

# HOUSE BILL REPORT

## E2SSB 5927

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### As Reported By House Committee On:

Higher Education  
Appropriations

**Title:** An act relating to higher education.

**Brief Description:** Changing higher education financing.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Wood, Bauer, Winsley, Kohl, Sheldon, Hale, Prince, Patterson and West).

### Brief History:

#### Committee Activity:

Higher Education: 3/28/97, 4/1/97 [DPA];

Appropriations: 4/5/97 [DPA(HE)].

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### HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** Do pass as amended. Signed by 8 members: Representatives Carlson, Chairman; Radcliff, Vice Chairman; Mason, Ranking Minority Member; Kenney, Assistant Ranking Minority Member; Butler; Dunn; O'Brien and Sheahan.

**Staff:** Suzi Morrissey (786-7120).

**Background:** Throughout the country, there are three basic tuition and fee governance models. In the majority of states, governing boards determine tuition rates at public colleges and universities. In those states, the impact of the Legislature on tuition rates is important but indirect. Often the rates are determined in conjunction with budget negotiations. In some states, the coordinating board determines tuition rates or an acceptable band within which governing boards may set rates. Washington is one of a handful of states in which the Legislature, through statute, determines tuition and fee levels at most public colleges and universities. The sole exception is found at the technical colleges where the boards of trustees determine tuition and fees rates.

From 1981 until 1995, tuition rates were determined by statute as a percentage of educational costs. From 1982 to 1993, resident undergraduates paid 33.3 percent of their educational costs at research universities, 25 percent at regional institutions, and 23 percent at community colleges. The percentages for graduate, professional, and

nonresident students varied by sector and by student category. In 1993, the percentages for all students were significantly increased. In 1995, the laws governing tuition rates were repealed and tuition rates were adopted as a dollar amount in law for the 1995-97 biennium. Unless the 1997 Legislature adopts a tuition policy, Washington's public baccalaureate institutions and community colleges will have no means to collect tuition from students during the 1997-98 academic year.

**Summary of Amended Bill:**

During the 1997-99 biennium:

The governing boards of the baccalaureate institutions may adjust tuition annually by a maximum rate for students in each tuition category. The maximum annual adjustment for nonresident students and graduate and first-professional students will be 10 percent. The maximum annual adjustment for resident undergraduate students will be the five-year rolling average of per capita personal income, rounded up to the nearest whole number. The per capita personal income percentage will be the one reported by the State Forecast Council in their even-year September forecast. In addition, the boards may vary tuition rates by academic term and by individual graduate and law programs. Tuition rates for individual graduate and law programs may be adjusted by a maximum of 10 percent each year.

The State Board for Community and Technical Colleges may adjust tuition annually for the community colleges as a whole by the same maximum rate in effect for the baccalaureate institutions. The state board may adopt different tuition rates by academic term for the community colleges as a whole.

If an institution increases tuition more than 5 percent for any tuition category or for any graduate or law program, the institution must use 10 percent of the revenue received from the difference between a 5 percent increase and the actual increase to help needy resident students in that category or graduate or law program.

State funding for higher education will not be affected as a result of tuition adjustments that differ from the level of the implicit price deflator reported by the State Forecast Council in its November 1996 forecast.

During the 1997-99 biennium and beyond:

Baccalaureate institutions may levy an excess credit surcharge on resident undergraduate students who have accumulated more than 125 percent of the credits necessary to complete the students' degree programs. The amount of the surcharge may vary by credit or percentage or may be based on special circumstances. The surcharge cannot exceed 25 percent of tuition rates for resident undergraduate

students. Students who must take additional credits as a condition of licensure or state law are exempt from the surcharge.

The Legislature intends to increase state funding for financial aid programs. The Legislature intends to appropriate to state financial aid programs an amount that equals or exceeds 30 percent of the revenue from tuition increases.

The building fee portion of tuition will be calculated as a percentage of total tuition.

**Amended Bill Compared to Engrossed Second Substitute Bill:** Tuition rates will not be: (1) determined by the Legislature; (2) tied to a percentage of an undergraduate student's educational costs; (3) automatically increased by the lower of 4 percent or the rise in per capita personal income; or (4) changed by the Legislature through the budget act. The method for determining tuition rates will not extend beyond two years. New tuition categories are not created for students in programs leading to advanced degrees in law and business administration at the University of Washington. A state policy that would describe a method for funding new enrollments is not adopted, and a new policy for withholding funding until certain accountability measures are achieved is not adopted; the tuition and fee policies in the amended bill replace these policies.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** (Original Bill) The policies contained in the bill were adopted in consultation with students, staff from institutions and state agencies, and members of the Senate. Its development was a model of collaborative efforts. The state's tuition policy should drive rates that are predictable, stable, and affordable. The policies contained in this legislation meet all three tests. In addition, they ensure that the state does not shift any more of the burden of paying for higher education onto the backs of students. The bill permits some flexibility in adopting different tuition rates at different institutions with the consent of the Legislature. The enrollment funding policies ensure that the state keeps up with the demand for higher education while fully funding new enrollments at public colleges and universities. The caseload funding approach will ensure that higher education does not remain the state's budget balancer. In addition, the legislation provides the institutions with strong incentives to meet state accountability targets.

(Concerns with original bill) Students are troubled by the creation of new tuition categories for students enrolled in programs leading to advanced degrees in law and

business administration at the University of Washington. They are also troubled by policies that might lead to different tuition rates among similar types of institutions.

**Testimony Against:** (Original Bill) The legislation sets up a higher education entitlement program. It locks in automatic tuition increases that are not related to the cost of, or the demand for, higher education. It freezes in place an unexamined and indefensible ratio of tuition to instructional cost. It does not permit institutions to adjust tuition rates to meet local demand or local challenges, and it will drive spending increases that the state may not be able to afford.

**Testified:** Senator Jeanette Wood, prime sponsor (pro original bill); Representative Tom Huff (con original bill); Susan Patrick, Higher Education Coordinating Board (pro original bill); Amit Ranade (pro original bill with concerns); Scott Morgan, State Board for Community and Technical Colleges (pro original bill); George Durrie, Eastern Washington University (pro original bill); Larry Ganders, Washington State University (pro original bill); Lambert van der Walde, University of Washington (pro original bill); Kim Merriman, The Evergreen State College (pro original bill); and Judy McNickle, Western Washington University (pro original bill).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended by Committee on Higher Education. Signed by 16 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; Carlson; Cooke; Crouse; Dyer; Lambert; Lisk; Mastin; McMorris; Parlette; D. Schmidt; Sehlin and Talcott.

**Minority Report:** Do not pass. Signed by 15 members: Representatives H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Chopp; Cody; Grant; Keiser; Kenney; Kessler; Linville; Poulsen; Regala; Sheahan and Tokuda.

**Staff:** Mary Alice Grobins (786-7118).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Higher Education:** No new changes were recommended.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** None.

**Testimony Against:** Low tuition is the best form of financial aid. A predictable, stable and affordable tuition policy is needed, and the Legislature should set tuition levels. With this bill, flexibility for the higher education institutions is pitted against predictability for students. Disparate tuition levels between institutions will result, and this is the first step toward giving governing boards complete tuition setting authority. There is concern that financial aid will not increase proportionately to tuition increases

**Testified:** Larry Ganders, Washington State University; Shane Bird, Washington Student Lobby; and Kim Merriman, The Evergreen State College (all with concerns).