

HOUSE BILL REPORT

ESSB 5448

As Reported by House Committee On:

Higher Education
Appropriations

Title: An act relating to tuition-setting authority at institutions of higher education.

Brief Description: Changing tuition provisions for institutions of higher education.

Sponsors: Senate Committee on Higher Education (originally sponsored by Senators Carlson, Kohl-Welles, Mulliken, Horn, Brown and Schmidt; by request of Governor Locke).

Brief History:

Committee Activity:

Higher Education: 4/1/03, 4/4/03 [DPA];
Appropriations: 4/21/03 [DP(w/oHE amd)s].

Brief Summary of Engrossed Substitute Bill

- For a six-year period (through 2008-09), authorizes the governing boards of the four-year institutions of higher education and the State Board for Community and Technical Colleges to establish tuition and fees for all students other than resident undergraduate students.
- For a six-year period (through 2008-09), provides that the Legislature will establish tuition for resident undergraduate students in the biennial operating budget.
- Requires institutions to use 10 percent of increased revenue from graduate school tuition for financial aid for resident graduate students. The University of Washington must also use 10 percent of increased revenue from law school tuition for financial aid for resident law students.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended. Signed by 10 members: Representatives Kenney, Chair; Fromhold, Vice Chair; Priest, Assistant Ranking Minority Member; Berkey, Condotta, Gombosky, Jarrett, Lantz, McCoy and Morrell.

Minority Report: Do not pass. Signed by 5 members: Representatives Cox, Ranking Minority Member; Boldt, Buck, Chase and Clements.

Staff: Barbara McLain (786-7383).

Background:

Recent Tuition Policy: Over the last 10 years, the Legislature has set tuition for students attending public institutions of higher education using three different approaches:

1. Prior to 1995: Establishing in statute that tuition is calculated as a "percent of educational costs;"
2. 1995-1998: Establishing annual tuition rates directly in statute; and
3. Since 1999: Authorizing annual tuition increases in the biennial operating budget.

Since 1999 the Legislature has also provided some flexibility for institution governing boards within the overall limits in the operating budget. Institutions can raise tuition "up to" the maximum authorized by the Legislature. Institutions are not required to adopt the same tuition increase for all categories of students, but may differentiate among resident, non-resident, undergraduate, graduate, law, or professional students.

2002 Legislative Session: In the 2002 supplemental operating budget, the Legislature for the first time gave institutional governing boards unlimited authority to increase tuition for the 2002-03 academic year for all categories of students other than resident undergraduate. Tuition increases for resident undergraduate students continued to be established by the Legislature in the operating budget.

Summer School and Self-Supporting Programs: Institutional governing boards currently have statutory authority to establish fees for enrollment in summer school and other self-supporting degree programs or courses. Under Initiative 601, however, fee increases may not exceed the fiscal growth factor (3.29 percent for fiscal year 2003) unless specifically authorized by the Legislature. Since 1999 the operating budget has authorized institutions to increase summer school fees above the fiscal growth factor.

Services and Activities Fees: Institutional governing boards also have authority to establish services and activities fees for student activities and programs, but the annual increase in these fees cannot exceed the overall tuition increase for a particular category of students.

Summary of Amended Bill:

For a six-year period (2003-04 to 2008-09), governing boards of four-year institutions of higher education and the State Board for Community and Technical Colleges are

authorized to reduce or increase full-time tuition fees for all students other than resident undergraduates, including summer school students and students in other self-supporting degree programs. Increases may exceed the fiscal growth factor. Beginning in 2009-10 tuition rates for graduate and nonresident students (except summer school) will be set by the Legislature in the operating budget.

During the six-year period when institutions have tuition-setting authority, each institution must increase institutional financial aid for needy resident graduate, law, and professional students by the same percentage as the tuition increase adopted for those students.

Beginning in 2003-04 and each year thereafter, the Legislature will establish tuition and fees for resident undergraduate students in the biennial operating budget.

