
Higher Education Committee

HB 1816

Brief Description: Concerning funding and operating practices of the state higher education system.

Sponsors: Representatives Anderson, Seaquist, Haler, Sells, Probst, Lias and Fagan.

Brief Summary of Bill

- Establishes a state funding/tuition balance for resident undergraduate and graduate students based on the cost of attendance and prohibits over-enrollment.
- Eliminates Global Challenge States as a comparison model for funding.
- Eliminates the role of the Higher Education Coordinating Board with respect to financial aid, eliminates state financial aid programs, and transfers responsibility for financial aid to the individual institutions.
- Creates an internship program for which businesses may get a Business and Occupation tax credit based upon the salaries and benefits paid to interns.
- Establishes a new loan program for upper division undergraduates and graduate students.
- Requires students pursuing a bachelor's degree to take a Rising Juniors test.
- Directs adoption of articulation and transfer policies and establishes financial penalties for failure to meet the statutory implementation deadline.
- Allows school districts to be charged for the cost of remedial education required by their students.
- Abolishes the Workforce Training and Education Coordinating Board, and transfers responsibilities to the State Board for Community and Technical Colleges.

Hearing Date: 3/2/11

Staff: Cece Clynch (786-7195).

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.

Background:

Tuition, State Funding Goals, and the Global Challenge States.

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, was comprised of 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; develop recommendations on how the state could best provide stable funding for early learning, public schools, and public colleges and universities; and 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 adopted by the Legislature in the following legislative session, including:

- A cap on tuition increases for resident undergraduate students of 7 percent per year between the 2007-08 academic year and the 2016-17 academic year.
- 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 tasked with adjusting for: regional cost-of-living differences; differences in program offerings and the relative mix of lower division, upper division, and graduate students; and, accounting and reporting differences among the comparison institutions.

Legislation adopted in 2009 authorized institutions to increase tuition above the 7 percent cap in the 2009-10 and 2010-11 academic years. The table below provides a historical look at authorized tuition increases since 1999.

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%
2001-2002 • All public higher education institutions.	6.7%
2002-2003	
• Research	16.0%
• Regional	14.0%
• Community and Technical Colleges	12.0%
2003-2004 • All public higher education institutions.	7.0%

2004-2005	7.0%
<ul style="list-style-type: none"> All public higher education institutions. 	
2005-2006 and 2006-2007	
<ul style="list-style-type: none"> Research 	7.0%
<ul style="list-style-type: none"> Regional 	6.0%
<ul style="list-style-type: none"> Community and Technical Colleges 	5.0%
2007-2008 and 2008-2009	
<ul style="list-style-type: none"> Research 	7.0%
<ul style="list-style-type: none"> Regional 	5.0%
<ul style="list-style-type: none"> Community and Technical Colleges 	2.0%
2009-2011	
<ul style="list-style-type: none"> Research and Regional Institutions 	14% (May exceed 7% for 2009-2011 only)
<ul style="list-style-type: none"> Community and Technical Colleges 	7%

The Legislature has not placed any limits upon tuition fees charged resident graduate students, undergraduate and graduate non-residents, or for summer school or self-supporting degree programs.

The Higher Education Coordinating Board.

In 1969, the Legislature established the Council on Higher Education (CHE). During the six years of CHE's existence it took most of its guidance from the Legislature. The CHE became the Council for Postsecondary Education (CPE) in 1975 when federal legislation required states to establish or designate single state postsecondary education planning agency to qualify for federal planning and other funds. There were several changes: (1) the membership of the CPE was reorganized; (2) its administrative responsibilities with respect to such programs as financial aid increased; and (3) the board's capacity to consider and debate higher education matters was enhanced.

The Higher Education Coordinating Board (HECB) was established in 1985 and replaced the CPE. The HECB's purpose is to provide planning, coordination, monitoring, and policy analysis for higher education in the state in cooperation and consultation with the institutions, autonomous governing boards, and with all other segments of postsecondary education, including but not limited to the State Board for Community and Technical Colleges (SBCTC). It is a ten member board that is charged with representing the broad public interest above the interests of the individual colleges and universities.

