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## Higher Education Committee

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### HB 1696

**Brief Description:** Modifying provisions related to tuition setting authority at public institutions of higher education.

**Sponsors:** Representative Haler; by request of Office of Financial Management.

#### Brief Summary of Bill

- Returns tuition-setting authority for resident undergraduate students to the operating budget.
- Provides that any institution that exercised tuition-setting authority above certain levels must continue financial aid mitigation.
- Allows the State Board for Community and Technical Colleges and the four-year institutions to institute differential tuition models subject to approval in the operating budget, except for during the 2015-17 biennium.
- Repeals certain provisions.

**Hearing Date:** 2/6/15

**Staff:** Megan Wargacki (786-7194).

#### **Background:**

##### Tuition-Setting Authority.

In 2011 the Legislature enacted E2SHB 1795, the Higher Education Opportunity Act, which provided the four-year institutions limited authority to set tuition rates for resident undergraduate students through the 2014-15 academic year. In the 2015-16 through 2018-19 academic years these institutions are granted tuition-setting authority within limits based on a state funding baseline year and funding for similar higher education institutions in the Global Challenge States. From 2019 on, the resident undergraduate student tuition at the four-year institutions will be set in the operating budget.

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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.*

This legislation also expanded the authority of the four-year institutions to charge differential tuition rates to students. The State Board for Community and Technical Colleges (SBCTC) was also given the authority to pilot or institute differential tuition models. In 2012, and again in 2013, the Legislature suspended the authority to charge resident undergraduate students differential tuition rates in the operating budgets. The explicit statutory authority to the four-year institutions to implement any differential tuition model expires at the end of the 2014-15 academic year.

#### Financial-Aid Mitigation.

When a four-year institution raises tuition beyond levels assumed in the operating budget, the institution must remit 5 percent of operating fees back to students in the form of financial aid. Four-year institutions that do not increase tuition beyond levels assumed in the operating budget must remit 4 percent of operating fees in the form of financial aid. Additionally, to offset increased tuition, institutions must provide financial assistance to State Need Grant-eligible students, resident low and middle-income students via a specific formula depending on tuition price as a percentage of median family income in various income brackets up to 125 percent of the median family income. Financial assistance may be provided through various methods with sources from tuition revenue, locally held funds, tuition waivers, or local financial aid programs.

#### Performance Plans.

Beginning in September 2011, each four-year institution must negotiate any institutional performance plan with the Office of Financial Management (OFM) that includes expected outcomes to be achieved in the subsequent biennium. At a minimum the plans must include: (1) expected outcomes for time and credits to degree; (2) retention and success of students from low-income, diverse, or underrepresented communities; (3) baccalaureate degree production; and (4) degree production in high-demand programs.

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

Tuition-setting authority for resident undergraduate students at the four-year institutions of higher education and the community and technical colleges is removed and returned to the operating budget. However, for any institution that exercised tuition-setting authority above levels assumed by the Legislature in the 2011-13 and 2013-15 bienniums, the institution must continue to remit 5 percent of operating fees back to students in the form of financial aid and continue required financial aid mitigation.

The SBCTC and the four-year institutions may pilot, or institute, differential tuition models subject to approval in the operating budget. However, differential tuition models may not be implemented during the 2015-17 biennium.

The following provisions are repealed:

- public baccalaureates must negotiate with the OFM an institutional performance plan with expected outcomes every other September;
- the OFM must report annually the total per-student funding level and undergraduate tuition that each represent the sixtieth percentile of funding and tuition for similar institutions of higher education; and

- colleges and universities must collaborate with student associations to make every effort to communicate the American Opportunity Tax Credit and other credits to students and report on the effectiveness of these methods.

**Appropriation:** None.

**Fiscal Note:** Available.

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