HOUSE BILL REPORT

HB 2605

As Reported By House Committee On:
Higher Education
Appropriations

Title: An act relating to higher education.

Brief Description: Changing higher education statutory relationships.

Sponsors: Representatives Jacobsen, Brumsickle, Dorn, Bray, Ogden, Dunshee, Pruitt and J. Kohl.

Brief History:
Reported by House Committee on:
Higher Education, February 3, 1994, DPS;
Appropriations, February 7, 1994, DP2S.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Jacobsen, Chair; Quall, Vice Chair; Brumsickle, Ranking Minority Member; Sheahan, Assistant Ranking Minority Member; Basich; Bray; Carlson; Casada; Finkbeiner; Flemming; Kessler; Mastin; Mielke; Ogden; Orr; Rayburn; Shin and Wood.

Staff: Susan Hosch (786-7120).

Background:

HIGHER EDUCATION COORDINATING BOARD

The Higher Education Coordinating Board's (HECB) purpose is to provide planning, coordinating, monitoring and policy analysis for the state's higher education system. The board has recommended and adopted a variety of higher education policies for the state. Most of those policies have been reviewed by the Legislature, and adopted either through statute or concurrent resolution. In addition, the board must review and recommend operating and capital budget requests for the state-supported baccalaureate institutions and the community and technical college system. The board has contracted with public institutions to provide upper division programs in the Port Angeles area. The board does not have the authority to contract with independent institutions.

HIGHER EDUCATION POLICIES

In 1988, by concurrent resolution, the Legislature adopted a goal that Washington's system of higher education would be among the five best in the country. The goal was never adopted in state law.

TUITION AND FEES

In Washington, tuition is established in statute as a fixed percentage of educational costs. The percentage varies according to type of student and type of institution attended. Institutional governing boards must charge students the tuition rate driven by that statutory formula. The boards may, however, vary the rates charged for services and activities fees, under an overall statutory fee limit. The boards may also charge special fees for special purposes. But, except for self-supporting programs, the boards do not have the authority to vary tuition by program, by campus, or by academic term.

Within an overall statutory revenue limit established for each four-year university and college and for the community college system as a whole, each institution may waive tuition and fees for students in about 35 waiver programs.

LAWS GOVERNING HIGHER EDUCATION BUDGETS AND SERVICE CONTRACTS

State institutions of higher education are subject to many laws and regulations governing the operations of all state agencies. The institutions must comply with the budget allotment and reserve procedures adopted by the Office of Financial Management. They must return to the state general fund any appropriated money that is not spent at the end of a biennium. In addition, by law, state agencies are required to create spending plans designed to use appropriated and non-appropriated money in a way that conserves the appropriated money. In addition, colleges and universities are restricted from contracting with people who are not state employees for certain types of services.

Summary of Substitute Bill:

HIGHER EDUCATION POLICY

Eight new state higher education policies are adopted.

State Funding Goals: By 2002, Washington's system of higher education and workforce training will be among the five best systems in the country in providing access and high quality programs to the state's citizens. By the same year, state funding per student, for students attending public colleges and universities will equal or exceed state funding at the 90th percentile of each institution's peers. Any increased funding needed to reach the goal will be phased over six years, beginning in the 1995-97 biennium.

Budget Policies: Beginning in the 1995-97 biennium, each four-year institution of higher education will receive the same amount of state general fund money as in the previous biennium, adjusted for inflation, one-time costs and other policy initiatives adopted by the Legislature. Most new enrollments will be reserved for resident students. The Legislature will adopt no salary restrictions and a minimum number of budget provisos for the four-year institutions.

Policies on Management Flexibility: Four-year institutions of higher education will be relieved from laws and rules governing state agencies if those laws inhibit effective management and the institutions meet other statutory accountability measures.

Policies on Competitive Grants: When selecting institutions to provide educational programs or services, the Higher Education Coordinating Board will consider public and independent institutions that offer the highest quality cost-effective program or service.

Financial Aid Policy: Washington residents who are prepared and who desire postsecondary education and training will not be denied an education due to their financial status.

MANAGEMENT FLEXIBILITY

If certain conditions are met, public colleges and universities may purchase, by contract, services that have historically been delivered by employees classified under the State Civil Service Law. The conditions: the institution must use a procurement process and must notify the affected union representative of its plans 30 days before initiating the process. The representative may offer alternatives to the proposed contract. If a contract results in the layoff of classified employees, it must result in cost savings or efficiencies or increased revenue in self-sustaining operations. And, the contract must provide a hiring preference for a laid-off employee, for one year following the layoff. Contractors must pay wages that are similar to the wages for similar work in the area. Contractors must provide health benefits that equal or exceed benefits under the basic health care act, unless the employees have health benefits from other sources. In addition, contracts must provide efforts that meet or exceed affirmative action employment goals and goals for participation by minority and women business enterprises.