Major functions of the HECB include: (1) developing a statewide strategic master plan for higher education; (2) recommending policies to enhance the availability, quality, efficiency, and accountability of public higher education in Washington; (3) administering student financial assistance programs; (4) serving as an advocate on behalf of students and the overall system of higher education; (5) coordinating with other governing boards and institutions to create a

seamless system of public education for the citizens of Washington; and (6) helping families save for college.

Mandated HECB responsibilities include reviewing, evaluating, and making recommendations on operating and capital budget requests; recommending legislation affecting higher education; recommending tuition levels, and policies; making recommendations on merging or closing institutions and developing criteria identifying the need for new baccalaureate institutions; and approving new degree programs. The HECB has a number of administrative functions and duties, most of which pertain to student financial assistance programs and various federal programs.

Financial Aid.

The HECB is in charge of almost all state-run student-financial assistance programs. In 2007-08 a total of \$1.62 billion was provided to about 135,000 needy Washington students from state, federal, and other sources. This aid took the form of grants, work study awards, and loans. The federal government provided the majority of the aid, 76 percent of which was in the form of loans.

In 2009, the Legislature established the Higher Education Loan Program (HELP). The enabling legislation put the HECB in charge of program administration, determining loan repayment obligations, eligibility criteria, and total loan limits, fees, or other charges related to the loan, as well as creating other necessary loan programs like conditional loans or emergency loans. The HELP is limited to Washington residents who are deemed in need of additional financial aid by rule of the HECB. Public and private institutions are eligible provided that they are accredited by an accrediting body recognized by the HECB.

The Washington Higher Education Facilities Authority (Authority) was created in 1983. The Authority fulfills its purpose of minimizing the financing costs of higher education facilities through the issuance of tax-exempt, non-recourse revenue bonds for the independent qualified institutions of higher education in Washington.

In 2007, the Legislature authorized the Authority to originate and purchase educational loans and to issue student-loan-revenue bonds

The Workforce Training and Education Coordinating Board.

The Workforce Training and Education Coordinating Board (Workforce Board) is a Governor-appointed body representing a partnership of 12 members from business, labor, and government. The Workforce Board advises the Governor on workforce development policy, ensures that the state's workforce preparation services and programs work together, and evaluates performance. The Workforce Board also advocates for the non-baccalaureate training and education needs of the workers who account for about 75 percent of Washington's workforce.

The Workforce Board's comprehensive plan is meant to serve as the roadmap for the workforce development system. The Legislature is required, following public hearings, to approve or make changes to the plan updates by way of a concurrent resolution. Once approved, the plan becomes the state's workforce training policy unless legislation is enacted to alter the policies set forth in the plan. Every year, by December 1, the Workforce Board reports to the appropriate legislative policy committees on progress in implementing the comprehensive plan.

The State Board for Community and Technical Colleges.

The State Board for Community and Technical Colleges (SBCTC) is responsible for administering the Community and Technical College Act and providing leadership and coordination for Washington's public system of 34 community and technical colleges. The SBCTC is governed by a nine-member board appointed by the Governor.

Dual Credit Programs.

A variety of education programs allow high school students to earn postsecondary course credit while also earning credit toward high school graduation. Students who participate in these dual credit programs have the opportunity to graduate from high school with all or a portion of college course work already completed as well as enhance their chances of entry into a chosen trade or profession. Dual credit programs include:

- Running Start
- College in the High School
- Tech Prep
- Advanced Placement
- International Baccalaureate
- Running Start for the Trades

Remedial Education.

According to a 2006 report by Washington State University's Social and Economic Sciences Research Center, 49 percent of the class of 2004 high school graduates attending a public community or technical college in Washington took at least one remedial math course in their first year and 24 percent enrolled in remedial English.

Business and Occupation Tax.

Washington's major business tax is the Business and Occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss.

Specific B&O exemptions exist for several types of profit and nonprofit organizations. The eligibility conditions vary for each exemption. The term "exemption" is used broadly to include a wide variety of tax preference items which reduce tax liability upon a certain class of taxpayers. The term "exemption" includes exclusions, deductions, preferential tax rates, deferrals, and credits.

