

# HOUSE BILL REPORT

## HB 1666

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**As Reported by House Committee On:**  
Higher Education

**Title:** An act relating to higher education.

**Brief Description:** Implementing the higher education funding task force recommendations.

**Sponsors:** Representatives Seaquist, Haler, Carlyle and Maxwell; by request of Governor Gregoire.

**Brief History:**

**Committee Activity:**

Higher Education: 2/2/11, 2/16/11 [DPS].

**Brief Summary of Substitute Bill**

- Sets degree production targets to increase 27 percent over 2010 levels by 2018.
- Provides increased tuition flexibility for public baccalaureate institutions based upon a baseline of fiscal year 2008, and benchmarked against the 60th percentile of per-student funding at comparable institutions in the Global Challenge States.
- Creates an endowment for low and middle income students who wish to obtain a baccalaureate degree, and a tax credit for businesses that contribute.
- Adopts new performance measures for four-year public baccalaureate institutions and creates a program to incentivize progress.
- Requires the creation of a one year transferrable certificate and other measures to ease student transfer and increase recognition of prior learning.

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### HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Seaquist, Chair; Carlyle, Vice Chair; Haler, Ranking Minority Member; Jacks, Probst, Sells, Springer and Zeiger.

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*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.*

**Minority Report:** Do not pass. Signed by 7 members: Representatives Parker, Assistant Ranking Minority Member; Buys, Crouse, Fagan, Hasegawa, Reykdal and Warnick.

**Staff:** Madeleine Thompson (786-7304).

**Background:**

Educational Attainment Goals and the Higher Education Task Force.

In 2008 the Legislature approved the 2008 Strategic Master Plan for Higher Education in Washington (Plan) developed by the Higher Education Coordinating Board (HECB). The Plan set targets for additional degree and certificate attainment totaling 31,800 additional certificates and degrees annually.

In 2010 the Governor appointed a Higher Education Task Force (Task Force), composed of Washington business and education leaders, to develop a plan to address the need for increasing the number of Washington residents with college degrees. The Task Force recommended to:

- increase college degrees, including in high demand fields such as science, technology, engineering, and math (STEM);
- provide universities with increased flexibility to set tuition based upon tuition levels set in the Global Challenge States (GCS);
- expand financial assistance to low and middle income students through an endowment and tax incentive; and
- hold public universities accountable for graduating more students, and improving student transfer and awarding of academic credits.

Tuition Setting Authority.

Table 1: Authorized Resident Undergraduate Increases.

Academic Year	Authorized Resident Undergraduate Increases
1999-2000 – All public higher education institutions.	4.6%
2000-2001 – All public higher education institutions	3.6%
2001-2002 – All public higher education institutions.	6.7%
2002-2003	
Research	16.0%
Regional	14.0%
Community and Technical Colleges	12.0%
2003-2004 – All public higher education institutions.	7.0%
2004-2005 – All public higher education institutions.	7.0%
2005-2006 and 2006-2007	
Research	7.0%
Regional	6.0%

Community and Technical Colleges	5.0%
2007-2008 and 2008-2009	
Research	7.0%
Regional	5.0%
Community and Technical Colleges	2.0%
2009-2011	May exceed 7% for 2009-2011 only
Research and Regional Institutions	14%
Community and Technical Colleges	7%

Between 1999 and 2009, governing boards of each institution of higher education and the State Board for Community and Technical Colleges (SBCTC) were granted authority to increase tuition rates for resident undergraduate students within caps set by the Legislature in the Budget Act. Prior to 1999 the Legislature set tuition in statute as dollar amounts for each public institution. Between 1999 and 2009 tuition levels authorized by the Legislature varied (see table 1).

Tuition amounts (or percentage increases) specified in statute have referred only to the "tuition" portion of tuition and fees. Public colleges and universities are authorized to assess additional fees such as services and activities fees and technology fees within statutory limits.

In 2009 the Legislature directed that increases in tuition for resident undergraduates may not exceed 7 percent per year, except in 2009-2011.

The Global Challenge State Funding Benchmark.

Legislation enacted in 2007 placed the GCS benchmark in statute. This followed the recommendation of an education and finance study conducted in 2005 and 2006 and was chaired by the Governor, known as Washington Learns. The GCS were originally defined by the Progressive Policy Institute in 2002 as the top performing states on the New Economy Index (NEI). The NEI compares states on 21 indicators designed to measure global economic competitiveness. The Information Technology and Innovation Foundation, a not-for-profit, non-partisan research entity, developed the latest NEI in 2010 based on the same indicators. Both in 2002 and 2010 Washington ranked second among all states based on its ability to compete globally and Massachusetts ranked first.

