

# HOUSE BILL REPORT

## ESHB 2344

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**As Passed House:**  
April 22, 2009

**Title:** An act relating to resident undergraduate tuition.

**Brief Description:** Regarding resident undergraduate tuition.

**Sponsors:** House Committee on Ways & Means (originally sponsored by Representative Haigh).

**Brief History:**

**Committee Activity:**

Ways & Means: 4/14/09, 4/18/09 [DPS].

**Floor Activity**

Passed House: 4/22/09, 50-47.

**Brief Summary of Engrossed Substitute Bill**

- Permits the Legislature to increase tuition above the statutory 7 percent cap for 2009-10 and 2010-11.
- Requires institutions of higher education to notify students of the American Opportunity Tax Credit.
- Requires the Higher Education Coordinating Board to convene a group of stakeholders to examine tuition policy.
- Requires the Joint Legislative Audit Review Committee to complete a systemic performance audit of the public baccalaureate institutions.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Linville, Chair; Ericks, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Seaquist and Sullivan.

**Minority Report:** Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Priest, Ross and Schmick.

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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.*

**Staff:** Debbie Driver (786-7143)

**Background:**

Tuition Setting Authority.

Since the 1999-2000 academic year, governing boards of each institution of higher education and the State Board for Community and Technical Colleges are granted authority to increase tuition rates for resident undergraduate students within caps set by the Legislature in the budget act. Previously, the Legislature set tuition in statute as dollar amounts for each public institution. Since 1999-2000, legislative authorized levels of tuition have varied.

<b>Academic Year</b>	<b>Authorized Resident Undergraduate Increases</b>
1999-2000	4.6%
2000-2001	3.6%
2001-02	6.7%
2002-03	
Research	16.0%
Regional	14.0%
Community & Technical Colleges	12.0%
2003-04	7.0%
2004-05	7.0%
2005-06 & 2006-07	
Research	7.0%
Regional	6.0%
Community & Technical Colleges	5.0%
2007-08 & 2008-09	
Research	7.0%
Regional	5.0%
Community & Technical Colleges	2.0%

Tuition amounts (or percentage increases) specified in statute have referred only to the "tuition" portion of tuition and fees. Public colleges and universities are authorized to assess additional fees – such as services and activities fees and technology fees within statutory limits.

State Funding Goals and Washington Learns.

Legislation enacted in 2005 created a comprehensive education and finance study covering early learning, K-12, and higher education. This effort, known as Washington Learns, comprised a steering committee chaired by the Governor and advisory committees for each education sector. The steering and advisory committees were directed to conduct a comprehensive study of early learning, K-12, and higher education; to develop recommendations on how the state can best provide stable funding for early learning, public

schools, and public colleges and universities; and to develop recommendations on specified policy issues. The Washington Learns Final Report, a culmination of the 18-month study, was completed in November 2006.

Many of the recommendations from the Washington Learns report were included in Second Substitute Senate Bill 5806 (2SSB 5806), which passed the Legislature in 2007. One of the components of 2SSB 5806 capped tuition increases for resident students at 7 percent per year between the 2007-08 academic year and the 2016-17 academic year. The legislation also specified a goal that total per-student funding levels (from state appropriations plus tuition and fees) would be at least the 60 percentile of total per-student funding at similar institutions in the Global Challenge States. In defining comparable per-student funding levels, the Office of Financial Management (OFM) was required to adjust for regional cost-of-living differences, for differences in program offerings and the relative mix of lower division, upper division, and graduate students, and for accounting and reporting differences among the comparison institutions.

#### **Summary of Engrossed Substitute Bill:**

During academic years 2009-10 and 2010-11, the state may increase tuition above the previous 7 percent cap. Institutions of higher education are required to notify students of tax credits available through the American Opportunity Tax Credit. The Higher Education Coordinating Board is to convene a group of stakeholders to examine tuition policy including an examination of high tuition, high aid model, differential tuition based on income and other potential state tuition policies. A report is due to the Legislature by November 1, 2009, and is to include the merits of the policies based on administrative feasibility, interactions with federal programs, and impacts on students.

The Joint Legislative Audit Review Committee (JLARC) shall complete a systemic performance audit of the public baccalaureate institutions. The purpose of the audit is to create a transparent link between revenues, expenditures, and performance outcomes as outlined in performance agreements and the strategic master plan for higher education. The JLARC shall report findings and recommendations to the appropriate committees of the Legislature by December 1, 2010.

