

SENATE BILL REPORT

SB 5883

As of April 3, 2013

Title: An act relating to higher education funding.

Brief Description: Providing for more equitable funding of public higher education.

Sponsors: Senators Baumgartner, Bailey, Ericksen, Braun, Benton, Tom, Holmquist Newbry, Schoesler, Brown, Hill, Roach and Hewitt.

Brief History:

Committee Activity: Ways & Means: 4/03/13.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Maria Hovde (786-7710)

Background: Higher Education Funding. In 1993, the Legislature enacted E2SSB 5781, that expressed a policy of the state that there be an essential requirements level budget calculation for institutions of higher education that includes a funding level per full-time equivalent student which is equal to the rate assumed in the Omnibus Appropriations Act for the last fiscal year of the previous biennium for the instructional, primary support, and library programs, excluding any one-time expenditures, plus an inflation factor. Today, the core academic functions of higher education are largely funded with incremental adjustments to state appropriations and tuition. For the 2011-13 biennium, a total of \$2.7 billion in state funds was appropriated for higher education.

Tuition Policy. In 2011, via E2SHB 1795, the Legislature granted tuition-setting authority to the four-year institutions of higher education for all students, through the 2018-19 academic year. Beginning in the 2015-16 through 2018-19 academic years, the institutions are granted tuition-setting authority, within limits, based on a state funding baseline year and funding for similar higher education institutions in the Global Challenge States. In the 2019-20 academic year, tuition-setting authority for resident students at public baccalaureate institutions reverts to the Legislature. Tuition for community and technical college students is set by the Legislature in the operating budget, although the State Board for Community and Technical Colleges (SBCTC) may authorize differential tuition models, except during the 2011-13 biennium. In the 2012 supplemental operating budget, the Legislature directed that tuition be uniform for resident undergraduate students at the four-year institutions through the 2011-13 biennium.

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.

Accountability and Performance. In 2011, via E2SHB 1795, the Legislature created an accountability monitoring and reporting system for four-year institutions of higher education with which to measure progress toward the achievement of long-term performance goals in higher education. The four-year institutions must report each December 1 on performance data that aligns with the National Governor's Association *Complete to Compete* metrics with additions that include the following: graduate and professional degrees; science, technology, engineering, and mathematics participation; student debt load; and disaggregation of measures based on various student demographics, including socio-economic status and income level, among others. This information must be displayed on the Office of Financial Management (OFM) website. Additionally, by September 1 of each odd-numbered year, each four-year institution must develop a performance plan with OFM that includes expected outcomes that must be achieved by each institution in the subsequent biennium.

Student Achievement Initiative. In 2006, SBCTC implemented the Student Achievement Initiative to provide incentives through financial rewards to colleges for increasing the levels of achievement attained by their students. The Student Achievement Initiative includes four categories of measures: building toward college-level skills; first-year retention; completing college-level math; and degree, certificate, and apprenticeship training completions.

Summary of Bill: Baseline Funding. Beginning with fiscal year 2014, public institutions of higher education must receive a baseline level of funding that is equal to the maintenance-level appropriations in the Omnibus Appropriations Act for the 2013-15 biennium expressed as a per-resident student rate that is based on a three-year average of the number of actual full-time equivalent enrolled resident students for the current academic year and the two previous academic years, as reported in the state-funded public higher education enrollment reports produced by OFM. The per-resident student rates must increase each fiscal year by the rate of inflation.

The per-resident student rates in existence at the time when specific appropriations are made for creation or expansion of new or existing programs of study must be adjusted in the following fiscal year to reflect this additional level of funding.

Public institutions of higher education are legally entitled to receive this baseline level of funding.

Language regarding the essential requirements level budget calculation for institutions of higher education is repealed.

Accountability and Performance. Beginning with fiscal year 2014, any state higher education funds that remain after satisfying the baseline funding levels, or any increases in state funding for the public institutions of higher education, must be distributed to the institutions based on performance. The funds available for performance must be proportionately distributed among SBCTC and the public, four-year sector of higher education. For SBCTC, performance funding must be disbursed to the community and technical colleges in accordance with the Student Achievement Initiative. For the four-year institutions, performance funding must be disbursed to the institutions that satisfied the reporting requirements of the accountability monitoring and reporting system and

disbursement must be as specified in the Omnibus Appropriations Act based on a three-year average of performance, or in recognition of the highest-performing institution, in the following metrics:

- average time to degree for undergraduate students;
- number of undergraduate high-demand degrees produced;
- freshman retention;
- low-income population; and
- space utilization.

Space utilization is added as a metric to be reported by the four-year institutions to OFM for inclusion in the accountability monitoring and reporting system. Institutions must report the average number of hours per week each classroom seat and classroom lab is utilized.

The requirement to develop performance plans is repealed.

Tuition Policy. For the 2013-14 and 2014-15 academic years, resident undergraduate tuition at the four-year institutions and the community and technical colleges must be 3 percent below the resident undergraduate tuition fees for the 2012-13 academic year. For SBCTC, beginning in the 2015-16 academic year, increases in resident undergraduate tuition must not exceed inflation. For the four-year institutions of higher education, beginning in the 2015-16 academic year through the 2018-19 academic year, increases in resident undergraduate tuition must not exceed inflation.

If, in any fiscal year, baseline funding levels are not met for the public institutions of higher education, the governing boards of the four-year institutions and SBCTC may increase resident undergraduate tuition for the ensuing academic year by an amount not to exceed the amount necessary to achieve the baseline funding levels.

Language is removed that granted tuition-setting authority to the four-year institutions of higher education through 2018-19 within limits based on a state funding baseline year and funding for similar higher education institutions in the Global Challenge States.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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