

HOUSE BILL REPORT

HB 1094

As Reported By House Committee On:
Higher Education

Title: An act relating to class availability at institutions of higher education.

Brief Description: Authorizing contracts between institutions of higher education and students to ensure availability of courses offered in sequences.

Sponsors: Representatives Orr, Jacobsen, Brumsickle, Rayburn, J. Kohl, Brough, Van Luven, Karahalios, Kessler, Silver, Quall, Miller and Springer.

Brief History:

Reported by House Committee on:
Higher Education, February 26, 1993, DPS.

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; J. Kohl; Mielke; Ogden; Orr; Rayburn; Shin; and Wood.

Staff: Susan Hosch (786-7120).

Background: Public institutions of higher education sometimes enter into cooperative arrangements with independent institutions or organizations that can provide courses of benefit to students attending the institutions. One example: the University of Washington has a cooperative arrangement with the Pacific Coast Banking School.

The Pacific Coast Banking School provides graduate level courses for students interested in the banking industry. The courses are offered during the summer on the University of Washington campus. Students are permitted to stay in dormitories at the university while they take the courses. The dean of the university's School of Business Administration is automatically offered a seat on the banking school's governing board. And, the university

accepts the credits granted by the Pacific Coast Banking School.

The Pacific Coast Banking School has not paid business and occupation taxes on the tuition paid by its students. However, an audit by the Department of Revenue determined that the school did not fall under the current statute that exempts tuition fees from the business and occupation tax.

Under the statute, "tuition fee" includes library, laboratory, health service, other special fees, and amounts charged for board and room for students and faculty at an "educational institution." However, an "educational institution" is limited to one that is either created or accredited by the state, or is a degree-granting institution meeting a number of specific requirements, including accreditation by the United States secretary of education. The Pacific Banking School does not fall into any of the statutory definitions of "educational institution."

Summary of Substitute Bill: Institutions of higher education may co-sponsor educational programs with nonprofit corporations. Under certain conditions, tuition fees for educational programs that are co-sponsored by an educational institution and a nonprofit corporation are exempt from business and occupation taxes. Tuition fees include fees for libraries, laboratories, health service, other special fees, and amounts charged for board and room for students and faculty.

In order to be eligible for the exemption, the nonprofit corporation must meet the requirements of section 501 (c) (3), of the federal Internal Revenue Code. In addition, the co-sponsoring educational institution must accept or grant college credits for the coursework completed through the program offered by the nonprofit corporation.

Substitute Bill Compared to Original Bill: Institutions of higher education may co-sponsor educational programs with nonprofit corporations instead of offering course sequencing contracts to interested students. The tuition, fees, and room and board for these educational programs will be exempt from business and occupation taxes.

Fiscal Note: Not requested.

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

Testimony For: (Original bill): The concept of permitting students to sign contracts with colleges to complete degrees within a given time period has some intriguing aspects.

Testimony Against: (Original bill): If either colleges or students do not meet the terms of the contracts, an adversarial relationship may develop. There are many reasons why colleges are not able to offer classes as often as some students desire. Permitting some students to progress through school at a rate faster than other students may create inequities.

Witnesses: (Pro and con): Louie Lallas, Western Washington University.