Annual increases in student services and activities fees are not to exceed the rate of increase in overall tuition for resident undergraduate students.

Amended Bill Compared to Engrossed Substitute Bill:

The Legislature's authority to establish tuition and fees for resident undergraduate students in the biennial operating budget begins in 2003-04 and extends indefinitely, rather than lasting only for six years. The language pertaining to the Legislature's authority to establish tuition and fees for nonresident and graduate students in the operating budget beginning in 2009-10 is clarified. During the six-year period when institutions have tuition-setting authority, each institution must increase institutional financial aid for needy resident graduate, law, and professional students by the same percentage as the tuition increase adopted for those students. The engrossed substitute bill required institutions to set aside 10 percent of increased graduate school tuition revenue, and the University of Washington to set aside 10 percent of increased law school tuition revenue to provide additional financial aid. The language pertaining to increases in student services and activities fees is clarified.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Resident undergraduate tuition should remain the Legislature's responsibility. This is very important due to the link between tuition and state financial aid for those students. However, a six-year trial period should provide ample time to get clear direction on whether institutional tuition-setting authority for other students is a policy that works. This will allow institutions a measure of predictability to plan in

advance, an opportunity to compare to their peer institutions, and the flexibility to set tuition according to the markets in which they operate. Each institution and each graduate program represents a different market. This is not a bill that deals with resident undergraduate students; it does not deal with the bulk of students; and it does not represent a major revenue source for institutions. It does, however, deal with effective management of our institutions. One size does not fit all, and governing boards are in a better position than the Legislature to be experts at managing the array of graduate programs at the institutions. This bill represents state policy for one leg of the three-legged stool of higher education funding, which is tuition, state support, and financial aid. Clear, coherent policies for all three are needed.

Testimony Against: Predictability may be an important aspect of tuition policy, but so is affordability. It can be argued that this bill provides neither. It is an inherent part of being a public agency that there is uncertainty in budgeting until the Legislature balances among varying priorities. There have been recent newspaper articles about significantly increased demand for financial aid by students at the so-called "peer institutions." Is following the peer institutions and the policies in other states the right direction for Washington? There is no need for a trial period on this policy because we have already seen the types of tuition increases the institutions can and will adopt. We have heard repeatedly that we don't have a policy or vision for higher education. This is not the time to be setting long-term tuition policy without answers to these questions. This represents a significant change in tuition policy and it is not the right way to go.

Testified: (In support) Senator Carlson, prime sponsor; Debora Merle, Governor's Office; Terry Teale, Council of Presidents; Dick Thompson, University of Washington; Jane Yung Dennie, Washington State University; and Bruce Botka, Higher Education Coordinating Board.

(Opposed) James McMahan, Washington Student Lobby.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass without amendment by Committee on Higher Education. Signed by 14 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Cody, DeBolt, Dunshee, Grant, Hunter, Kenney, Kessler, McIntire, Ruderman and Talcott.

Minority Report: Do not pass. Signed by 12 members: Representatives Alexander, Boldt, Buck, Clements, Conway, Cox, Kagi, Linville, McDonald, Miloscia, Schual-Berke and Sump.

Staff: Susan Howson (786-7142).

Summary of Recommendation of Committee On Appropriations Compared to

Recommendation of Committee On Higher Education:

The Legislature's authority to establish tuition and fees for resident undergraduate students in the biennial operating budget begins in 2003-04 and lasts for six years, rather than indefinitely. The engrossed substitute bill requires institutions to set aside 10 percent of increased graduate school tuition revenue for additional financial aid to needy low and middle income resident graduate students. In addition, beginning in academic year 2000-01 through academic year 2008-09, the University of Washington must also set aside 10 percent of increased law school tuition revenue to provide additional financial aid to needy low and middle income resident law students. The bill as amended by the House Higher Education Committee required each institution to increase institutional financial aid for needy resident graduate, law, and professional students by the same percentage as the tuition increase adopted for those students.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Testified: None.