

SENATE BILL REPORT

ESHB 1603

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 5, 1993

**Brief Description:** Reforming higher education tuition and financial aid.

**SPONSORS:** House Committee on Higher Education (originally sponsored by 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, Veloria, Morris, Hansen and Wolfe)

HOUSE COMMITTEE ON HIGHER EDUCATION

HOUSE COMMITTEE ON APPROPRIATIONS

SENATE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Bauer, Chairman; Drew, Vice Chairman; Jesernig, Prince, Quigley, Sheldon, von Reichbauer, and West.

**Staff:** Jean Six (786-7423)

**Hearing Dates:** March 24, 1993; March 29, 1993; March 30, 1993

SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Jesernig, McDonald, Moyer, Niemi, Quigley, Snyder, West, and Williams.

**Staff:** Linda Brownell (786-7715)

**Hearing Dates:** April 5, 1993

**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 institutional accounts in the treasury.

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:**

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 10 to 14 percent of total tuition.

Technical colleges will put 2.5 percent of the tuition and fees received from their students into a financial aid fund. Money in the fund will be used solely to provide assistance to needy students. If funding for this aid is not provided in the operating budget by June 30, 1993, this financial aid fund will be null and void.

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, institutions may waive tuition for students who are paying graduate rates for undergraduate programs.

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.

**SUMMARY OF PROPOSED HIGHER EDUCATION AMENDMENT:**

The tuition provisions of the bill are eliminated. The "College Promise" provisions regarding financial aid remain.

Tuition refund policy now conforms to provisions of the recently reauthorized federal Higher Education Act.

**SUMMARY OF PROPOSED WAYS & MEANS AMENDMENT:**

The "College Promise" financial aid elements will be studied by the Higher Education Coordinating Board.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested

**TESTIMONY FOR (Higher Education):**

The state has a good financial aid distribution system; however, there is not enough money to distribute. Financial aid and tuition should be linked. The state currently subsidizes all students without regard to need; that is the result of a low-tuition policy. Students in private institutions are entitled to financial aid; the privates are a part of the state's higher education system.

College Promise complements the work of the Higher Education Coordinating Board. Limiting debt is valuable goal. Students will be required to receive aid not less than 50 percent self-help. Distribution of information about college costs and financial aid availability must be early enough so that students do not opt out too early from a college education.

Living expenses are a significant factor in the cost of attendance.

**TESTIMONY AGAINST (Higher Education):** None

**TESTIFIED (Higher Education):** PRO: Representative Gary Locke, prime sponsor; Representative Ken Jacobsen, sponsor; Shirley Ort, John Klacik, HECB; Helen Miller, St. Martins; Jeff Wofford, UPS; Trang Tran, St. Martins; Scott Morgan, SBCTC; Dan Steele, WSL; Terry Teale COP; Eric Godfrey, UW; Larry Ganders, WSU; Gretchen Whipple, CWU

**TESTIMONY FOR (Ways & Means):**

Tuition increases must be linked to financial aid. Support was expressed for fully funding currently eligible students first, and as funds expand to grant more aid to middle-income students. Washington State needs a significant increase in financial aid programs, which is an important element in attending higher education institutions.

**TESTIMONY AGAINST (Ways & Means):** None

**TESTIFIED (Ways & Means):** PRO: Dan Steele, WA Student Lobby;  
Terry Teale, Sherry Burkey, COP, UW; Alberta May, SBCTC