HOUSE BILL REPORT
HB 1696

As Reported by House Committee On:
Higher Education
Appropriations

Title: An act relating to modifying provisions related to tuition setting authority at public institutions of higher education.

Brief Description: Modifying provisions related to tuition setting authority at public institutions of higher education.

Sponsors: Representative Haler; by request of Office of Financial Management.

Brief History:
Committee Activity:
Higher Education: 2/6/15, 2/17/15 [DPS];
Appropriations: 2/26/15, 2/27/15 [DPS(HE)].

Brief Summary of Substitute Bill

- Returns tuition-setting authority for resident undergraduate students to the operating budget.
- Removes statutory authority for differential tuition.
- Provides that any institution that exercised tuition-setting authority above certain levels must continue financial aid mitigation.
- Adds additional income brackets to the annual reports required by four-year institutions that raise tuition beyond the levels assumed in the operating budget.
- Repeals certain provisions.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Hansen, Chair; Pollet, Vice Chair; Zeiger, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Bergquist, Gregory, Hargrove, Holy, Reykdal, Sells, Stambaugh, Tarleton and Van Werven.

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.

Staff: Megan Wargacki (786-7194).

Background:

Tuition-Setting Authority.
In 2011 the Legislature enacted Engrossed Second Substitute House Bill 1795, the Higher Education Opportunity Act, which provided the four-year institutions limited authority to set tuition rates for resident undergraduate students through the 2014-15 academic year. In the 2015-16 through 2018-19 academic years, these 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. From 2019 on, the resident undergraduate student tuition at the four-year institutions will be set in the operating budget.

This legislation also expanded the authority of the four-year institutions to charge differential tuition rates to students. In addition, the State Board for Community and Technical Colleges (SBCTC) was given the authority to pilot or institute differential tuition models. In 2012, and again in 2013, the Legislature suspended the authority to charge resident undergraduate students differential tuition rates in the operating budgets. The explicit statutory authority to the four-year institutions to implement any differential tuition model expires at the end of the 2014-15 academic year.

Financial Aid Mitigation.
When a four-year institution raises tuition beyond levels assumed in the operating budget, the institution must remit 5 percent of operating fees back to students in the form of financial aid. Four-year institutions that do not increase tuition beyond levels assumed in the operating budget must remit 4 percent of operating fees in the form of financial aid. Additionally, to offset increased tuition, institutions must provide financial assistance to State Need Grant-eligible students and resident low- and middle-income students via a specific formula that depends on tuition price, as a percentage of median family income in various income brackets, up to 125 percent of the median family income. Financial assistance may be provided through various methods with sources from tuition revenue, locally held funds, tuition waivers, or local financial aid programs.

In addition, any four-year institution that raises tuition beyond the levels assumed in the operating budget must report to the Governor and the Legislature each year on the effectiveness of the sources and methods of financial aid in mitigating tuition increases. The reports must include disaggregated data for resident students in the following income brackets:

- up to 70 percent of the Median Family Income (MFI);
- between 71 percent and 125 percent of the MFI; and
- above 125 percent of the MFI.

Performance Plans.
Since September 2011, each four-year institution must negotiate a institutional performance plan with the Office of Financial Management (OFM) that includes expected outcomes to be achieved in the subsequent biennium. At a minimum the plans must include: (1) expected outcomes for time and credits to degree; (2) retention and success of students from low-

income, diverse, or underrepresented communities; (3) baccalaureate degree production; and (4) degree production in high-demand programs.

Summary of Substitute Bill:

Tuition-setting authority for resident undergraduate students at the four-year institutions of higher education and the community and technical colleges is removed and returned to the operating budget. However, for any institution that exercised tuition-setting authority above levels assumed by the Legislature in the 2011-13 and 2013-15 bienniums, the institution must continue to remit 5 percent of operating fees back to students in the form of financial aid and continue required financial aid mitigation. The explicit statutory authority for the SBCTC and four-year institutions to pilot or institute differential tuition models is removed.

The following provisions are repealed:

- Public baccalaureates must negotiate with the OFM an institutional performance plan with expected outcomes every other September.
- The OFM must report annually the total per-student funding level and undergraduate tuition that each represent the sixtieth percentile of funding and tuition for similar institutions of higher education.
- Colleges and universities must collaborate with student associations to make every effort to communicate the American Opportunity Tax Credit and other credits to students and report on the effectiveness of these methods.

