

# SENATE BILL REPORT

## SB 5592

---

As Reported By Senate Committee On:  
Higher Education, March 3, 1999

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

**Brief Description:** Changing higher education tuition provisions.

**Sponsors:** Senators Kohl-Welles, Shin and Jacobsen; by request of Governor Locke.

**Brief History:**

**Committee Activity:** Higher Education: 2/19/99, 2/26/99, 3/1/99 3/3/99 [DPS-WM, DNPS].

Ways & Means: 3/5/99.

**Brief Summary of 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 research institutions to increase base rates up to a total maximum increase from the prior year of 6.75 percent.
- Authorizes the governing boards of the comprehensive institutions to increase an optional 2 percent.
- Authorizes unlimited decreases in tuition.
- Eliminates the two credit minimum charge at community and technical colleges.

---

### SENATE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** That Substitute Senate Bill No. 5592 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Shin, Vice Chair; Bauer, Horn, McAuliffe and B. Sheldon.

**Minority Report:** Do not pass substitute.

Signed by Senators Finkbeiner, Jacobsen, Sheahan and West.

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

**Staff:** Karen Barrett (786-7711)

**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 set forth in statute dollar amounts for tuition at the public higher education institutions. The 1996 Legislature increased the statutory amounts for nonresident undergraduate tuition at the two research institutions. The Legislature intended that setting forth of dollar amounts would be a "transition measure until final action is taken in 1997."

However, the 1997 Legislature again set the tuition amounts in statute for a two-year period. During the 1997-99 biennium, tuition increases are 4 percent per academic year for most categories of students. Exceptions are 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. 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.

The operating fee is the largest part of the tuition charge, between 75 and 90 percent. The building fee comprises 3-9 percent of the total amount depending upon the institution. The services and activities fee is also a small part, between 9 and 13 percent. The building fee is a percentage of total tuition fees, rather than a fixed amount, and increases as overall tuition increases. The rate of increase for services and activities fees is limited to the percentage increase in resident undergraduate tuition.

Closely linked to tuition policy is financial aid policy. 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. Since 1977, the statute has contained intent language linking increases in tuition with an increase in dollars appropriated for the State Need Grant program. The Legislature consistently has honored the intent by adding to the financial aid base appropriation an amount equal to at least 24 percent of the estimated revenue received as a result of tuition increases.

The 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. A 1998 Attorney General Opinion states that the authority to grant increases from nonappropriated funds depends on the specific budget language used.

The Governor's 2020 Commission, created in 1998 to develop a vision for the future of higher education, recommended that tuition be set by the State Board for Community and Technical Colleges and the governing boards of the four-year public institutions.

**Summary of Substitute Bill: Intent:** The Legislature intends to maintain a constant relationship between the student's share of the cost of attendance and the share supported by the general fund.

**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 personal 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, the governing boards of the four-year institutions and the State Board for Community and Technical Colleges are given the authority to increase rates by up to 2 percent and unlimited authority to decrease tuition rates. The 2 percent increases may carry forward. Institutions may vary rates by student category, program, time, or location. The research universities may increase tuition up to a total combined increase of not more than 6.75 percent per year.

**Surcharges:** The surcharge applied to tuition and fees for students enrolled for fewer than two credit hours no longer applies to students in the two-year colleges.

**Financial Aid:** Students receiving State Need Grants are not to have the value of their grants diminished as a result of any optional tuition rate increases. This is in addition to the customary 24 percent intent language and the 3.5 percent institutional loan fund.

**Distance Education:** As part of its periodic cost study, the Higher Education Coordinating Board is required to estimate costs of instruction supported by technology and provided at a distance.

**Reporting Requirement:** The institutions must report how they use any funds generated through the optional tuition increases.

**Substitute Bill Compared to Original Bill: Tuition:** Tuition increases are made through a combination of statutorily driven base rates and limited and variable institutional authority to go above base rates and unlimited authority to decrease tuition rates, rather than granting institutions limited authority to raise tuition and unlimited authority to decrease tuition. The statutorily driven base rates are linked to increases in per capita personal income. Specific graduate categories are created.

**Financial Aid:** The intent language stating that the Legislature intends to appropriate state general fund dollars in an amount equal to 24 percent of tuition revenue increases is maintained. In addition, the local financial aid set side will hold harmless the state need grant recipients.

**Salaries:** No changes are made to the general duties of the institutional governing boards or the State Board for Community and Technical Colleges.

**Appropriation:** None.

**Fiscal Note:** Requested on January 29, 1999.

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

**Testimony For (original bill):** The 2020 Commission made a number of strategic recommendations that are integrated with one another; therefore, it is dangerous to discuss tuition in isolation from other policy considerations. The commission believes that tuition setting authority belongs to the governing boards. At the same time, the commission is concerned that the state not reduce general fund support to the colleges and universities. The state must hold the governing boards and the administration to high standards of performance as well as give them the flexibility to manage their institutions in this competitive market.

