

HOUSE BILL REPORT

HB 1909

As Reported By House Committee On:
Higher Education
Appropriations

Title: An act relating to higher education fiscal matters.

Brief Description: Changing higher education tuition and financial aid.

Sponsors: Representatives Carlson, Jacobsen and Goldsmith.

Brief History:

Committee Activity:

Higher Education: 2/7/95, 2/9/95, 2/10/95, 2/14/95 [DPS];

Appropriations: 2/27/95, 3/21/95 [DP2S(w/o sub HE)].

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Carlson, Chairman; Mulliken, Vice Chairman; Jacobsen, Ranking Minority Member; Mason, Assistant Ranking Minority Member; Blanton; Delvin; Goldsmith; Mastin and Sheahan.

Minority Report: Without recommendation. Signed by 1 member: Representative Benton.

Staff: Susan Hosch (786-7120).

Background:

TUITION FEES: In Washington State, tuition is made up of two components: building fees and operating fees. Building fees provide part of the funding for repairs, renovations, and new facilities. Operating fees are used to provide part of the funding needed for instruction and institutional operations. Tuition rates are determined by a statutory formula based on a fixed percentage of educational costs. The percentage varies according to type of student and type of institution. Tuition rates are based on the cost to the institution of educating that type of student two years previously. Institutional governing boards must charge students the tuition rate driven by that statutory formula. Although tuition rates vary by a student's residency category and status as an undergraduate, graduate or professional student, tuition rates

are uniform for students in those categories who attend one of the research universities. They are also uniform for students attending regional institutions and for students attending community colleges.

During the 1995-96 academic year, tuition rates for undergraduate students at all institutions will decrease. The decreases will range from 3 percent to 5.3 percent. Rates for graduate students at the comprehensive institutions will decrease almost 21 percent. The decreases will result in a revenue loss to the institutions of about \$13 million during the 1995-97 biennium. During the 1995-96 academic year, tuition rates for graduate and professional students at the research universities will increase by 3.2 percent. During the 1996-97 academic year, tuition rates for all students will increase. The increases will range from 1.8 percent to 4.2 percent.

OFFSETS: Under current law, the revenue that institutions are expected to receive from operating fees is subtracted from the amount of state general fund moneys they receive from the state.

OTHER FEES: Governing boards may vary the rates charged for services and activities fees. Annual increases to services and activities fees cannot exceed the percentage increase in resident undergraduate tuition rates. The boards may also charge special fees for special purposes. Governing boards do not have the authority to charge different tuition rates for undergraduate students who take more than the average number of credits needed to obtain a baccalaureate degree. Although the boards may charge laboratory fees, they do not have explicit authority to charge program fees.

FINANCIAL AID: Needy Washington State residents attending accredited Washington State 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.

Needy students attending public colleges are eligible to receive aid from two institutional sources. Aid may be provided from a fund into which the institutions put 2.5 percent of the revenues from tuition and fees. Institutions may provide tuition

and fee waivers to needy resident students. However, the amount of revenue that an institution may use for these waivers is limited by law. Baccalaureate institutions may use up to 4 percent and community colleges may use 3 percent of tuition and fee revenue to assist needy students. Technical colleges do not have either of these local aid programs.

Summary of Substitute Bill:

TUITION FEES: Tuition rates paid by students during the 1994-95 academic year become the base rate for any future tuition adjustments. Beginning on July 1, 1995, institutional governing boards may increase tuition above these rates as follows:

1. For resident undergraduate students and other resident students who are not enrolled in graduate study or professional programs, a maximum of 10 percent each year;
2. For resident graduate and law students and students enrolled in programs leading to the degrees of doctor of medicine, doctor of dental surgery, and doctor of veterinary medicine, a maximum of 20 percent each year;
3. For nonresident students in any tuition category, a maximum of 30 percent each year.

Governing boards may not increase tuition for resident students in any tuition category more than the percentage increase for nonresident students in the same tuition category. In addition, governing boards may not increase tuition for resident undergraduate students more than the percentage increase for students in any other category.

The State Board for Community and Technical Colleges will adopt guidelines for any community college rate increases. The guidelines may permit the increases to vary among institutions.

OFFSETS: It is the intent of the Legislature that an institution's general fund-state appropriation not be reduced by revenue received from future tuition increases.

