

HOUSE BILL REPORT

HB 2729

*As Reported By House Committee on:
Higher Education
Appropriations*

Title: An act relating to higher education tuition and financial aid.

Brief Description: Reforming higher education tuition and financial aid.

Sponsor(s): Representatives Locke, Jacobsen, Ogden, Inslee, Spanel, Wineberry, Basich, Sheldon, Prentice, Ludwig, Orr, Fraser, Dellwo, Heavey, Appelwick, Morris, Cantwell, Belcher, G. Fisher, Peery, Rasmussen, Braddock, Valle, Zellinsky, R. Meyers, Franklin, Cooper, Bray, Pruitt, Haugen and Leonard.

Brief History:

Reported by House Committee on:
Higher Education, February 5, 1992, DPS;
Appropriations, February 10, 1992, DPS(HE-A APP).

**HOUSE COMMITTEE ON
HIGHER EDUCATION**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 7 members: Representatives Jacobsen, Chair; Ogden, Vice Chair; Dellwo; Fraser; Ludwig; Sheldon; and Spanel.

Minority Report: *Do not pass.* Signed by 5 members: Representatives Wood, Ranking Minority Member; May, Assistant Ranking Minority Member; Miller; Prince; and Van Loven.

Staff: Susan Hosch (786-7120).

Background: **TUITION:** In Washington, tuition is established in statute as a fixed percentage of educational costs. The percentage, which has remained unchanged for a decade, varies according to type of student and type of institution attended.

Educational cost percentages for resident undergraduate students are: 33 percent at the two research universities,

25 percent at regional institutions, and 23 percent at community colleges.

At all colleges and universities, nonresident undergraduates pay 100 percent of their educational costs. Educational cost percentages for graduate students are: 23 percent for resident students, 60 percent for nonresidents at the research universities, and 75 percent for nonresidents at regional universities and the Evergreen State College (TESC).

Educational cost percentages for resident students studying medicine, dentistry, and veterinary medicine are 167 percent of the resident graduate rate. Percentages for nonresident students in those programs are 167 percent of the nonresident graduate rate.

Students at technical colleges pay a tuition rate that is comparable to the percentage that students pay at community colleges. However, their tuition percentages are not yet determined in statute. The technical colleges were given a two year grace period to work out appropriate percentages.

Under current law, tuition consists of building fees and operating fees. Building fees are fixed at a dollar amount in statute, and are deposited into institutional building accounts. Operating fees, which make up the remainder of tuition, are deposited into the state general fund.

WAIVERS: Under 35 programs, all or part of tuition and fees are waived for various types of students. Under 10 of the programs, institutional governing boards must provide waivers to all eligible students. The remaining waiver programs are permissive. Most of those programs require the waiver of all tuition and fees if any fees are waived. For the 1991-93 biennium, an estimated \$149,244,000 in gross operating fees is not collected under mandatory and permissive waiver programs.

Four waiver programs are offered on a space available basis. Institutions of higher education do not receive state funds for students enrolled under these programs.

FINANCIAL AID: Needy Washington residents attending accredited Washington public and private vocational schools and institutions of higher education are eligible to receive state funded student financial aid. State programs are funded using a statutory formula adopted in 1977. Under the formula, financial aid programs begin with the amount appropriated during the previous biennium. An amount that equals or exceeds 24 percent of the revenue the state

receives from tuition increases at public colleges and universities is added to that base out of the general fund.

At the time the formula was adopted, 24 percent of the full time students attending public colleges and universities were receiving financial aid. In 1992, that percentage is about 38 percent. The percentage climbs to more than 40 percent when full-time resident students at private institutions are included.

During the 1991-93 biennium, \$73,419,000 was appropriated for student financial aid programs. Most of the funds are used to support the state need grant and work study programs. The average family income of students aided in the need grant program is less than \$15,000 per year. The amount of funding available for the need grant program provided grants to 20,550 low income students during the 1991-92 academic year. The funding was not sufficient to fund an additional 17,726 low income students who were eligible for a state need grant.

