

HOUSE BILL REPORT

HB 1603

As Reported By House Committee On:
Higher Education

Title: An act relating to higher education.

Brief Description: Reforming higher education tuition and financial aid.

Sponsors: Representatives Locke, Jacobsen, Quall, Shin, R. Johnson, Zellinsky, Pruitt, Carlson, Jones, Basich, Wang, Patterson, Thibaudeau, R. Meyers, Kessler, Bray, Campbell, Dorn, G. Fisher, Springer, Karahalios, Roland, Eide, Sheldon, Finkbeiner, Ogden, Orr, Wineberry, Voloria, Morris, Hansen and Wolfe.

Brief History:

Reported by House Committee on:
Higher Education, March 2, 1993, DPS.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Jacobsen, Chair; Brumsickle, Ranking Minority Member; Sheahan, Assistant Ranking Minority Member; Basich; Bray; Carlson; Casada; Flemming; Kessler; Mielke; Ogden; Orr; Rayburn; Shin; and Wood.

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.

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 was 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, about \$73,319,000 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 about \$16,000 per year. The amount of funding available for the Need Grant Program provided grants to about 19,800 low-income students during the 1992-93 academic year. The funding was not sufficient to fund about 18,200 additional low-income students who were eligible for a state need grant.

Summary of Substitute Bill:

TUITION: Tuition statutes are revised. 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 students at the four-year universities and the Evergreen State College. The percentage for students attending community colleges varies between 11 to 15 percent of total tuition.

Technical colleges will put 2.5 percent of the tuition and fees received from their students into an institutional long-term loan fund. Money in the fund will be used solely to make loans or provide other forms of assistance to needy resident students.

Undergraduate students will begin paying full tuition rates at 10 credit hours. Institutional governing boards may decrease tuition below statutory levels for most resident undergraduate students. At the four-year institutions, resident undergraduate students who have accumulated more than 130 percent of the credit hours required for their degree programs and postbaccalaureate students who are not enrolled in graduate or professional programs will pay resident graduate tuition rates. Governing boards cannot charge these students more than 40 percent of the per-student educational costs for graduate programs. In addition, within overall waiver limits, governing boards may waive the fees for students in these categories.

For a two-year period, Eastern Washington University may charge higher than statutory tuition rates to students enrolled in undergraduate programs in the allied health sciences. The fees may vary by program. Of the additional money, 40 percent will be deposited in the university's institutional long-term loan fund. It will be used to provide financial aid to needy resident students enrolled in those programs. The remaining funds will be used for program improvement. By January 1, 1995, the university will report on the impacts of the increased rates on program quality and access. The authority to charge these rates expires on June 30, 1995.

Boards may increase rates above minimum statutory levels for nonresident, graduate, law, and professional students. Rates for graduate, law, and professional programs may vary by program. Tuition rates for resident graduate and law students will not exceed 40 percent of the per-student educational cost for graduate programs. Of the additional money, 40 percent will be deposited in the institutional long-term loan fund. Those moneys will be used to provide financial aid for needy resident graduate, law, and professional students.

Tuition fees may vary by academic term. By July 1 of each year, the state Board for Community and Technical Colleges and the governing boards of the four-year institutions will set tuition rates for the upcoming academic year. They will report to the Higher Education Coordinating Board on those rates and on any steps taken to ensure that raising tuition above minimum rates does not keep resident graduate and professional students from obtaining an education.

TUITION RETENTION: Each institution of higher education will deposit operating fees into a local account that contains only those fees and any interest earned on the fees. However, 2.5 percent of the fees will continue to be deposited in each institution's long-term loan fund.

LEGISLATIVE INTENT: 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.

Intent language is included to indicate that resident students should not be displaced by nonresident students, and students with limited resources should not be adversely impacted as a result of these revised tuition policies. The Higher Education Coordinating Board is directed to annually report on the impact of these policies. The components of the report are described.

