SENATE BILL REPORT

SSB 5325

As Passed Senate, February 10, 1995

Title: An act relating to higher education fiscal matters.

Brief Description: Changing higher education fiscal provisions.

Sponsors: Senate Committee on Higher Education (originally sponsored by Senators Rinehart, Bauer, Prince, Pelz, Sheldon, Kohl, Drew and Wood).

Brief History:

Committee Activity: Higher Education: 1/23/95, 1/30/95 [DPS-WM, DNP].
Ways & Means: 2/1/95 [DPS (HIE)].
Passed Senate, 2/10/95, 28-20.

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: That Substitute Senate Bill No. 5325 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Bauer, Chair; Kohl, Vice Chair; Drew, McAuliffe, Prince, Sheldon and Wood.

Minority Report: Do not pass substitute.
Signed by Senators A. Anderson and West.

Staff: Jean Six (786-7423)

Background: The Washington Legislature has established in statute that tuition will be a percentage of the instructional cost at the public colleges and universities. For a number of years, the percentages were fixed at constant rates, although rates differed between graduate and undergraduate, resident and nonresident, and by type of institution. However, the 1993 Legislature increased the percentages for 1993-94 and again for 1994-95, leading to substantial increases in tuition.

With the increase in tuition as a percentage of cost and a greater reliance on tuition revenue, Washington is similar to other states. Results from a national survey by the American Association of State Colleges and Universities noted that: "The substantial increases in tuition and fee charges for the past two years, and overall for the past decade, indicate a continuing shift in the burden of payment for public education to students and parents." Extra tuition dollars are replacing tax support.

The cost study conducted by the Higher Education Coordinating Board establishes an average instructional cost per full-time equivalent student based on support made available by the Legislature. General fund-state has been going down. As the state support goes down, so will the tuition. That is what has happened this year. This circumstance has led some people to conclude that the current system for setting tuition in Washington is broken.

Summary of Bill: Tuition rate increases are linked to the growth in statewide per capita income and state policy commits the state to fund the core instructional costs of higher education in proportion to tuition. State policy commitment to maintaining proportionality of student and state support is codified. The Education Cost Study is continued.

The schools, including the technical colleges, are authorized to set aside 3.5 percent of their tuition and fee collections for a locally administered institutional financial aid fund that targets needy students in ways that best meet student and institutional needs.

The cap on the percentage of waivers to be granted for needy students is lifted. The institutions have flexibility in meeting the needs of their particular student populations.

Operating fees, deposited into a local account, may be retained across biennial lines. The institutions are to manage those savings for special initiatives or as a cushion against downturns in revenue or other emergencies.

Appropriation: None.

Fiscal Note: Requested on January 18, 1995.

Effective Date: The bill takes effect on July 1, 1995.

Testimony: Tuition must be considered within the context of a long-term vision for public higher education. Tuition policy must recognize the state's responsibility to fund core programs. There is a need to stabilize funding. The cost study needs to remain relevant. Who has tuition setting authority is not the main issue. Higher education funding policy must be addressed.

Testified: Senator Nita Rinehart; Terry Teale, Executive Director, Council of Presidents; Susan Patrick, Assoc. Director, Higher Education Coordinating Board; Al Froderberg, VP for External Affairs, WWU; Johan Hellman, WSL; Glenn Colbert, student, EWU; Brad Boswell, student, WWU; Larry Ganders, Senior Government Relations Specialist, WSU; Scott Morgan, Director of Financial Services, State Board for Community and Technical Colleges.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5325 as recommended by Committee on Higher Education be substituted therefor, and the substitute bill do pass.
Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Long, Moyer, Pelz, Sheldon, Snyder, Spanel, Sutherland, Winsley and Wojahn.

Staff: Michael Groesch (786-7715)

Testimony: The current method of setting tuition rates is broken and a new method needs to be established. Policy on higher education access and tuition should be set by the Legislature (TESC). A high tuition/high aid model is not advisable for Washington and an enrollment policy needs to be established by the Legislature and could be included in the bill

(WSU). Additional tuition flexibility for special circumstances would help institutions deal with local problems (UW).

Testified: Brad Boswell, ASWWU; Johan Hellman, WSL; Terry Teale, COP; Bob Edie, UW; Al Froderberg, WSU; Larry Ganders, Kim Merriman, TESC; Elson S. Floyd, HECB.

House Amendment(s): Tuition Fees: Tuition rates paid by students during the 1994-95 academic year become the base rate for any future tuition increases. Beginning with the 1995-96 academic year, there will be two types of tuition fees: base tuition fees and surcharge tuition. Base tuition fees will be determined by a statutory formula. Surcharge tuition will be determined by institutional governing boards, within statutory limits. The amount of a tuition surcharge levied in any year will not be added to base tuition fees in the following academic year.

