

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2309 HB	<b>Title:</b> Washington 13 free guarantee
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Student Achievement Council	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	0	0	0	0	0	0	0	0	0

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI	Fiscal note not available					
Local Gov. Other						
Local Gov. Total						

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Caseload Forecast Council	.5	202,000	202,000	202,000	1.0	404,000	404,000	404,000	1.0	404,000	404,000	404,000
Student Achievement Council	2.5	976,000	976,000	976,000	2.9	1,162,000	1,162,000	1,162,000	2.9	1,162,000	1,162,000	1,162,000
Student Achievement Council	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Community and Technical College System	Fiscal note not available											
Actuarial Fiscal Note - State Actuary	Non-zero but indeterminate cost and/or savings. Please see discussion.											
<b>Total \$</b>	3.0	1,178,000	1,178,000	1,178,000	3.9	1,566,000	1,566,000	1,566,000	3.9	1,566,000	1,566,000	1,566,000

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Fiscal note not available								
Local Gov. Other									
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Caseload Forecast Council	.0	0	0	.0	0	0	.0	0	0
Student Achievement Council	.0	0	0	.0	0	0	.0	0	0
Community and Technical College System	Fiscal note not available								
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Fiscal note not available								
Local Gov. Other									
Local Gov. Total									

## Estimated Capital Budget Breakout

NONE

<b>Prepared by:</b> Ramona Nabors, OFM	<b>Phone:</b> (360) 742-8948	<b>Date Published:</b> Preliminary 1/24/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2309 HB	<b>Title:</b> Washington 13 free guarantee	<b>Agency:</b> 101-Caseload Forecast Council
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	1.0	0.5	1.0	1.0
<b>Account</b>					
General Fund-State 001-1	0	202,000	202,000	404,000	404,000
<b>Total \$</b>	0	202,000	202,000	404,000	404,000

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Saranda Ross	Phone: 360-786-7068	Date: 01/16/2024
Agency Preparation: Elaine Deschamps	Phone: 360-664-9371	Date: 01/19/2024
Agency Approval: Elaine Deschamps	Phone: 360-664-9371	Date: 01/19/2024
OFM Review: Danya Clevenger	Phone: (360) 688-6413	Date: 01/23/2024

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 5 requires that the Caseload Forecast Council (CFC) estimate the anticipated caseload of the Guarantee and submit this forecast as required in RCW 43.88C.020 (Preparation and submittal of caseload forecasts—Cooperation of state agencies—Official state caseload forecast). Guarantee is defined in Section 1 as the Washington 13 Free Guarantee.

Section 10 amends the CFC statute (RCW 43.88C.010) to require a new forecast of the number of students who are eligible for the Washington 13 Free Guarantee (as created in Section 2 of the bill) and are expected to attend a community or technical college governed under chapter 28B.50 RCW.

Section 2 establishes the Washington 13 Free Guarantee to provide up to 45 credits of tuition free community or technical college, regardless of income. The 45 credits must be earned within two years.

To become a recipient, an eligible student must:

- (a) have graduated from a public high school in the state of Washington or earned a high school equivalency certificate, in the same or immediately preceding academic year in which the student enrolls in any community or technical college that serves the high school district from which the student graduated or district of the grantor of the high school equivalency certificate;
- (b) not have previously earned an associate's degree;
- (c) be enrolled at least part time in a Washington public community or technical college in an eligible degree or certificate program;
- (d) complete the free application for federal student aid (FAFSA) or the Washington Application for State Financial Aid (WASFA) for the academic year in which they seek eligibility for the Guarantee; and
- (e) be a resident as defined in RCW 28B.15.012.

The CFC interprets the bill as follows:

The CFC would be required to produce a new forecast of the Washington 13 Free Guarantee as defined in Section 2 with eligibility criteria described above.

To satisfy the requirements of this bill, the CFC would need to:

1. Forecast the above-listed caseload;
2. Establish, maintain, and expand the appropriate technological interface to access the data necessary to complete the forecast;
3. Establish, maintain, and expand the processes/systems necessary to organize/manipulate the data into a format that is usable for forecasting purposes;
4. Expand the existing Higher Education forecast technical workgroup.

