

SENATE BILL REPORT

SB 5770

As of February 28, 2002

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, Jacobsen and Horn; by request of Governor Locke.

Brief History:

Committee Activity: Higher Education: 2/12/01, 2/27/01 [DPS-WM, DNPS].

Ways & Means: 2/26/02, 2/28/02 [DP2S].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5770 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Kline, Kohl-Welles, Poulsen, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau and Winsley.

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 were 4 percent per academic year for most categories of students. In the 1999-01 biennium via the operating budget, the institutional governing boards are granted some limited tuition setting authority within maximums set by the Legislature.

Under current law, public colleges and universities may waive, exempt or reduce tuition for any student. However, tuition waiver activity supported by the General Fund is capped as a percent of gross operating fee revenue. These are referred to as "reportable" waivers and support a host of differently situated students for whom, as a class, the Legislature recognizes as deserving of a break in tuition. A cross referenced list that points to the authority to grant classes of students a tuition waiver appears in section 910 of chapter 28B.15 RCW.

When the Legislature increases general fund appropriations to support more enrolled students, it considers the availability of tuition to share in the cost of such instruction. Presently, the

Legislature chooses to assume less tuition revenue is available to support academic programs than would otherwise be available, given current rates, on account of having authorized price reductions as a matter of state policy. Only "reportable" tuition waivers are considered in budget calculations for new enrollments by legislative fiscal committees.

The value of tuition waived beyond the aggregate dollar limit that is supported by the General Fund are discretionary acts on the part of state colleges and universities. To differentiate this activity, such tuition relief is referred to as a "West" waiver, named for the prime sponsor of the 2000 enabling legislation. The legislative authority for additional waivers, exemptions or reductions in tuition fees resides in section 915 of Chapter 28B.15 RCW.

Summary of Second Substitute Bill: *Tuition Setting Authority.* On a time-limited basis, beginning with the 2002-03 academic year and ending with the 2007-08 academic year, the Legislature delegates tuition setting authority for all students except resident undergraduates to the governing boards of the respective public universities and colleges in Washington.

Tuition Levels. Should tuition change by action of governing boards, the rate of increase may exceed the fiscal growth factor under the terms of Initiative 601.

- Reductions or increases in tuition need not apply uniformly across students.
- Tuition may vary by program, campus, course or student.
- Tuition may vary for factors including the time-of-day, the day-of-week, and delivery method to encourage full use of state educational facilities.

Consistent with current law, summer school remains a self-sustaining enterprise. Governing boards may set tuition and such fees for any student including resident undergraduates. However, rates adopted by institutions may not exceed the per credit charge annualized from the fall, winter and spring terms for such students. Intent language which requires no direct relationship between general fund reductions and tuition increases is eliminated.

Financial Aid Related to Tuition. Public universities must supplement financial aid for resident graduate, law and first professional degree students when and if such tuition fees increase at a faster rate than for resident undergraduates. An amount not less than 3.5 percent is earmarked for this purpose. This is required of universities only to the extent that additional tuition revenue is realized as described above. The bill stipulates that such a provision does not create an entitlement to financial aid for affected individuals. Technical colleges must deposit a minimum of 3.5 percent of operating fees into their local, financial aid accounts.

Tuition Waivers. For the next three fiscal years, authority to waive tuition by state colleges and universities is reduced in absolute dollar terms. Expressed as a percent of gross operating fee revenue that varies by institution, the effect is to restrict *general fund supported* waiver activity by 10 percent across-the-board. Intent not to reduce general fund appropriations should a college or university waive less operating fees than levels authorized in the act is re-codified. Technical corrections are made in the bill to reflect the sunset of the natural resources impact area program.

Second Substitute Bill Compared to Substitute Bill: The second substitute does not delegate tuition setting authority for resident undergraduates to governing boards of the state

universities and colleges. For other students, this authority is not limited on a percentage basis except in the case of summer term where adopted rates cannot exceed the annualized, per credit charge that applies during the fall, winter and spring terms for similarly situated students. Like the first substitute, the second substitute permits variable tuition based on circumstances about enrolled students, the course, where the course is offered, how it is delivered and when in the course of a day or week. Unlike the first substitute, however, the second permits tuition fees to vary by educational program. The second substitute includes a provision for institutional-based financial aid but does not speak to State Need Grants for resident undergraduates. There is no legislative task force in the second substitute bill. Both measures require technical colleges to begin to deposit tuition into local, financial aid accounts.