The goal for total per-student funding levels (from state appropriations plus tuition and fees) at institutions of higher education in Washington is at least the 60th percentile of total per-student funding at similar institutions in the GCS. The Office of Financial Management (OFM) is charged to develop a four-year funding trajectory for each four-year institution of higher education and the community and technical college system. In defining comparable per-student funding levels, the OFM is required to adjust for regional cost of living differences, for differences in program offerings and the relative mix of lower division, upper division, and graduate students, and for accounting and reporting differences among the comparison institutions. At least once every five years, the OFM must update the list of GCS. The most recent analysis was completed in November 2010.

### Performance.

In July 2010 the National Governor's Association (NGA) released recommendations on the common higher education measures that states should collect and report publicly. The Task Force in Washington recommends adoption of the NGA metrics:

- outcome metrics: degrees awarded, graduation rates, transfer rates, and time and credits to degree; and
- progress metrics: enrollment in remedial education, success in remedial education, success in first-year college courses, credit accumulation, retention rates, and course completion.

The Task Force also recommends developing a program to incentivize four-year public baccalaureate institutions to meet degree production, retention, and high demand degree targets. A limited financial incentive is provided for making measured progress. This is similar to the Student Achievement Initiative of the SBCTC adopted by the community and technical college system in Washington.

The Student Achievement Initiative is a performance funding system to incentivize colleges to employ strategies that promote student success. The SBCTC identified key academic benchmarks that students must meet to successfully complete degrees and certificates, known as Achievement Measures, which are:

- building towards college level skills (basic skills gains, passing pre-college writing, or math);
- first year retention (earning 15 and then 30 college level credits);
- completing college level math (passing math courses required for either technical or academic associate degrees); and
- completions (degrees, certificates, and apprenticeship training).

Between the 2006-2007 baseline year and 2008-2009, the first performance year, the colleges served 4 percent more students but increased student achievement by 19 percent with the greatest gains occurring in all points.

For public baccalaureate institutions, legislation enacted in 2008 required the establishment of pilot performance agreements. The purpose is to develop a six-year plan that aligns higher education policy goals and desired outcomes with resources. Performance agreements may address a variety of elements including benchmarks and goals for long-term degree production, recruitment and retention, quality, timeliness of student progress, and costs, among others. Other accountability provisions include reporting data to the HECB and the OFM.

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### **Summary of Substitute Bill:**

#### Degree Production Targets.

By 2018 four-year public institutions of higher education must aim to increase bachelor's degrees by 6,000 per year or 27 percent above the 2010 production levels. At least 2,000 of these additional degrees must be in the areas of science, which includes the health sciences, technology, engineering, mathematics, natural resources/conservation, biology, life sciences,

and interdisciplinary sciences. At least 19 percent of degrees earned must include students who are low income or the first in their family to attend college. The HECB must update these targets by September 1, 2012, and again every two years.

#### Tuition-Setting Authority and State Funding Levels.

Beginning in 2013-2014, tuition for undergraduate students at community and technical colleges is provided in the Omnibus Appropriations Act. Community and technical colleges and four-year institutions are permitted to set tuition rates for all students other than undergraduates.

Beginning in 2011-2012, four-year institutions are permitted to increase or decrease tuition based on the state funding baseline and funding at comparable institutions in the GCS. A baseline year, fiscal year 2008, is established for state funding. Increases in tuition must not go above the 60th percentile of tuition of similar institutions in the GCS. If state funding and tuition combined exceed the 60th percentile of tuition at similar institutions in the GCS, the four-year institutions are required to decrease tuition.

In addition to reporting on total per-student funding levels compared to the GCS institutions, the OFM must report to the Governor, the HECB, the appropriate committees of the Legislature, and the Boards of Regents or Trustees of the four-year institutions of higher education, with updated estimates of the undergraduate tuition that represents the 60th percentile of tuition for comparable institutions of higher education in the GCS.

#### Performance and Accountability.

Four-year higher education institutions are to report annually on bachelor's, graduate, and professional degrees awarded, graduation rates, transfer rates, time and credits to degree, enrollment in remedial education, success beyond remedial education, credit accumulation, retention rates, market penetration, and course completion.