The statutory requirement that agencies spend appropriated and non-appropriated funds in a way that conserves the appropriated funds does not apply to state institutions of higher education. Finally, the Office of Financial Management is directed to adopt a simplified allotment and reporting procedure for four-year institutions of higher education. The procedure may exempt the institutions from allotment controls required for public funds.

TUITION AND FEES AT THE FOUR-YEAR INSTITUTIONS

The four-year universities and colleges may charge program fees. The fees may vary by program, campus and student category. Beginning in the 1995-96 academic year, four-year institutions may increase the percentage of tuition dedicated to building fees.

Beginning in the 1995-96 academic year, each four-year institution of higher education may adjust tuition fees above or below current statutory rates under certain conditions. First, the institution must consult with students through a process adopted in rule. Next, the level of state appropriations per student must be below a percentile of the institution’s peers. In the 1995-96 academic year, the revenue must be below the 65th percentile of the peers. The percentiles increase by 5 percent per year until the 2000-01 academic year and thereafter, when the revenue must be below the 90th percentile of the peers. In any year, revenue per student from a combination of tuition, program fees and state appropriations cannot exceed revenue from the same sources for the peers at the percentile levels set for that year. If an institution adjusts tuition, tuition levels may vary by term, by student category, and by campus. Finally, if an institution exercises this authority, it must increase its contribution to its local financial aid fund from 2 1/2 percent to 5 percent of revenue collected from tuition, services and activities fees.

Residency statutes are revised to permit the spouse and dependents of Washington residents in the miliary or civil service of the country to retain the ability to pay resident tuition rates if they return to the state within one year of discharge from the service.

Tuition waiver laws are revised. Within the overall limits placed on all waiver programs, "internal" limits placed on certain waiver programs are removed. Within overall waiver limits, there will be no limit on the amount of revenue that may be used to assist needy students or other students at four-year institutions, except on the basis of intercollegiate athletics. Also within the overall waiver limits, no limit is placed on the number of international students that may receive waivers at four-year institutions. Finally, the requirement is removed that students on a one year exchange program must attend comparable institutions and must be upper division students.

HIGHER EDUCATION COORDINATING BOARD

The Higher Education Coordinating Board will establish and revise a set of peer institutions for each four-year institution of higher education and for the community and technical college system as a whole.

The board will develop and submit a budget to the Governor and the Legislature for the higher education system as a whole. The budget submitted by the board will be separate from the budgets submitted by each four-year institution and the State Board for Community and Technical Colleges.

The board may contract with independent colleges and universities under certain conditions. The conditions: the contract is the most cost-effective way of providing a service to resident students in a particular locality; only resident students will be served; tuition for the service is comparable to tuition at state institutions; the content of the program does not contain any religious or sectarian instruction; and the contract has been approved by the Attorney General. Participation is limited to independent institutions that are located in the state, are accredited by the Northwest Association of Schools and Colleges or by an accreditation association recognized by the board. Participation institutions cannot be pervasively sectarian, and cannot restrict entry or employment on the grounds of race, gender, religion or disability.

Substitute Bill Compared to Original Bill: Community and technical colleges will be included in the state policy goal of funding institutions at the 90th percentile of peer institutions. Bid limits on facility projects costing $25,000 or more will not be removed; language is removed that directs the HECB to receive and distribute state funding for new four-year enrollments, new programs and most new policy initiatives. Community and technical colleges are permitted to contract for services formerly provided by classified employees. Laid-off employees will have a hiring preference for one year, union representatives will be notified, affirmative action goals and goals for contracting with women and minority businesses must be preserved. The HECB will retain its current authority to approve new programs, off-campus programs and facilities, campus service areas and guidelines for centers and consortia.

Fiscal Note: Requested January 19, 1994.

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

Testimony For: State government is entering an era of constrained resources. During this era, the challenge to colleges and universities is how to maintain quality and increase access to residents who need the education, credentials, training and retraining provided by state colleges and universities. The tools provided through this legislation will significantly enhance the ability of institutions to meet the challenge. It provides flexibility, decentralized management with accountability and gives the institutions the ability to adjust tuition levels if state funding is insufficient to fund programs and services. It provides incentives for saving state and student funds and provides a means for creating a reserve fund that may be used in fiscally lean times. It removes some of the bureaucratic restrictions that are used to micromanage institutions. It contains an ambitious funding goal and reaffirms the state’s commitment to have one of the best higher education systems in the country.

