

HOUSE BILL REPORT

HB 2528

As Reported By House Committee On:
Higher Education

Title: An act relating to higher education.

Brief Description: Enacting college promise.

Sponsors: Representatives Jacobsen, Bray and Sheldon.

Brief History:

Reported by House Committee on:
Higher Education, February 1, 1994, DPA.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended. Signed by 13 members: Representatives Jacobsen, Chair; Quall, Vice Chair; Basich; Bray; Carlson; Finkbeiner; Flemming; Kessler; Mastin; Ogden; Orr; Rayburn and Shin.

Minority Report: Do not pass. Signed by 5 members: Representatives Brumsickle, Ranking Minority Member; Sheahan, Assistant Ranking Minority Member; Casada; Mielke and Wood.

Staff: Susan Hosch (786-7120).

Background:

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, 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, about \$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.

INITIATIVE 601: Without prior legislative approval, Initiative 601 prohibits any fee to increase by a percentage in excess of the fiscal growth factor. The terms "fee" and "legislative approval" are undefined.

Institutions of higher education charge many fees. These include dormitory fees, dining hall fees, computer fees, lab fees, and health fees. Governing boards of the institutions are permitted to levy and adjust these fees as needed.

Tuition fees are determined by a statutory formula that charges students a percentage of the cost to the state of their education. The process for establishing educational costs is determined by the Higher Education Coordinating Board (HECB), in consultation with the institutions, the Office of Financial Management, and various legislative committees.

Governmental attorneys are unsure which of these fees would be subject to the fee restrictions in Initiative 601.

Summary of Amended Bill:

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 in the 1996-97 academic year.

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 is to provide 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. 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. 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 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: In the need grant program, the HECB 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 30 of each even-numbered year, the HECB 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, 1995, the HECB, 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, 1995, the plan will be deemed to be approved unless legislation is enacted to alter the policies in the plan.

INITIATIVE 601: The fee restrictions in Initiative 601 do not apply to state colleges and universities.

Amended Bill Compared to Original Bill: The implementation of college promise is delayed one year, beginning in the 1996-97 academic year instead of the 1995-96 academic year. In addition, the board will report on the costs to fully fund the program by September 30 instead of September 1 of each even numbered year.

Fiscal Note: Available.

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

Testimony For: College promise creates a safety net for low and middle-income students from needy families. These students are having a tougher time than in the past receiving aid because federal financial aid programs are increasingly underfunded. The pilot program for first generation college students will assist institutional efforts to enroll students from immigrant, minority, and low-income backgrounds. As educational costs increase, the availability of financial aid may be the only access gate for many low and middle-income students.

Testimony Against: None.

Witnesses: Alberta May, State Board for the Community & Technical Colleges; Kate Bligh, Tacoma Community College; Bob Russell, South Seattle Community College; Todd McGee, Washington Student Lobby; and Shirley Ort, Higher Education Coordinating Board (all pro).