Each four-year higher education institution is required to develop an action plan to meet enrollment and degree production targets and improve cost effectiveness and efficiency. They must report biennially to the Governor, the Legislature, and the HECB and include in their report innovative methods to reach the targets such as: (1) use of technology; (2) increasing administrative efficiencies; (3) eliminating under used major and courses; (4) creating three-year bachelor degree programs; (5) increasing tuition for students taking credits beyond those required; (6) recognizing prior learning experiences based on competency assessments; or (7) recognizing transfer credits, particularly credits earned in academic programs at two-year and four-year institutions.

The HECB is to establish a baccalaureate degree incentive program and provide financial awards based on performance progress related to degree completion, degrees awarded in STEM, first-year retention, and the number of excess credits beyond what is required.

Performance agreements are repealed.

#### Washington Pledge Scholarship.

The Washington Pledge Scholarship (Pledge Scholarship) is established as an endowed scholarship program for low and middle income students. For a student to be eligible for the

Pledge Scholarship the student's family income must be at or below 125 percent of the median family income, the student must intend to earn a baccalaureate degree, and the student must be enrolled at an institution of higher education. The HECB is charged with contracting with a not-for-profit entity to administer the program. The not-for-profit entity must select students, work with the HECB to adopt rules and guidelines, publicize the program, and solicit and accept grants and donations to the endowment fund. A student may receive a scholarship for up to 180 credits or the equivalent semester hours for a maximum of five years. The Washington Pledge Endowment Fund (Endowment Fund) is created in the custody of the Office of the State Treasurer.

#### Tax Credits for Businesses that Contribute to the Endowment Fund.

Businesses that contribute to the Endowment Fund are eligible for a business and occupation (B&O) tax or public utility tax (PUT) credit. The credit can be taken against the contributor's B&O tax or PUT liability. Credits earned in a fiscal year are equal to 50 percent of the business's contributions to the Endowment Fund during that fiscal year. Credits can be earned for contributions made beginning July 1, 2011, through June 30, 2021, or until \$1 billion in total contributions is reached, whichever comes first. Total credits claimed by all contributors may not exceed \$50 million in any one fiscal year.

Businesses may claim credits on January 1 of the year after the fiscal year in which sales and use tax, PUT, and B&O tax collections exceed fiscal year 2008 collections by 10 percent, but no earlier than January 1, 2014. Credits earned may be carried over to subsequent calendar years until used, but all credits must be claimed by June 30, 2023. Credits claimed will be allowed on a first-come basis with no refunds. Businesses claiming the credit are required to file and pay electronically.

#### Student Transfer.

Current statewide transfer agreements are placed in statute. Graduates with a transfer degree from a community or technical college who are admitted to a four-year institution must be given junior standing and be deemed to have met lower division general education requirements. Transfer students with 90 quarter hours and who have completed general education requirements at another public four-year institution, must be deemed to have met lower division general education requirements and hold junior standing. Each institution must develop at least one degree in arts and sciences that can be completed within 90 upper division quarter hours by any student who enters with junior status.

Community and technical colleges will work jointly with the four-year institutions to develop equivalent course lists for one year's worth of general education credit. Students who complete one year of general education credits may receive a one-year academic completion certificate.

Community and technical colleges must identify and publish a list of college level courses that are recognized by all four-year institutions, a list of courses that satisfy the one-year completion certificate requirements, and a list of courses accepted for a transferrable associate degree.

#### Informing Students About Tax Credits.

Public higher education institutions must notify students on billing statements of federal tax credits.

#### Tuition Increase Limits for Public Interest Degrees.

Public interest degrees are defined as associate, baccalaureate, or graduate degrees in the following fields: science, technology, engineering, and mathematics fields that include agriculture and natural resources, biology and biomedical sciences, computer and information sciences, engineering and engineering technologies, health professions and clinical sciences, mathematics and statistics, and physical sciences and science technologies. Tuition increases for students who enroll in public interest degrees cannot exceed 5 percent per year. The HECB must identify programs that qualify as public interest degrees each year. A task force is created to make recommendations on what constitute public interest degrees.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill changes the underlying bill by:

