
Postsecondary Education & Workforce Committee

HB 2098

Brief Description: Adjusting higher education funding.

Sponsors: Representatives Reed, Parshley, Hill, Thomas, Ryu, Zahn, Pollet, Ramel, Doglio, Berry, Mena, Obras, Scott, Cortes, Street, Gregerson, Thai, Macri and Fosse.

Brief Summary of Bill

- Eliminates the \$75 million cap for the Workforce Education Investment surcharge imposed on select advanced computing businesses.
- Expands income eligibility ranges for Washington College Grant award amounts.
- Reduces resident undergraduate tuition operating fees at public institutions of higher education over the course of three academic years, after which tuition rates may increase again under the current formula.

Hearing Date: 1/21/26

Staff: Saranda Ross (786-7068).

Background:

Business and Occupation Tax. Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. A business may have more than one B&O tax rate depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing and 0.484 percent for manufacturing and wholesaling. The B&O tax rate for services and activities not classified elsewhere is 1.5 percent, but for businesses

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earning more than \$1 million annually the B&O service rate is 1.75 percent.

Advanced Computing Business and Occupation Tax Surcharge. In addition to the applicable B&O tax rates, advanced computing businesses with worldwide gross annual revenues in excess of \$25 billion are subject to an additional 1.22 percent surcharge, the Advanced Computing Surcharge (ACS), applied to the gross income subject to the B&O tax under the service and other activities classification. The amount of the ACS that an advanced computing business owes is capped at \$75 million per year.

An advanced computing business is one that: designs or develops software or computer hardware, including modifications; provides cloud computing services; or operates an online marketplace, online search engine, or online social networking platform.

Workforce Education Investment Surcharge and Account. All revenues from the ACS and the additional 0.25 percent tax rate on businesses earning more than \$1 million annually are deposited into the Workforce Education Investment Account (WEIA). The WEIA may only be used for higher education programs, higher education operations, higher education compensation, and state-funded student aid programs.

Washington College Grant. The Washington College Grant (WCG) is the state's largest financial aid program and provides grants to low-income students to pursue postsecondary education. The WCG is an entitlement program administered by the Washington Student Achievement Council (WSAC) with guaranteed grants for students who qualify. An eligible student may receive a WCG for six years or up to 150 percent of the published length of the student's program. Part-time students receive prorated awards.

Funding under the WCG is allocated for students with family incomes up to 100 percent of the state median family income (MFI). Students with a family income up to 60 percent of the MFI are eligible for a maximum WCG award. Students with a family income over 61 percent of the MFI receive prorated award amounts indicated in the chart below.

Grant amount	Current MFI range
100%	0-60%
60%	61-65%
50%	66-70%
24.5%	71-75%
10%	76-100%

Tuition operating fees. For the 2015-16 academic year, the Legislature reduced resident undergraduate (RUG) operating fees by 5 percent for public institutions of higher education for the 2015-16 academic year. For the 2016-17 academic year, the Legislature reduced RUG operating fees by an additional 10 percent for research universities and 15 percent for regional

universities and the Evergreen State College. Starting in the 2017-18 academic year, excluding certain applied baccalaureate degrees, institutions were permitted to increase RUG operating fees by no more than the average annual percentage growth rate in Washington's median hourly wage for the previous 14 years as the wage is determined by The Federal Bureau of Labor Statistics.

Summary of Bill:

The \$75 million annual workforce education investment surcharge cap imposed on select advanced computing businesses is eliminated. Beginning in the 2026-27 academic year, the income cap for maximum WCG award eligibility is expanded from 60 percent MFI to 100 percent MFI and the prorated grant scale is adjusted upward as follows:

Grant amount	Current MFI range	MFI range under HB 2098
100%	0-60%	0-100%
70%	N/A	101-110%
60%	61-65%	111-120%
50%	66-70%	121-130%
24.5%	71-75%	131-140%
10%	76-100%	141-150%

Beginning in the 2027-28 academic year, tuition operating fees for resident undergraduates at public institutions of higher education are reduced by 10 percent each academic year through the 2029-30 academic year. Beginning in the 2030-31 academic year, tuition operating fees may increase by no more than the average annual percentage growth rate in Washington's median hourly wage for the previous 14 years as the wage is determined by The Federal Bureau of Labor Statistics.

Appropriation: None.

Fiscal Note: Requested on January 7, 2026.

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