The CFC estimates that these new duties will require 1.0 FTE and related ongoing expenditures to perform approximately 0.5 FTE of work, as current staff have no additional capacity to assume additional workload.

The workload associated with this bill will involve the following:

- Identifying data available to inform the most accurate forecast, which may range from raw data requiring significant manipulation to well-established data, and likely a combination of both;
- Gaining and maintaining the necessary programmatic expertise for this new caseload;
- Exploring independent variables to improve explanatory power and accuracy of the forecast;
- Producing the forecast three times a year and monthly tracking reports of the forecast;
- Producing any sub-forecasts that are necessary to complete the forecast;

- Expanding the Higher Education forecast technical workgroup;
- Providing forecast summary materials, tracking updates, and briefings to stakeholders, including the technical workgroup, formal workgroup, and Council;
- Maintaining the forecast updates on the CFC website to ensure timely and public access to forecast data and tracking;
- Evaluating the accuracy of the forecasts over time using established performance measures;
- Expanding the information systems interface to ensure timely, accurate, and confidential receipt of data utilized in forecast production; and
- Expanding the data infrastructure necessary to organize and manipulate the data into a format suitable for forecasting purposes.

**II. B - Cash receipts Impact**

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

**II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

There is no additional capacity among current staff to assume the additional workload associated with this bill. The CFC estimates that it will need one full FTE to perform approximately 0.5 FTE of work, for a cost of \$202,000 per year and for the 2023-25 Biennium, and \$404,000 for subsequent biennia.

While the analysis indicates a need for 0.5 FTE, the CFC would need one full FTE to complete the work. The CFC is a small agency with twelve employees. There are five forecasters, and the Director and Deputy Director have part-time forecasting duties. Unlike larger agencies, the CFC does not have the economies of scale required to spread the workload of a partial FTE across employees. We are rounding up to one FTE to account for that challenge because we are evaluating this proposal in isolation. The CFC’s actual need should be evaluated in the context of any other legislation impacting the CFC that passes during this session.

The annual cost for 0.5 FTE is \$101,000 per year and for the 2023-25 Biennium, \$202,000 for subsequent biennia, and the breakout by object is provided in the attached PDF document.

Salary, benefits, goods and services, and travel are based on per FTE FY2023 expenditures and FY2024 allotments.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	0	202,000	202,000	404,000	404,000
<b>Total \$</b>			0	202,000	202,000	404,000	404,000

**III. B - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.0	0.5	1.0	1.0
A-Salaries and Wages		130,700	130,700	261,400	261,400
B-Employee Benefits		36,300	36,300	72,600	72,600
C-Professional Service Contracts					
E-Goods and Other Services		34,000	34,000	68,000	68,000
G-Travel		1,000	1,000	2,000	2,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	0	202,000	202,000	404,000	404,000

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Senior Forecaster	130,700		1.0	0.5	1.0	1.0
<b>Total FTEs</b>			1.0	0.5	1.0	1.0

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

**Caseload Forecast Council Costs for 0.5 FTE By Object**

	<b>FY 24</b>	<b>FY 25</b>	<b>FY 23-25</b>	<b>FY 25-27</b>	<b>FY 27-29</b>
FTEs		0.5	0.5	0.5	0.5
Salary (A)		\$65,350	\$65,350	\$130,700	\$130,700
Benefits (B)		\$18,150	\$18,150	\$36,300	\$36,300
Goods and Services (E)		\$17,000	\$17,000	\$34,000	\$34,000
Travel (G)		\$500	\$500	\$1,000	\$1,000
<b>Total</b>		<b>\$101,000</b>	<b>\$101,000</b>	<b>\$202,000</b>	<b>\$202,000</b>

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2309 HB	<b>Title:</b> Washington 13 free guarantee	<b>Agency:</b> 340-Student Achievement Council
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	4.9	2.5	2.9	2.9
<b>Account</b>					
General Fund-State 001-1	0	976,000	976,000	1,162,000	1,162,000
<b>Total \$</b>	0	976,000	976,000	1,162,000	1,162,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Saranda Ross	Phone: 360-786-7068	Date: 01/16/2024
Agency Preparation: Carla Idohl-Corwin	Phone: 360-485-1302	Date: 01/19/2024
Agency Approval: Brian Richardson	Phone: 360-485-1124	Date: 01/19/2024
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 01/23/2024



## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

This bill would establish Washington 13 Free Guarantee, which provides free access to community and technical colleges (CTC).

