HOUSE BILL REPORT
HB 1696

As Reported by House Committee On:
Higher Education

Title: An act relating to modifying provisions related to tuition setting authority at public institutions of higher education.

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 History:
Committee Activity:
Higher Education: 2/6/15, 2/17/15 [DPS].

Brief Summary of Substitute 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.
- Adds additional income brackets to the annual reports required by four-year institutions that raise tuition beyond the levels assumed in the operating budget.
- Repeals certain provisions.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Hansen, Chair; Pollet, Vice Chair; Zeiger, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Bergquist, Gregory, Hargrove, Holy, Reykdal, Sells, Stambaugh, Tarleton and Van Werven.

Staff: Megan Wargacki (786-7194).

Background:

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.

Tuition-Setting Authority.
In 2011 the Legislature enacted Engrossed Second Substitute House Bill 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.

This legislation also expanded the authority of the four-year institutions to charge differential tuition rates to students. In addition, the State Board for Community and Technical Colleges (SBCTC) was 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 and 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.

In addition, any four-year institution that raises tuition beyond the levels assumed in the operating budget must report to the Governor and the Legislature each year on the effectiveness of the sources and methods of financial aid in mitigating tuition increases. The reports must include disaggregated data for resident students in the following income brackets:
- up to 70 percent of the Median Family Income (MFI);
- between 71 percent and 125 percent of the MFI; and
- above 125 percent of the MFI.

Performance Plans.
Beginning in September 2011, each four-year institution must negotiate a 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 Substitute 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 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.
- 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.

Substitute Bill Compared to Original Bill:

The authority for the SBCTC and the four-year institutions to pilot, or institute, differential tuition models is removed entirely. The income brackets used in the analysis of the effects of tuition increases on resident students is modified. The bracket for above 125 percent of MFI is replaced with brackets for between 126 and 175 percent, between 176 and 225 percent, and above 225 percent of MFI.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 17, 2015.

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 Legislature has already taken back tuition-setting authority at the four-year institutions by freezing tuition in the budget. When these institutions were allowed to raise tuition, the levels were raised at a rate that would never have been authorized by the Legislature. Tuition should be set by Legislature, even if it increases tuition rates. Institutions have in the past had to make cuts because the amount of state support decreased. This bill would allow the Legislature to take back tuition-setting authority, and consider the needs of students and their families. The students look to the Legislature to set an example of what is affordable for all students in the state. Students understand the interplay between tuition and state support. They like this bill because they cannot afford any more tuition increases. If institutions have tuition-setting authority and do not get the money they think they need, they will balance their budgets on the backs of the students. It is important to be committed to access and opportunity for our students.

The Legislature should eliminate differential tuition altogether through an amendment. It is also important to remove the Global Challenge States comparison because this puts an unfair burden on institutions. The institutions should concentrate on what they can control. The trigger for whether tuition-setting authority exists should not be tied to what the tuition is in other states or other institutions. The OFM believes the Legislature should decide affordability, tuition, and financial aid as a package. The current statute is confusing for everyone. There are two versions of the same statute which result in different interpretations; the Legislature needs to clarify this by passing the bill.

(Other) It is best to focus on stable and predictable funding to the institutions. This focus is made difficult when the Legislature keeps changing its tuition policy. Funding higher education must be a partnership between policymakers, taxpayers, and higher education institutions. The Legislature always gets to decide whether tuition remains flat. Institutions want the Legislature to decide to make college affordable and keep tuition flat. Institutions need to be able to plan, operate, and respond when the Legislature changes state support levels. Many institutions support a tuition freeze as long as there is adequate state support to compensate the institutions for foregone revenue. This will ensure students can complete their degrees in a timely manner. Some institutions never used the tuition-setting authority being repealed in this bill. Total per student revenues is the best benchmark to compare institutions and states.

(With concerns) It is important to grow the higher education system so the state can produce more graduates to fill high demand jobs. The Legislature should look to the long term and make decisions to give institutions the flexibility to grow their individual institutions to produce more high-demand degrees.

(Opposed) None.

Persons Testifying: (In support) Representative Haler, prime sponsor; Paula Moore, Office of Financial Management; Alicia Kinne-Clawson, Eastern Washington University; Jordan Martin, Associated Students of Eastern Washington University; Austin Wright-Pettibone, Associated Students of the University of Washington; and Julie Garver, The Evergreen State College.

(Other) Paul Francis, Council of Presidents; Genesee Adkins, University of Washington; Becca Kenna-Schenk, Western Washington University; and Steve DuPont, Central Washington University.

(With concerns) Neil Strege, Washington Roundtable.

Persons Signed In To Testify But Not Testifying: None.