Summary of Bill:

Tuition, State Funding Goals, and the Global Challenge States.

Beginning with the 2012-13 academic year, the governing boards of the six four-year institutions and the SBCTC, are authorized to reduce or increase tuition fees for resident undergraduates and resident graduate students as follows:

- For resident undergraduates with fewer than 90 quarter credits, or the equivalent semester credits, no more than 45 percent of the total cost of attendance.
- For resident undergraduates with 90 or more quarter credits, or the equivalent semester credits, no more than 55 percent of the total cost of attendance.

- For resident graduate students, no more than 50 percent of the total cost of attendance.

An intent section expresses corresponding state funding goals:

- 55 percent of the cost of attendance for resident undergraduates with fewer than 90 quarter credits.
- 45 percent of the cost of attendance for resident undergraduates with 90 or more quarter credits.
- 50 percent of the cost of attendance for resident graduate students.

The governing boards must provide data regarding the cost of instruction and the total cost of attendance in addition to data that they are already required to report with respect to financial aid and the total cost of attendance paid for by aid.

Over-enrollment is prohibited.

The provisions with respect to the Global Challenge States are repealed.

Transfer of Responsibilities and Programs.

Responsibility for administering financial aid is transferred from the HECB to the individual institutions and current state financial aid programs are repealed. The State Treasurer is tasked with developing and providing a one-stop financial aid web-based portal which allows for comparison of the financial aid programs available at all of the institutions.

The HECB's data collection functions are transferred to the Legislative Evaluation and Accountability Program.

The Workforce Board is abolished and its responsibilities transferred to the SBCTC.

A new Higher Education Loan Program (HELP) is established, with fund proceeds used exclusively for upper division and graduate students. The HELP investment fund is created within the State Investment Board's (SIB) portfolio of investment pools. Allocations to the fund, not exceeding three million dollars must be made by the SIB. The rate charged to four year institutions of higher education for their proportional share of the HELP fund must be a competitive market rate determined by the SIB. The State Treasurer exercises an oversight role with respect to fiscal integrity and transparency.

Transfer and Articulation.

The HECB, in conjunction with the institutions of higher education and the SBCTC, must adopt and implement a statewide transfer and articulation system, includes common lower division academic transfer course numbering and a common curriculum content framework. A report must be submitted by September 1, 2012, by which time the system must be complete and policies, including common course numbering and a common curriculum content framework, implemented for the 2012-13 academic year. In the event that the implementation date of September 1, 2012 is not met, the Office of Financial Management must withhold ten percent of funding disbursements to the HECB, the individual institutions, and the SBCTC.

Internship Program.

An internship program for graduate students and upper division undergraduates is established. Business participation is encouraged and incentivized through a B & O tax credit equal to 85 percent of the value of a participant's payments of wages and benefits to interns in qualifying internships. Internship wage and benefit calculations for purposes of the credit may not exceed the state median entry level wage as determined by the Employment Security Department. Credits earned in one calendar year may be carried over to be credited against taxes incurred in the subsequent six calendar years.

Rising Juniors Test.

The HECB, in consultation with the public institutions of higher education, must select a single rising juniors proficiency examination to be administered by all public institutions of higher education. All students pursuing a bachelors degree and having at least 60, and no more than 90, quarter credits must take this proficiency examination. First administration of the exam will be in the winter of 2013. Thereafter, it must be administered several times each year.

Test results may not prevent a student from taking upper division course work but failure to take the test when required will prevent such registration. Students scoring in the top quintile of the test must receive first preference for placement in upper division coursework and for purposes of the HELP loan program.

Dual Credit.

High school dual credit programs, including but not limited to Running Start and Advanced Placement, must be integrated into the K-12 system to the greatest extent possible. The top quintile of achievers in these programs must be given first preference for lower division course placement and for purposes of financial aid.

Remedial Education Charge Back.

For each student who enrolled in a precollege class within three years of graduating from a Washington high school, an institution of higher education may establish and charge the respective school district for the cost of instruction of the precollege class.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: This bill takes effect July 1, 2012, except for section 401, relating to transfer and articulation, which takes effect 90 days after the adjournment of session.