**Appropriation:** None.

**Fiscal Note:** Requested on April 13, 2009.

**Effective Date:** 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 bill is a very difficult bill to sponsor particularly given the fact that raising tuition above a 7 percent cap is the opposite of the intent of legislation passed two years ago limiting tuition increases. But the state is faced with a situation today that requires students to be part of the solution to maintain higher education programs and ensure effective teaching

and learning occurs in a timely manner. There are federal dollars and different grants and scholarships that are available to help ease the impact of tuition increases above 7 percent.

The four-year university presidents and their governing boards are sensitive to the higher education funding structure and understand how one funding component affects another. No one is looking forward to raising tuition levels to the authorized allowable increases, but it is understood that in a public university structure, the institutions depend on General Fund-State support to maintain operations. As the state is not currently in a position to provide the level of General Fund-State support needed to keep a university system healthy, the alternative is to raise tuition. The institutions request authority to raise resident undergraduate tuition to 14 percent in markets that allow for such increases. Doing so will keep many of the programs and offerings open and available to students. Although this is difficult, the institutions support this bill and also support continued conversations about the structure of financing higher education in the state.

(With concerns) Students have grave concerns about the bill and have fought for years to ensure there is a statutory cap in tuition increases. The cap results in predictability, affordability and sustainability of tuition, which disappear with this bill. The cap passed with overwhelming majorities in both the House and Senate just two years ago. Yet, with this bill, students will be asked to pay more for college and pay a great deal more than current tuition rates. The bill concerns policy aspects of higher education yet was not given a policy hearing. This bill allows a state tuition policy to be set this year that has impacts in the future. The tuition increases authorized in this budget bill will compound, and thus become part of all future tuition increase rates. Ideally, the removal of the cap would only last for a couple of years. In addition, inflation is currently at just under 2 percent which means anything over 2 percent, even 7 percent is greatly higher than inflation. Financial aid is also suffering and will be under additional pressures with high increases. Not all families receive financial aid and financial aid dollars are not growing fast enough to keep pace with tuition increases. The amount of money in the State Need Grant is increased slightly, but the number of people it serves will not be sufficient to serve all who are eligible, and those who receive it will receive less than the full amount in some cases. There are federal dollars to help mitigate the increases on families. However, the Pell Grant and other federal taxing credits were created to reduce the already high costs of college for struggling families, are temporary in nature and were not designed to offset high tuition costs. This bill is not a short term attempt to patch the budget, and in fact, has incredibly detrimental long-term implications. Taxpayers deserve an open process by which there's an institutional check on tuition levels at the colleges that taxpayers are already supporting financially through taxpayer dollars. Please discuss and deliberate this bill carefully, do the minimum damage you can to this sustainability and include students in the process. We hope you will include students as you continue the process. Please uphold the legislation passed two years ago and keep the cap.

(Opposed) There is support for a 7 percent cap for tuition increases and also concerns about the dramatic reductions proposed in higher education. This legislative session has seen potential cuts to higher education funding at high levels. The bill removes predictability of tuition increases for Washington residents. This bill does nothing to assist students with financial aid despite potential high tuition increases. The reliance on stimulus funding is flawed as the stimulus money is temporary and was designed to assist in funding current, not

high future, costs to higher education. Access to higher education is critical and applicants to higher education institutions are at an all time high. Many families choose public education because private education is too expensive. With this legislation, this would be a year that the state effectively privatized public higher education in the State. A tuition policy aimed at accessibility is key.

If the 7 percent cap needs to occur it should only occur for the next biennium. It is very important to return as soon as possible to the long-term policy goals of increasing degree production in our higher education system, of making progress again on per student funding for those long-term goals that are also in that same statute with the cap and to do everything possible to preserve affordability and access in higher education. According to a study, the average family in Washington uses 31 percent of their income to fund education, even after financial aid. The state portion of funding higher education has decreased while the reliance on tuition as a funding source has grown. It's important to recognize that families are in difficult budgetary decisions and if the Legislature is serious about maintaining access to education and ensuring its affordability for students and families, this bill needs to be soundly rejected.

**Persons Testifying:** (In support) Representative Haigh, prime sponsor; and Terry Teale, Council of Presidents.

(With concerns) Steve Lindstrom, Washington Student Lobby; and Mike Bogatay and Shawn Hoey, Washington Student Lobby.

(Opposed) Chris Thompson, Higher Education Coordinating Board; and Richard Lum and Eric Hagarty, Associated Students of the University of Washington.

**Persons Signed In To Testify But Not Testifying:** None.