

HOUSE BILL REPORT

E2SHB 1795

As Passed Legislature

Title: An act relating to the higher education opportunity act.

Brief Description: Enacting the higher education opportunity act.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Carlyle, Seaquist, Haler, Reykdal, Rolfes, Probst, Morris, Sells, Pedersen, Jacks, Hudgins, Maxwell and Frockt).

Brief History:

Committee Activity:

Higher Education: 2/9/11, 2/14/11 [DPS];

Ways & Means: 2/24/11, 4/14/11 [DP2S(w/o sub HE)].

First Special Session

Floor Activity:

Passed House: 5/9/11, 79-17.

Passed Senate: 5/10/11, 32-13.

Passed Legislature.

Brief Summary of Engrossed Second Substitute Bill

- Grants tuition-setting authority to public baccalaureate institutions for all students for four years, through the 2014-15 academic year.
- Grants tuition-setting authority to public baccalaureate institutions beginning in the 2015-16 academic year within limits based on a state funding baseline year and funding for similar higher education institutions in the Global Challenge States.
- Requires mitigation, through a specific formula via various methods, to minimize the effects of tuition increases on low- and middle-income students.
- Permits the State Board for Community and Technical Colleges to authorize differential tuition for different programs or colleges.
- Establishes new accountability measures for higher education outcomes.
- Requires public baccalaureate institutions and community and technical colleges to institute new transfer policies and a credit for prior learning work group.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- Alters reporting requirements for public institutions of higher education.
- Authorizes public baccalaureate institutions and the State Board for Community and Technical Colleges to charge Running Start students up to 10 percent.
- Removes various regulatory requirements for institutions of higher education.
- Creates a joint select legislative task force to review the basis for state funding of higher education and a Joint Legislative Audit and Review Committee review of tuition-setting authority in 2018.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Seaquist, Chair; Carlyle, Vice Chair; Haler, Ranking Minority Member; Jacks, Probst, Reykdal, Sells, Springer, Warnick and Zeiger.

Minority Report: Do not pass. Signed by 5 members: Representatives Parker, Assistant Ranking Minority Member; Buys, Crouse, Fagan and Hasegawa.

Staff: Madeleine Thompson (786-7304).

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Higher Education. Signed by 22 members: Representatives Hunter, Chair; Darneille, Vice Chair; Alexander, Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Carlyle, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Minority Report: Do not pass. Signed by 5 members: Representatives Hasegawa, Vice Chair; Bailey, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler and Parker.

Staff: Trista Zugel (786-7157).

Background:

Educational Attainment Goals and the Higher Education Task Force.

In 2008 the Legislature approved the 2008 Strategic Master Plan for Higher Education in Washington developed by the Higher Education Coordinating Board (HECB). The plan set targets for additional degree and certificate attainment totaling 31,800 additional certificates and degrees annually.

In 2010 the Governor appointed a Higher Education Task Force (Task Force), composed of Washington business and education leaders, to develop a plan to address the need for

increasing the number of Washington residents with college degrees. The Task Force recommended to:

- increase college degrees including in high demand fields such as science, technology, engineering, and math;
- provide universities with increased flexibility to set tuition based upon tuition levels in the Global Challenge States;
- expand financial assistance to low- and middle-income students through an endowment and tax incentive; and
- hold public universities accountable for graduating more students, and improving student transfer and awarding of academic credits.

Tuition Setting Authority.

Table 1: Authorized Resident Undergraduate Increases.

