
Higher Education Committee

HB 1666

Brief Description: Implementing the higher education funding task force recommendations.

Sponsors: Representatives Seaquist, Haler, Carlyle and Maxwell; by request of Governor Gregoire.

Brief Summary of Bill

- Sets degree production targets to increase 27 percent over 2010 levels by 2018.
- Provides increased tuition flexibility for public baccalaureate institutions based upon a baseline fiscal year of 2011, and benchmarked against the 60th percentile of per-student funding at comparable institutions in the Global Challenge States.
- Creates an endowment for low and middle income students who wish to obtain a baccalaureate degree and a tax credit for businesses that contribute.
- Adopts new performance measures for four-year public baccalaureate institutions and creates a program to incentivize progress.
- Requires the creation of a one year transferrable certificate and other measures to ease student transfer and increase recognition of prior learning.

Hearing Date: 2/2/11

Staff: Madeleine Thompson (786-7304).

Background:

Educational Attainment Goals and the Higher Education Task Force.

In 2008 the Legislature approved the 2008 Strategic Master Plan for Higher Education in Washington developed by the Higher Education Coordinating Board (HECB). The plan set targets for additional degree and certificate attainment totaling 31,800 additional certificates and degrees annually.

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.

In 2010 the Governor appointed a Higher Education Task Force (Task Force), composed of Washington business and education leaders, to develop a plan to address the need for increasing the number of Washington residents with college degrees. The Task Force recommended to:

- increase college degrees including in high demand fields such as science, technology, engineering and math;
- provide universities with increased flexibility to set tuition based upon tuition levels in the Global Challenge States;
- expand financial assistance to low and middle income students through an endowment and tax incentive; and
- hold public universities accountable for graduating more students, and improving student transfer and awarding of academic credits.

Tuition Setting Authority.

Table 1: Authorized Resident Undergraduate Increases.

Academic Year	Authorized Resident Undergraduate Increases
1999-2000 - All public higher education institutions.	4.6%
2000-2001 - All public higher education institutions	3.6%
2001-02 - All public higher education institutions.	6.7%
2002-03	
Research	16.0%
Regional	14.0%
Community & Technical Colleges	12.0%
2003-04 - All public higher education institutions.	7.0%
2004-05 - All public higher education institutions.	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%
2009-2011	May exceed 7% for 09-11 only
Research and Regional Institutions	14%
Community & Technical Colleges	7%

Between 1999 and 2009 governing boards of each institution of higher education and the State Board for Community and Technical Colleges (SBCTC) were granted authority to increase

tuition rates for resident undergraduate students within caps set by the Legislature in the budget act. Prior to 1999 the Legislature set tuition in statute as dollar amounts for each public institution. Between 1999 and 2009 tuition levels authorized by the Legislature varied (see table 1.)

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.

In 2009 the Legislature directed that increases in tuition for resident undergraduates may not exceed 7 percent per year, except in 2009-2011.

The Global Challenge State Funding Benchmark.

Legislation enacted in 2007 placed the Global Challenge State benchmark in statute. This followed the recommendation of an education and finance study conducted in 2005 and 2006 and chaired by the Governor, known as Washington Learns. The Global Challenge States were originally defined by the Progressive Policy Institute in 2002 as the top performing states on the New Economy Index. This index compares states on 21 indicators designed to measure global economic competitiveness. The Information Technology and Innovation Foundation, a non-profit, non-partisan research entity, developed the latest New Economy Index in 2010 based on the same indicators. Both in 2002 and 2010 Washington ranked second among all states based on its ability to compete globally and Massachusetts ranked first.

The goal for total per-student funding levels (from state appropriations plus tuition and fees) at institutions of higher education in Washington is at least the 60th percentile of total per-student funding at similar institutions in the Global Challenge States. The Office of Financial Management (OFM) is charged to develop a four-year funding trajectory for each four-year institution of higher education and the community and technical college system. In defining comparable per-student funding levels, OFM is 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. At least once every five years, OFM must update the list of Global Challenge States. The most recent analysis was completed in November 2010.

Performance.

In July 2010 the National Governor's Association (NGA) released recommendations on the common higher education measures that states should collect and report publicly. The Task Force in Washington recommends adoption of the NGA metrics:

- outcome metrics: degrees awarded, graduation rates, transfer rates, and time and credits to degree, and;
- progress metrics: enrollment in remedial education, success in remedial education, success in first-year college courses, credit accumulation, retention rates, and course completion.

The Task Force also recommends developing a program to incentivize four-year public baccalaureate institutions to meet degree production, retention, and high demand degree targets. A limited financial incentive is provided for making measured progress. This is similar to the

Student Achievement Initiative of the SBCTC adopted by the community and technical college system in Washington.

The Student Achievement Initiative is a performance funding system to incentivize colleges to employ strategies that promote student success. The SBCTC identified key academic benchmarks that students must meet to successfully complete degrees and certificates, known as Achievement Measures which are:

- building towards college level skills (basic skills gains, passing precollege writing or math);
- first year retention (earning 15 then 30 college level credits);
- completing college level math (passing math courses required for either technical or academic associate degrees); and
- completions (degrees, certificates, apprenticeship training).

Between the 2006-2007 baseline year and 2008-2009, the first performance year, the colleges served four percent more students but increased student achievement by 19 percent with the greatest gains occurring in all points.

