

HOUSE BILL REPORT

HB 1528

As Reported By House Committee On:
Higher Education

Title: An act relating to tuition setting authority and the use of tuition in higher education.

Brief Description: Changing higher education tuition provisions.

Sponsors: Representatives Kenney, Carlson and Lantz; by request of Governor Locke.

Brief History:

Committee Activity:

Higher Education: 2/12/99, 2/26/99 [DPS].

Brief Summary of Substitute Bill

- Establishes a tuition policy that links base rate increases to increases in per capita personal income: 4 percent and 3.2 percent for 1999-01; and the three-year average for future biennia.
- Authorizes institutions to increase base rates up to a total maximum increase from the prior year of 6.75 percent, or lower base rates by up to 2 percent.
- Eliminates the two credit minimum charge at community and technical colleges.
- Provides for on-going cost reporting of instruction delivered via technology or on-line.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Carlson, Republican Co-Chair; Kenney, Democratic Co-Chair; Lantz, Democratic Vice Chair; Radcliff, Republican Vice Chair; Dunn; Edmonds; Esser and Gombosky.

Staff: Sherie Story (786-7120).

Background:

From 1978 until 1995, the Legislature established in statute that tuition would be a percentage of the instructional costs at public colleges and universities. In 1995, the Legislature removed the direct link to cost of instruction and since that time has set forth the actual tuition rates in statute. Since 1995, tuition rates have been increased by 4 percent each year for most categories of students. For 1997-99, exceptions were allowed for increases in three categories at the University of Washington (UW): 8.3 percent for nonresident undergraduates, 7.3 percent for resident law students, and 6.7 percent for nonresident law students. The UW must use 10 percent of the revenue from the difference between the 4 percent increase and the actual increase to help needy resident undergraduate students and needy resident law students.

Tuition rates are frozen after the 1997-99 biennium unless the Legislature adopts either different rates or an on-going policy for establishing tuition rates. New tuition rates may be established via the operating budget act.

Higher education "tuition fees" are comprised of two parts: an "operating fee" and a "building fee". The operating fee is the largest part of the tuition charge, between 75 and 90 percent. The building fee comprises 3 to 9 percent of the total amount depending upon the institution. In addition to "tuition fees," students are charged a "services and activities fee" which ranges between 9 and 13 percent of the tuition fees. The rate of increase for services and activities fees is limited to the percentage increase in tuition fees by student category.

Since 1993, institutions have retained tuition revenue as a local non-appropriated account. For the 1997-99 biennium, revenue from tuition is estimated to be \$726 million for all institutions combined.

Closely linked to tuition policy is financial aid policy. Needy Washington residents attending accredited Washington public and private institutions of higher education and vocational schools are eligible to receive state funded student financial aid. Since 1977, statute has contained intent language linking increases in tuition with increases in dollars appropriated for the State Need Grant program. The Legislature has consistently honored the intent by appropriating from the general fund an amount equal to at least 24 percent of expected additional tuition revenue.

Permanent statute grants broad general powers to governing boards but is silent on the specific issue of institutional salary setting authority. Operating budgets generally include language limiting salary increases.

Summary of Substitute Bill:

Tuition: An on-going tuition policy is established. Under the policy, tuition rate increases for all categories of students are based on the three-year average increase in Washington per capita income. For the 1999-01 biennium these increases are 4 percent in the first year and 3.2 percent in the second year. In addition to these across-the-board increases, institutions of higher education are given the authority to increase rates up to a maximum total increase of 6.75 percent from the prior year, or they may decrease rates by up to 2 percent. In making adjustments to the base rates, institutions may vary rates by student category, program, time or location. The requirement for students enrolling for one credit to pay for two credits is removed for students in community and technical colleges.

Distance education cost reporting: As part of its periodic cost study, the Higher Education Coordinating Board (HECB) is required to estimate costs of instruction supported by technology, provided at a distance, or both supported by technology and provided at a distance.

Substitute Bill Compared to Original Bill:

Tuition: Tuition increases are made through a combination of statutorily driven base rates and limited institutional authorization to go above and below base rates, rather than granting the institutions limited authority to raise tuition and unlimited authority to lower tuition. The statutorily driven base rates are linked to increases in per capita personal income.

Financial Aid: The intent language stating that the Legislature intends to appropriate state general fund dollars to the State Need Grant program in an amount equal to 24 percent of tuition revenue increases is no longer replaced by a requirement that each institution set aside a portion of its tuition revenue increase for its State Need Grant students.

Salaries: The provisions granting salary-setting authority to institutional governing boards are deleted.

Appropriation: None.

Fiscal Note: Requested on the substitute bill March 1, 1999.

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

Testimony For: (Original bill) The 2020 Commission recommended that institutions be given unlimited tuition-setting authority in order for them to be able to respond to a rapidly changing marketplace for higher education. The Higher Education Coordinating Board recommended a combination of state and limited institutional tuition rate setting.