EXCESS CREDIT SURCHARGES: Governing boards at the baccalaureate universities and colleges may collect a surcharge from certain students who have accumulated more than the number of the credits necessary to complete the students' degree programs. There are three different thresholds that may trigger the surcharge. Students who have accumulated more than 115 percent of the credits necessary to complete their degrees may be assessed the surcharge. The threshold is 125 percent for students who transfer from a community college with an associate degree. The threshold is also 125 percent for students who transfer from a private

institution or an institution outside the state, if those students have accumulated 45 or more credit hours at those institutions.

Excess credit surcharges are limited to resident undergraduates and other resident students who are not enrolled in graduate or professional programs. Governing boards must exempt from the surcharge students who are required to take continuing education credits as a condition of licensure or state law. The surcharges are not considered as part of tuition.

State general fund support will not be provided for most resident undergraduate students and other resident students who are not enrolled in graduate or professional programs once those students have accumulated more than 150 percent of the credits necessary to achieve a baccalaureate degree. This prohibition does not apply to students who must take continuing education classes for licensure or under state laws.

PROGRAM FEES: Baccalaureate institutions may charge program fees in up to three degree programs. The fees may differ by program. The basis for the fee may be the high cost of offering the program, or higher tuition charged for that type of program at peer institutions, or other unique characteristics associated with the program. The program fees are not considered part of tuition.

NONRESIDENT ENROLLMENT POLICY: A new state policy is adopted on nonresident student enrollments. Baccalaureate institutions and the community and technical college system as a whole will maintain or improve their ratio of resident to nonresident students. No state general fund support will be provided for nonresident students above the ratio. However, additional nonresident students may be served without state support, at the option of the institutions.

FINANCIAL AID: An institution may deposit more than 2.5 percent of tuition and fees into its institutional financial aid fund. Tuition waiver laws are revised. Within the overall limits placed on all waiver programs, the "internal" limit placed on waiver programs for needy students is removed. Therefore, institutions may use any amount of their waiver authority to assist needy students.

FINANCIAL AID GOALS: The Legislature intends to restructure the state's financial aid system. The restructured system will be known as college promise. Funding levels for the state's system of financial aid are subject to available funds.

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.

The goals of the restructured aid system become effective on July 1, 1997. By January 1, 1997, the Higher Education Coordinating Board will develop a detailed implementation plan, and will report to the Legislature the amount of funding that would be necessary to fully implement the goals. The goals will take effect unless the Legislature repeals or modifies them.

TECHNICAL CHANGES: Statutes are repealed that base tuition rates on a percentage of educational costs. Current statutory language governing building fees rates are moved to the statute on building fees. Statutes defining and limiting governing board authority over services and activities fees are moved to the statute governing services and activities fees. The requirement is repealed that tuition rates must be identical at both research universities, at all comprehensive institutions and at all community colleges. The statute is also repealed that requires the Higher Education Coordinating Board to transmit tuition rates to each institution annually. Definitions are adopted for state college and first professional programs.

Substitute Bill Compared to Original Bill: The nonresident enrollment policy will apply to the community and technical college system as a whole. An intent section is added. Technical changes are made.

Appropriation: None.

Fiscal Note: Requested on February 15, 1995.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect July 1, 1995, except for section 203, relating to the restructured financial aid system, which takes effect July 1, 1997.

Testimony For: State government is entering an era of constrained resources. During this era, colleges and universities will be challenged to increase access and maintain quality, possibly without the same level of public funding per student that they have enjoyed in the past. In order to successfully navigate through this era, colleges and universities need decentralized management tools that provide flexibility and encourage local responsibility. Local tuition setting authority is one of those important tools. Permitting institutions to impose excess credit surcharges on a small

number of loitering students may also be helpful. Tuition rates in Washington's universities are below peer averages in several tuition categories. And, those rates are far below the rates in private colleges and universities. In this new era, those rates may need to rise as students are asked to assume an increased share of the cost of their education. Any tuition increases should not result in a decreased amount of state support to the institutions those students attend.

As tuition and other educational costs increase, financial aid programs become even more crucial in ensuring access to low and middle income students. Providing more locally based sources of financial aid would assist colleges in their efforts to meet the needs of their students. Raising the lid on need-based waivers, and providing more money to the 2.5 percent aid fund are some of those local financial aid tools.