Testimony Against: Institutions should not contract for services that historically have been provided by public employees. The Legislature should be cautious about enacting this provision because this topic is under consideration in other bills before the Legislature. The level of tuition charged at public colleges and universities is an important element of the state’s education policy. The state’s elected policymakers, the Legislature, should retain control over the formula that drives those tuition rates. Before the state departs from current tuition policies and permits institutions to charge program fees, more study is needed. Any new policy should protect a student’s ability to plan for future tuition costs. Current laws governing bid limits for facility projects costing $25,000 should remain unchanged (original bill). The role of the HECB should remain unchanged (original bill).

Witnesses: Craig Cole, Western Washington University; Scott Morgan, State Board for Community & Technical Colleges; George Durrie, Eastern Washington University; Tom George, Washington State University; Wayne Clough, University of

Washington; Tom Parker, Association of Individual Colleges & Universities; Mary Marcy, Central Washington University; Larry Richardson, Council of Faculty Representatives; Kelly Egan and Robert Edie, University of Washington; Duke Schaub, Associated General Contractors; Dick Ducharine, Utility Contractors Association (all pro); Gary Moore, Washington Federation of State Employees; Randy Parr, Washington State Council; Jennifer Jaech, The Evergreen State College; and Dan Steele and Heather Flodstrom, Washington Student Lobby (concerns).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 24 members: Representatives Sommers, Chair; Valle, Vice Chair; Carlson; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Foreman; Jacobsen; Lemmon; Linville; H. Myers; Peery; Rust; Sehlin; Sheahan; Stevens; Talcott; Wang and Wineberry.

Minority Report: Do not pass. Signed by 1 member: Representative Wolfe.

Staff: Sherie Story (786-7142).

New Background Information:

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. Since 1977, funding for state programs has been guided by legislative intent language in statute. The language indicates that an amount that equals or exceeds 24 percent of the revenue from tuition increases at public colleges and universities should be added to financial aid programs funded from the general fund.

At the time the 24 percent intent language was adopted, about 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 climbed to more than 40 percent when full-time resident students at private institutions were included. With the revision of federal financial aid eligibility requirements, the percentage of students receiving assistance is expected to continue to climb.

During the 1993-95 biennium, $126.3 million was appropriated for student financial aid programs. Most of the funds are used to support the state need grant and work study programs. The maximum family income for a family of four of students aided by the need grant program is about $22,000 per year. During the 1993-94 academic year, about 38,000 low income students will receive assistance through the program. In addition, about 7,700 will be assisted in the work study program.

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Higher Education: The language introducing eight policies is changed to introducing eight goals. The method for determining the percentage upon which the building fee will be based is clarified. The amount governing boards of higher education institutions can raise tuition is limited to no more than 10 percent above the amounts charged to students in the previous academic year. The institutions are required to provide notice of changes in tuition at least 60 days before the term in which the tuition change is to occur.

A restructured state system of financial aid named College Promise is added. College Promise will begin in the 1996-97 year. Under College Promise: a student classification system and an assistance mix goal based on median family income are adopted and described; home equity and a reasonable portion of savings and farm and business net worth are sheltered, each as permissible by federal law; the aid process is simplified and other goals are described; and the HECB may design a pilot program to assist needy students whose parents did not complete college. By January, 1995, the HECB will report to the Legislature with an implementation plan for College Promise. Funding goals for College Promise are described. The HECB will, each even-numbered year, report the amount necessary to fully fund six state aid programs. The 24 percent intent language used to guide the Legislature in determining funding increases to state aid programs is repealed. Requirements for private institutions are added.

Fiscal Note: Available. New fiscal note requested for second substitute on February 9, 1994.

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

Testimony For: This bill provides the kind of flexibility in both management and funding of institutions that will be needed to face an era of limited resources but increasing demand for higher education. The Council of Presidents does not have a consensus position on this bill, but wants to go on record in conceptual agreement with the direction this bill takes in providing more management flexibility and placing important funding issues on the table for discussion. All of the institutions support the contracting out provision contained in this bill and do not support the contracting out language proposed by the Governor's Task Force on Civil Service Reform. All of the institutions support the provision allowing retention of savings in tuition accounts. Most of the four-year institutions support the change to local tuition rate setting authority, but The Evergreen State College does not.

Testimony Against: The Legislature should continue to determine the level of tuition at public institutions as they are elected policymakers and responsive to student constituents. The Governor's Task Force on Civil Service Reform proposed legislation that includes proposals on both contracting out and collective bargaining. The Legislature should consider these topics together, not separately as in this bill. If the institutions are given authority to raise tuition, this should be accompanied by sufficient notice to allow students to plan.

Witnesses: Terry Teale, Council of Presidents; Bob Edie, University of Washington; Al Froderberg, Western Washington University; Larry Ganders, Washington State University (all pro); Steve Lindstrom, Washington Student Lobby (concerns); Gary Moore, Washington Federation of State Employees; and Eugene St. John, Washington Public Employees Association (con, contracting out section).