

# SENATE BILL REPORT

## E2SSB 5927

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As Passed Senate, March 18, 1997

**Title:** An act relating to higher education.

**Brief Description:** Changing higher education financing.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Wood, Bauer, Winsley, Kohl, Sheldon, Hale, Prince, Patterson and West).

**Brief History:**

**Committee Activity:** Higher Education: 2/25/97, 3/4/97 [DPS-WM].

Ways & Means: 3/7/97, 3/10/97 [DP2S].

Passed Senate, 3/18/97, 42-7.

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### SENATE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** That Substitute Senate Bill No. 5927 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Wood, Chair; Winsley, Vice Chair; Bauer, Hale, Kohl, Sheldon and West.

**Staff:** Jean Six (786-7423)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5927 be substituted therefor, and the second substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Kohl, Long, McDonald, Sheldon, Snyder, Swecker, Thibaudeau and Winsley.

**Staff:** Michael Groesch (786-7434)

**Background:** Until 1995, the Legislature established in statute that tuition would be a percentage of the instructional costs at public colleges and universities. In 1995 the Legislature removed the direct link to cost of instruction and set forth dollar amounts for tuition at the public higher education institutions. A specific amount is set for residents and nonresidents enrolled as undergraduates, graduates or professional students. The 1996 Legislature, by setting forth an amount in statute, again increased nonresident undergraduate tuition at the two research universities. The Legislature intended that setting forth of dollar amounts would be a "transition measure until final action is taken in 1997."

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 decade, indicate a continuing shift in the burden of payment for public education to students and parents." Extra tuition dollars are replacing tax support.

Predicted population increases in the state of Washington require additional enrollments in the state's higher education institutions to meet the demand of a growing population of college-age residents, to meet the training and re-training needs of the workforce, as well as to provide opportunities for life-long learning. While K-12 enrollments increase to meet the demand of population increases, there is nothing in statute that provides a caseload increase for enrollments at the postsecondary level.

According to research, American higher education has been sheltered for years from the critical scrutiny and demands for accountability that all institutions endure and respond to. Until recently, colleges and universities focused their efforts on obtaining increases in resources as a way to improve quality, not on finding better ways to use the resources already available to them. Now colleges and universities face new circumstances, including a much more critical attitude on the part of those who fund undergraduate education--parents and policymakers as well as the press and the general public. Institutions are being held accountable for the productive use of the resources they have.

**Summary of Bill:** Tuition is increased annually by the per capita personal income growth rate or by 4 percent within the cost of instruction percentages listed below, whichever is the lowest amount. New categories of students are created for the University of Washington and tuition in these categories for the short-term is increased at disparate rates. For nonresident undergraduate students, tuition increases 8.3 percent for 1997 and 1998. For resident law students, tuition increases 7.3 percent per year through 2005-06. For resident MBA students, tuition increases 7.4 percent per year through 2002-03. For nonresident law students, tuition increases 6.7 percent per year through 2002-03. For nonresident MBA students, tuition increases 4.9 percent per year through 2000-01. All of these increases apply only to the University of Washington. The tuition rates for resident undergraduate students may not exceed 46 percent of the cost of instruction at the research universities, 35 percent of the cost at the regional universities and The Evergreen State College, and 32 percent of the cost at the community colleges.

Ten percent of the increased tuition fees received from law students and masters of business administration students is used to assist needy resident students in law school or masters of business administration programs at the University of Washington.

Flexibility is to be provided through the budget act based upon the total acceptance or rejection of an institutional request for a rate adjustment. Institutions may request rate adjustments that will provide a new base for the annual increase of 4 percent or less. However, tuition for resident undergraduates is identical within the three educational sectors: research, comprehensive and community colleges.

State funding is tied to enrollment projections and to the Higher Education Coordinating Board (HECB) calculated cost of instruction for the projected enrollments. State appropriations support the official forecasts of enrollment levels and are provided at the full-funding level. The enrollment forecasting function is transferred to the caseload forecast council if the council is established by the Legislature.

When developing measurable standards of higher education accountability and efficiency, the HECB is to consult with the institutions of higher education, the State Board for Community and Technical Colleges, the appropriate higher education and fiscal committees of the legislature, representative student organizations, and other interested parties. Until the HECB certifies that an institution has met these minimum accountability standards, 10 percent of the funding for new enrollments is withheld. The accountability standards may include measures of student progression, faculty productivity, administrative efficiency, student outcomes and other educational goals.