Four public baccalaureate institutions, legislation enacted in 2008 required the establishment of pilot performance agreements. The purpose is to develop a six-year plan that aligns higher education policy goals and desired outcomes with resources. Performance agreements may address a variety of elements including benchmarks and goals for long-term degree production, recruitment and retention, quality, timeliness of student progress, and costs, among others. Other accountability provisions include reporting data to the HECB and OFM.

Summary of Bill:

Degree Production Targets.

By 2018 four-year public institutions of higher education must aim to increase bachelor's degrees by 6,000 per year or 27 percent above the 2010 production levels. At least 2,000 of these additional degrees must be in the science fields (health sciences, technology engineering and math), biotechnology and computer sciences technology, engineering, and math (STEM). At least 19 percent of degrees earned must include students who are low income or the first in their family to attend college. The HECB must update these targets by September 1, 2012 and again every two years.

Tuition-Setting Authority and State Funding Levels.

Beginning in 2013-2014 tuition for undergraduate students at community and technical colleges is provided in the omnibus appropriations act. Tuition fees may increase at no more than 7 percent per year at community and technical colleges. Community and technical colleges and four-year institutions are permitted to set tuition rates for all students other than undergraduates.

Four-year institutions are permitted to increase or decrease tuition based on the state funding baseline and funding at comparable institutions in the Global Challenge States. A baseline line year, fiscal year 2011, is established for state funding. Increases in tuition must not go above the 60th percentile of tuition of similar institutions in Global Challenge States. If state funding and tuition combined exceed the 60th percentile of tuition at similar intuitions in Global Challenge States, the four-year institutions are required to decrease tuition.

In addition to reporting on total per-student funding levels compared to Global Challenge State institutions, OFM must report to the Governor, the HECB, appropriate committees of the Legislature and the Boards of Regents or Trustees of the four-year institutions of higher education, with updated estimates of the undergraduate tuition that represents the 60th percentile of tuition for comparable institutions of higher education in the Global Challenge States.

Performance and Accountability.

Four-year higher education institutions are to report annually on bachelor's degrees awarded, graduation rates, transfer rates, time and credits to degree, enrollment in remedial education, success beyond remedial education, credit accumulation, retention rates, and course completion.

Each four-year higher education institution is required to develop an action plan to meet enrollment and degree production targets and improve cost-effectiveness and efficiency. They must report biennially to the Governor, the Legislature, and HECB and include innovative methods to reach the targets such as: (1) use of technology, (2) increasing administrative efficiencies, (3) eliminating underused major and courses, (4) creating three-year bachelor degree programs, (5) increasing tuition for students taking credits beyond those required, (6) recognizing prior learning experiences based on competency assessments, or (7) recognizing transfer credits, particularly credits earned in academic programs at two-year and four-year institutions.

The HECB is to establish a baccalaureate degree incentive program and provide financial awards based on performance progress related to degree completion, degrees awarded in STEM, first-year retention, and the number of excess credits beyond what is required. Performance agreements are repealed.

Washington Pledge Scholarship.

The Washington Pledge Scholarship is established as an endowed scholarship program for low and middle-income students. For a student to be eligible for the scholarship the student's family income must be at or below 125% of the median family income, the student must intend to earn a baccalaureate degree and be enrolled at an institution of higher education. The HECB is charged with administering the program, selecting students, adopting rules and guidelines, publicizing the program, and soliciting and accepting grants and donations to the endowment fund. A student may receive a scholarship for up to 180 credits or the equivalent semester hours and for a maximum of five years. The Washington Pledge endowment fund is created in the custody of the State Treasurer, and managed by the State Investment Board.

Tax Credits for Businesses that Contribute to the Educational Endowment.

Businesses that contribute to an educational endowment fund are eligible for a business and occupation (B&O) tax or public utility tax (PUT) credit. The credit can be taken against the contributor's B&O tax or PUT liability. Credits earned in a fiscal year are equal to 50 percent of the business's contributions to the educational endowment fund during that fiscal year. Credits can be earned for contributions made beginning July 1, 2011 through June 30, 2021 or until \$1 billion in total contributions is reached, whichever comes first. Total credits claimed by all contributors may not exceed \$50 million in any one fiscal year.

Businesses may claim credits on January 1st of the year after the fiscal year in which sales and use tax, PUT and B&O tax collections exceed Fiscal Year 2008 collections by 10 percent, but no earlier than January 1, 2014. Credits earned may be carried over to subsequent calendar years until used, but all credits must be claimed by June 30, 2023. Credits claimed will be allowed on a first-come basis with no refunds. Businesses claiming the credit are required to file and pay electronically

Student Transfer.

Current statewide transfer agreements are placed in statute. Graduates with a transfer degree from a community or technical college who are admitted to a four-year institution must be given junior standing and be deemed to have met lower division general education requirements. Transfer students with 90 quarter hours and who have completed general education requirements at another public four-year institution are admitted to another four-year institution with junior standing and must be deemed to have met lower division general education requirements. Each institution must develop at least one degree in arts and sciences that can be completed within 90 upper division quarter hours by any student who enters with junior status.

Community and technical colleges will work jointly with the four-year institutions to develop equivalent course lists for one year's worth of general education credit. Students who complete one year of general education credits may receive a one-year academic completion certificate.

Community and technical colleges must identify and publish a list of college level courses that are recognized by all four-year institutions, a list of courses that satisfy the one-year completion certificate requirements, and courses for a transferrable associate degree.

Informing Students About Tax Credits.

Public higher education institutions must notify students on billing statements of federal tax credits.

Appropriation: None.

Fiscal Note: Requested on 2/1/2011.

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