



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.