Substitute Bill Compared to Original Bill: Tuition will be set by the local governing boards and the SBCTC. Tuition may increase by up to 6.67 percent for resident undergraduate students. There is total flexibility for all other categories of students. There is no variable tuition by program. Financial aid will be appropriated to the SNG by the Legislature to cover the 6.67 percent increase. A task force is convened.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For (Higher Education, 2001): The non-traditional student will be hurt the most by excessive tuition increases. Driving students away is not good policy. Tuition cannot do it all; GFS must increase. Governing boards are responsible. While the bill's intent section calls for predictability and ability to plan for families, the bill does not do that. Flexibility across programs may make some degrees unattainable due to cost. The six-year cap could be adjusted next biennium. No cap on graduate programs will deny access to many. Affordability is of great concern to graduate students. The state's commitment to SNG is now brought into question. The mission of public education is an investment in all students for the public good. GPSS opposes tuition program differential. There is great concern about moving beyond fiscal growth factor. The bill requires the SNG to be neutral for one year with a plan to be developed for the following years. To provide more SNG would require an even deeper cut into human services. An increase in tuition can be used to recruit and retain quality faculty. Financial aid policy is a work in progress. How does it affect quality?

The six-year plan is an attempt to move beyond the practice of changing tuition policy every two years. The program variance does concern us. Does the University of Michigan already have variable rates? Should the subsidy be the same for all kinds of students? The HECB has supported a link to per capita personal income but now recognizes that while for resident undergraduates this may still be appropriate, other categories may best be served by flexibility.

For graduate programs, the HECB supports variable tuition. The HECB supports continued funding for SNG and if tuition is a six-year deal, so should be financial aid. Access is linked

to tuition. Low state appropriations is the cause of SBCTC budget problems, not low tuition. Concern is voiced about the closer link between tuition level and faculty salaries.

COP is close to being able to support the bill, but the financial aid questions prevent us from doing so. COP's greatest concern is about quality. State support, financial aid, and tuition must each share in the funding of public higher education.

Middle-income students are hurt the most by a high-tuition, high-aid model. The bigger problem is state allocation. Maintaining quality is imperative. How do we do it? UW will not exercise undergraduate flexibility, but does need flexibility at the graduate level. The Governor's proposal is slower growth than the Legislature has been over the last ten years.

Testimony Against (Higher Education, 2001): Access to elected officials is important to us. By raising tuition differently you actually discourage the study of computer science. The state should remain in control of the tuition rates because they also control financial aid funding. Low tuition is the best form of financial aid. Students want the Legislature to remain in control of tuition while also providing ample GFS. Students are now paying over 40 percent of the cost of their education. Tuition needs to be affordable, predictable, and stable. Legislators are accessible and accountable. When given flexibility in the last biennium, the governing boards increased to the maximum. Give flexibility to the institutions as to spending their budgets. Please link tuition rate to an economic indicator. Students know that education is fundamental to the economic future of the state. It is difficult to balance all needs of the state. No flexibility in tuition is the stand of WSL. We believe 5770 is not a responsible tuition policy.

Testified (Higher Education, 2001): PRO: Senator Jeanne Kohl-Welles, prime sponsor; Theo Yu, Jim Crawford, OFM; CONCERNS: Bruce Botka, HECB; Scott Morgan, SBCTC; Terry Teale, COP; Kyle Boyd, ASUW, Tacoma; Dick Thompson, Dave Asher, UW; CON: Clark Brunkow-Mather, WSU, WSL; Erin Smith WWU, WSL; Brad Jacobsmeyer, UW, College Republicans; Amarillis Hugo, GPSS, UW; Sumeer Singla, UW, GPSS; Casey Stanley, UW, WSL; Mike Johnson, EWU, WSL; Bree Holsing, ISEWU President.

Testimony For (Ways & Means, 2002): The specialized nature of graduate and professional post-secondary education is deserving of a different approach to tuition that is market sensitive and can be customized by trustees of the state's universities. Such flexibility is warranted and would be used in measured ways to further the teaching and research missions by trustees of the state's universities. The Governor is encouraged by this years' legislative development and supports the tuition principles articulated in this bill. A change was suggested to permit the use of endowments for scholarship to meet the 3.5 percent requirement to aid those resident graduate and first professional degree students with demonstrated need.

Testimony Against (Ways & Means, 2002): Concern was expressed over the move to set a long term tuition policy during a budget crisis. Many university officials expressed a preference for a general fund reduction over a restriction of tuition waiver activity. It is viewed as a tool to assist students at a time when tuition rises quickly. Students prefer that lawmakers retain tuition setting authority, principally as elected officials are more accessible and accountable to the public for their decisions. Members were encouraged to re-examine the move to repealing statements of intent regarding tuition and state General Fund

appropriations to universities and colleges. The risk being that tuition will continue to backfill declining state support, and the cost of public post-secondary education will be disproportionately borne by students and their families.

Testified (Ways & Means, 2002): PRO: Theo Yu, Office of Financial Management; Dick Thompson and Harlan Patterson, UW; Jenni Kothavale, Associated MBA Students of the University of Washington.

PRO WITH CONCERNS: Edie Harding, The Evergreen State College; Ann Anderson, Central Washington University; George Durrie, Eastern Washington University; Jane Yung-Dennie, Washington State University and Nicholas Lovrich, WSU faculty member, Dick Ludwig, faculty member; University of Washington.

CON: Paul Vronsky, Associated Students of the University of Washington; Ryan McMichael and Stacey Valentin, Washington Student Lobby; Sumeer Singla, Graduate & Professional Student Senate, University of Washington.