

SENATE BILL REPORT

SB 5954

As Reported by Senate Committee On:
Higher Education, February 19, 2015
Ways & Means, February 26, 2015

Title: An act relating to reducing tuition.

Brief Description: Reducing tuition.

Sponsors: Senators Braun, Bailey, Hill, Becker, Fain, Miloscia, Parlette, Angel, Schoesler, Brown, Litzow, Warnick, Honeyford, Sheldon, Rivers, Roach and Benton.

Brief History:

Committee Activity: Higher Education: 2/17/15, 2/19/15 [DP-WM, w/oRec].
Ways & Means: 2/23/15, 2/26/15 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Bailey, Chair; Baumgartner, Vice Chair; Becker and Miloscia.

Minority Report: That it be referred without recommendation.
Signed by Senators Kohl-Welles, Ranking Minority Member; Frockt and Liias.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5954 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Keiser, Assistant Ranking Member on the Capital Budget; Bailey, Becker, Billig, Brown, Conway, Hasegawa, Hewitt, O'Ban, Padden, Parlette, Rolfes, Schoesler and Warnick.

Minority Report: Do not pass.
Signed by Senators Hargrove, Ranking Member; Kohl-Welles.

Minority Report: That it be referred without recommendation.
Signed by Senators Ranker, Ranking Minority Member, Operating; Fraser.

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.

Staff: Michael Bezanson (786-7449)

Background: Tuition-Setting Authority. In 2011 the Legislature enacted E2SHB 1795, the Higher Education Opportunity Act, which provided four-year institutions the authority to set tuition rates for resident undergraduate students through the 2014-15 academic year. In the 2015-16 through 2018-19 academic years they 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.

When a public baccalaureate 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. 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.

State Average Annual Wage. Under state law, the Employment Security Department must compute on or before June 15 each year the average annual wage. Currently the average annual wage is \$52,635.

Washington's Guaranteed Education Tuition (GET) Program. The GET program is a 529 prepaid college tuition plan established in 1997. The GET Program allows purchasers to pre-pay for tuition units that will be used at a later date. The state guarantees that 100 GET units will cover one year of resident undergraduate tuition and state-mandated fees at the most expensive Washington public university. GET units do not cover institutionally mandated fees that may be required at each individual school.

The current unit price is \$172. Unit purchase price is based on an actuarial formula that includes current cost of tuition, estimated future tuitions, inflation, investment returns, and administrative costs, and the need for a reserve to assist in periods of fluctuating returns or higher-than-average tuition. The current payout value is \$117.82 – effective through July 31, 2015.

Summary of Bill (Recommended Substitute): Public baccalaureate tuition-setting authority for resident undergraduate students is removed. Beginning in the 2015-16 academic year, tuition fees for resident undergraduates must be no more than the following:

- for community and technical colleges, 6 percent of the state's average wage;
- for the regional universities and The Evergreen State College, 10 percent of the state's average wage; and
- for the research universities, 14 percent of the state's average wage.

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

Beginning with the 2015-17 operating budget, the Legislature must appropriate to the State Board for Community and Technical Colleges and each four-year institution of higher

education an amount that is at least equal to the total state funds appropriated in the 2013-15 biennium plus the reduction in net revenues from resident undergraduate tuition operating fees received for the 2015-17 fiscal biennium under this act, adjusted for inflation. Additionally, the dollar value of the building fee must not be reduced below the level in the 2014-15 academic year, adjusted for inflation.

In time for the 2015-16 academic year, the Committee on Advanced Tuition Payment and the governing body of the GET program must make a one-time adjustment to the current value of all unredeemed tuition units purchased to ensure the tuition units retain their total current dollar value and are not decreased or diluted as a result of the initial changes in tuition fees.

Financial mitigation is no longer required for institutions that increased tuition for resident undergraduate students above the tuition increases assumed in the budget. The Office of Financial Management is no longer required to 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.

This act is known as the College Affordability Program.

Specific funding for the purposes of this act must be provided in the budget or the act is null and void.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):

- Clarifies that the tuition operating fee backfill amounts are on net revenue and not gross revenue;
- Clarifies that the tuition operating fee backfill amounts are based on budgeted student full-time equivalents;
- Clarifies that changes to GET are not an ongoing adjustment, do not apply to redeemed tuition units, and the adjustment does not provide ongoing protection in value;
- Removes the requirement that the State Board for Community and Technical Colleges must maintain resident undergraduate enrollment at the 2014-15 academic year levels; and
- Adds a null and void clause.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill (Higher Education): PRO: We have made higher education unaffordable for our own students by our own actions. It is not doable to put yourself through college with a job. The state average wage is reliable. If we

set tuition at a percentage of it, we can ensure tuition is affordable. Cost is a Ways & Means issue. This is a real step forward to getting a handle on student debt. This prioritizes the need for higher education in the state budget. The best form of financial aid is low tuition. During the recession many states shifted toward high tuition. Washington can be the first state to shift back to low tuition. This is the next logical step after freezing tuition.

OTHER: A dollar in appropriation is absolutely preferable to dollar in tuition. However, actual realization of sufficient funds to meet new demands in this biennium and future biennia is our concern. We would rather use SNG savings toward unserved students than making institutions whole. The community and technical colleges can't control enrollments because of the economy. The bill makes a clear and deliberate connection between tuition and state support. But where will the money come from? Washington continues to rank 49th in higher education funding. The bill does not increase investment in higher education, but it does shift the balance of funding from tuition to the state. Unforeseen budget circumstances could lead to a suspension in the budget. To maintain current cash value of GET accounts, we are discussing options with the State Actuary. The funded status of the program might go up. Three funding elements of higher education – financial aid, state support, and tuition – need to be carefully balanced and integrated to make a comprehensive and holistic approach.

Persons Testifying (Higher Education): PRO: Senators Braun and Bailey, prime sponsors; Jim Huckabay, Faculty Legislative Representative, Central WA University; Austin Wright-Pettibone, Associated Students of the University of WA, Government Relations Director; Jordan Martin, Associated Students of Eastern WA University.

OTHER: Julie Garver, The Evergreen State College; Marc Webster, WA Student Achievement Council, Senior Fiscal Policy Advisor; Paul Bell, Office of Student Legislative Affairs, State Legislative Liaison; Marty Brown, WA State Board for Community and Technical Colleges; Becca Kenna-Schenk, Western WA University; Tom Fitzsimmons, Independent Colleges of WA; Chris Mulick, WA State University; Genesee Adkins, University of WA; David Buri, Eastern WA University; Steve DuPont, Central WA University.

Staff Summary of Public Testimony on Original Bill (Ways & Means): PRO: Students face an increasing financial burden from college tuition. Students have to work harder and longer to afford college. Students are appreciative of this bill.

OTHER: The bill must be done in alignment with the budget otherwise this will cost our institutions. We have concerns about the enrollment levels at our community and technical colleges. Our enrollment is tied to the economy and we take almost all comers. We would like to see the savings from the State Need Grant program put back into the program to cover more students. We appreciate the increased state support and a concrete proposal that rebalances state support and tuition. We want to make certain that the bill's costs are funded.

Persons Testifying (Ways & Means): PRO: Hayley Hohman, Associated Students of WA State University.

OTHER: Marty Brown, State Board for Community and Technical Colleges; Marc Webster, WA Student Achievement Council; Cody Eccles, Council of Presidents.