

# SENATE BILL REPORT

## SB 5717

---

---

As of February 10, 2011

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

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

**Sponsors:** Senators Tom, Kilmer, White and Shin; by request of Governor Gregoire.

**Brief History:**

**Committee Activity:** Higher Education & Workforce Development: 02/02/11

---

### SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

**Staff:** Aldo Melchiori (786-7439)

**Background:** In 2010 the Governor formed a Higher Education Funding Task Force composed of Washington business and education leaders. The task force worked, over an eight month period, to develop ideas focused on ensuring that Washington citizens have the opportunity to earn a college degree. The task force issued its report and recommendations in January 2011.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The public utility tax applies to the gross income derived from the operation of public and privately owned utilities. The tax is in lieu of the B&O tax and applies to transportation and the supply of energy and water.

**Summary of Bill:** Degree production Goals. Beginning with the 2011-12 academic year, the four-year institutions of higher education work toward specific degree completion targets including (1) increasing the number of baccalaureate degrees earned by Washington residents from 2010 levels by at least 6000 degrees or 27 percent; (2) providing that at least 2000 of the additional degrees must be in science fields, including health sciences, technology, engineering, and mathematics; and (3) attaining a goal that at least 19 percent of all baccalaureate degrees awarded would be to low-income or first-in-their-family-to-attend college students. The targets are updated every two years.

---

*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.*

Each four-year institution develops a specific action plan to meet the targets. Institutions report on innovations to reach targets including (1) technology use in instruction; (2) administrative efficiencies; (3) eliminating underused programs; (4) creating three-year degree programs; (5) increasing tuition for lingering students; (6) recognizing prior learning experiences; and (7) recognizing transfer credits.

Tuition Setting Authority. Beginning with the 2013-14 academic year, resident undergraduate tuition at the community and technical colleges is provided in the budget. Tuition at community and technical colleges can increase no more than 7 percent per year. Beginning in 2013-14, the four-year institutions of higher education set their own resident undergraduate tuition in the following manner:

1. If state funding falls below the 2011 level, resident undergraduate tuition can be raised up to 60 percent of peer institutions in the Global Challenge (GC) states, or the institution may reduce enrollments, or both;
2. If state funding is at least equal to the 2011 level, resident undergraduate tuition can be raised up to 60 percent of peer institutions in the GC states, but the institution must maintain or increase enrollments if required to do so by the omnibus appropriations act; or
3. If state funding is increased such that, combined with resident undergraduate tuition, the 60th percentile of total per-student funding in the GC states is exceeded, resident undergraduate tuition must be decreased to attain that level.

Enrollment levels can be adjusted to alter per student funding. By September each year, the Office of Financial Management reports updated estimates of the undergraduate resident tuition that represents the 60th percentile of GC state tuition at comparable institutions.

Washington Pledge Scholarship Program. The Washington Pledge Scholarship Program is established and supported by the Washington Pledge Endowment Fund (Fund). The goal is to create a \$1 billion endowment by 2021. The principal of the Fund may not be invaded.

A B&O or state public utility tax credit is available for contributions made to the Fund after July 1, 2011. The credits may not exceed 50 percent of taxpayer's total contribution to the Fund during that fiscal year. Credit is earned on a first-come basis until \$1 billion has been received or June 2021, whichever occurs first. Credits may only be claimed until January 1, 2014, or when total B&O sales and use, and state public utility tax collections rise 10 percent above 2008 levels, whichever is later. The B&O tax credit may not exceed the tax collected for that reporting period. No tax credit may exceed \$50 million per fiscal year. Unused credits may be carried forward to subsequent tax years. No credits can be claimed after June 2023.

The Higher Education Coordinating Board (HECB) awards scholarships from the Fund or appropriated funds. To be eligible for a Washington Pledge Scholarship, a student must (1) be a resident; (2) have a family income at or below 125 percent of the state median family; (3) declare an intent to get baccalaureate degree; and (4) enroll in an institution of higher education. Awards may vary, but may not exceed financial need, including tuition and expenses. The scholarship duration is limited to 180 quarter hours or a maximum of five years.

Performance and Accountability. To provide consistent data among the four-year institutions, each must annually report (1) number of baccalaureate degrees awarded; (2) graduation rates; (3) transfer rates; (4) time and credits to degree; (5) remedial education enrollment; (6) success beyond remedial education; (7) credit accumulation; (8) retention rates; and (9) percentage of credit hours completed out of those attempted.

A baccalaureate degree incentive program is created. The HECB designs a program of rewards based on each institution's performance improvement goals. Baseline performance measures include (1) total number of degrees completed; (2) number of degrees in specified fields; (3) retention increases for students receiving need-based financial assistance; and (4) number of excess credits taken beyond those needed to graduate.

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 are admitted to another four-year institution with junior standing and must be deemed to have met lower division general education requirements. 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 courses for a transferrable associate degree.

General Provisions. Institutions of higher education include federal tax credit information on billing statements.

The performance agreement statutes are repealed.

**Appropriation:** None.

**Fiscal Note:** Requested on January 25, 2011.  
[OFM requested ten-year cost projection pursuant to I-960.]

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: The task force looked at the discontinuity between Washington business needs and the number of graduates being produced by Washington institutions. Washington State students need access to Washington jobs. The task force used a three pronged approach to fashion a unified strategy: (1) providing for sustainable and predictable degree production, (2) creating a scholarship program with new money, and (3) providing for transparency so that the public knows that we are producing

results. The plan utilizes Complete to Compete factors to gauge results. The aerospace industry is reliant on U.S. citizens with degrees due to security concerns. The state needs to minimize the effect of budget cuts. The plan sets an appropriate degree of tension between tuition levels and state funding. The Pledge Scholarship is an important supplement to the need grants. The financial formula is a positive step to tie tuition to state funding and a good start toward a long-term funding model.

CON: The plan does little to protect students from significant tuition increases. There is no predictability for students.

OTHER: We need to take care when shifting financial aid away from the state. Graduate and professional student tuition increases remain unchecked. Students need financial support today. More work needs to be done on the GC state comparisons to make sure they are valid. A strength of current financial aid is the ability to use it at private nonprofit as well as public institutions.

**Persons Testifying:** PRO: Laura Peterson, Boeing Company, Governor's Task Force member; Chris Rivera, Washington Biotechnology and Biomedical Assn., Governor's Task Force member; Bob Drewel, Puget Sound Regional Council; Stan Sorscher, Prosperity Partnership, Society of Professional Engineering Employees in Aerospace; Ellen O'Hara, Zetron Systems, Prosperity Partnership; Susannah Malarisey, Technology Alliance, Prosperity Partnership; Don Bennett, HECB; Michelle Andreas, State Board of Community and Technical Colleges; Lew McMurrin, Washington Technology Industry Assn.; Margaret Shepherd, Jim Fridley, UW; Davis Buri, EWU; Chris Mulick, WSU; Leslie Goldstein, Governor's Office; Mike Bogatay, John Wheeler III, Washington Student Assn.; Julie Garver, TESC.

CON: Quinn Majeski, Washington Student Assn.

OTHER: Heather Cope, League of Education Voters; Ann Anderson, CWU; Sherry Burkey, WWU; Greg Scheiderer, Independent Colleges of Washington.