
Higher Education Committee

ESSB 5954

Brief Description: Reducing tuition.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Braun, Bailey, Hill, Becker, Fain, Miloscia, Parlette, Angel, Schoesler, Brown, Litzow, Warnick, Honeyford, Sheldon, Rivers, Roach and Benton).

Brief Summary of Engrossed Substitute Bill

- Removes four-year institution's tuition setting authority for resident undergraduates (RUGs).
- Provides that tuition for RUGs be a percentage of the state's average wage.
- Requires the Legislature to make higher education appropriations that are at least equal to the total state funds appropriated in the 2013-2015 biennium plus the net revenue loss from RUG operating fees received for the 2015-2017 fiscal biennium under this act, adjusted for inflation.
- Provides that the governing body of the Guaranteed Education Tuition Program must make one-time adjustments to unredeemed tuition units purchased to ensure that the total payout value of each account is not decreased because of any changes in tuition fees under this act.

Hearing Date: 3/26/15

Staff: Megan Wargacki (786-7194).

Background:

Tuition Fees.

Tuition fees include operating fees and building fees. In 2011 the Legislature enacted E2SHB 1795, the Higher Education Opportunity Act, which provided that reductions or increases in full-time tuition fees must be provided in the Operating Budget for resident undergraduate students (RUGs) at the community and technical colleges (CTCs).

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 gave the four-year institutions limited authority to set tuition rates for all students through the 2014-15 academic year. In the 2015-16 through 2018-19 academic years, the four-year 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 RUG tuition at the four-year institutions will be set in the Operating Budget.

Certain percentages of operating fees must be retained by the institutions. 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. A minimum of 3.5 percent of operating fees must be retained by the CTCs.

Each academic year, the Office of Financial Management (OFM) calculates the building fee that can be charged to students. The building fee is a percentage of total tuition fees.

Appropriations to the Institutions of Higher Education.

The Legislature has codified its intent that appropriations to the institutions of higher education shall not be reduced by the amount of operating fees revenue:

- estimated to be collected from students enrolled at the state-funded enrollment level specified in the Operating Budget;
- collected from students enrolled above the state-funded level specified in the Operating Budget; and
- collected from students above the state-funded level specified in the Operating Budget.

State Need Grant Appropriations.

The State Need Grant (SNG) program was established in 1969 to assist financially needy or disadvantaged resident students attending a higher education institution. During the 2013-14 academic year, 70,109 Washington students received the SNG. At the same time, there were 33,557 students who were eligible but not served. Appropriations for the SNG were \$303 million for the 2013-14 academic year and \$308 million for the 2014-15 academic year.

Guaranteed Education Tuition Program.

The Washington Advanced College Tuition Payment Program, known as the GET Program, is a 529 prepaid college tuition plan. The state guarantees that tuition units purchased may be redeemed at a future date for an equal number of tuition units, regardless of any increase in the price of tuition, that may have occurred in the interval. Since 1998, over 157,000 GET accounts have been opened, and over 38,000 students have used their accounts to attend colleges, universities, and technical schools nationwide.

The current GET unit price is \$172. The unit purchase price is based on an actuarial formula that includes current cost of tuition fees and other state-mandated fees, estimated tuition changes, inflation, investment returns, and administrative costs, and is adjusted to ensure the actuarial soundness of the account. Through July 31, 2015, the payout value of a GET unit is \$117.82.

Consumer Price Index.

The Consumer Price Index (CPI) measures the average change over time in prices of all goods and services purchased for consumption by urban households. The CPI is prepared and published by the Bureau of Labor Statistics, United States Department of Labor (BLS).

State Average Annual Wage.

Under state law, the Employment Security Department (ESD) must compute, on or before June 15 each year, the average annual wage. In 2012 the average annual wage was \$52,945.

Summary of Bill:

This act may be known and cited as the College Affordability Program.

Tuition Fees.

Tuition setting authority for RUGs at the four-year institutions is removed from statute. In the 2015-16 academic year, as specified in the Operating Budget, full-time tuition operating fees for RUGs must be no more than the 2014-15 tuition operating fee and no less than the following:

- for CTCs , 6 percent of the state's average wage, as calculated by the ESD;
- for state universities, 14 percent of the state's average wage; and
- for regional universities and the Evergreen State College, 10 percent of the state's average wage.

Beginning in the 2016-17 academic year, full-time tuition operating fees for RUGs must be as follows:

- for CTCs , 6 percent of the state's average wage;
- for state universities, 14 percent of the state's average wage; and
- for regional universities and the Evergreen State College, 10 percent of the state's average wage.

As a result of changes in tuition fees, the four-year public institutions must not reduce RUG enrollment below the 2014-15 academic-year levels.

The requirement that the four-year institutions retain an additional 1 percent of tuition for financial aid purposes if the institution increased tuition above levels assumed in the Operating Budget is removed. The dollar value of the building fee must not be reduced below the level in the 2014-15 academic year adjusted for inflation. Inflation must be based on the CPI, using the official current base, compiled by the BLS for Washington. If the BLS develops more than one CPI for areas within the state, the index covering the greatest number of people, and covering areas exclusively within the boundaries of the state, must be used.

Appropriations to the Institutions of Higher Education.

Provisions codifying the Legislature's intent that appropriations to the institutions must not be reduced by certain operating fees revenues are removed. Instead, beginning with the 2015-2017 Operating Budget, the Legislature must appropriate to the SBCTC and to each of the four-year institutions an amount that is at least equal to the total state funds appropriated in the 2013-2015 biennium, plus the net revenue loss from RUG operating fees received for the 2015-2017 fiscal biennium under this act, adjusted for inflation in subsequent biennia.

State Need Grant Appropriations.

Beginning with the 2015-17 Operating Budget, reductions in tuition levels resulting from these policy changes will allow the Legislature to reduce State Need Grant appropriations by an equal amount from the 2013-15 Operating Budget amounts.

Guaranteed Education Tuition Program.

For the 2015-16 and 2016-17 academic years, the governing body of the GET Program must make one-time adjustments to all unredeemed tuition units purchased before the section takes effect as may be necessary to ensure that the total payout value of each account is not decreased or diluted because of any changes in tuition fees under this act. The changes in tuition fees may also not result in the decrease of the dollar value of the maximum tuition units that may be used in any one year. The first notification to holders of tuition units after the adjustment is made must include a statement concerning the adjustment.

Global Challenge States and Financial Aid Mitigation.

The following provisions are repealed:

- 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.
- Four-year institutions that increased tuition beyond levels assumed in the Operating Budget must meet certain financial aid requirements through the 2018-19 academic year.

Appropriation: None.

Fiscal Note: Requested on March 24, 2015.

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