Section 1: Outlines the various definitions to be used. However, it should be noted that the definition for the “eligible degree or certificate program” in this legislation defines this as: an associate degree program; academic programs with credits that can fully transfer via an articulation agreement toward a baccalaureate degree or postbaccalaureate degree at an institution of higher education; professional and technical programs that lead to a recognized postsecondary credential; or an apprenticeship program established in Chapter 49.04 RCW and conducted in association with any community or technical college. This definition varies with the definition for Washington College Grant (WCG), which this program appears to be intended to work with. The WCG statute (RCW 28B.92) establishes that the eligible program is determined by the Washington Student Achievement Council (WSAC) and established in rule. WAC 250-21-010(18) establishes an eligible program as a program encompassed within the institution’s accreditation and be an eligible program for purposes of the federal Title IV student financial aid programs, with any apprenticeships qualifying as eligible programs also being a registered apprenticeship program approved under Chapter 49.04 RCW. This results in two differences between the programs, WCG does not require an articulation agreement and Washington 13 Free Guarantee does not require federal Title IV financial aid approval.

Section 2: Establishes Washington 13 Free Guarantee as a guaranteed grant for all students for up to 45 credits of free tuition at a community or technical college, to be earned within two academic years, for students who enroll within a year of graduation from a Washington high school (or equivalent), regardless of income. Recipients must not have previously earned an associate degree, must be enrolled at least part time in a WA public community or technical college in an eligible degree or certificate program, must file a Free Application for Federal Student Aid (FAFSA) or Washington Application for State Financial Aid (WASFA), and be a Washington state resident.

Section 3: The award calculation for those awarded in Section 2 to be the value of the difference between the recipient’s tuition fees and services and activities fees, less the value of any state-funded, grant, scholarship, gift aid or waiver, and requires that the recipient maintains satisfactory academic progress as defined by the community or technical college.

Section 4: Requires the Washington Student Achievement Council to purchase, no later than June 30, 2024, a total of 2,500,000 tuition units at the price of \$1 per unit under the Washington advanced college tuition payment program (GET) to be held in trust and used by the office solely for the following:

\* Grant awards for students in the 65-150% Median Family Income (MFI), with the award calculation indicated and specifically indicating WCG/College Bound Scholarship (CBS) to be deducted in the award calculation in addition to those specified in Section 3.

\* Award the value of six GET units to each recipient in the 65-150% MFI for a stipend for books, and other higher education related expenses divided evenly over one academic years’ worth of enrollment.

\* Award the value of eight GET units to colleges for providing wraparound services to those families in the 150% or below income band.

Section 5: States that this will be a Caseload Forecasted Council program for those students eligible for the Washington 13 Free Guarantee, as identified in Section 2 above.

Section 6: Allows WSAC and the Washington State Board for Community and Technical Colleges (SBCTC) to adopt and revise necessary rules to implement this chapter.

Section 7: WSAC, in collaboration with the SBCTC, must report findings, by October 1, 2026, of a study to be conducted by on the sustainability of the guarantee to include at a minimum:

- \* Any increase in enrollments at a CTC
- \* Any decreases in enrollments elsewhere at institutions of higher education
- \* Changes in recipient persistence, completion and time-to-degree rates in eligible degree or certificate programs
- \* Analysis on the demand for student services such as advising and student success courses, to include recommendations to improve student services and outcomes, and the financial impact of the guarantee on recipients.