Summary of Substitute Bill: **TUITION:** Tuition statutes are revised to give institutional governing boards the authority to decrease tuition rates for resident undergraduate students, and to increase rates for students in other tuition categories. Tuition fees may vary by academic term, and graduate rates may vary by program. Institutions that permit students to pay tuition in installments may retain operating fee revenue locally for 90 days after the close of registration during any academic term. Institutions are no longer required to charge all students the same rate for services and activities fees. Finally, building fees will be a percentage of total tuition fees instead of a fixed dollar amount in statute. That percentage varies between 3 and 6 percent of total tuition.

For three years, the statutory percentage of educational costs borne by students in some tuition categories is increased at all institutions. After June 30, 1995, the percentages will return to present statutory levels.

Educational cost percentages are revised and differentiated for students at the two research universities. The percentage for resident undergraduate students is increased from 33 percent to a maximum of 39 percent at the University of Washington (UW) and 37 percent at Washington State University (WSU). The percentage for nonresident undergraduates is increased from 100 percent to a minimum of 130 percent at the UW and 111 percent at WSU. Graduate student percentages are not increased at any college or university.

At the UW, resident students of medicine and dentistry will pay at least 212 percent of resident graduate rates. Nonresident students of medicine will pay at least 200 percent, and nonresident students of dentistry will pay at least 196 percent of the nonresident graduate rate.

The percentage for resident undergraduates at the regional universities and TESC is likewise differentiated and revised. The percentage for resident undergraduates is increased from 25 percent to a maximum of 29 percent at the regional universities and 34 percent at TESC. The percentage for resident students in community colleges is increased from 23 percent to a maximum of 26 percent.

TUITION RETENTION: Each institution of higher education may either continue to deposit operating fees into the state general fund, or deposit them into an individual institutional operating fee account in the treasury. Of the operating fees, 2.5 percent will continue to be deposited in each institution's long-term loan fund. In addition, any operating fees obligated for construction will be deducted to meet that obligation. Money in an operating fee account is not subject to appropriation, however, interest earned on the money will revert to the state general fund. Community colleges must decide as a system whether to use operating fee accounts.

Intent language is included to assure institutions that the Legislature does not intend to reduce future institutional budgets by any money acquired through enrolling students within overenrollment limits, increasing tuition above minimum levels, or reducing waivers by a greater percentage than is required by law. In addition, if institutions do not raise the amount of revenue predicted through waiver reductions, the Legislature intends to compensate them for any lost revenue.

TUITION AND FEE WAIVERS: Tuition and fee waiver programs are revised. Each institutional governing board will be permitted to waive all or a portion of tuition and fees for various types of students enrolled in state funded classes. With two exceptions, governing boards will no longer be required to award mandatory waivers. Students who received the Washington Scholars Award or Washington Award for Vocational Excellence before January 1, 1992, are guaranteed a continuation of their waivers. For those who receive an award after that date, institutions are given discretion over whether to waive all or a portion of tuition and fees. Limits are placed on the amount of total estimated net tuition revenue that may be waived by each four-year institution and the community colleges as a whole. The limits are: community colleges, 32 percent; UW and WSU, 20

percent; Central, 8 percent; Eastern, 11 percent; Western, 9 percent; and TESC, 6 percent. These limits may be revised in the biennial budget act. Space available waiver programs are excluded from the limits.

Within the overall waiver limits established for each institution, waiver limits for most programs are dropped. Limits are removed on waivers to needy students, foreign students, and athletes in gender equity programs. Community colleges may waive all or a varying portion of tuition for students with special circumstances enrolled in ungraded courses. Finally, the Higher Education Coordinating Board may enter reciprocity agreements with Oregon and Idaho to waive about the same amount of nonresident tuition for approximately the same number of students in each state.

FINANCIAL AID: A state financial aid policy is adopted. The policy: No resident who can benefit from postsecondary education and training will be denied an opportunity to obtain it due to his or her financial status. In order to achieve the policy, the Legislature intends to restructure and fully fund the state's financial aid system. The restructured system, known as college promise, will be implemented beginning on July 1, 1993.

GOALS: The goals of college promise include limiting student debt to no more than one-half of a student's cost of attendance; sheltering home equity, and some portion of savings and farm or business net worth; simplifying financial aid applications for low-income students with limited assets; and striving to preserve a range of educational options for needy students. Another goal includes providing more self-help than grants to middle-income students and approximately equal amounts of grants and self-help to low and lower middle-income students. In addition, students with disabilities may receive assistance with equipment and assistance needed for college, and future college students will receive information about college costs and opportunities for financial aid.