Academic Year	Authorized Resident Undergraduate Increases
1999-2000 – All public higher education institutions.	4.6%
2000-2001 – All public higher education institutions	3.6%
2001-2002 – All public higher education institutions.	6.7%
2002-2003	
Research	16.0%
Regional	14.0%
Community and Technical Colleges	12.0%
2003-2004 – All public higher education institutions.	7.0%
2004-2005 – All public higher education institutions.	7.0%
2005-2006 and 2006-2007	
Research	7.0%
Regional	6.0%
Community and Technical Colleges	5.0%
2007-2008 and 2008-2009	
Research	7.0%
Regional	5.0%
Community and Technical Colleges	2.0%
2009-2011	May exceed 7% for 2009-2011 only
Research and Regional Institutions	14%
Community and Technical Colleges	7%

Between 1999 and 2009, governing boards of each institution of higher education and the State Board for Community and Technical Colleges (SBCTC) were granted authority to increase tuition rates for resident undergraduate students within caps set by the Legislature in the State Omnibus Operating Appropriations Act (Operating Budget). Prior to 1999 the

Legislature set tuition in statute as dollar amounts for each public institution. Between 1999 and 2009 tuition levels authorized by the Legislature varied (see table 1).

Tuition amounts (or percentage increases) specified in statute have referred only to the "tuition" portion of tuition and fees. Public colleges and universities are authorized to assess additional fees such as services and activities fees and technology fees within statutory limits.

In 2009 the Legislature directed that increases in tuition for resident undergraduates may not exceed 7 percent per year, except in 2009-2011.

Guaranteed Education Tuition Program.

Most states have a form of a "529 Plan" operated by a state or educational institution designed to help families set aside funds for future college costs. They are named after section 529 of the Internal Revenue Code which created these types of savings plans in 1996. Washington's Guaranteed Education Tuition (GET) Program was created in 1998 as Washington's prepaid college tuition program. The GET Program allows purchasers to buy tuition units at current prices for use at a later date. These funds are invested by the State Investment Board and the purchaser is guaranteed that one year's worth of units purchased now will be worth one year's worth of public university tuition in the future. One hundred GET units are equal to one year of resident undergraduate tuition and state-mandated fees at the most expensive public university in Washington.

Performance.

In July 2010 the National Governor's Association (NGA) released recommendations on the common higher education measures that states should collect and report publicly. The Task Force in Washington recommends adoption of the NGA metrics:

- outcome metrics: degrees awarded, graduation rates, transfer rates, and time and credits to degree; and
- progress metrics: enrollment in remedial education, success in remedial education, success in first-year college courses, credit accumulation, retention rates, and course completion.

The Task Force also recommends developing a program to incentivize four-year public baccalaureate institutions to meet degree production, retention, and high demand degree targets. A limited financial incentive is provided for making measured progress. This is similar to the Student Achievement Initiative of the SBCTC adopted by the community and technical college system in Washington.

The Student Achievement Initiative is a performance funding system to incentivize colleges to employ strategies that promote student success. The SBCTC identified key academic benchmarks that students must meet to successfully complete degrees and certificates, known as Achievement Measures which are:

- building towards college level skills (basic skills gains, passing pre-college writing or math);
- first year retention (earning 15 and then 30 college level credits);
- completing college level math (passing math courses required for either technical or academic associate degrees); and
- completions (degrees, certificates, and apprenticeship training).

Between the 2006-2007 baseline year and 2008-2009, the first performance year, the colleges served 4 percent more students but increased student achievement by 19 percent with the greatest gains occurring in all points.

For public baccalaureate institutions, legislation enacted in 2008 required the establishment of pilot performance agreements. The purpose is to develop a six-year plan that aligns higher education policy goals and desired outcomes with resources. Performance agreements may address a variety of elements including benchmarks and goals for long-term degree production, recruitment and retention, quality, timeliness of student progress, and costs, among others. Other accountability provisions include reporting data to the HECB and the Office of Financial Management (OFM).

Summary of Engrossed Second Substitute Bill:

Tuition Policy.

Tuition-setting authority is granted to the four-year colleges and universities for all students for eight years, through the 2018-19. Beginning in the 2015-16 through 2018-19 academic year they are granted tuition-setting authority within limits based on a state funding baseline year and funding for similar higher education institutions in the Global Challenge States. In the 2019-20 academic year, tuition-setting authority for resident students at public baccalaureate institutions reverts to the Legislature.

The UW is required to enroll at least the same number of resident freshman undergraduate students each academic year as enrolled in 2009-10.

Tuition for community and technical college students is set by the Legislature in the Operating Budget. The SBCTC may authorize differential tuition models.