Section 8: Requires school districts to ensure that counselors meet one-on-one with students in the 12th grade whose income status is at or below 70% of the state MFI for the purposes of explaining their grant options under the Washington College Grant and the Washington 13 Free Guarantee grant created under section 2 above.

Section 10: Requires the Caseload Forecast Council to forecast the number of students who are eligible for the Washington 13 Free Guarantee and are expected to attend a community or technical college.

## **II. B - Cash receipts Impact**

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

Cash receipts are indeterminate for any financial aid programs administered by the Washington Student Achievement Council (WSAC). Cash receipts would only apply to those individuals who utilize federal and or state financial aid grants. Because the enrollment and utilization rates of those opting to use financial aid grants are unknown, we are unable to anticipate who may owe a repayment of state grants as a result of not meeting satisfactory academic progress and program policy standards.

## **II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

HB2309 expenditures for student grants are indeterminate. The Washington 13 Free Guarantee awards would be a Caseload Forecast Council forecasted program. Expenditures for the student grants will depend on enrollment patterns, variation in the distribution of students across the defined median family income (MFI) categories, the number of students attending, and other financial aid awarded.

It is assumed that students with a family income between 0-65% of MFI would not receive any Washington 13 Free Guarantee award, since the value of their Washington College Grant would cover the promise of tuition and fees. It is assumed that students with a family income between 65-150% would be covered through GET unit funding to the extent funding is available beginning in 2026-27. Students above 150% MFI would be funded through the Washington 13 Free Guarantee appropriation that is caseload forecasted.

Based on data provided by the SBCTC, there were 14,434 first time students who enrolled for the 2022-23 academic year that were within one year of completing high school. It is indeterminate how many of these students were in eligible programs and what other gift aid they received.

For the 2022-23 academic year, the maximum WCG award for the CTCs was \$4,466 and the average award was \$3,620 for students who indicated they were first year students. (Note: This is not restricted to recent high school graduates).

The Washington Student Achievement Council (WSAC) estimates that the cost of the GET units, if purchased at the current market price, to be approximately \$300 million. The bill states that the units are to be purchased at a cost of \$1 per unit. GET units are presently priced at \$120.16 per unit. Note that GET units are unable to be “spent” until two years from

the date of purchase per RCW 28B.95.030 (3)(a). If the units are purchased by June 2024, the earliest they could be distributed would be June 2026.

The value of the stipend, based on current GET unit values, would be \$120.16 x 6 units = \$720.96 per eligible recipient. The value of the wraparound payments to colleges, based on the same GET unit value, would be \$120.16 x 8 units = \$961.28 per eligible recipient.

**PROGRAM ADMINISTRATION**

Administering this program would require 4.9 FTE in FY25 costing \$970,000 for initial implementation and reduce down to 2.9 FTEs (FY26 and ongoing) costing \$581,000 annually. The FTEs will be split between several functions at WSAC as follows:

1.5 FTE Associate Director in the Student Financial Assistance unit (FY25) to oversee program design including infrastructure, IT system development, and training of financial aid offices; 1.0 FTE Associate Director (FY26 and beyond) to complete the implementation of the stipend and wraparound units that would be available in the 2026-27 award year, in addition to ongoing training of financial aid offices and support for implementation.

0.5 FTE Assistant Director in the Student Financial Assistance unit (FY25 and beyond) to assist in the development and design and then assume management of daily operations, providing technical assistance to schools and partners.

0.2 FTE Director (FY25 and beyond) to liaise with SBCTC and Washington State Office of Superintendent of Public Instruction (OSPI) to guide implementation of this program.

2.0 FTE Software Developer (FY25) to design and implement the IT solution in the WSAC online portal; 0.5 FTE Software Developer (FY26 and beyond) to manage ongoing IT solution updates to include the distribution of the stipend and wraparound units that become available in 2026-2027.

0.2 FTE Budget manager (FY25 and beyond) Policy Associate to assist with GET unit purchase, distribution and management.

0.5 FTE Associate Director in the Research unit (FY25 and beyond) to conduct the collaboration with the State Board for Community and Technical Colleges and conduct the study as outlined in Section 7 of the bill.