- changing the date for increased flexibility for tuition setting authority for the public baccalaureate institutions to the 2011 academic year rather than the 2013 academic year;
- changing the operating budget baseline year for funding higher education to fiscal year 2008 rather than fiscal year 2011;
- adding clarification to degree targets in relation to the sciences;
- clarifying that the tuition comparison with similar public institutions in the GCS is for resident undergraduate tuition;
- removing the requirement that any tuition increases above 7 percent shall fund costs of instruction, library and student services, utilities and maintenance, and other costs related to instruction as well as institutional financial aid;
- adding data to be reported annually as follows:
  - graduate and professional degrees awarded;
  - annual enrollment;
  - annual first time enrollment;
  - participation and completion rates for STEM degrees, including for under-represented students; and
  - completion ratio;
- adding specificity to the measures related to STEM degrees awarded so that sciences include not only the physical and health sciences but also natural resources, conservation, biology, life sciences, and interdisciplinary sciences;
- removing the requirement that the SBCTC report to the HECB on progress toward meeting degree targets;
- requiring the HECB to collaborate with the higher education institutions, the Council of Presidents, and the Education Data Research Center to design the Baccalaureate Incentive Program and develop measures;
- requiring a not-for-profit institution, under contract with the HECB, to administer the Pledge Scholarship and the Endowment Fund; and
- adding several provisions related to public interest degrees as follows: (1) creating a definition for public interest degrees that are associate, baccalaureate, and graduate degrees in STEM; (2) directing the HECB to identify which programs qualify as public interest degrees before student enrollment each academic year; (3) creating a

task force to recommend policies on how to increase the production of public interest degrees; and (4) creating an incentive for students to enroll in public interest degrees by requiring that tuition for these degrees increase no more than 5 percent over the previous academic year.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) The proposal affirms the state's goals in higher education for raising educational attainment. While Washington leads the country in producing jobs that require a college degree, the state is 36th in the country for producing individuals who earn a baccalaureate degree. Jobs are frequently filled by people who move here from other states and other countries. There is a mismatch between jobs and skills for our own citizens. If employers cannot find the skilled workers they need our economy stagnates. More students from Washington need to be sent to college in Washington and get a college degree. The state must grow baccalaureate degree production by 27 percent. There is a particular need to increase the number of students who get baccalaureate degrees in STEM. This bill creates a new financial formula for the six public baccalaureate institutions, with an aim to get funding on a per-student basis up to the 60th percentile of per-student funding at comparable institutions in the GCS. It is the appropriate time for baccalaureate institutions to have more flexible tuition setting authority. This bill is designed to withstand the state budget formula. This formula is based on two sources: the state budget and tuition. The bill gives universities flexibility to raise tuition when the state cannot provide enough funding, and still provides a way for low income individuals to access higher education. The accountability recommendations of the Task Force are adopted. Increased data collection elements will help to inform higher education policy. The tax credit to support the scholarship endowment is designed so that businesses who do not currently contribute to higher education will have a way of giving something back. The section on improving transfer is a small but a very important piece of this bill which provides more seamlessness and transparency for students.

(In support with concerns) The cuts to higher education funding have impacted access to higher education. The Endowment Fund will not cover the access needs of under-represented students immediately. It is unknown what cost shifts in the state's budget are related to the endowment. There will be a continuing need for the State Need Grant. Increased tuition flexibility should not translate to an expectation of lower state funding. The proposal ignores a third element, which is predictability for students. There is concern about the cost of living adjustments in the formula that is used by the OFM when determining per student funding compared to the GCS. Some of the transfer components in the bill may not be consistent with current practices.



(With concerns) Broad tuition setting authority will not meet the long-term funding needs for higher education.

(Opposed) The proposal ignores financial aid and offers very little in terms of predictability and affordability for students. There is no way for students to gauge how tuition might increase. When students cannot budget, they are more likely to suspend their educational pursuits.

**Persons Testifying:** (In support) Leslie Goldstein, Governor's Policy Office; Brad Smith, Microsoft; Laura Peterson, Boeing; Maud Daudon, Greater Seattle Chamber of Commerce; Chris Rivera, Washington Biotechnology and Biomedical Association; Bob Drewel, Puget Sound Regional Council; Stan Sorcher, Society of Professional Engineering Employees in Aerospace; Susannah Malarkey, Technology Alliance; Michelle Andreas, State Board for Community and Technical Colleges; Sherry Burkey, Western Washington University; Ann Anderson, Central Washington University; and Don Bennett, Higher Education Coordinating Board.

(In support with concerns) Chris Mulick, Washington State University; David Buri, Eastern Washington University; and Margaret Shepherd and Jim Fridley, University of Washington.

(With concerns) Heather Cope, League of Education Voters; Julie Garver, The Evergreen State College; and Garrett Strain, University of Washington.

(Opposed) Quinn Majeski, Washington Student Association.

**Persons Signed In To Testify But Not Testifying:** None.