shall be calculated as the sum of
24 the undergraduate tuition and services and activities fees for each
25 four-year state institution of higher education, multiplied by the
26 respective full-time equivalent student enrollment at each institution
27 divided by the sum total of undergraduate full-time equivalent student
28 enrollments of all four-year state institutions of higher education,
29 rounded to the nearest whole dollar.

30 (17) "Weighted average tuition unit" is the value of the weighted
31 average tuition and fees divided by one hundred. The weighted average
32 is the basis upon which tuition benefits (~~(are)~~) may be calculated
33 (~~((for graduate program enrollments and for attendance at nonstate~~
34 ~~institutions of higher education and is))~~) as the basis for any refunds
35 provided from the program.

36
37 NEW SECTION. **Sec. 2.** A new section is added to chapter 28B.95
38 RCW to read as follows:

39 (1) The committee may establish a college savings program. If

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

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

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

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

36 (5) Neither the state nor any eligible educational institution may
37 be considered or held to be an insurer of the funds or assets of the
38 individual participant accounts in the college savings program created
39 under this section nor may any such entity be held liable for any

1 shortage of funds in the event that balances in the individual
2 participant accounts are insufficient to meet the educational expenses
3 of the institution chosen by the student for which the individual
4 participant account was intended.

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

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

17
18 **Sec. 3.** RCW 28B.95.110 and 2000 c 14 s 8 are each amended to read
19 as follows:

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

24 (a) Certification that the beneficiary, who is eighteen years of
25 age or older, will not attend an institution of higher education, will
26 result in a refund not to exceed the current weighted average tuition
27 and fees in effect at the time of such certification minus a penalty
28 at the rate established by the internal revenue service under chapter
29 529 of the internal revenue code. No more than one hundred tuition
30 units may be refunded per year to any individual making this
31 certification. The refund shall be made no sooner than ninety days
32 after such certification, less any administrative processing fees
33 assessed by the governing body;

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

1 body;

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

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

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

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

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

29
30 **Sec. 4.** RCW 43.79A.040 and 2000 c 79 s 45 are each amended to
31 read as follows:

32 (1) Money in the treasurer's trust fund may be deposited,
33 invested, and reinvested by the state treasurer in accordance with RCW
34 43.84.080 in the same manner and to the same extent as if the money
35 were in the state treasury.

36 (2) All income received from investment of the treasurer's trust
37 fund shall be set aside in an account in the treasury trust fund to be
38 known as the investment income account.

39 (3) The investment income account may be utilized for the payment

1 of purchased banking services on behalf of treasurer's trust funds
2 including, but not limited to, depository, safekeeping, and
3 disbursement functions for the state treasurer or affected state
4 agencies. The investment income account is subject in all respects to
5 chapter 43.88 RCW, but no appropriation is required for payments to
6 financial institutions. Payments shall occur prior to distribution of
7 earnings set forth in subsection (4) of this section.

8 (4)(a) Monthly, the state treasurer shall distribute the earnings
9 credited to the investment income account to the state general fund
10 except under (b) and (c) of this subsection.

11 (b) The following accounts and funds shall receive their
12 proportionate share of earnings based upon each account's or fund's
13 average daily balance for the period: The college savings program
14 account, the Washington advanced college tuition payment program
15 account, the agricultural local fund, the American Indian scholarship
16 endowment fund, the basic health plan self-insurance reserve account,
17 the Washington international exchange scholarship endowment fund, the
18 developmental disabilities endowment trust fund, the energy account,
19 the fair fund, the game farm alternative account, the grain inspection
20 revolving fund, the juvenile accountability incentive account, the
21 rural rehabilitation account, the stadium and exhibition center
22 account, the youth athletic facility (~~grant~~) account, the self-
23 insurance revolving fund, the sulfur dioxide abatement account, and
24 the children's trust fund. However, the earnings to be distributed
25 shall first be reduced by the allocation to the state treasurer's
26 service fund pursuant to RCW 43.08.190.

27 (c) The following accounts and funds shall receive eighty percent
28 of their proportionate share of earnings based upon each account's or
29 fund's average daily balance for the period: The advanced right of
30 way revolving fund, the advanced environmental mitigation revolving
31 account, the federal narcotics asset forfeitures account, the high
32 occupancy vehicle account, the local rail service assistance account,
33 and the miscellaneous transportation programs account.

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

37
38 NEW SECTION. **Sec. 5.** Section 3 of this act is necessary for the
39 immediate preservation of the public peace, health, or safety, or

1 support of the state government and its existing public institutions,
2 and takes effect July 1, 2001.
 Passed the House April 19, 2001.
 Passed the Senate April 18, 2001.
 Approved by the Governor May 7, 2001.
 Filed in Office of Secretary of State May 7, 2001.