For research universities, regional universities, The Evergreen State College, and community colleges, during the 1995-97, biennium base tuition rates will increase 5 percent. In addition to base tuition, baccalaureate institutions are given authority to levy an annual tuition surcharge of 15 percent on students in any tuition category. During those academic years, community colleges may levy a tuition surcharge of up to 15 percent only on nonresident students.

Beginning with the 1997-98 academic year, base tuition rates shall be set as a percentage of educational costs, with the percentage established in statute. However, if educational costs decrease or increase less than 4 percent, base tuition fee rates will increase 4 percent each year. If educational costs increase at a rate greater than 6 percent, base tuition fee rates will increase no more than 6 percent each year. Institutions may levy a surcharge of up to 10 percent for resident undergraduates, 20 percent for resident graduates, and 30 percent for nonresidents.

Institutional Fiscal Autonomy: The Higher Education Coordinating Board will design and administer a fiscal autonomy pilot program for one research and one regional university. The board will work with state agencies to identify rules and laws that inhibit effective fiscal decisions and to exempt participating institutions from those rules, where permitted by law. The board will present a preliminary report to the Governor and appropriate legislative committees by December 1, 1996. Participating institutions may increase base tuition up to 15 percent per year during the 1997-99 and 1999-2001 bienniums. Participating institutions are exempt from state purchasing laws. They may contract for services if the contracts will not result in increased expenditures of state funds or the termination of state employees employed on the effective date of the act. The Office of Financial Management will adopt simplified budgeting and allotment procedures for the participants. The pilot program expires on June 30, 2001.

Offsets: It is the intent of the Legislature that an institution's general fund-state appropriation not be reduced by revenue received from tuition surcharges.

Excess Credit Surcharges: Governing boards at the baccalaureate universities and colleges may collect a surcharge from certain students who have accumulated more than the number of the credits necessary to complete the students' degree programs. There are three different thresholds that may trigger the surcharge. Students who have accumulated more than 115 percent of the credits necessary to complete their degrees may be assessed the surcharge. The threshold is 125 percent for students who transfer from a community college with an associate degree. The threshold is also 125 percent for students who transfer from a private institution or an institution outside the state, if those students have accumulated 45 or more credit hours at those institutions.

Excess credit surcharges are limited to resident undergraduates and other resident students who are not enrolled in graduate or professional programs. Governing boards must exempt from the surcharge students who are required to take continuing education credits as a condition of licensure or state law. The surcharges are not considered as part of tuition.

State general fund support will not be provided for most resident undergraduate students and other resident students who are not enrolled in graduate or professional programs once those students have accumulated more than 150 percent of the credits necessary to achieve a baccalaureate degree. This prohibition does not apply to students who must take continuing education classes for licensure or under state laws.

Program Fees: Baccalaureate institutions may charge program fees in up to three degree programs. The fees may differ by program. The basis for the fee may be the high cost of offering the program, or higher tuition charged for that type of program at peer institutions, or other unique characteristics associated with the program. The program fees are not considered part of tuition.

Nonresident Enrollment Policy: A new state policy is adopted on nonresident student enrollments. Baccalaureate institutions and the community and technical college system as a whole will maintain or improve their ratio of resident to nonresident students. No state general fund support will be provided for nonresident students above the ratio. However, additional nonresident students may be served without state support, at the option of the institutions.

Financial Aid: An institution may deposit more than 2.5 percent of tuition and fees into its institutional financial aid fund. Tuition waiver laws are revised. Within the overall limits placed on all waiver programs, the "internal" limit placed on waiver programs for needy students is removed. Therefore, institutions may use any amount of their waiver authority to assist needy students.

Financial Aid Goals: The Legislature intends to restructure the state's financial aid system. The restructured system will be known as college promise. Funding levels for the state's system of financial aid are subject to available funds.

The goals of college promise include limiting debt for undergraduate students to no more than one-half of a student's cost of attendance; sheltering home equity, and some portion of savings and farm or business net worth; simplifying financial aid applications; and striving to preserve a range of educational options for needy students. Another goal is to provide more self-help than grants to middle-income students and approximately equal amounts of grants and self-help to low and lower middle-income students. In addition, students with disabilities may receive assistance with equipment and assistance needed for college. Future college students will receive information about college costs and opportunities for financial aid.

Under college promise, middle-income undergraduate students would become eligible for financial aid, and needy graduate and professional students would become eligible to participate in the need grant program. Through college promise, the state work study program would be expanded.

The goals of the restructured aid system become effective on July 1, 1997. By January 1, 1997, the Higher Education Coordinating Board will develop a detailed implementation plan, and will report to the Legislature the amount of funding that would be necessary to fully implement the goals. The goals will take effect unless the Legislature repeals or modifies them.