WAIVERS: Within overall statutory waiver limits, the limits are removed on the amount of money that colleges and universities may waive for needy students and students participating in gender equity programs in intercollegiate athletics. In addition, within overall statutory waiver limits, institutions may waive tuition for students who are paying graduate rates for undergraduate programs.

STATE APPROPRIATION RETENTION: Colleges and universities may retain unexpended state appropriations at the end of a biennium. However, before the money is spent in the next fiscal year, the institutions's governing board must adopt an expenditure plan. Suggested elements of the plan are described. The money cannot be used for promotions, the correction of salary inequities, or salary or enrollment increases above budgeted levels.

FINANCIAL AID: 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, 1995.

GOALS: The goals of College Promise include limiting debt for undergraduate students 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; 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. 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 graduate from 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 of 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. Financial aid officers may vary aid packages for individual students if necessary.

PROGRAM CHANGES: 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 1 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.

It is the intent of the Legislature to fully fund College Promise.

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

FINANCIAL AID COST STUDY: By January 1, 1994, the Higher Education Coordinating Board, in consultation with legislators and the institutions, will develop a detailed implementation plan and cost estimates for the expansion of the state's financial aid system. The elements of the plan are described. By June 30, 1994, the plan will be deemed to be approved unless legislation is enacted to alter the policies in the plan.

Substitute Bill Compared to Original Bill: Resident undergraduates who have accumulated more than 130 percent of the minimum credits needed for their degree programs and postbaccalaureate students will pay resident graduate tuition rates instead of nonresident undergraduate rates. Governing boards may waive tuition for these students. Governing boards may not increase tuition for resident graduate students to more than 40 percent of the per-student educational cost for graduate programs. Of the money raised through charging rates above minimum statutory levels, 40 percent will be used for financial aid for resident students. For two years, Eastern Washington University may charge tuition rates above statutory maximum levels for students in allied health sciences. Of the money raised, 40 percent must be used for financial aid for needy resident students in those programs. Within overall waiver limits, the revenue limits on waivers for needy students and students in gender equity intercollegiate athletic programs is removed. The Higher Education Coordinating Board will not approve institutional expenditure plans for savings

carried across biennial lines. Technical colleges will put 2.5 percent of tuition into an aid fund for needy resident students. Statutory formulas for funding financial aid are deleted. The First Generation Scholars Program will be focused on students whose parents did not graduate from college, and matching fund requirements for private institutions are revised.

Fiscal Note: Requested February 8, 1993.

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

Testimony For: The comprehensive changes embodied in this legislation will provide expanded educational opportunities for many low and middle-income students. Funding these changes will remove finances as a barrier to college. 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 and graduate students. The legislation approaches higher education financing in a comprehensive and coordinated fashion, clearly displaying the linkages between tuition and financial aid. The tuition and efficiency provisions increase institutional stability and management flexibility. 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: (Original bill): Students do not want governing boards to be given the authority to increase tuition and to retain tuition locally. The present tuition system provides better safeguards against tuition increases. Increasing tuition rates for postbaccalaureate students and undergraduate students who have accumulated more than five years worth of credit hours will pose a hardship for those students. Students should not be permitted to take state financial aid to pervasively sectarian institutions. The Higher Education Coordinating Board should not approve institutional expenditure plans.

Witnesses: (In favor): Rod Fleck, law student; George Durrie, Eastern Washington University; Mary Marcy, Central Washington University; Larry Ganders, Washington State University; Jennifer Jaech, The Evergreen State College; Sherry Burkey, University of Washington; Judy McNickle, Higher Education Coordinating Board; Parag Gheewala, Judy Nicastro, Eric Christensen and Gretchen Wippel, Washington Student Lobby; Steve Owens and Scott Johnson, Pacific Lutheran University; Lisa Mill, University of Puget Sound;

Tom Parker, Washington Friends of Higher Education; Trang Tran, Helen Miller and Darlene Tewault, St. Martin's College; Shannon Sweeny, Seattle University; and Terry Teale, Council of Presidents. (Opposed): Mark Sherman, Academic Common Market.