POTENTIAL OPTIONS FOR ADDRESSING THE POTENTIAL IMPACT OF DIFFERENTIAL TUITION ON THE GUARANTEED EDUCATION TUITION (GET) PROGRAM
(Revised, October 12, 2012)

BACKGROUND

GET Program

The Legislature established the GET Program in 1997 to "help make higher education affordable and accessible to all citizens of the state of Washington by offering a savings incentive that will protect purchasers and beneficiaries against rising tuition costs." The intent of the program is to "promote a well-educated and financially secure population to the ultimate benefit of the state of Washington." (RCW 28B.95.010)

Statute further states that the GET Program "is an essential state governmental function" and that the contracts with eligible participants are "legally binding on the state." As a result, if "the moneys in the account are projected to be insufficient to cover the state's contracted expenses for a given biennium, then the legislature shall appropriate to the account the amount necessary to cover such expenses." (RCW 28B.95.050)

The unit payout value of a GET unit is not defined in statute, but instead in the GET contract. This value is defined as: "1 percent of the highest resident undergraduate tuition and fees at four-year state institutions of higher education for the academic year at the time of distribution."

Differential Tuition-Setting Authority

Beginning with the 2002-03 academic year, the public four-year institutions of higher education were given the authority via a budget proviso to set tuition for non-resident undergraduate students. In 2003, the Legislature enacted ESSB 5448 which formally placed in statute this authority and gave the schools additional authority to charge non-resident undergraduate students differential tuition rates for all or portions of an institution's programs, campuses, courses, or students.

In 2011, the Legislature enacted E2SHB 1795, the Higher Education Opportunity Act, which provided universities the authority to set tuition rates for resident undergraduate students through the 2014-15 academic year. This legislation also expanded the authority of universities to charge differential tuition rates to resident undergraduate students.

As a result of concerns raised over the potential impact to the solvency of the GET Program, the Legislature temporarily suspended the authority to charge resident undergraduate students differential tuition rates in the 2012 supplemental operating budget. This suspension is in effect for the remainder of the current biennium and will expire on June 30, 2013.

OPTIONS

There are a range of options the Legislature could choose from to address differential tuition and its potential impact on the GET program. Following are several of these options:

Option		Considerations
A	Allow differential tuition authority under E2SHB 1795 to take effect July 1, 2013 without changes.	• State institutions maintain the flexibility they desire to charge differential tuition rates to raise additional revenue to offset what the institutions assert are costs associated with more expensive degree programs (e.g. engineering). • The GET Program will be legally obligated to include differential tuition charges in the GET payout for current contract holders, which would negatively impact the solvency of the GET Program and require increases in the price of a GET unit.
B	Allow differential tuition authority under E2SHB 1795 to take effect July 1, 2013, but exempt charges (via institutional waivers) above base tuition at state colleges and universities for all GET participants.	• State institutions maintain the flexibility they desire to charge differential tuition rates but will be required to provide waivers to current contract holders to cover the cost difference between the "base tuition" and differential tuition rate. This will result in foregone revenue for state institutions. • The GET Program will be legally obligated to include differential tuition charges in the GET payout for current contract holders who attend out-of-state, private, and for-profit institutions of higher education, which would negatively impact the solvency of the GET Program and may require increases in the price of a GET unit. As a result, an exemption at state institutions (via institutional waivers) may reduce, but not eliminate, any negative impacts on the solvency of the GET program and GET unit price. • The payout value of all unredeemed GET credits increases to match the highest costs undergraduate differential tuition rate. This could negatively impact the solvency of the GET program. • GET value above and beyond what is needed in any given year can be carried forward for use in additional years of higher education. However, there may be additional negative impacts to the unfunded liability beyond those noted in the actuarial analysis of this option if students instead pursue refunds (the value of GET units less applicable tax penalties) for the balance of their GET account upon completion of their educational program.
C	Allow differential tuition authority under E2SHB 1795 to take effect July 1, 2013, but add a cap.	• State institutions lose some of the ability to charge differential tuition rates. • The GET Program will be legally obligated to include differential tuition charges in the GET payout for current contract holders, which would have an impact on the solvency of the GET Program and may require increases in the price of a GET unit. As a result, a cap will reduce, but not eliminate, any negative impacts on the solvency of the GET program and the GET unit price.

D	Allow differential tuition authority under E2SHB 1795 to take effect July 1, 2013, but only for those institutions that are not the basis for the value of a GET unit.	• All but one state institution maintains the flexibility they desire to charge differential tuition rates. • Reduces, and may eliminate, the potential negative impact on the solvency of the GET Program and the GET unit price; although some risk remains that a school with differential tuition rates could increase rates to a level that would have an impact on the GET Program.
E	Clarify in statute that differential tuition is not to be considered part of tuition for the purposes of calculating the GET payout value.	• State institutions maintain the flexibility they desire to charge differential tuition rates. • According to the informal Attorney General opinion, this will not prevent differential tuition charges from being calculated in the payout value for future contract holders but not for current contract holders, which would negatively impact the solvency of the GET Program and require increases in the price of a GET unit.
F	Disallow differential tuition for resident undergraduate students and allow unique program fees that are separate from tuition. (SSB 6399)	• State institutions could use this fee authority in place of differential rates to raise revenue. • According to the informal Attorney General opinion, the GET Program will be legally obligated to include these fees in the GET payout for current contract holders, which would negatively impact the solvency of the GET Program and may require increases in the price of a GET unit.
G	Disallow the implementation of differential tuition for resident undergraduate students only (repeal the effects of E2SHB 1795 on differential tuition).	• State institutions maintain the ability to charge differential tuition rates to non-resident undergraduate students. • Eliminates the flexibility desired by state institutions to charge differential tuition rates for resident undergraduate students. • Eliminates the potential negative impact on the solvency of the GET Program and the GET unit price.
H	Disallow all authority to charge differential tuition rates.	• Eliminates the authority given institutions in 2003 to charge differential tuition rates to non-resident undergraduate students. • Eliminates the flexibility desired by state institutions to charge differential tuition rates for resident undergraduate students. • Eliminates the potential negative impact on the solvency of the GET Program and the GET unit price.

I	Allow differential tuition authority under E2SHB 1795 to take effect July 1, 2013, but require institutions that charge differential rates to remit a portion of the revenue collected to the GET Account.	• State institutions maintain the flexibility they desire to charge differential tuition rates. • The GET Program may be legally obligated to include differential tuition charges in the GET payout for current contract holders, which would negatively impact the solvency of the GET Program and require increases in the price of a GET unit; although receipt of a portion of the revenue may reduce the negative experiences of the GET Program.