

HOUSE BILL REPORT

HB 2292

*As Reported By House Committee on:
Higher Education*

Title: An act relating to financial aid.

Brief Description: Studying the effect of financial need on higher education choices.

Sponsor(s): Representatives Jacobsen, Wineberry, Franklin, May, Basich and J. Kohl.

Brief History:

Reported by House Committee on:
Higher Education, January 29, 1992, DPS.

**HOUSE COMMITTEE ON
HIGHER EDUCATION**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 11 members: Representatives Jacobsen, Chair; Ogden, Vice Chair; Wood, Ranking Minority Member; May, Assistant Ranking Minority Member; Basich; Dellwo; Ludwig; Miller; Sheldon; Spanel; and Van Luven.

Staff: James Thurston (786-7349).

Background: Financial aid programs have traditionally been a major tool to affect higher education policy. Such programs help individuals with insufficient financial resources to attend institutions of higher education. For the 1991-93 biennium, the state appropriated more than \$73 million to various financial aid programs. Much data on state, federal, and institutional financial aid programs is available. Statistics describe appropriation amounts, participation rates, and award sizes. There are also statistics describing the average amount of a student's estimated financial need that has not been provided through aid awards. However, there has been very little study, either in Washington or nationally, of the effect of financial need on the higher education decisions that students and potential students make.

Some of the most basic decisions concerning opportunity and choice in higher education include the following:

- (1) Whether to attend or not?
- (2) Which institution to attend?
- (3) Which subjects to study?
- (4) How long to attend?
- (5) Whether or not to finish?

Many factors may affect an individual's higher education decisions, such as social background, personal motivation, academic preparation and financial resources. In addition, state higher education policy, such as enrollment caps and the location of institutions, may also affect these choices. At this time, there is no data clearly describing the extent to which financial factors alone affect these basic higher education decisions. National and state studies and experts have recognized the need to answer such questions in order to most effectively direct financial aid programs to achieve policy objectives.

These issues are also related to the discussion in recent years concerning the definition of unmet student financial need. A study completed in 1985 for the state's Council for Postsecondary Education, entitled Unmet Student Financial Need in the State of Washington, attempted to measure the amount of unmet financial need among full-time resident undergraduate students enrolled in Washington institutions. "Unmet Need" was defined as the difference between a student's "Financial Need" (cost of attendance minus expected family contribution) and that student's "Financial Aid Package" (total amount of assistance received in federal, state, and private grants, work, and loans). The study found that in 1983-84 there were 20,768 students who had an average unmet need of approximately \$2,500. However, the authors of the study also suggested that these results were not sufficient to make specific conclusions about how providing student aid affects student stop or drop-out patterns. The authors recommended that more research be conducted to determine the extent to which financial factors affect higher education decisions.

Summary of Substitute Bill: The Higher Education Coordinating Board, in consultation with an advisory committee, is authorized to develop and contract for a study examining the effects of financial need on the higher education choices of Washington residents. The Higher Education Coordinating Board must coordinate the study with any related studies at other agencies, and disseminate its results.

The study must include a survey technique to determine the scope and composition of the following three populations:

- (1) Those residents of Washington seeking, but not pursuing higher education for financial reasons.
- (2) Those residents of Washington enrolled at institutions of higher education in Washington who, based on their financial circumstances, determine their choice of higher education institution and course of study.
- (3) Those residents of Washington at institutions of higher education in Washington who, for financial reasons, do not complete higher education degree programs, or who take longer to complete them than the amount of time required for a full-time student as determined by the institution.

The Higher Education Coordinating Board must report to the Legislature by December 15, 1992, with results of the study. The report will include recommendations for any further action or studies.

The rate of overhead and indirect costs that any institution receiving funds would be allowed to charge to perform any part of the study is limited to 15 percent.

The Higher Education Coordinating Board is not required to conduct the study if funding is not provided.

Two hundred and thirty two thousand dollars is appropriated to the board for the biennium ending June 30, 1993.

Substitute Bill Compared to Original Bill: A null and void clause is added to relieve the Higher Education Coordinating Board of its responsibility to conduct the study if funding is not provided. The rate of overhead and indirect costs that any institution receiving funds would be allowed to charge to perform any part of the study is limited to 15 percent. The appropriation amount is reduced from \$300,000 dollars to \$232,000.

Fiscal Note: Requested January 24, 1992.

Appropriation: \$232,000 from the general fund.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The study is a large and important one, but the Higher Education Coordinating Board would be unable to conduct it without accompanying funding. Therefore, the Higher Education Coordinating Board requests a null and void clause.

Testimony Against: None.

Witnesses: John Classic, Higher Education Coordinating Board (pro).