Under college promise, middle-income undergraduate students would become eligible for financial aid, and needy graduate and professional students would become eligible to participate in the Need Grant Program. In addition, teachers pursuing master's degrees for continuing certification would be eligible to participate in the Future Teachers Conditional Scholarship Program. Through college promise, the state Work Study Program would be expanded, and salary matching requirements for off-campus community service employers could be waived. In addition, financial aid may be provided to some needy students whose parents did not attend college.

A standard for classifying students by income levels is adopted. The standard is based on the state's median family income. Under the standard, low-income students are those whose family income does not exceed one-half the state's median family income. Lower middle-income students are those whose family income is between 51 and 75 percent of the state's median family income. Middle-income students are students whose family income is between 76 and 125 percent of the median family income. The income standard will be adjusted annually for family size and changes in the state's median family income. Priorities for student funding, methodologies for determining need, and goals for funding types of aid will vary for students in different income categories.

By December 1, 1992, the board is directed to report to the legislature with any statutory changes needed to implement the goals of college promise.

PROGRAM CHANGES: Some teachers will be eligible to participate in the Future Teachers Conditional Scholarship Program. Eligibility is extended to teachers seeking a master's degree if the degree is required for continuing certification. These teachers may receive a conditional scholarship that covers the cost of tuition, up to a maximum of \$2,500 per year. Participating teachers will not receive more than \$5,000 from the program. Participants must subsequently teach in the public schools of the state for 10 years, or repay the conditional scholarship, with interest, over an equal amount of time.

Students participating in the Educational Opportunity Grant Program must attend an institution that is accredited by an association recognized by the board. The Work Study Program is revised to permit the board to waive income matching requirements for off-campus public service employers. In the Need Grant Program, the board will, to the extent permissible by law, exclude home equity and shield a portion of savings and farm or business net worth from asset calculations. In addition, as funding is available, first middle-income undergraduate students, then graduate and professional students will be added to the program.

FUNDING MECHANISM: By September 1st of each even-numbered year, the Higher Education Coordinating Board will estimate and report the amount of money needed to fully fund state financial aid programs during the next biennium. Those programs include the state need grant, work study, educational opportunity grant, aid to blind students, and future teachers conditional scholarship programs. A demonstration project for providing grants to needy first

generation scholars may be included if funding is approved for the project.

Beginning in the 1993-95 biennium, at the beginning of each fiscal year, enough state revenue to annually fully fund state financial aid programs will automatically be deposited into a dedicated financial aid account in the treasury. Money in the account is subject to appropriation, and can be withdrawn only at the request of the Higher Education Coordinating Board.

Private institutions must equally match the amount of state funded aid received by their student body with grant funds raised from private sources. The matching funds must be awarded to needy Washington residents attending the institutions.

EFFECTIVE DATES: With the following exceptions, the bill takes effect on July 1, 1992: Sections revising current financial aid programs take effect on July 1, 1993, and sections reducing tuition percentages to current levels take effect on July 1, 1995. Sections increasing current tuition rates expire on June 30, 1995.

Substitute Bill Compared to Original Bill: Tuition increases will expire on July 1, 1995. Building fees will be a percentage of tuition. Tuition rates for students of medicine and dentistry are differentiated. Institutions must set yearly tuition rates by June 1 of each year. Tuition rates may vary tuition by academic term and by graduate program. Services and activities fees may also vary. The community colleges as a whole must decide on the method of depositing tuition. Budget assurances are adopted for institutions that deposit operating fees into institutional accounts. Waiver program limits are dropped, and reciprocity programs are balanced within flexible limits, with no payment required for imbalances. Within overall waiver limits, community colleges may provide waivers to students in ungraded courses. Some savings may be sheltered in asset calculations for financial aid. The accommodation costs of students with disabilities may be recognized for financial aid. A demonstration project to provide aid to needy students whose parents did not attend college will be designed. Private institutions must match state funded financial aid with grant aid. Technical changes were adopted to ensure internal consistency.

Fiscal Note: Requested February 4, 1992.

Effective Date of Substitute Bill: With the following exceptions, the bill takes effect on July 1, 1992: Sections revising current financial aid programs take effect on July

1, 1993, and sections reducing tuition percentages to current levels take effect on July 1, 1995. Sections increasing current tuition rates expire on June 30, 1995.