Substitute Bill Compared to Original Bill:

The authority for the SBCTC and the four-year institutions to pilot, or institute, differential tuition models is removed entirely. The income brackets used in the analysis of the effects of tuition increases on resident students is modified. The bracket for above 125 percent of MFI is replaced with brackets for between 126 and 175 percent, between 176 and 225 percent, and above 225 percent of MFI.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Legislature has already taken back tuition-setting authority at the four-year institutions by freezing tuition in the budget. When these institutions were allowed to raise tuition, the levels were raised at a rate that would never have been authorized by the Legislature. Tuition should be set by Legislature, even if it increases tuition rates.

Institutions have in the past had to make cuts because the amount of state support decreased. This bill would allow the Legislature to take back tuition-setting authority, and consider the needs of students and their families. The students look to the Legislature to set an example of what is affordable for all students in the state. Students understand the interplay between tuition and state support. They like this bill because they cannot afford any more tuition increases. If institutions have tuition-setting authority and do not get the money they think they need, they will balance their budgets on the backs of the students. It is important to be committed to access and opportunity for our students.

The Legislature should eliminate differential tuition altogether through an amendment. It is also important to remove the Global Challenge States comparison because this puts an unfair burden on institutions. The institutions should concentrate on what they can control. The trigger for whether tuition-setting authority exists should not be tied to what the tuition is in other states or other institutions. The OFM believes the Legislature should decide affordability, tuition, and financial aid as a package. The current statute is confusing for everyone. There are two versions of the same statute which result in different interpretations; the Legislature needs to clarify this by passing the bill.

(Other) It is best to focus on stable and predictable funding to the institutions. This focus is made difficult when the Legislature keeps changing its tuition policy. Funding higher education must be a partnership between policymakers, taxpayers, and higher education institutions. The Legislature always gets to decide whether tuition remains flat. Institutions want the Legislature to decide to make college affordable and keep tuition flat. Institutions need to be able to plan, operate, and respond when the Legislature changes state support levels. Many institutions support a tuition freeze as long as there is adequate state support to compensate the institutions for foregone revenue. This will ensure students can complete their degrees in a timely manner. Some institutions never used the tuition-setting authority being repealed in this bill. Total per student revenues is the best benchmark to compare institutions and states.

(With concerns) It is important to grow the higher education system so the state can produce more graduates to fill high demand jobs. The Legislature should look to the long term and make decisions to give institutions the flexibility to grow their individual institutions to produce more high-demand degrees.

(Opposed) None.

Persons Testifying: (In support) Representative Haler, prime sponsor; Paula Moore, Office of Financial Management; Alicia Kinne-Clawson, Eastern Washington University; Jordan Martin, Associated Students of Eastern Washington University; Austin Wright-Pettibone, Associated Students of the University of Washington; and Julie Garver, The Evergreen State College.

(Other) Paul Francis, Council of Presidents; Genesee Adkins, University of Washington; Becca Kenna-Schenk, Western Washington University; and Steve DuPont, Central Washington University.

(With concerns) Neil Strege, Washington Roundtable.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Higher Education be substituted therefor and the substitute bill do pass. Signed by 32 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Cody, Condotta, Dent, Dunshee, Fagan, Haler, Hansen, Hudgins, G. Hunt, S. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Pettigrew, Sawyer, Schmick, Senn, Springer, Stokesbary, Sullivan, Taylor, Tharinger, Van Werven and Walkinshaw.

Minority Report: Without recommendation. Signed by 1 member: Representative Carlyle.

Staff: Catrina Lucero (786-7192).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Higher Education:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Having differential tuition, even though it was never used, was damaging to the Guaranteed Education Tuition Program. Institutions have had limited opportunities to exercise tuition-setting authority. In the years they did have this authority, tuition rates for some institutions went up by 20 percent. These increases had a negative impact on students. Tuition-setting authority is best left to the Legislature. A clear tuition-setting framework is needed. Benchmarking to the global challenge states is a retrospective look which has not proven useful. Current statute is duplicative in some areas. This bill helps create clarity and remove some of these inconsistencies. The Legislature should set both state funding and tuition levels acknowledging the connection between these two things. The decision about who has authority to set tuition and if tuition should increase are two separate decisions. This bill would bring back transparency and accountability to the tuition-setting process. It would allow students to play a larger role in the process and hold elected officials accountable for the decisions they make. Local tuition-setting authority splits the decision about funding and puts institutions at odds with the Legislature. Tuition setting, state funding levels, and decisions about state-supported financial aid should all be made by the same body given the interaction between these things.

(Opposed) None.

Persons Testifying: Representative Haler, prime sponsor; Paula Moore, Office of Financial Management; Julie Garver, The Evergreen State College; Genesee Adkins, University of Washington; Heather Heffelmire, Western Washington University; and Anne Belson, Washington State Student Association.

Persons Signed In To Testify But Not Testifying: None.