

SENATE BILL REPORT

SB 6562

As Reported by Senate Committee On:
Higher Education & Workforce Development, February 3, 2010
Ways & Means, February 9, 2010

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

Brief Description: Regarding tuition-setting authority at institutions of higher education.

Sponsors: Senators Kilmer, Tom, Delvin, Regala, Murray, Hargrove and King.

Brief History:

Committee Activity: Higher Education & Workforce Development: 1/20/10, 2/03/10
[DPS-WM].
Ways & Means: 2/08/10, 2/09/10 [DP2S, w/oRec].

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6562 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kilmer, Chair; Becker, Ranking Minority Member; Hewitt, Jacobsen, McAuliffe, Pflug, Shin, Stevens and Tom.

Staff: Alicia Kinne (786-7784)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6562 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray and Regala.

Minority Report: That it be referred without recommendation.

Signed by Senators Carrell, Parlette and Pflug.

Staff: Tim Yowell (786-7435)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background: Prior to Fiscal Year (FY) 1999, the Legislature set tuition through statute. Since FY 1999 the Legislature has given institutions of higher education limited tuition setting authority by permitting maximum percentage tuition increases annually. In academic years 2009-10 and 2010-11, the Legislature authorized institutions to increase tuition a maximum of 14 percent at four-year institutions of higher education and 7 percent at community and technical colleges. In academic year 2011-12 until academic year 2016-17, tuition and fees may increase no greater than 7 percent over the previous academic year in any institution of higher education.

Four-year institutions and community and technical schools are required to retain a minimum of 3.5 percent of operating fees for an institutional financial aid fund.

Summary of Bill (Recommended Second Substitute): For academic years 2011-12 through 2017-18, the governing boards of the University of Washington (UW), Washington State University (WSU), and Western Washington University (WWU) are authorized to set tuition fees for resident undergraduate and graduate students subject to the following conditions:

- tuition may not increase by more than 14 percent in any year, or a compound annual average increase of 9 percent calculated over the preceding 15 years, whichever is less;
- resident undergraduate tuition may not exceed the 75th percentile of resident undergraduate tuition at similar public institutions in the global challenge states; and
- annual approval of a performance agreement by the Committee on Higher Education Performance.

The Committee on Higher Education Performance is composed of the chairs and ranking members of the Senate Higher Education and Workforce Development Committee, Senate Ways and Means Committee, House Higher Education Committee, and House Education Appropriations Committee. The Committee must negotiate a performance agreement which will be six years in duration and established by September 1, 2011, for the UW, WSU, and WWU. At a minimum, an individual institutional performance agreement will include:

- indicators measuring cost, quality, and timeliness of student progress toward degrees and certifications, and articulation between and within the K-12 and higher education systems;
- indicators measuring recruitment, retention, and success of students, faculty, and staff from underrepresented and diverse communities;
- benchmarks and goals for long-term degree production, including in high-demand fields; and
- level of state and tuition resources necessary to meet the performance outcomes, benchmarks, and goals including per-student funding goals.

The UW, WSU, and WWU must waive full-time tuition fees for resident undergraduate students based on state median family income levels. Waivers of full-time tuition fees for resident undergraduate students are provided on a graduated scale based on state median family income and the institution's tuition fee rate. The waivers must be reduced by the amount of any state need grant and other scholarships, grants, and waivers. Such waivers are exempt from statutory tuition waiver limitations.

The provisions of the bill only apply during academic years when the State Need Grant covers at least the same percentage of resident undergraduate tuition for students with incomes below 70 percent of the state median as the State Need Grant program covered in academic year 2009-10.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): The limits on annual tuition increases apply to resident graduate as well as undergraduate students. If the State Need Grant does not cover at least the same percentage of undergraduate tuition as in 2009-10, the provisions of the bill do not apply.

EFFECT OF CHANGES MADE BY HIGHER EDUCATION & WORKFORCE DEVELOPMENT COMMITTEE (Recommended First Substitute): The UW, WSU, and WWU governing boards are authorized to set tuition rates. The average annual compounded rate of change of undergraduate tuition fees may not exceed 9 percent based on the previous 15 years, or 14 percent in any one year.

The Committee on Higher Education Performance is created and authorized to approve performance agreements. The performance agreement must be six years in duration. Annual adequate performance as determined by the committee is required to maintain tuition setting authority. The committee is composed of the chairs and ranking members of the Senate Higher Education and Workforce Development Committee, Senate Ways and Means Committee, House Higher Education Committee, and House Education Appropriations Committee.

The UW, WSU, and WWU must waive full-time tuition fees for resident undergraduate students based on family and state median family incomes. Waivers of full time tuition fees for resident undergraduate students are provided on a graduated scale in 4.5 percent increments based on state median family income and the institution's tuition fee rate. The waivers must be reduced by the amount of any state need grant, federal, state, and institutional scholarships, grants, and waivers. Such waivers are exempt from tuition waiver limitations.

