

HOUSE BILL REPORT

ESHB 2729

*As Passed House
March 3, 1992*

Title: An act relating to higher education tuition and financial aid.

Brief Description: Reforming higher education tuition and financial aid.

Sponsor(s): By House Committee on Higher Education (originally sponsored by Representatives Locke, Jacobsen, Ogden, Inslee, Spanel, Wineberry, Basich, Sheldon, Prentice, Ludwig, Orr, Fraser, Dellwo, Heavey, Appelwick, Morris, Cantwell, Belcher, G. Fisher, Peery, Rasmussen, Braddock, Valle, Zellinsky, R. Meyers, Franklin, Cooper, Bray, Pruitt, Haugen and Leonard).

Brief History:

Reported by House Committee on:
Higher Education, February 5, 1992, DPS;
Appropriations, February 10, 1992, DPS(HE-A APP);
Passed House, March 3, 1992, 96-0.

**HOUSE COMMITTEE ON
HIGHER EDUCATION**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 7 members: Representatives Jacobsen, Chair; Ogden, Vice Chair; Dellwo; Fraser; Ludwig; Sheldon; and Spanel.

Minority Report: *Do not pass.* Signed by 5 members: Representatives Wood, Ranking Minority Member; May, Assistant Ranking Minority Member; Miller; Prince; and Van Luven.

Staff: Susan Hosch (786-7120).

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *The substitute bill by Committee on Higher Education be substituted therefor and the substitute bill as amended by Committee on Appropriations do pass.* Signed by 16 members: Representatives Locke, Chair; Inslee, Vice

Chair; Spanel, Vice Chair; Appelwick; Belcher; Braddock; Brekke; Dorn; Hine; Peery; Pruitt; Rust; H. Sommers; Sprenkle; Valle; and Wang.

Minority Report: *Do not pass.* Signed by 10 members: Representatives Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Bowman; Carlson; Fuhrman; Lisk; May; Mielke; Nealey; and D. Sommers.

Staff: Sherie Story (786-7142).

Background: TUITION: In Washington, tuition is established in statute as a fixed percentage of educational costs. The percentage, which has remained unchanged for a decade, varies according to type of student and type of institution attended.

Tuition consists of building fees and operating fees. Building fees are fixed at a dollar amount in statute, and are deposited into institutional building accounts. Operating fees, which make up the remainder of tuition, are deposited into the state general fund.

FINANCIAL AID: Needy Washington residents attending accredited Washington public and private colleges, universities, and vocational schools are eligible to receive state funded student financial aid. During the 1991-93 biennium, \$73,419,000 was appropriated for student financial aid programs. Most of the funds are used to support the state Need Grant and Work Study programs.

The average family income of students aided in the state Need Grant Program is less than \$15,000 per year. The amount of funding available for the program provided grants to 20,550 low income students during the 1991-92 academic year. The funding was not sufficient to fund an additional 17,726 low income students who were eligible for a need grant.

Summary of Bill: TUITION: Building fees will be a percentage of total tuition instead of a fixed dollar amount in statute. The percentage varies between 4 and 6 percent of total tuition at the four-year institutions, and 11 and 15 percent at community colleges.

FINANCIAL AID: The Legislature intends to restructure and fully fund the state's financial aid system. The restructured system, known as college promise, will be implemented beginning on July 1, 1993.

GOALS: The goals of college promise are described. The goals include limiting student debt 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 for low-income students with limited assets; and striving to preserve a range of educational options for needy students. Other goals include providing 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, and 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 state Need Grant Program. In addition, teachers pursuing master's degrees for continuing certification would be eligible to participate in the Future Teachers Conditional Scholarship Program. Through college promise, the state Work Study Program would be expanded, and salary matching requirements for off-campus community service employers could be waived. In addition, financial aid may be provided to some needy students whose parents did not attend college.

A standard for classifying students by income levels is adopted. The standard is based on the state's median family income. Under the standard, low-income students are those whose family income does not exceed one-half the state's median family income. Lower middle-income students are those whose family income is between 51 and 75 percent of the state's median family income. Middle-income students are students whose family income is between 76 and 125 percent of the median family income. The income standard will be adjusted annually for family size and changes in the state's median family income. Priorities for student funding, methodologies for determining need, and goals for funding types of aid will vary for students in different income categories.