Student Financial Aid.

Instead of 3.5 percent, public baccalaureate institutions that increase tuition above tuition increases assumed in the Operating Budget must remit 5 percent of operating fees back to students in the form of financial aid. Public baccalaureate institutions that do not increase tuition beyond levels assumed in the Operating Budget must remit 4 percent of operating fees in the form of financial aid. All of the increases in the amount required to be retained by public baccalaureate institutions for purposes of the institutional financial aid fund must be specifically targeted for financial aid programs for needy students, such as need-based institutional employment or need-based tuition and fees scholarship or grant programs, and not be used for any of the other purposes such as short and long term loans and financial aid for high school students enrolled in dual credit programs.

Public baccalaureate institutions must provide financial assistance to State Need Grant-eligible students, resident low- and middle- income students via a specific formula depending on tuition price as a percentage of median family income in various income brackets up to 125 percent of the median family income to offset increased tuition. This applies when a public baccalaureate institution raises tuition beyond levels assumed in the Operating Budget. Financial assistance may be provided via various methods with sources from tuition revenue, locally held funds, tuition waivers, or local financial aid programs.

Colleges and universities must collaborate with student associations to make every effort to communicate the American Opportunity Tax Credit and other credits to students and report on the effectiveness of these methods. Public baccalaureate institutions must report on methods of providing financial assistance; impacts of tuition increases on resident students including debt burdens, excluding private loans; and devise plans to mitigate for negative effects on the student population. The key purpose of the annual report is to provide information to the Legislature on impacts to students and educational access, affordability, and quality as a result of granting flexible tuition setting authority.

Data on student impacts must be disaggregated by income bracket for both the reports by public baccalaureate institutions related to impacts on tuition increases and also for data gathered to report on outcomes.

The HECB, in consultation with four-year colleges and universities and the SBCTC, must develop State Need Grant award criteria and methods of disbursement based on level of need, and not solely rely on a first-come, first-served basis.

Accountability.

Higher education institutions must report by December 1 annually on performance data that aligns with the National Governor's Association *Complete to Compete* metrics with additions that include graduate and professional degrees; Science, Technology, Engineering, and Mathematics participation; student debt load; and disaggregation of measures based on various student demographics, including socio-economic status and income level, among others.

Each four-year public baccalaureate institution must develop a performance plan and include a minimum set of expected outcomes and higher education institutions must display accountability data on the OFM website.

The Joint Legislative Audit and Review Committee must conduct a performance audit in calendar year 2018 to understand the impact of institutional tuition-setting authority on student access, affordability, and institutional quality, and provide recommendations on whether to continue the authority beyond the 2018-19 academic year.

Dual Enrollment.

Running Start students may be charged up to 10 percent of tuition and fees in addition to other mandatory fees. All public colleges and universities must make every effort possible to communicate available waivers to eligible low-income Running Start students.

Transfer and Prior Credit Policy.

Public baccalaureate institutions must award junior standing to a Washington community and technical college graduate who has earned a transferable associate of arts or sciences degree. A graduate who has earned the direct transfer associate of arts degree must be deemed to have met the lower division general education requirements when transferring to a four-year college or university and four-year colleges must award a student junior standing when accepting transfer students from other Washington four-year colleges and universities.

All public colleges and universities must develop a minimum of one degree within the arts and sciences disciplines that can be completed within the equivalent of 90 quarter upper division credits by any student who enters a college or university with junior status and lower division general education requirements completed. Community and technical colleges must identify and publish in their admissions materials college level courses that are recognized by all four-year colleges and universities as transferable to those colleges and universities. Publication of the list of courses must be easily identified and accessible on the college's website.

A credit for prior learning work group is established.

Regulatory Relief.

Performance agreements for public baccalaureate institutions are repealed.

Procurement thresholds are aligned when higher education agencies contract with consultants at \$10,000 for informal contracts that do not require documented evidence of competitions and \$100,000 for formal contracts that require documented evidence of formal competition. Purchase of equipment maintenance agreements is permitted for periods of longer than one year.