1

Authorization To Establish And Operate A College Savings Plan

May 17, 2001

Background

During the 2001 legislature, legislation was passed authorizing the GET Committee to establish and operate a college savings plan. The Governor signed the bill into law on May 7, 2001. Included in the revised statute is language that allows up to \$200,000 to be borrowed for start-up costs from administrative fees collected by the GET program. Any funds borrowed must be repaid with interest before the end of the biennium in which the funds were drawn. Therefore, no funds may be used before July 1, 2001, and funds used for start-up costs expended after July 1, 2001 would need to be repaid by June 30, 2003.

Options

Option 1

Develop a Request for Proposals (RFP) to select a contractor for outsourcing the college savings plan.

Proposed Timeline:

Hire Investment Consultant	July 2001
RFP Distributed By	mid-July 2001
RFP Responses Due in Office	mid-August 2001
Review Committee Selects Finalists by	late August 2001
Finalists Make Presentation to Committee & Committee Makes Selection of Vendor	early September – Special Meeting
Contract Begins	mid-September
Enrollment Period Begins	November 2001

Option 2

Conduct a study to determine:

- a) Whether a college savings plan should be developed with investments managed by the State Investment Board and the program administered by state staff, including marketing and account management;
OR
- b) Whether a college savings plan should be contracted out to a private investment firm that can also manage the accounts and provide for marketing of the program.

**Guaranteed Education Tuition Program
Authorization to Establish and Operate a College Savings Plan
Page 2 of 2**

Proposed Timeline:

Hire Consultant	July 2001
Study to Begin	July 2001
Findings & Recommendations to Committee	August 6, 2001 – Regular Meeting

Depending on Study Findings either:

a) Coordinate with SIB, Marketing and State Printing, Savings Plan Begins	November 2001
--	---------------

OR

b) Begin RFP Process	August 2001
RFP Distributed By	mid-August, 2001
RFP Responses Due in Office	mid-September 2001
Review Committee Selects Finalists by	late September 2001
Finalists Make Presentation to Committee/ Committee Makes Selection of Vendor	early October – Special Meeting
Contract Begins	mid-October
Enrollment Period Begins	January 2002

Proposed Program Change for 2001-02 Enrollment Year

May 17, 2001

Background

For the first three years of the GET program there have been two enrollment periods for GET participants.

Installment Plans: September 1 – January 15

Lump Sum Plans: September 1 – June 30

Two enrollment dates were originally established to allow time for processing installment plan applications and issuing coupon books so that all installment payments would begin in March of each year. The lump sum plan end date was established to allow maximum time for participants to enroll in the program before the next year's pricing took effect.

Establishing two enrollment end dates for two different products has resulted in several problems for the program.

- 1) Customer Service - Two end dates have proven confusing to prospective purchasers. After the January 15 deadline date, we routinely receive requests for installment plan applications exceptions through June 30. It is difficult to explain the two different choices and two different enrollment periods once one enrollment period has ended. As brochures with information on both products are distributed year round, customers simply don't understand why they can't purchase either product when they want.
- 2) Cost - The cost for marketing two enrollment periods requires two end of enrollment pushes, rather than one. Other states have found that shorter enrollment periods produce the same number of new enrollees as do longer periods and better utilizes marketing dollars and staff time.

Proposal

As a result of bringing the records administration function in-house, program staff is now capable of enrolling installment plan participants as late as May 31st without undue hardship. Ending the lump sum enrollment period at this date is necessary to allow staff processing time for installment plan enrollments, and to begin retooling for the next enrollment period. Participants will still be able to put money into their accounts through August 31, when new prices take effect. Bringing both enrollment periods inline reduces marketing and administrative costs of the program.

Staff Recommendation

To allow the program to be open the maximum number of calendar months and still resolve the issues addressed, staff recommends a combined enrollment period of September 15, 2001 – May 31, 2002 for the next enrollment period.

Proposal to Accept Debit and Credit Cards by GET Program

May 17, 2001

Background

As outlined in RCW 28B.95.030(8)(c), the governing body may impose and collect administrative fees and charges in connection with any transaction under this chapter. One fee imposed by the Committee is a \$50 application fee to be remitted with the enrollment form at time of application. It is classified as revenue and used to cover the administrative expenses of the Program.

Program staff has found that collection of the application fee at the time of enrollment is resulting in a barrier to enroll in at least three cases: online, telephone and special event enrollments. Currently, purchasers choosing to enroll either online or by telephone cannot complete the sales transaction at that time. In both cases, the call center prints out the completed enrollment forms and returns them to the purchaser for a signature and the application fee. The call center currently charges \$.75 per enrollment form plus \$.34 postage to mail each form to the purchaser. This is an added cost to the Program that could be eliminated by allowing the purchaser to use a debit or charge card at the time of completing the enrollment form. The call center estimates, based on their experience with other customers, that only 25-30% of these mailed enrollment forms will ever be returned. The call center has stressed the importance of “completing the sale” while the customer is in the mindset and thinking about the purchase of tuition units. The delay in “closing the sale” results in fewer contract sales and higher expenditures to the Program.