Staff time estimates are rounded to the nearest 0.1 FTE and staff-related and other costs are rounded to the nearest \$1,000.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	0	976,000	976,000	1,162,000	1,162,000
<b>Total \$</b>			0	976,000	976,000	1,162,000	1,162,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

**III. B - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		4.9	2.5	2.9	2.9
A-Salaries and Wages		530,000	530,000	632,000	632,000
B-Employee Benefits		169,000	169,000	202,000	202,000
C-Professional Service Contracts					
E-Goods and Other Services		272,000	272,000	322,000	322,000
G-Travel		5,000	5,000	6,000	6,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	0	976,000	976,000	1,162,000	1,162,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Assistant Director	95,000		0.5	0.3	0.5	0.5
Associate Director	110,000		2.0	1.0	1.5	1.5
Budget Manager	110,000		0.2	0.1	0.2	0.2
Director	141,000		0.2	0.1	0.2	0.2
IT Developer	106,000		2.0	1.0	0.5	0.5
<b>Total FTEs</b>			4.9	2.5	2.9	2.9

**III. D - Expenditures By Program (optional)**

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Financial Aid and Grant Programs (030)		976,000	976,000	1,162,000	1,162,000
<b>Total \$</b>		976,000	976,000	1,162,000	1,162,000

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

The Washington Student Achievement Council would need to adopt administrative rules.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2309 HB	<b>Title:</b> Washington 13 free guarantee	<b>Agency:</b> AFN-Actuarial Fiscal Note - State Actuary
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Saranda Ross	Phone: 360-786-7068	Date: 01/16/2024
Agency Preparation: Melinda Aslakson	Phone: 360-786-6161	Date: 01/22/2024
Agency Approval: Luke Masselink	Phone: 360-786-6154	Date: 01/22/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/23/2024

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

### II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

### II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

### III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

**III. C - Operating FTE Detail:** FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

### IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

**IV. D - Capital FTE Detail:** FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

## Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

**SUMMARY OF RESULTS**

The Office of the State Actuary (“we”) prepared an Actuarial Fiscal Note (AFN) on [HB 2309](#) (“the bill”) to assist in evaluating the potential impacts of this bill on the Guaranteed Education Tuition (GET) program. This analysis may not be appropriate for other purposes.

We prepared this fiscal note based on our understanding of the bill as of the date of this letter. If our understanding of the bill is incorrect or if the bill changes, our analysis may change. We intend this fiscal note to be used during the 2024 Legislative Session only.

**Bill Summary**

This bill creates the Washington 13 free guarantee, a program that will provide financial assistance for qualified recipients to attend community and technical colleges.

The bill requires the office of student financial assistance to purchase 2.5 million GET units by June 30, 2024. It also sets a price of \$1 per unit for this purchase. These units must be used by recipients of the Washington 13 free guarantee.

This summary only includes changes pertinent to our AFN. See the legislative bill report for a complete summary of the bill.

**Highlights of Actuarial Analysis**

- ❖ As of June 30, 2023, there are approximately 10 million outstanding GET units. This bill would add an additional 2.5 million outstanding units.
- ❖ The discounted price of these units is \$2.5 million. If they were purchased through standard open enrollment, 2.5 million units would cost \$300.4 million.
  - We assume funding for the \$2.5 million purchase will come from a source outside the GET program.
- ❖ Selling units at this discounted price will decrease the GET program’s estimated reserve since the increase in the program’s obligation outweighs the increase in the program’s assets.

The following table illustrates the expected impact to key program measurements.

<b>Funded Status Summary</b>			
<i>(Dollars in Millions)</i>	<b>Current Law</b>	<b>Impact from HB 2309</b>	<b>Total after HB 2309</b>
<b>a. Present Value of Future Obligations</b>	\$1,142.2	\$276.3	\$1,418.6
<b>b. Present Value of Fund</b>	\$1,692.9	\$2.4	\$1,695.3
<b>Funded Status (b/a)</b>	148.2%	(28.7%)	119.5%
<b>Reserve/(Deficit) (b - a)</b>	\$550.6	(\$273.9)	\$276.7

*Note: The \$2.5 million payment is discounted to the measurement date of June 30, 2023.*

- ❖ The results presented in this AFN can vary under a different set of assumptions. For example, the program’s funded status would be 126% or 113%, under this bill, if we assume 1% higher or lower future annual investment returns, respectively. Please see **Sensitivity of Results to Program Assumptions** for more information.