Testimony For: The comprehensive changes embodied in this legislation will provide expanded educational opportunities for many low and middle-income students. Shielding some or all home equity, savings, and farm or business net worth from financial aid asset calculations, and permitting more students to participate in the need grant and work study programs will significantly help students from middle-income families. The legislation approaches higher education financing in a comprehensive and coordinated fashion, thus increasing institutional stability and management flexibility. Through the increased revenue from tuition increases and waiver reductions, higher education budget cuts are restricted and additional funding is provided for needy students on financial aid. Increasing the percentage of tuition dedicated to building fees will help provide solutions to pressing facilities needs and ease pressure on the state's debt limit.

Testimony Against: Tuition increases pose a financial hardship for many students. Adopting waiver limits will force institutions to make some difficult management choices. Federal funding restrictions do not permit the community colleges to charge any tuition for adult basic education courses and programs. Graduate students comprise an essential part of the teaching and research structures of the two research universities. They have dual status as students and institutional employees. Military personnel serving their country cannot choose where they are stationed. Students in community college parent education programs are learning how to properly raise healthy children. Each of these student groups could be negatively impacted by changes to the waiver programs if institutions do not continue to waive tuition at current levels. Unless some of these programs are removed from the waiver limits, the amount of waiver authority for other programs will be reduced if institutions provide full waivers for existing programs. Institutions would prefer to keep tuition in local funds so they can retain interest on that tuition. During tough budget years, providing full funding for financial aid programs may limit funding for institutional enhancements and faculty salary increases.

Witnesses: (All pro): Representative Gary Locke; Fred Carter, U.S. Bank; Dr. Larry DeLorum, Western Washington University; Allan Walton, WEA/AHE; Phil Phibbs, University of Puget Sound; Jim Hanna, ASWSU; Phyllis Kenney, SBCTC; Barney Goltz, SBCTC; Les Purce, and Russ Lidman, TESC; Rosemarie Ferri, Washington Financial Aid Association;

Marianna Deeken, Saint Martin's College; Robert Bode, UPS School of Law; Jim White, Seattle University; Tika Esler, Seattle Central Community College; Hubert Locke, University of Washington; Kate Bligh, Financial Aid Council, SPSCC; and Kathleen Saloff, WWU, Director of Financial Aid. (Pro, with concerns): Bill Gerberding, Laurel Wilkening, and Gene Woodruff, University of Washington; Jim Pappas, Central Washington University; and John Terry. (Commented on bill): Ann Daley, Higher Education Coordinating Board; Scott Morgan, SBCTC; Sue Durrant, Council of Faculty Representatives; and Larry Ganders, WSU. (All con): Vicki J. Pettigrew, Organization for Parent Education; Deborah Cederlind, Janet Bredl, Shawn Berinato, Collene VanWormer and others in parent education programs; Kevin Dunn, student organization legislative liaison; Mike Gruver, WSU; Bruce Battey, Association of Military Educators, Fort Lewis; Elias Garcia, Washington State Department of Veteran Affairs; Casey Cochrane, Tacoma/Pierce County Chamber of Commerce; Maureen Flak, National Guard Association; Bill Merifield, Military Order of the Purple Heart; Keith Sherman, Veterans Legislative Coalition; Frank Sephale, US Navy, NAS Whidbey; and Leah Ritchie, US Navy, Bremerton/Bangor.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *The substitute bill by Committee on Higher Education be substituted therefor and the substitute bill as amended by Committee on Appropriations do pass.* Signed by 16 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Appelwick; Belcher; Braddock; Brekke; Dorn; Hine; Peery; Pruitt; Rust; H. Sommers; Sprenkle; Valle; and Wang.

Minority Report: *Do not pass.* Signed by 10 members: Representatives Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Bowman; Carlson; Fuhrman; Lisk; May; Mielke; Nealey; and D. Sommers.

