

Title	GET Program Update		
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Synopsis	Staff will provide an overview of the College Affordability Act legislation and will review what action the GET Committee has taken since lower tuition went into effect this past summer. Staff will also discuss what plans the program has for completing a legislatively mandated feasibility study by December 1, 2016.		
Guiding questions	1. What has been the reaction of GET account owners to both the legislation and the Committee's policy changes? 2. What's the likelihood GET will start a 529 Savings Plan, and what does the Committee believe to be the best structure for establishing a plan? 3. What does the future of the current GET program look like? What are the possible options for the prepaid program in the future?		
Possible council action	☒ Information/Discussion ☐ Approve/Adopt ☐ Other:		
Documents and attachments	☒ Brief/Report ☒ PowerPoint ☐ Third-party materials ☐ Other		

GET Program Update: What's happened since the passage of the College Affordability Act

Description

Effective July 1, 2015, the Washington State Legislature passed the College Affordability Act, reducing tuition at all public institutions of higher education in Washington. More specifically, the legislation does the following:

- Reduces tuition by 15 percent at UW and WSU (5 percent below 2014-15 levels in 2015-16, and another 10 percent below 2014-15 levels in 2016-17).
- Reduces tuition by 20 percent at CWU, EWU, WWU, and The Evergreen State College (5 percent below 2014-15 levels in 2015-16, and another 15 percent below 2014-15 levels in 2016-17).
- Reduces tuition by 5 percent in 2015-16 at community and technical colleges.
- Returns tuition-setting authority to the Legislature.
- Caps resident undergraduate tuition growth beginning in 2017-18 at the annual percentage growth rate of the median state wage.
- Provides for higher education funding enhancements to adjust for the revenue loss to the institutions from tuition reductions.

The legislation also directs the GET Committee to do the following:

- Set the payout value at \$117.82 per unit for the 2015-16 and 2016-17 academic years.
- Make program adjustments it deems necessary and appropriate to ensure that the total payout value of each account is not decreased or diluted as a result of the initial application of any changes in tuition (beginning in the 2017-18 academic year).
- If the GET committee provides additional units as a result of E2SSB5954, the maximum number of units that can be redeemed in any year must be increased as well.
- Conduct a feasibility study to explore the following:
 - Impact of tuition reductions on the funded status of the program and future unit prices.
 - The feasibility of creating a 529 college savings program.
 - Review alternatives of linking GET's payout value from tuition and fees to cost of attendance.
 - Alternatives/impacts of removing the state penalty for non-qualified withdrawals.

Overview

Since the passage of the College Affordability Act, the GET Committee has met three times and has made the following program policy decisions in order to provide GET account owners with additional protection and options as a result of lower tuition:

1.) Updated the GET Refund Policy

All GET customers have the choice to remain in the program, or they may request a refund all or a portion of the funds in their accounts without program refund penalties or fees, through December 15, 2016. Additionally, the two-year waiting period that typically applies to all accounts before they can be refunded will be waived. This gives customers who are concerned about the tuition policy changes the opportunity to move their savings into another investment, such as another 529 plan. Customers who refund their account(s) before December 15, 2016 will receive, at a minimum, the

current unit payout value of \$117.82/unit. Customers who paid more than the current payout value can refund the entire amount of their contributions.

2.) Provided a Refund of the Amortization

Since 2011, GET customers have paid an amortization fee as part of the unit purchase price. This fee was charged to ensure the program's funded status recovered after the impacts of the Great Recession and years of double-digit tuition increases at state universities. The program's funded status has already fully recovered (141 percent at last measurement), and this amortization amount is no longer needed, and will be refunded to every customer with unredeemed units purchased at \$163/unit or greater. Customers entitled to an amortization refund do not need to take action in order to claim this refund. GET customers eligible for a refund will automatically be issued a check by December of 2015. Customers will receive this refund regardless of whether they choose to remain in the program or request a full refund of their account(s).

3.) Delay the Sale of New Units for a Period up to Two Years

Effective July 1, 2015, new enrollments and unit sales will be delayed for up to two years. This means that GET will not accept applications for new GET accounts and that current customers will not be able to purchase any new units until the restriction has been lifted. All accounts opened or contributions made after June 30, 2015, will be refunded to the account owner. One exception is that customers with existing Custom Monthly Plans may continue to make monthly payments in order to keep accruing their contracted units. The unit purchase delay protects GET customers during this transition period. GET is currently conducting a legislatively mandated feasibility study to evaluate future options for the program. It is important the program has answers to the questions in the feasibility study before it considers selling new units.

4.) Freeze the Payout Value Indefinitely

Effective September 2, 2015 the payout value for the GET program will remain \$117.82 per unit until the time when one year of resident undergraduate tuition and state mandated fees at Washington State's highest priced public university surpasses \$11,782. GET customers will have peace of mind in knowing that they will not receive less than the current payout value for their account.

With these decisions in place, the GET Committee is left with answering the following three questions as part of the legislatively mandated feasibility study:

- 1.) What is the impact of tuition reductions on future unit prices?
- 2.) What is the feasibility of creating a 529 college savings program?
- 3.) What are some alternatives of linking GET's payout value from tuition and fees to cost of attendance?

Moving forward the GET Committee will do research to develop answers to these questions and will present their findings to the Legislative Fiscal and Higher Education Committees no later than December 1, 2016.

GET Program Update: What's happened since the passage of the College Affordability Act?

Washington Student Achievement Council Meeting
October 2015
Betty Lochner, GET Director



What was included in the College Affordability Act legislation?