*See the remainder of this fiscal note for additional details on this summary and highlights.*



## ACTUARIAL ANALYSIS OF HB 2309

### Background on Program Status, Unit Price, and Reserves

As of our latest GET valuation ([2023 GET Actuarial Valuation Report](#)), the program had roughly 10 million outstanding units and \$551 million in program reserves. Program reserves refer to the excess of assets and expected receivables from custom monthly contracts over the expected future plan obligations (i.e., tuition reimbursement and program expenses), measured in today's dollars. This is a point-in-time measurement and only considers past unit purchases and currently contracted units.

For new unit sales, the WA529 Committee typically adopts the unit price in the September prior to the enrollment period. To help inform their decision, we provide the Committee a best estimate unit price and a best estimate range based on three components,

1. The present value of future tuition and covered fees.
2. The present value of future expenses.
3. 15 percent reserve for adverse deviation.

Additionally, an optional amortization component is considered when the program's funded status drops below 100%. It provides additional revenue from new unit sales to fund unexpected past costs from significant program or policy changes, as well as adverse demographic and economic experience.

In September of 2023, the best estimate unit price was \$119, and the best estimate range was \$106 to \$135. The Committee adopted a unit price for the 2023-24 enrollment period of \$120.16, which was equal to the payout value of GET units redeemed during the 2023-24 school year.

Program reserves, and the reserve component of the unit price, guard the GET program against "adverse deviation" or actual experience that is more costly than assumed. Most notably this comes from investment risk, or future investment returns being less than assumed, and tuition growth risk, or higher tuition growth than assumed.

As noted in the *2023 GET Actuarial Valuation Report*, a self-sustaining program that collects all cash inflows up front, like the GET program, may want to aim for a long-term reserve of approximately 15% (or 115% funded status) in order to protect against unexpected adverse outcomes over the life of the program. The program may require a reserve above 15% under future circumstances that vary from today's environment.

### Impacts to Key Program Measurements

House Bill (HB) 2309 directs the office of student financial assistance, by June 30, 2024, to purchase 2.5 million GET units for a price of \$2.5 million or \$1 per unit. As a comparison, the WA529 Committee adopted a unit price of \$120.16 for the 2023-24 enrollment period which equates to \$300.4 million to purchase 2.5 million units.

Selling units at this discounted price will decrease the GET program's estimated reserve since the increase in the program's obligation outweighs the increase in the program's assets. In addition, increasing the amount of outstanding units increases the overall risk of the program.

The following table illustrates the change to key program measurements under this bill.

Funded Status Summary			
(Dollars in Millions)	Current Law	Impact from HB 2309	Total after HB 2309
a. Present Value of Future Obligations	\$1,142.2	\$276.3	\$1,418.6
b. Present Value of Fund	\$1,692.9	\$2.4	\$1,695.3
Funded Status (b/a)	148.2%	(28.7%)	119.5%
Reserve/(Deficit) (b - a)	\$550.6	(\$273.9)	\$276.7

Note: The \$2.5 million payment is discounted to the measurement date of June 30, 2023.

We assume the units will start to be redeemed immediately after the mandatory two-year holding period to support the launch of this program. We assumed all units would be redeemed within five years of the initial redemption, at a rate of 20% per year beginning in the 2026-27 school year and ending in the 2030-31 school year. Using these assumptions, the increase in the program’s obligation as of June 30, 2023, is equal to the present value of future tuition and expected fees for the 2.5 million additional units, or \$110.53 per unit.

The increase in the program’s assets is equal to the \$2.5 million purchase price discounted to our valuation date of June 30, 2023. We assumed the purchase would occur on June 30, 2024.