Testimony Against: The level of tuition charged at public colleges and universities is an important element of the state's education policy. The state's elected policy makers, the Legislature, should retain control over the formula that drives those tuition rates. Tuition models based on high tuition, high financial aid do not work well for some students, especially community college students. Before the state departs from current tuition policies and permits institutions to charge program fees, more study is needed. No policy should be adopted that shifts the cost of higher education from the state to students and their parents. In addition, no policy should be adopted that pits students against faculty. Any new policy should protect a student's ability to plan for future tuition costs. Requiring or permitting institutions to levy a surcharge on excess credits may hurt students who transfer from community colleges.

Testified: Scott Morgan, Tom Mairs, and Lupe Barkas, State Board for Community and Technical Colleges (described community colleges tuition and financial aid principles and areas of concern); Craig Cole, Western Washington University trustee (supports giving trustees tuition setting authority); Richard Adamson (concerns with excess credit surcharge); Paul Locke (opposed to state support of higher education); Johan Hellman, Brad Boswell, and Dan Nicklaus, Washington Student Lobby (oppose shift of tuition setting authority to schools, and support increase in state need grant and work study funding); Elson Floyd, Higher Education Coordinating Board (described HECB tuition proposal); Ron Dear, Chair of University Faculty Senate (favors local control, with legislative oversight); Terry Teale, Council of Presidents; Martha Lindley, Central Washington University; Sherry Burkee; University of Washington; George Durrie, Eastern Washington University; and Larry Ganders, Washington State University (described tuition, fee, and financial aid principles and supported local tuition setting authority); Kim Merriman, Evergreen State College (opposes local tuition rate setting authority); Vaughn Sherman, Edmonds Community College trustee (opposes local tuition rate setting authority); Hugh Fleetwood, Washington State University Council of Faculty Representatives (supports local tuition setting authority); Wendy Rader-Konalfalski, Washington Federation of Teachers

(concerns with local tuition setting authority); and Maika Hall, University of Washington Graduate and Professional Student Senate (concerns).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Higher Education. Signed by 16 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Beeksma; Brumsickle; Carlson; Cooke; Crouse; Hargrove; Hickel; Lisk; McMorris; Sehlin; Sheahan and Talcott.

Minority Report: Do not pass. Signed by 12 members: Representatives Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Chappell; Dellwo; G. Fisher; Jacobsen; Lambert; Poulsen; Rust; Thibaudeau and Wolfe.

Staff: Jennifer Priddy (786-7118).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Higher Education: For research universities, regional universities, and community colleges, the 1995-97 biennium base tuition rates will increase 5 percent. Institutions are given authority to levy an annual tuition surcharge of up to 20 percent for resident graduate and first professional students and up to 30 percent for nonresidents.

Beginning with the 1997-98 academic year, base tuition rates shall be set as a percent of educational costs, with the percent established in statute. However, if educational costs increase less than 4 percent, then base tuition fee rates shall increase at least 4 percent over the base tuition fees of the previous year. If educational costs increase at a rate greater than 6 percent, base tuition fee rates will increase no more than 6 percent. Institutions may levy a surcharge of up to 10 percent for resident undergraduates, 20 percent for resident graduates, and 30 percent for nonresidents.

For The Evergreen State College (TESC), the 1995-97 biennium base tuition rates shall be set as a percent of TESC educational costs, with the percent established in statute. Beginning in the 1996-97 academic year, if educational costs increase less than 4 percent, then base tuition fee rates shall increase at least 4 percent over the base tuition fees of the previous year. If educational costs increase at a rate greater than 6 percent, base tuition fee rates will increase no more than 6 percent.

Beginning with the 1997-98 academic year, TESC may levy an annual surcharge of up to 10 percent for resident undergraduates, 20 percent for resident graduates, and 30 percent for nonresidents.

State general fund appropriations to institutions will be reduced to offset an increase in base tuition revenue. State general fund appropriations will not be reduced to offset an increase in surcharge tuition revenue.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect July 1, 1995, except for section 203, relating to the restructured financial aid system, which takes effect July 1, 1997.

Testimony For: None.

Testimony Against: Institutions are opposed to the mandatory tuition increase and a General Fund-State reduction to offset an increase in tuition revenue. Institutions need flexibility regarding undergraduate resident tuition. The tuition increases for The Evergreen State College are excessive. The increases will drastically limit access and punish students.

Testified: (Against) Mica Hall, University of Washington; Terry Teale, Council of Presidents; Les Purce, The Evergreen State College; and Bob Edie, University of Washington.