Under the Governor's tuition proposal, the intent is to strike a balance between predictability and affordability for students and the need for institutions to be responsive to their markets, by giving institutions limited tuition setting authority. However, institutions would not be permitted to raise tuition beyond the solvency threshold of the Guaranteed Education Tuition program which is 6.75 percent per year. Institutions would also be able to lower tuition. If they are in a position of losing a certain category of students because of being above the market, then they could lower rates and make up in volume what they would lose in price. Our institutions need to be able to respond in a sophisticated way to a complex market in which many institutions in other states are setting their own rates. Further, institutional governing boards would set tuition rates in a setting subject to the Open Public Meetings Act and tuition setting is best done by those most closely involved. The Governor's intent regarding the State Need Grant program is to divide the responsibility for additional funding in a way that would make each institution responsible for increasing need grant funding related to its own decisions about tuition and in proportion to the state need grant students on its own campus.

The UW is a major contributor to the quality of life we enjoy and it is on the brink of a decline. The gap between UW salaries and the those of their peer institutions are resulting in top faculty being lured away. Tuition is not the preferred solution to this problem, but it is the only one we are able to see. The UW is currently a tremendous bargain compared to institutions we consider our competitors. The Governor's proposal is a workable approach, but does not provide enough revenue to address the salary problem. As the higher education marketplace becomes increasingly complex, tuition setting has to become more sophisticated. Across the board tuition increases are much too blunt in the current environment when some categories of tuition should go up while others should go down in order to be more responsive to the market and to other criteria. The 2020 Commission has said we should move toward peer averages for funding and tuition levels. The UW is proposing a \$50 increase per quarter over six quarters. This plan gradually phases in a change and does provide enough revenue to address salaries to the regents' goal of nine percent over the biennium. A major concern with the Governor's proposal is that it does not provide for any appropriated support related to tuition increases for the need grant program.

(Neutral with concerns) The community and technical college presidents have supported past increases in tuition until rates got to the national average where they are now. Unfortunately, state support has not increased at the same pace, having the effect of shifting the costs to the students. We do not support tuition increases that

would move our tuition rates beyond the national average unless state support increases at the same pace. The Legislature does need to look at all three pieces of: tuition, general fund appropriations, and financial aid. But the continual linking of tuition and financial aid does not work for the many students not currently receiving aid, especially part-time students who may face a hardship when tuition goes up. The students need to be represented in the process and tuition needs to be kept low so they can afford it. The HECB proposal is a good compromise format that includes legislative authority and institutional flexibility. The current financial aid system is much better than the system proposed in this bill. The community and technical colleges adore the elimination of the two credit minimum charge at our schools. The salary-setting authority provisions may create conflicts between the local board statutes and the state board statutes. It is not clear whether tuition could be used to provide salaries for civil service employees.

The Council of Presidents recommends that the Legislature continue to support all components of the State Need Grant program with appropriations rather than shift the funding of financial aid to mitigate tuition increases to the institutions and students. The 3.5 percent local financial aid fund would be a better repository for tuition increase mitigation funding. Eastern Washington University (EWU) supports local rate-setting authority and supports the tuition flexibility portion in this bill. EWU would like to be excluded from the two credit minimum surcharge. The Evergreen State College is opposed to local tuition-setting authority because the boards do not have the full funding picture before them. Western Washington University (WWU) is reconsidering its support of local rate setting after seeing the details. WWU has calculated that 36 percent of new tuition revenue would be set aside under this bill. It would take 32 percent of every new dollar to provide a one percent salary increase or 64 percent for a two percent increase, leaving no money to meet other critical needs at WWU.

Testimony Against: (Original bill) This is a fundamental change in state policy that is dangerous. Students have long opposed local control over tuition and continue to do so. This bill would shift the responsibility for adequately funded and affordable higher education from the Legislature to an appointed board and that is a mistake. Graduate students are looking at a 20 percent increase and no one can describe that as predictable. Big tuition increases would mean a loss of students and diversity in our graduate and professional programs, especially professional programs leading to lower paying professions such as refugee law. The universities have funding problems, but tuition is not the answer. The UW is already collecting more in tuition per student than its peers. The State Need Grant program is statewide and the responsibility for funding it should not be shifted to the institutions. Students are concerned that local flexibility for setting tuition will make it less predictable and rates could vary quarter by quarter.

Testified: (In support) Wolfgang Opitz, the Office of Financial Management; William Gates, University of Washington Board of Regents; Lee Huntsman, University of Washington; JoAnn Taricani, University of Washington faculty; and Doug Lind, University of Washington faculty.

(Neutral with concerns) Ed Command, Washington Association of Community and Technical College Presidents; Michelle Watkins, Highline Community College student; Scott Morgan, State Board for Community and Technical Colleges; Terry Teale, Council of Presidents; George Durrie, Eastern Washington University; Kim Merriman, The Evergreen State College; Judy McNickle, Western Washington University; and Sara Scanlan, SEIU.

(Opposed) Jamie Clausen, University of Washington Graduate and Professional Students; Kathryn Crum, EWU and Washington Student Lobby; and Jesse Salomon, WWU and Washington Student Lobby.