The Program, through its outreach staff, currently attends numerous fairs, festivals and special events across the State as a paying exhibitor. Many of the individuals attending these events would enroll onsite were it not for the enrollment fee requirement. Most of these attendees come with debit and credit cards, but not the family checkbook. Brochures and enrollment forms are therefore sent home with potential purchasers where they often get lost, discarded or forgotten. Allowing these individuals to use a debit or credit card onsite would complete the sale immediately, and would assist the Program in measuring the effectiveness of attending these events.

Proposal

While it is possible to separate the processing of the enrollment form and the payment of the application fee, it is not advisable. The application fee serves two purposes; it assists the Program in meeting its administrative expenses, and it reduces the number of purchasers that enroll and then immediately cancel their contracts. Delaying the collection of the application fee would result in purchasers submitting enrollment forms that would be processed by the Program (currently at a cost of \$11.50 per enrollment form), but then changing their minds and not remitting the application fee. Allowing potential customers to use debit or credit cards to pay enrollment fees results in an immediate closure of the sale, a reduction in call center expenses

**Guaranteed Education Tuition Program
Proposal to Accept Debit and Credit Cards
Page 2 of 2**

and faster receipt of enrollment fees. In addition, it increases the likelihood that a potential purchaser will enroll immediately, resulting in a higher number of Program participants.

The State's current banking vendor has an internet commerce merchant payment solution product called "Settle Up" that will allow the Program to accept branded debit cards and credit cards at a moderate fee. The product will allow internet purchasers to pay the application fee online, will allow the call center to process telephone enrollments and process the application fees, and it will allow the Program to process application fees charged on enrollment forms from the scanned documents. There is a one-time setup fee of \$175 and a monthly fee of \$19.95 for up to 1,000 transactions. The Program would receive the standard State contracted rate for educational services from 1.43% + \$.05 per transaction for Visa to 2.25% + \$.10 per transaction for American Express. Based on a \$50 application fee, the Program would be charged from \$.765 to \$1.225 per transaction depending on which card the purchaser chooses to use (not including the setup and monthly fees). The average charge per transaction would be \$.70 compared to the current call center cost for returning an enrollment form of \$1.09. Accepting debit and credit cards would therefore result in a decrease of \$.39 per application, on average, and increase the number of participants.

Staff Recommendation

Staff recommends that the Program be allowed to accept debit and credit cards for the payment of application fees.

Proposal to Offer Discounts On The Get Enrollment Fee During Promotions

May 17, 2001

Background

Over the last year, outreach staff have been traveling the state and talking to hundreds of residents. Many of these residents have stated that one reason they do not enroll in the GET program immediately is because of the initial cost of the \$50 enrollment fee. Also, many purchasers wait until the last few weeks of open enrollment to enroll in the program. This makes it difficult to determine if the Program is meeting the projected enrollment for the year. Having enrollments come in more consistently throughout the year would assist with marketing efforts to insure the projected enrollment is met. A discount on the application fee may motivate more people to participate in the program sooner rather than later.

Several states with similar programs have successfully offered a reduced enrollment fee if the prospective customer opens an account immediately or within a short period of time after receiving the discount offer, producing increased program enrollments and better projection of new enrollment statistics.

The statute governing the GET Program, RCW 28B.95.030 (5) states "...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."

Funds for any such discounts would be taken from the operating budget, not from the investment account.

Staff Recommendation

Staff recommends that the GET Committee authorize the GET staff to offer discounted enrollment fees, in consultation with the marketing firm under contract with the program, as a promotional tool to increase program enrollment.

Guaranteed Education Tuition Program

Proposed FY 2002 Budget

July 1, 2001 - June 30, 2002

Estimated Contract Sales	<u>3,000</u>	<u>5,000</u>
Anticipated Savings from Current Budget	259,055	259,055
Enrollment Fees Per Contract	150,000	250,000
Administrative Fees in Unit Price	1,920,000	3,200,000
Projected Revenues	2,329,055	3,709,055
Salaries & Benefits (7.5 FTE)	478,834	478,834
Goods & Services	210,000	210,000
Travel	35,000	35,000
Actuarial Contract	65,000	65,000
Call Center	100,000	100,000
Marketing Contract	600,000	600,000
Records Administration Software Contract (SCT)	553,280	553,280
InTuition Extension (1 month)	40,000	40,000
Projected Expenses	2,082,114	2,082,114
Projected Revenues less Projected Expenses	246,941	1,626,941
Potential Loan to Savings Plan	200,000	200,000
Unallocated Revenues	<u>46,941</u>	<u>1,426,941</u>