**Appropriation:** None.

**Fiscal Note:** Requested on February 19, 1997.

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

**Testimony (Higher Education):** Other than the unanimous support given for a tuition policy that tuition setting authority remain with the Legislature, there was no testimony given that did not express some concerns. Using the average per capita income growth rate as the economic indicator that drives tuition increases was supported by all constituents except for the students and WSU. The students prefer a one year tuition freeze, prefer using the Consumer Price Index claiming it would drive lower increases, and are concerned that flexibility will eliminate predictability. The students appreciate the development of a tuition policy, but are concerned about the unpredictability of disparate tuition rates.

The original version of the bill prevented, for this year, the UW's request for peer driven tuition increases for nonresident undergraduates, law students, and MBA students. Therefore, the UW supports the substitute bill that creates new student categories for those students. UW faculty assert that the increased tuition money helps make available more "bottle-neck" courses as well as the efforts to improve time-to-degree. Others argue that peer comparisons ought not to drive tuition. All of the constituents expressed concern about the "all or nothing" flexibility measure offered through the budget process.

WWU in particular praises the section about full-funding for new enrollments and the "caseload driver" that moves higher education enrollments out of their role as the budget balancer. It is important to maintain the 24 percent language for financial aid. While supporting the full-funding for new enrollments, the UW would prefer that there be a recognition of the differences in cost between lower division courses and upper division courses, especially with regard to the branch campuses.

Maintaining the current ratio of student support and state support of higher education is an important feature of the bill. The students prefer that the ratio be adjusted in favor of the students. The SBCTC expressed concerns about the possibility of forcing down tuition rates while at the same time testifying in support of low tuition as the best form of financial aid. The 4 percent limit for tuition increases is less than other proposals, so it may be the best we can hope for. WSU, while in support of the bill, does not like the uncoupling of the tuition rates between UW and WSU. Some institutions lose nonresident enrollments when the tuition is increased, as was the case with the nonresident graduate tuition increases the last two years. On the other hand, increase in out-of-state tuition has not lessened the

demand for the 10 percent of nonresident slots at the UW. The potential for in-the-future uncoupling of the comprehensives is of limited concern.

While all of the constituents welcome the call to accountability, there is concern about the timing and the mechanism for achieving the accountability goals. The opportunity to work in a consultative manner is important to all of the institutions. It is imperative that the accountability measures have some real power to drive improvements. The hold back by the Higher Education Coordinating Board of 10 percent of the new enrollment money will ensure cooperation of the institutions.

**Testified (Higher Education):** Shane Bird, ASEWU; Tres Gallant, ASWWU; Susan Patrick, HECB; Sherry Burkey, UW; Judy McNickle, WWU; Scott Morgan, SBCTC; Larry Ganders, WSU; Kim Merriman, TESC; Martha Lindley, CWU; Amit Ranade, ASUW; Keith Boyd, WSL; Michael Halleran, Douglas Lind, Barbara Warnick, and JoAnn Taricani, UW Department Chairs in the College of Arts and Sciences.

**Testimony For (Ways & Means):** Testimony was similar to that heard in Senate Higher Education Committee.

**Testimony Against (Ways & Means):** The large tuition increases for law and business students are unneeded and unjustified. Setting tuition rates relative to peer institutions does not reflect the educational philosophy of the state of Washington.

**Testified (Ways & Means):** PRO: Susan Patrick, HECB; Amit Ranade, ASUW; Trs Gallant, WA Student Lobby; Sherry Burkey, UW; Judy McNickle, WWU; Larry Gander, WSU; Martha Lindley, CWU; Kim Merriman, TESC; CON: Kim Goforth, GPSS; Sue Tracy, UW law student.

**House Amendment(s):** Tuition policy is adopted for the next biennium. For resident students, each academic year, tuition will increase by 4 percent or the five-year rolling average of the growth in per capita personal income, whichever is lower. There is no link to percentage of cost nor are there any links to enrollment projections. Two exceptions are allowed: (1) at EWU's Cheney campus, the governing board may increase tuition up to 4 percent or the five-year rolling average of per capita personal income, whichever is lower; and (2) law students may be charged an additional amount of up to 6 percent. Nonresident students maybe charged up to 6 percent in addition to the percentage increase for resident students. If tuition is increased more than 4 percent for nonresident or law students, 10 percent of the additional revenue must be used for needy resident students.

In addition to the two-year tuition policy, the institutions are given permanent authority to levy an optional surcharge on resident undergraduate students and other resident students who are not enrolled in advanced degree programs if the students have accumulated more than 125 percent of the credits needed for their degree programs. The surcharge may vary for special circumstances, may not exceed 25 percent of resident tuition, and will not affect students who must take continuing education credits.