- **Tuition is reduced at all public institutions of higher education in Washington State:**
 - 15% at UW and WSU (5% below 2014-15 levels in 2015-16, & another 10% below 2014-15 levels in 2016-17);
 - 20% at CWU, EWU, WWU and The Evergreen State College (5% below 2014-15 levels in 2015-16, & another 15% below 2014-15 levels in 2016-17) and;
 - 5% in 2015-16 academic year at the community and technical colleges.
- **Tuition-setting authority is returned to the Legislature:**
 - Beginning in 2017-18, resident undergraduate tuition growth is capped at the annual percentage growth rate in the median state wage.
- **Provides for higher education funding enhancements to adjust for the revenue loss to the institutions from tuition reductions.**

What was included in the College Affordability Act legislation?



Directs the GET Committee:

- To set and hold the payout value at \$117.82 per unit for the 2015-16 and 2016-17 academic years (current value).
- To “make program adjustments it deems necessary and appropriate to ensure that the total payout value of each account ... is not decreased or diluted as a result of the initial application of any changes in tuition...”
- If the GET committee provides additional units as a result of E2SSB5954, the maximum number of units that can be redeemed in any year must be increased as well.
- To conduct a feasibility study to explore the following:
 - Impact of tuition reductions on the funded status of the program;
 - Feasibility of creating a 529 savings program;
 - Changing payout value from tuition to cost of attendance and;
 - Alternatives/impacts of removing a state penalty for non-qualified withdrawals.

What has taken place since the passage of the College Affordability Act?



- Four GET Committee meetings.
- Dozens of individual meetings with GET Committee members to review options for supporting GET account owners.
- Hundreds of hours of research, financial analysis and legal review by a team of experts that include staff from the Office of the Attorney General, the Office of the State Actuary, 529 Plan Consultants, Tax Attorneys, GET Staff and the GET Committee.

What kind of customer feedback did the program receive after the legislation passed?



Customer Feedback:

- Over 1,100 customer survey responses between July 13 and Sept. 1 meeting.
- More than 2,000 customer phone calls between Aug 18 and Sept. 1 meeting.
- More than 500 customer emails between Aug 18 and Sept. 1 meeting.
- Hundreds of blog comments and social media messages.

Message Themes:

- Concerns over the value of their accounts now and in the future.
- Anxiety regarding Committee decisions.
- Would like the ability to rollover to another 529 savings plan.
- Concerns over GET not keeping pace with out-of-state/private school tuition.
- Would like options and flexibility with the assets in their accounts.
- Do not want to incur any penalties or fees for refunds or rollovers.
- Would like interest income while payout value is frozen.

Guiding principals to assist GET Committee decision making.



- Maintain actuarial soundness, integrity and confidence in the program.
- Where possible, provide equitable treatment of all customers.
- Minimize risk to the state and to account holders.
- Where possible, provide customers with options and flexibility.
- Explore potential college savings vehicles so that customers continue to have a way to save for future higher education expenses.

Actions taken by the GET Committee at the August 18th meeting.



The GET Committee approved the following two motions at the August 18 meeting:

- 1.) Effective August 19, 2015, the GET program will refund the amortization fee paid by account owners who have unredeemed units at a purchase price of \$163 or greater.
 - The amortization fee paid by year is as follows:
2011-12, \$18.70 per unit; 2012-13, \$19.73 per unit;
2013-14, \$20.82 per unit; and 2014-15, \$20.82 per unit.
- 2.) Effective July 1, 2015, the GET program will delay new unit sales for a period not to exceed two years, except continued payments on Custom Monthly Plans established prior to July 1, 2015 shall be allowed.

Actions taken by the GET Committee at the September 1st meeting.



The GET Committee approved the following three motions at the September 1st meeting:

- 1.) Effective September 2, 2015 the payout value for the GET program will remain \$117.82 per unit until the time when one-year of resident undergraduate tuition and state mandated fees at Washington State's highest priced public university surpasses \$11,782.
- 2.) Effective September 2, 2015 and through December 15, 2016, the GET program will waive all state program refund fees and the two-year hold requirement for all account owners.
- 3.) Effective September 2, 2015 and through December 15, 2016, the GET program will permit account owners to receive a refund of their contributions or the payout value, whichever is greater.

What is the program's communications plan?



- Beginning in April, the GET Marketing team began informing customers about the possibility of lower tuition.
- Regular and timely updates have been emailed to customers after news breaks and after each GET Committee meeting.
- Updates are also provided through the GET website, social media outlets and the GET blog.
- A letter was mailed to all GET customers at the end of September.
- Proactive and timely communication with TV, radio and print media has resulted in positive and accurate coverage of GET related news.

What has been the response from GET customers?



- Thousands of phone calls and emails from customers with account specific questions.
 - We received so many calls in the first week, that it shut down our phone system.
 - Staff have worked weekends and evenings to stay caught up on the volume of calls and messages.
- Estimated number of refund requests received as of October 5:
3,403
- Estimated number of refunds processed as of October 5:
1,078
- Estimated dollar value of refund requests as of October 5:
\$27.1 million

Next Steps: Complete the legislatively mandated feasibility study.



- The GET Committee is left with answering the following three questions as part of the legislatively mandated feasibility study:
- 1.) What is the impact of tuition reductions on future unit prices?
- 2.) What is the feasibility of creating a 529 college savings program?
- 3.) What are some alternatives of linking GET's payout value from tuition and fees to cost of attendance?

The GET Committee will present their findings to the Legislative Fiscal and Higher Education Committees no later than December 1, 2016.

Questions
from the
Council?

**The next GET Committee meeting
is scheduled for:**

Thursday, December 3, 2015
Cherberg Building, Capitol Campus
Senate Hearing Room 3
1:00 p.m. to 3:00 p.m.