Tuition fee setting authority remains the same as current law for Central Washington University, Eastern Washington University, the Evergreen State College, and the community and technical colleges.

Appropriation: None.

Fiscal Note: Preliminary note available.
[OFM requested ten-year cost projection pursuant to I-960]

Committee/Commission/Task Force Created: Yes.

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

Staff Summary of Public Testimony on Original Bill (Higher Education & Workforce Development): PRO: The state needs to ensure quality and affordability. Students and

institutions need to be able to budget for tuition increases. Universities know their budgets and student markets better than the Legislature does. This bill helps stabilize the GET program by anticipating tuition changes. It provides sensible constraints to tuition increases and gives institutions the flexibility and predictability they need. This bill gives institutions the resources they need to maintain quality.

CON: The students oppose giving tuition setting authority to institutions and minimizing legislative oversight. The governing boards of institutions are made up of unelected officials who have no obligation to increased affordability or accountability in tuition setting.

OTHER: The Washington State Board for Community and Technical Colleges (SBCTC) is concerned about aid under a high tuition model being primarily directed to baccalaureate students because of increased cost of education. There is more to the issue than tuition; there must be a relationship between state support, tuition, and financial aid. Flexibility in tuition setting is desirable but not at the expense of decreased state support.

Persons Testifying (Higher Education & Workforce Development): PRO: Senator Kilmer, prime sponsor; Ann Smyth, Public School Employees; Rodolpho Arevalo, EWU; Mark Emmert, UW; Elson Floyd, WSU; Bruch Shepard, WWU; Jim Gaudino, CWU; Les Purce, Evergreen; Tom Luce, Executive Council for a Greater Tacoma; Bob Drewel, Puget Sound Regional Council; George Allen, Greater Seattle Chamber of Commerce; Deborah Knutsen, Educ. Dev. Center Snohomish Co.; Patti McKinnel Davis, WA Biotechnology and Biomedical Assoc.; Steve Mullin, WA Roundtable; Jim Fridley, UW Faculty; Leslie Goldstein, Executive Policy Office; David Schumacher, Boeing.

CON: Jono Hanks, Assoc. Students UW; Peter Sterr, Marcus Sweetser, Jordan Johnsten, Jamie Marine, Sam Shaddox, Richard Lum, Mike Bogatay, Steve Lindstrom, WA Student Assoc.; David Parsons, Int. Union, United Auto, Aerospace and Agric. Implement Workers of America- 4121; Spring Atkinson, Sierra Harris, WSU-Vancouver.

OTHER: Ann Daley, HECB; Denise Graham, SBCTC; Heather Cope, League of Education Voters; James McIntire, State Treasurer.

Staff Summary of Public Testimony on Recommended First Substitute (Ways & Means): PRO: The substitute bill strikes a careful balance between maintaining affordability for students while providing adequate and stable revenue for the public universities in light of declining state appropriations. The UW believes that it can maintain the current diversity of its student body, and access for middle class students under the terms of the bill, provided that the State Need Grant is fully funded. The SBCTC supports the bill because it will help assure that there is sufficient capacity at the universities for transfer students to have access to the degree programs they seek. The League of Education Voters supports the bill, but emphasizes that it is essential that the state maintain full funding for state financial aid programs.

CON: Tuition will almost double in six years under the terms of the bill. This will change the type of students who are able to afford access to the state's best universities, squeezing out the middle class. The tuition limits in the bill lack credibility, because past ceilings have in fact been floors. The Global Challenge State 75th percentile limit is too high to be of any

real value to students and families. There should be a lower and more meaningful cap. Graduate and professional students would like the bill to apply the same limits to their tuition increases as are provided for resident undergraduates. By allowing tuition to grow several times faster than inflation every year, the bill will make college unaffordable for middle class families. A single organization - the Legislature - should be responsible and accountable for the three critical elements of higher education financing: state support, tuition, and student financial aid. The bill does not need to be enacted this session because it does nothing with regard to tuition this biennium. The bill could be detrimental to students at other institutions, because state financial aid funding will be diverted to help pay the higher tuition rates that the bill allows at the UW, WSU, and WWU.

Persons Testifying (Ways & Means): PRO: Mark Emmert, UW; Elson Floyd, WSU; Phil Sharpe, WWU; Charlie Earle, SBCTC; Heather Cope, League of Education Voters.

CON: Sam Shaddox, WSU Students Association; Jono Hanks, Associated Students of UW; Sarah Reyneveld, UW Graduate and Professional Student Senate; Peter Sterr, Marcus Sweetser, John McKean, Jamie Marine, Washington Student Association.