IMPLEMENTATION PLAN: By December 1, 1992, the Higher Education Coordinating Board will develop a detailed implementation plan for college promise. The plan will include program eligibility measures, need analysis criteria, and estimates for the amount of money that will be needed to fund the program. The plan will be deemed approved on June 30, 1993, unless legislation is enacted to alter the policies set forth in the plan. The board will also propose any statutory changes needed to implement the goals of college promise.

PROGRAM CHANGES: Some teachers will be eligible to participate in the Future Teachers Conditional Scholarship Program. Eligibility is extended to teachers seeking a master's degree if the degree is required for continuing certification. These teachers may receive a conditional scholarship that covers the cost of tuition, up to a maximum of \$2,500 per year. Participating teachers will not receive more than \$5,000 from the program. Participants must subsequently teach in the public schools of the state for 10 years, or repay the conditional scholarship, with interest, over an equal amount of time.

Students participating in the Educational Opportunity Grant Program must attend an institution that is accredited by an association recognized by the board. The Work Study Program is revised to permit the board to waive income matching requirements for off-campus public service employers. In the Need Grant Program, the board will, to the extent permissible by law, exclude home equity and shield a portion of savings and farm or business net worth from asset calculations. In addition, as funding is available, first middle-income undergraduate students, then graduate and professional students will be added to the program.

FUNDING: By September 1 of each even-numbered year, the Higher Education Coordinating Board will estimate and report the amount of money needed to fully fund state financial aid programs during the next biennium.

Private institutions must equally match the amount of state funded aid received by their student body with grant funds raised from private sources. The matching funds must be awarded to needy Washington residents attending the institutions.

The statutory "24" formula for recommending new funding levels for financial aid is repealed on June 30, 1993.

EFFECTIVE DATES: On July 1, 1992, changes to building fees, the goals of college promise, and the direction to the Higher Education Coordinating Board to adopt an implementation plan are enacted. The implementation of college promise, and the repeal of the 24 percent funding formula will begin on July 1, 1993.

Fiscal Note: Requested February 4, 1992.

Appropriation: \$100,000 to the Higher Education Coordinating Board for the implementation plan.

Effective Date: On July 1, 1992, changes to building fees, the goals of college promise, and the direction to the

Higher Education Coordinating Board to adopt an implementation plan are enacted. The implementation of college promise, and the repeal of the 24 percent funding formula will begin on July 1, 1993.

Testimony For: (Higher Education): The comprehensive changes embodied in this legislation will provide expanded educational opportunities for many low and middle-income students. Shielding some or all home equity, savings, and farm or business net worth from financial aid asset calculations, and permitting more students to participate in the need grant and work study programs will significantly help students from middle-income families. The legislation approaches higher education financing in a comprehensive and coordinated fashion, thus increasing institutional stability and management flexibility. Through the increased revenue from tuition increases and waiver reductions, higher education budget cuts are restricted and additional funding is provided for needy students on financial aid. Increasing the percentage of tuition dedicated to building fees will help provide solutions to pressing facilities needs and ease pressure on the state's debt limit.

(Appropriations): There are many families that can no longer afford to send their kids to college. Home equity prevents people from being able to qualify for financial aid. If we are going to compete internationally, we are going to have to educate more citizens. America has stood for equality and opportunity and without financial aid we will lose that equality and opportunity. The state is going through some difficult budget times; this bill offsets additional cuts to higher education budgets. A 13 percent reduction in tuition waivers is better than the 22 percent proposed by the governor, but 10 percent is preferred. The discretion given to institutions on the granting of waivers is appreciated. The increased local control this bill gives institutions to manage tuition rates and tuition revenue is sound policy. The Higher Education Coordinating Board (HECB) plays a significant role in the new financial aid program, the College Promise Program. The HECB has to estimate the funding needed for financial aid, which is a major and difficult task. As this bill moves forward, there needs to be advance agreements on the methodology for determining what is needed for financial aid.