For more information on our assumptions, please see **Appendix A**.

**Sensitivity of Results to Program Assumptions**

The long-term assumed rate of investment return and tuition growth represent the most significant assumptions when calculating a unit price and measuring the program’s obligations. As displayed in **Appendix C**, history shows that both variables have experienced significant volatility.

The following table illustrates the sensitivity of our results if we increase or decrease our annual long-term tuition growth assumption and investment return assumption.

Funded Status Sensitivity — Tuition Growth Assumption			
	+1% Tuition	Best Estimate	-1% Tuition
Current Law	144%	148%	153%
HB 2309	116%	120%	123%

Funded Status Sensitivity — Investment Return Assumption			
	+1% Rate of Return	Best Estimate	-1% Rate of Return
Current Law	157%	148%	139%
HB 2309	126%	120%	113%

Another method for testing the sensitivity of program measurements is through stress testing. We examined how the funded status may change if there was adverse investment experience next year. After the adverse year, we do not assume any “bounce back” returns. For this illustration, we assume future investment returns will equal our long-term assumption of 5.0% per year.

If next year's investment return is 1%, that would result in a June 30, 2023, funded status of approximately 115% under this bill. If instead we assumed a negative 13% return next year, that would result in a June 30, 2023, funded status of approximately 99% under this bill. If the funded status drops below 100%, the WA529 Committee will consider increasing the GET unit price to include an amortization component, as noted in the **Background on Program Status, Unit Price, and Reserves** section.

**ACTUARY'S CERTIFICATION**

The Actuarial Standards Board has not defined Actuarial Standards of Practice (ASOPs) specific to the measurement or evaluation of prepaid tuition programs. We used the ASOPs for pensions where possible to guide our analysis of GET. We believe that the assumptions, methods, and calculations used in this quantitative analysis are reasonable and appropriate for the primary purpose as stated above and are in conformity with generally accepted actuarial principles and standards of practice as of the date of this letter. The use of another set of assumptions and methods, however, could also be reasonable and could produce materially different results.

We produced this analysis based on our interpretation of the bill and consultation with GET staff. We prepared this fiscal note for use during the 2024 Legislative Session.

We advise readers of this analysis to seek professional guidance as to its content and interpretation and not to rely upon this communication without such guidance. Please read the analysis shown in this communication as a whole. Distribution of, or reliance on, only parts of this analysis could result in its misuse and may mislead others.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. I'm also available to provide extra guidance and explanations as needed.

Sincerely,



Luke Masselink, ASA, EA, MAAA  
Senior Actuary

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**APPENDIX A**  
**Assumptions and Methods**

To estimate the impacts of this bill to the GET program, we made the following assumptions on the bill language based on our interpretation of the bill language and consultation with GET staff.

- ❖ The \$2.5 million used to purchase the GET units under this bill would come from a funding source outside the GET program.
- ❖ These units purchased under this bill will be subject to the same two-year holding period requirement as all other GET units.
- ❖ Any expenses needed to administer the Washington 13 free guarantee would not be paid from GET assets.

In addition, we made the following actuarial assumptions to estimate the impacts under this bill.

- ❖ We assume the 2.5 million units purchased under this bill would be redeemed more quickly than the average new unit sale. Specifically, we assumed 20% of these units would be used each year following the mandatory two-year holding period (i.e., 500,000 units redeemed each year from Fiscal Year 2027 through 2031).
- ❖ We assume the investment performance of the GET program will not change as a result of this bill. For example, we don’t assume a lower expected rate of return in the short-term to address the liquidity needs for these additional units.

Otherwise, we relied on the same data, assumptions, and methods contained in the [2023 GET Actuarial Valuation Report](#). This includes the key assumptions outlined in the following table.

Key Assumptions	
<b>Investment Return</b>	
All Years	5.00%
<b>Tuition Growth</b>	
2023-24*	3.00%
2024-25	3.00%
2025-26	3.25%
2026-27	3.25%
2027-28+	4.15%

*\*Actual tuition growth.*

## APPENDIX B

### Unit Price Information

The WA529 Committee, at their September 2023 meeting, adopted a new unit price of \$120.16 for future sales starting on November 1, 2023. For further details, including sensitivity and risk analysis, please see our presentation titled, [2023 GET Unit Price Setting](#).

