

# SENATE BILL REPORT

## ESSB 5954

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As Passed Senate, April 29, 2015

**Title:** An act relating to reducing tuition.

**Brief Description:** Reducing tuition.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Braun, Bailey, Hill, Becker, Fain, Miloscia, Parlette, Angel, Schoesler, Brown, Litzow, Warnick, Honeyford, Sheldon, Rivers, Roach and Benton).

**Brief History:**

**Committee Activity:** Higher Education: 2/17/15, 2/19/15 [DP-WM, w/oRec].

Ways & Means: 2/23/15, 2/26/15 [DPS, DNP, w/oRec].

Passed Senate: 3/11/15, 37-12.

**First Special Session:** Passed Senate: 4/29/15, 34-10.

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### SENATE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Bailey, Chair; Baumgartner, Vice Chair; Becker and Miloscia.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Kohl-Welles, Ranking Minority Member; Frockt and Liias.

**Staff:** Kimberly Cushing (786-7421)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5954 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Keiser, Assistant Ranking Member on the Capital Budget; Bailey, Becker, Billig, Brown, Conway, Hasegawa, Hewitt, O'Ban, Padden, Parlette, Rolfes, Schoesler and Warnick.

**Minority Report:** Do not pass.

Signed by Senators Hargrove, Ranking Member; Kohl-Welles.

**Minority Report:** That it be referred without recommendation.

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*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.*

Signed by Senators Ranker, Ranking Minority Member, Operating; Fraser.

**Staff:** Michael Bezanson (786-7449)

**Background:** Tuition-Setting Authority. In 2011 the Legislature enacted E2SHB 1795, the Higher Education Opportunity Act, which provided four-year institutions the authority to set tuition rates for resident undergraduate students through the 2014-15 academic year. In the 2015-16 through 2018-19 academic years they 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.

When a public baccalaureate 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. Additionally, to offset increased tuition, institutions must provide financial assistance to State Need Grant-eligible students, resident low and middle-income students via a specific formula depending 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.

State Average Annual Wage. Under state law, the Employment Security Department must compute on or before June 15 each year the average annual wage. Currently the average annual wage is \$52,635.

Washington's Guaranteed Education Tuition (GET) Program. The GET program is a 529 prepaid college tuition plan established in 1997. The GET Program allows purchasers to pre-pay for tuition units that will be used at a later date. The state guarantees that 100 GET units will cover one year of resident undergraduate tuition and state-mandated fees at the most expensive Washington public university. GET units do not cover institutionally mandated fees that may be required at each individual school.

The current unit price is \$172. Unit purchase price is based on an actuarial formula that includes current cost of tuition, estimated future tuitions, inflation, investment returns, and administrative costs, and the need for a reserve to assist in periods of fluctuating returns or higher-than-average tuition. The current payout value is \$117.82 – effective through July 31, 2015.

**Summary of Engrossed Substitute Bill:** Public baccalaureate tuition-setting authority for resident undergraduate (RUG) students is removed. In the 2015-16 academic year, the RUG tuition operating fee for all public colleges and universities is reduced by 5 percent from the 2014-15 tuition operating fee.

In the 2016-17 academic year, the RUG tuition operating fee for regional universities and The Evergreen State College is reduced by 20 percent from 2014-15 academic year levels. The RUG tuition operating fee for research universities is reduced 15 percent from 2014-15 academic year levels.

Beginning in the 2017-18 and each academic year thereafter, resident undergraduate tuition for all public colleges and universities may grow by no more than the average annual percentage growth rate in the median hourly wage for Washington for the previous fourteen years as the wage is determined by the Bureau of Labor Statistics.

As a result of changes in tuition fees, four-year public institutions of higher education must not reduce resident undergraduate enrollment below the 2014-15 academic-year levels.

Beginning with the 2015-17 operating budget, the Legislature must appropriate to the State Board for Community and Technical Colleges and each four-year institution of higher education an amount that is at least equal to the total state funds appropriated in the 2013-15 biennium plus the reduction in net revenues from resident undergraduate tuition operating fees received for the 2015-17 fiscal biennium under this act. The net revenue loss must be adjusted for inflation in subsequent biennia. Additionally, the dollar value of the building fee must not be reduced below the level in the 2014-15 academic year, adjusted for inflation.

Both the State Need Grant and the College Bound Scholarship maximum awards can be reduced by no more than the percentage reduction in tuition operating fees. Awards provided to students attending private schools are exempt from this reduction.

For the 2015-16 and 2016-17 academic years, the governing body of the GET program must set the payout value for units redeemed during that academic year at \$117.82 per unit.