The OFM is required to work with state agencies and the council of presidents to convene and interagency work group to develop and implement improved administration and management practices that enhance the efficiency and effectiveness of operations throughout higher education campuses and report progress to the Legislature by November 15, 2012, and November 15, 2013.

Until June 30, 2011, the following provisions are removed for public higher education institutions:

- short-term restrictions on meeting in private spaces;
- short-term prohibitions on personal service contracts;
- short-term prohibitions on equipment purchases over \$5,000;
- short-term prohibitions on out-of state travel;
- short-term prohibitions on hiring for new or vacant positions; and
- short-term restrictions on salary and wage increases for academic personnel.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 21 through 26, relating to exemptions from expenditure limitations, which contain an emergency clause and take effect immediately.

Staff Summary of Public Testimony (Higher Education):

(In support) The bill takes into account middle-income students who earn too much to qualify for financial aid, but not enough to pay for higher education out-of-pocket. The sponsor is looking at innovative ways to fund higher education and find the right balance between state

funding, financial aid, accountability, and tuition. Higher education funding cuts have had impacts of limiting student access, limiting diversity of programs offered on campus, and cutting programs such as science programs that prepare students that are in demand by employers. This bill attempts to address these issues. The greatest gift the Legislature could give to higher education institutions is stability. Students, parents, and families need to plan ahead and know that they can rely on a stable tuition rate. Higher education institutions need the partnership of the Legislature. Students between the 70th percentile and the 100th percentile of the median family income need support to afford higher education. There is endorsement of the accountability metrics and measures to publicize tax credits available to students. The public good that came from the GI Bill provided a public good for the country and Washington is facing declines in this public good. Public universities cannot exist without state appropriations. Limits to higher education are detrimental to our entire education system because fewer K-12 teachers are educated.

(In support with concerns) Allowing individual community and technical colleges to increase tuition raises issues related to price competition and equal access. It is important to find the balance between state investment, tuition, and financial aid. State appropriations for higher education will potentially be reduced by half.

(Opposed) None.

Staff Summary of Public Testimony (Ways & Means):

(In support) We are grateful for all the conversations and inclusion of all stakeholders including students. This bill strikes a good balance between flexibility and accountability. The accountability framework in this bill is quite rigorous. We acknowledge that it is important to mitigate impact of rising tuition on middle class students. This bill allows for tuition differentiation, and allows universities to make adjustments to tuition in a way that allows for them to respond to state budgets. This will allow different universities to approach tuition based on their individual mission.

We appreciate the flexibility that this bill gives and ask that the committee recognize the different goals and missions of the individual universities. Students appreciate the opportunity to engage and are eager to participate in the discussions that are necessary to prioritize a sustainable framework for higher education. This legislation is not the entire solution. Students very much want to see a solid mechanism for ensuring state support.

(Opposed) None.

Persons Testifying (Higher Education): (In support) Representative Carlyle, prime sponsor; Sherry Burkey and Marsha Riddle Buly, Western Washington University; Bill Lyne, United Faculty of Washington State; Jim Fridley, University of Washington; George Scarola, The League of Education Voters; Don Bennett, Higher Education Coordinating Board; and Mike Reilly, Council of Presidents.

(In support with concerns) Deb Merle, State Board for Community and Technical Colleges; Chris Mulick, Washington State University; Ann Anderson, Central Washington University; David Buri and Alex Clardy, Eastern Washington University; Margaret Shepherd and Quinn

Majeski, University of Washington; Julie Garver, The Evergreen State College; and Iris Maute-Gibson, Western Washington University.

Persons Testifying (Ways & Means): Representative Carlyle, prime sponsor; Mike Reilly, Council of Presidents; Marsha Riddle Buly, Western Washington University; David Buri, Eastern Washington University; Alex Aardy, Washington Student Association-Eastern Washington University; and Iris, Maute-Gibson, Washington Student Association-Western Washington University.

Persons Signed In To Testify But Not Testifying (Higher Education): None.

Persons Signed In To Testify But Not Testifying (Ways & Means): None.