The Regents are anxious for policy makers to understand what motivates them to ask for additional revenue through tuition. The UW is faced with a very serious under-funding problem. We would be happy to solve this problem without resorting to a tuition increase, but additional general fund resources are not likely. We must be able to increase faculty salaries by 4.5 percent per year because we are 14 percent behind our peers. We believe UW tuition is relatively low and an increase will help us retain the exceptional faculty who are being recruited away from us. Not only are the UW salaries very low, but the cost of living in Seattle is higher than for any other peer except for Berkeley. We must make progress on salaries immediately.

Institutions need flexibility and tuition setting must become more sophisticated. In the abstract, it is not so important who sets tuition, but it must be attuned to the market. Even though the bill includes an upper limit of a 20 percent increase, the UW has never contemplated exercising that authority. When making rate adjustments, lower rates will also be considered for certain student categories. Some UW rates are above peer averages and some are far below. Give us the flexibility to manage.

The Governor's tuition proposal is not meant to shift responsibility away from the state. It is seeking to strike a balance. We are sensitive to the GET program and to the financial aid needs of students. Some financial aid responsibility will be shifted to the institutional level and the technical details will be worked out as we go along.

The UW is truly a world-class university. Without significant tuition increases, there will be negative consequences for minority, poor, and at-risk students. Education is the only thing no one can take away from you. Don't deprive the disadvantaged of the opportunity to earn an education at a high quality public university. An inexpensive school with low quality is no bargain for anyone.

**Testimony (substitute bill):** The HECB thanks the committee for considering the board's recommendations and for attention to all the interconnected pieces « tuition, financial aid, and over-all state support. The board encourages the preservation of the state's commitment to access and affordability. Elected officials ought to remain involved with tuition as they are the ones who write the state's budget. The limited, local-option authority will provide some flexibility. Holding the SNG recipients harmless is an important goal. The board recommends that the 2 percent local option not carry forward because they are concerned about the state's obligation to fund higher education in general and the state need grant in particular.

**Testimony (with concerns, substitute bill):** Thank you for keeping all of the moving parts in front of all of us. We believe the economic indicator, however, grants the authority away from not only the legislature but also the governing boards. Local control with reasonable

limits and protection of SNG recipients is important to the Governor. Maybe we ought to try institutional authority for a couple of biennium with a reporting and oversight requirement.

The SBCTC supports the use of an economic indicator for predictability and likes the flexibility of a 2 percent surcharge. The Legislature is obligated to fund financial aid and we suggest that the financial aid provisions remain simple.

We are concerned by the decline in the general fund going toward higher education and the increase in the share of the cost supported by tuition. We do not oppose differential approaches to tuition but are concerned about the long-term consequences. We like the flexibility of the HECB approach with its attention to predictable and affordable access which is key to our mission. Please allow us to carry forward the 2 percent local option. We appreciate the authority to decrease tuition but ask for more upward flexibility for institutions who may need additional revenue.

It is hard to evaluate a tuition proposal without knowing the level of the budget proposal. WSU prefers that any differential be set by the governing boards. With fewer non-resident students, WSU has suffered a budget cut.

**Testimony Against (original bill):** Please "just say no" to a 29 percent tuition increase. The \$50 increase per quarter is seen as a gimmick. The problem is state funding not tuition. Salary problems cannot be solved by tuition increases. GPSS proposes that the Legislature maintain control of tuition, that there be a limited tuition increase, that the 24 percent intent language be maintained, and that some new enrollments be eliminated. Affordable, stable, predictable tuition is not guaranteed by local tuition setting authority. Students know they and their parents have access to their legislators. Significant population growth and spending limits have brought us to this difficult point. One problem is that the Ways & Means Committee makes one decision while the policy committee makes another; how do we improve the process? We are aware that different institutions have different needs, but we do not need local control to address them.

While quality is a concern, students who work to excess cannot commit themselves to their studies. Even though the needs of faculty are recognized, students cannot remain in school if they are priced out.

**Testified (original bill):** PRO: Wolfgang Opitz, OFM; Jack Creighton, Chair, 2020 Commission; Lee Huntsman, Provost, UW; Bill Gates II, UW Regent; (the UW prefers its approach) CON: Jaimie Clausen, GPSS, UW; Cody Benson, WSL, WSU; Kathy Crum, WSL, EWU; Heidi Spence, UW student; NEUTRAL: Scott Morgan, SBCTC; Kim Merriman, TESC; George Durrie, EWU.

**Testified (proposed substitute):** Bruce Botka, HECB (pro); CONCERNS: Wolfgang Opitz, OFM; Scott Morgan, SBCTC; Kim Merriman, TESC; Martha Lindley, CWU; Judy McNickle, WWU; George Durrie, EWU; Larry Ganders, WSU; Jeremy Kelly, WSL; CON: Sherry Burkey, UW; Harlan Patterson.