For academic years after the 2016-17 academic year, the governing body must make the program adjustments it deems necessary and appropriate to ensure that the total payout value of each account on the effective date of the act is not decreased or diluted as a result of the initial application of any changes in tuition under the act. In the event the GET Committee or the governing body provides additional units under the act, the GET Committee and the governing body must also increase the maximum number of units that can be redeemed in any year to mitigate the reduction in available account value during any year as a result of the act. The governing body must notify holders of tuition units after the adjustment is made and must include a statement concerning the adjustment.

By December 1, 2016, the GET Committee must review and report to the Legislature on:

- the impact of decreasing tuition rates on the funded status and future unit price of the GET program;
- the feasibility and different options of establishing a college savings program;
- alternatives and impacts for changing the tuition payment distribution policy from tuition and fees to a cost of attendance metric; and
- changing the state penalty for GET unit withdrawal.

The Education Data Research Center must provide the Legislature a statistical analysis and a report on the time it takes students to complete their degrees by major by school. The report is due December 1, 2015.

The Washington State Institute for Public Policy must conduct a study on alternative tuition growth factors in addition to the median wage for the Legislature to determine its preferred metric moving forward. The report is due December 1, 2015.

Financial mitigation is no longer required for institutions that increased tuition for resident undergraduate students above the tuition increases assumed in the budget. The Office of Financial Management is no longer required to 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.

This act is known as the College Affordability Program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Original Bill (Higher Education):** PRO: We have made higher education unaffordable for our own students by our own actions. It is not doable to put yourself through college with a job. The state average wage is reliable. If we set tuition at a percentage of it, we can ensure tuition is affordable. Cost is a Ways & Means issue. This is a real step forward to getting a handle on student debt. This prioritizes the need for higher education in the state budget. The best form of financial aid is low tuition. During the recession many states shifted toward high tuition. Washington can be the first state to shift back to low tuition. This is the next logical step after freezing tuition.

OTHER: A dollar in appropriation is absolutely preferable to dollar in tuition. However, actual realization of sufficient funds to meet new demands in this biennium and future biennia is our concern. We would rather use SNG savings toward unserved students than making institutions whole. The community and technical colleges can't control enrollments because of the economy. The bill makes a clear and deliberate connection between tuition and state support. But where will the money come from? Washington continues to rank 49th in higher education funding. The bill does not increase investment in higher education, but it does shift the balance of funding from tuition to the state. Unforeseen budget circumstances could lead to a suspension in the budget. To maintain current cash value of GET accounts, we are discussing options with the State Actuary. The funded status of the program might go up. Three funding elements of higher education – financial aid, state support, and tuition – need to be carefully balanced and integrated to make a comprehensive and holistic approach.

**Persons Testifying (Higher Education):** PRO: Senators Braun and Bailey, prime sponsors; Jim Huckabay, Faculty Legislative Representative, Central WA University; Austin Wright-Pettibone, Associated Students of the University of WA, Government Relations Director; Jordan Martin, Associated Students of Eastern WA University.

OTHER: Julie Garver, The Evergreen State College; Marc Webster, WA Student Achievement Council, Senior Fiscal Policy Advisor; Paul Bell, Office of Student Legislative Affairs, State Legislative Liaison; Marty Brown, WA State Board for Community and Technical Colleges; Becca Kenna-Schenk, Western WA University; Tom Fitzsimmons,

Independent Colleges of WA; Chris Mulick, WA State University; Genesee Adkins, University of WA; David Buri, Eastern WA University; Steve DuPont, Central WA University.

**Persons Signed in to Testify But Not Testifying (Higher Education):** No one.

**Staff Summary of Public Testimony on Original Bill (Ways & Means):** PRO: Students face an increasing financial burden from college tuition. Students have to work harder and longer to afford college. Students are appreciative of this bill.

OTHER: The bill must be done in alignment with the budget otherwise this will cost our institutions. We have concerns about the enrollment levels at our community and technical colleges. Our enrollment is tied to the economy and we take almost all comers. We would like to see the savings from the State Need Grant program put back into the program to cover more students. We appreciate the increased state support and a concrete proposal that rebalances state support and tuition. We want to make certain that the bill's costs are funded.

**Persons Testifying (Ways & Means):** PRO: Hayley Hohman, Associated Students of WA State University.

OTHER: Marty Brown, State Board for Community and Technical Colleges; Marc Webster, WA Student Achievement Council; Cody Eccles, Council of Presidents.

**Persons Signed in to Testify But Not Testifying (Ways & Means):** No one.