

COMMITTEE ON HIGHER EDUCATION
Rep. Don Carlson, Republican Co-Chair and
Rep. Phyllis Kenney, Democratic Co-Chair

BILL ANALYSIS « HB 1799

Brief Description: Creating the Washington state endowment for higher education and limiting tuition increases.

Background: An endowment fund is a fund that provides a future income for an institution or person. The income is continuous only if the investment earnings and not the principal of the fund are spent. In the past, legislatures have used the endowment fund concept both to provide for an ongoing income and to provide an incentive for private sector contributions to public higher education. The incentive is created by requiring an equal match in private donations to the amount provided by the state in order to establish the endowment fund.

Beginning July 1, 1999, the state of Washington will begin receiving money resulting from the November 23, 1998, settlement with major manufacturers of tobacco products. Under the settlement, the state of Washington is to receive \$4 billion over a 25 year period. The 1999-01 portion of the settlement is \$323 million.

Under current law in Washington state, the Legislature sets tuition rates for public institutions of higher education. Over the past ten years, undergraduate resident tuition rates have increased 81 percent. For the same time period, the consumer price index has increased 39 percent.

Summary of bill: The Washington State endowment for higher education is established to provide a permanent funding source for quality improvements in Washington's public higher education system. The endowment is to be used solely for those purposes for which state funds may be unavailable or limited. The trust fund of state matching funds for the endowment is to be administered by the State Treasurer, is not subject to appropriation, and is not to be used to supplant state appropriations. Beginning July 1, 1999, one fourth of the moneys from the November 23, 1998, settlement with major manufacturers of tobacco products are deposited in the Higher Education Endowment Fund.

Each higher education institution or its foundation is responsible for soliciting matching private donations, investing and maintaining all endowment funds, and administering the uses of the funds. Only the earnings from the endowment may be expended.

The tobacco settlement funds that are deposited in the trust fund are allocated in the following manner: (1) 32 percent for the State Board for Community and Technical Colleges (SBCTC); (2) 32 percent for the University of Washington; (3) 22 percent for Washington State University; and (4) 14 percent for the comprehensive institutions and The Evergreen State College (TESC). The SBCTC determines the allocation for the two-year colleges, while the 14 percent allocated for the comprehensive institutions and TESC is distributed based on a written agreement filed with the State Treasurer.

All of the state's public higher education institutions are eligible for disbursement from the trust fund when private matching funds have been raised and certified by the Higher Education Coordinating Board (HECB). Disbursements from the fund are possible when the private matching funds meet one of two qualifying conditions: (1) the funds were received by the institution or its foundation after June 1, 1999; or (2) the funds were received or pledged for the distinguished professorship, graduate fellowship or undergraduate scholarship, matching grant programs and certified for state matching dollars by the HECB and for which public matching dollars have not been received.

A method for the distribution of any unmatched funds is established, making them available on a first-come basis to other institutions within the same sector on a percentage basis within five years or to any institution after seven years.

Beginning in the 1999-00 academic year, annual tuition rates for full-time students at the state's institutions of higher education can not be increased more than the annual rate of inflation as defined by the consumer price index. The Higher Education Coordinating Board is made responsible for calculating and notifying the institutions of their actual annual tuition rates by April 15 for the academic year beginning in the fall.

*Prepared for the House Higher Education Committee
by Sherie Story, Research Analyst (786-7120)
Office of Program Research
February 18, 1999*