GET Unit Price Information		
2023-24 Enrollment		
Unit Price	Best Estimate Range*	Best Estimate
Expected Cost		\$101.19
Administrative Expenses		3.13
Reserve		15.65
Amortization		N/A
<b>Total Unit Price</b>	<b>\$106 – \$135</b>	<b>\$119.00</b>
<b>Unit Price Adopted**</b>		<b>\$120.16</b>

*Note: Totals may not agree due to rounding.*

*\*Best estimate range based on assumptions disclosed in the September 2023 WA529 Committee meeting materials.*

*\*\*Unit price adopted by the WA529 Committee.*

The following table outlines historical unit prices, unit payout values, and units sold. The unit payout value is based on 1/100 of one year of full-time, resident, undergraduate tuition at the most expensive state institution of higher education.

Historical Unit Sales			
Enrollment Year	Unit Price	Payout Value	Units Sold
1998-99	\$35	N/A	1,374,095
1999-00	38	N/A	615,327
2000-01	41	36.41	523,702
2001-02	42	38.98	2,463,500
2002-03	52	45.20	2,099,531
2003-04	57	48.36	1,896,635
2004-05	61	51.54	2,108,360
2005-06	66	55.06	2,146,191
2006-07	70	58.88	2,339,431
2007-08	74	62.90	2,102,305
2008-09	76	67.20	3,177,699
2009-10	101	76.00	2,624,367
2010-11	117	85.92	2,697,696
2011-12	163 <sup>1</sup>	102.23	1,503,962 <sup>2</sup>
2012-13	172 <sup>1</sup>	117.82	1,038,773
2013-14	172 <sup>1</sup>	117.82	741,701
2014-15	172 <sup>1</sup>	117.82	618,367
2015-16 <sup>3</sup>	-	117.82	0
2016-17 <sup>3</sup>	-	117.82	0
2017-18	113	103.86	770,665
2018-19	113	106.01	639,646
2019-20	121 <sup>4</sup>	108.44	505,222
2020-21	133 <sup>4</sup>	111.03	550,062
2021-22	114.01	114.01	735,322
2022-23	\$116.63	\$116.63	408,958

<sup>1</sup>Price includes amortization component that was subsequently refunded.

<sup>2</sup>Restated number of units sold.

<sup>3</sup>Unit sales suspended.

<sup>4</sup>Price retroactively reduced to \$114.01.

## APPENDIX C

### Historical Program Experience

The following tables outline historical investment return, tuition growth, and funded status.

Historical Program Experience			
Fiscal Year	Investment Return	Tuition Growth	Funded Status
1999	4.96%*	4.00%	110.10%
2000	10.25%	3.70%	113.40%
2001	(1.63%)	3.40%	104.90%
2002	(2.79%)	7.10%	89.60%
2003	7.56%	16.00%	98.40%
2004	16.00%	7.00%	104.50%
2005	10.07%	6.60%	108.10%
2006	8.94%	6.80%	108.80%
2007	14.77%	6.90%	117.40%
2008	(0.70%)	6.80%	109.50%
2009	(16.02%)	6.80%	84.20%
2010	12.68%	13.10%	86.20%
2011	20.46%	13.10%	79.10%
2012	0.07%	19.00%	78.50%
2013	9.59%	15.20%	94.10%
2014	16.36%	0.00%	105.80%
2015	0.83%	0.00%	140.10%
2016	0.61%	(5.00%)	135.60%
2017	10.92%	(9.10%)	132.80%
2018	6.35%	2.10%	130.20%
2019	5.29%	2.10%	131.30%
2020	7.40%	2.30%	131.00%
2021	16.84%	2.40%	166.11%
2022	(11.45%)	2.68%	140.57%
2023	7.84%	2.30%	148.21%
2024	N/A	3.03%	N/A

\*Represents 9-Month Return.