Testimony Against: (Higher Education): Tuition increases pose a financial hardship for many students. Adopting waiver limits will force institutions to make some difficult management choices. Federal funding restrictions do not permit the community colleges to charge any tuition for adult basic education courses and programs. Graduate students comprise an essential part of the teaching and

research structures of the two research universities. They have dual status as students and institutional employees. Military personnel serving their country cannot choose where they are stationed. Students in community college parent education programs are learning how to properly raise healthy children. Each of these student groups could be negatively impacted by changes to the waiver programs if institutions do not continue to waive tuition at current levels. Unless some of these programs are removed from the waiver limits, the amount of waiver authority for other programs will be reduced if institutions provide full waivers for existing programs. Institutions would prefer to keep tuition in local funds so they can retain interest on that tuition. During tough budget years, providing full funding for financial aid programs may limit funding for institutional enhancements and faculty salary increases.

(Appropriations): Parent education is not a waiver program. It is a tuition equivalency program, and should be removed from the waiver limitation. Reducing the waiver of the nonresident fee for the military will not increase revenue. It will just cut out the military who are in Washington through no choice of their own. The community college Adult Basic Education Program should be removed from the waiver reduction. Federal funding restrictions do not permit the community colleges to charge any tuition for adult basic education courses. Graduate students are an essential part of the teaching and research structures of the universities. Any reduction in waivers for graduate students will hurt instruction and research.

Witnesses: (Higher Education - in favor): Representative Gary Locke; Fred Carter, U.S. Bank; Dr. Larry DeLorum, Western Washington University; Allan Walton, WEA/AHE; Phil Phibbs, University of Puget Sound; Jim Hanna, ASWSU; Phyllis Kenney, SBCTC; Barney Goltz, SBCTC; Les Purce, and Russ Lidman, TESC; Rosemarie Ferri, Washington Financial Aid Association; Marianna Deeken, Saint Martin's College; Robert Bode, UPS School of Law; Jim White, Seattle University; Tika Esler, Seattle Central Community College; Hubert Locke, University of Washington; Kate Bligh, Financial Aid Council, SPSCC; and Kathleen Saloff, WWU, Director of Financial Aid. (In favor, with concerns): Bill Gerberding, Laurel Wilkening, and Gene Woodruff, University of Washington; Jim Pappas, Central Washington University; and John Terry. (Commented on bill): Ann Daley, Higher Education Coordinating Board; Scott Morgan, SBCTC; Sue Durrant, Council of Faculty Representatives; and Larry Ganders, WSU. (Opposed): Vicki J. Pettigrew, Organization for Parent Education; Deborah Cederlind, Janet Bredl, Shawn Berinato, Collene VanWormer and others in parent education programs; Kevin Dunn, student organization legislative liaison; Mike

Gruver, WSU; Bruce Battey, Association of Military Educators, Fort Lewis; Elias Garcia, Washington State Department of Veteran Affairs; Casey Cochran, Tacoma/Pierce County Chamber of Commerce; Maureen Flak, National Guard Association; Bill Merifield, Military Order of the Purple Heart; Keith Sherman, Veterans Legislative Coalition; Frank Sephale, US Navy, NAS Whidbey; and Leah Ritchie, US Navy, Bremerton/Bangor.

(Appropriations - in favor): Representative Ken Jacobsen, co-sponsor; Dr. Samuel Smith, Washington State University; Dr. William Gerberding, University of Washington; Dr. James Pappas, Central Washington University; Dr. Les Purce, The Evergreen State College; Dr. George Durrie, Eastern Washington University; Terry Teale, Council of Presidents; Anne Daley, Higher Education Coordinating Board; Karen Davis, Washington Education Association; Barney Goltz, SBCTC; Joe Johnson, Clark Community College; Ed Command, Highline Community College; Kevin Dunn, Toni McKinley and Ken Lisaivs, Washington Student Lobby Panel; J.E.B. Stuart Thornton, Evergreen State College student; and Dan Brady, Highline College. (Opposed): Col. Rodney Chiapusio, United States Air Force; Keith Sherman, Veteran's Legislation Coalition; Doris Gross, The American Legion; Susan Leveridg, Janice Crosetti, Radene Hatfield and Vicki Pettigrew, Parent Education; Col. Alfred Isaac, U.S. Army; Janice Vance, U.S. Army; M. Kathleen Connolly, Association of Military Educators in Washington State; Leah Ritchie, U.S. Navy; Mike Stephenson, U.S. Navy; Doug Woods and Maureen Fluke, National Guard Association; Douglas Ely and Ted Keaton, Everett Community College students; Cheryl Falk, Yakima Valley Community College; Rachel Hidaka, SCEC; and Suzanne Griffin, SCTC.