Staff: Sherie Story (786-7142).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Higher Education: The temporary increase in tuition will be in effect for four rather than three years. The increase in tuition is made null and void if the biennial budget does not expressly assume revenue from a tuition increase. The tuition waiver program for recipients of the Washington Scholars Award is replaced with a scholarship program, and \$700,000 is appropriated for the program. The tuition waiver program for recipients of the Washington Award for Vocational

Excellence is replaced with a scholarship program and \$250,000 is appropriated for the program. Washington State University is permitted to waive the nonresident tuition fees differential or reduce fees for students enrolled at both Washington State University and the University of Washington under the Washington, Alaska, Montana, and Idaho Regionalized Medical Education Program. Limits are set on the amount of building fees that can be waived. The limits are set at 87 percent of the current amount being waived by each institution. The policy statement that no Washington resident who can benefit from postsecondary education shall be denied the opportunity due to his or her financial status is removed. A requirement for the Higher Education Coordinating Board, in consultation with legislators and the institutions, to develop a detailed implementation plan and cost estimates for the expansion of the state's financial aid system as defined in the bill as "College Promise" is added. The Higher Education Coordinating Board is appropriated \$100,000 to complete the plan. Creation of a dedicated treasury account for financial aid and the requirement for the state treasurer to annually transfer moneys to the account is eliminated.

Fiscal Note: Requested February 4, 1992.

Appropriation: \$1,050,000 from the general fund.

Effective Date of Substitute Bill as Amended: With the following exceptions, the bill takes effect on July 1, 1992: sections revising current financial aid programs take effect on July 1, 1993, and sections reducing tuition percentages to current levels take effect on July 1, 1996. Sections increasing current tuition rates expire on June 30, 1996.

Testimony For: There are many families that can no longer afford to send their kids to college. Home equity prevents people from being able to qualify for financial aid. If we are going to compete internationally, we are going to have to educate more citizens. America has stood for equality and opportunity and without financial aid we will lose that equality and opportunity. The state is going through some difficult budget times; this bill offsets additional cuts to higher education budgets. A 13 percent reduction in tuition waivers is better than the 22 percent proposed by the governor, but 10 percent is preferred. The discretion given to institutions on the granting of waivers is appreciated. The increased local control this bill gives institutions to manage tuition rates and tuition revenue is sound policy. The Higher Education Coordinating Board (HECB) plays a significant role in the new financial aid program, the College Promise Program. The HECB has to estimate the funding needed for financial aid, which is a major and

difficult task. As this bill moves forward, there needs to be advance agreements on the methodology for determining what is needed for financial aid.

Testimony Against: Parent education is not a waiver program. It is a tuition equivalency program, and should be removed from the waiver limitation. Reducing the waiver of the nonresident fee for the military will not increase revenue. It will just cut out the military who are in Washington through no choice of their own. The community college Adult Basic Education Program should be removed from the waiver reduction. Federal funding restrictions do not permit the community colleges to charge any tuition for adult basic education courses. Graduate students are an essential part of the teaching and research structures of the universities. Any reduction in waivers for graduate students will hurt instruction and research.

Witnesses: (In favor): Representative Ken Jacobsen, co-sponsor; Dr. Samuel Smith, Washington State University; Dr. William Gerberding, University of Washington; Dr. James Pappas, Central Washington University; Dr. Les Purce, The Evergreen State College; Dr. George Durrie, Eastern Washington University; Terry Teale, Council of Presidents; Anne Daley, Higher Education Coordinating Board; Karen Davis, Washington Education Association; Barney Goltz, SBCTC; Joe Johnson, Clark Community College; Ed Command, Highline Community College; Kevin Dunn, Toni McKinley and Ken Lisaivs, Washington Student Lobby Panel; J.E.B. Stuart Thornton, Evergreen State College student; and Dan Brady, Highline College. (Opposed): Col. Rodney Chiapusio, United States Air Force; Keith Sherman, Veteran's Legislation Coalition; Doris Gross, The American Legion; Susan Leveridg, Janice Crosetti, Radene Hatfield and Vicki Pettigrew, Parent Education; Col. Alfred Isaac, U.S. Army; Janice Vance, U.S. Army; M. Kathleen Connolly, Association of Military Educators in Washington State; Leah Ritchie, U.S. Navy; Mike Stephenson, U.S. Navy; Doug Woods and Maureen Fluke, National Guard Association; Douglas Ely and Ted Keaton, Everett Community College students; Cheryl Falk, Yakima Valley Community College; Rachel Hidaka, SCEC; and Suzanne Griffin, SCTC.