

Economic Sense - Eighteenth Edition

The ongoing benefits of historic tuition cut

Bottom line up front:

The benefits of the Legislature's historic tuition reduction in 2015 continue to reverberate. **Through September 12th**, families with guaranteed education tuition ("GET") credits have an opportunity to transfer those units for a 35% premium on the current value. Even those that choose to remain in GET will see an increase in the value of their units, possibly as high as 15%.

A) Tuition reduction: the gift that keeps on giving

The Legislature in 2015 enacted the first ever tuition cut in state history, reducing tuition by 20% at regional universities; 15% at the UW & WSU; and 5% at community and technical colleges.¹

There were two immediate benefits from the "College Affordability Program" (2ESSB 5954) - namely, lower tuition costs for students and a cap on future tuition increases to roughly 2% a year. Families continue to see the benefits of this policy today.

But there have been two ancillary, yet quite significant, benefits originating from that tuition reduction that are saving - or have the potential to save - middle-class families thousands of dollars more on college education.

¹ 2ESSB 5954 (2015) <http://lawfiles/biennium/2015-16/Pdf/Bills/Session%20Laws/Senate/5954-S.SL.pdf>

The first, which occurred in 2017, was the "rebasings" of all GET accounts to ensure families the same dollar value as they would have had prior to the tuition reduction.² Since tuition was lower, rebasing meant that families - without purchasing any more units - now had more GET credits. Practically speaking, families that had credits equivalent to three years of tuition at the UW now had just shy of 3.5 years of tuition, stemming from the tuition reduction policy.

The second benefit, which is the primary focus of this piece, is an opportunity for GET holders to see a 35% increase in the value of their portfolio by transferring to a new college investment plan option.

B) ESB 6087: additional benefits for GET families

The Legislature, in a bill prime sponsored by Sen. Mullet (D-5th) and co-sponsored by myself, passed legislation this year that would offer further benefits to GET families.³

The 2015 tuition reduction greatly lowered the state's GET obligations: put simply, lower tuition meant lower future GET payouts. This significantly increased the funded status of the GET plan. As of the latest valuation, the plan is 133% funded with an actuarial surplus of over \$500 million.⁴

ESB 6087 creates a new investment option for Washington families saving for college, known as a "529 savings plan." The legislation provides a window for existing GET credit holders to voluntarily transfer to the new plan and uses a portion of the surplus to enhance the value of units that transfer. A person who holds one year of college tuition (valued at \$10,600) would see that value increase to \$14,300 if they transferred to the Dream Ahead 529 plan.⁵ **This is a 35% increase to their current value.**

Since it is not a guarantee like GET, The Dream Ahead program is not the right choice for everyone and GET holders certainly have the option to remain in the existing plan. If they do decide to stay, they may still see up to a 15% increase in the value of their units. The legislation authorizes an increased unit distribution to GET holders if the value of the fund is over 125% after the Dream Ahead transfer window closes.⁶

² "Understanding the GET Rebasings Process" <https://www.get.wa.gov/rebase>

³ ESSB 6087 (2018) <https://aor.billsummary/default.aspx?bill=6087&year=2017>

⁴ Fiscal Note, ESSB 6087 <https://fortress.wa.gov/FNSPublicSearch/GetPDF?packageID=53059>

⁵ <https://www.get.wa.gov/sb6087>

⁶ Id.

C) Deadline approaching: September 12th

There are nearly 90,000 GET accounts that stand to benefit from this transfer window. To date, GET staff indicate that just over 18,000 accounts have made the transfer.⁷ The option to utilize the window closes on September 12th.

For those that are interested, the GET staff created a great website that can help answer your questions and decide what is the right choice for you and your family.

www.get.wa.gov/sb6087

Bottom line:

In conclusion, the Legislature's historic step in 2015 to make college more affordable has seen lasting and continuing benefits for families across the state. The surplus in GET, brought about in large part to the tuition reduction, has afforded a new opportunity for families to save thousands of dollars when sending their children to college.

⁷ GET staff report as of Sept. 5th, 2018