

# SENATE BILL REPORT

## E2SSB 5182

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As Amended by House, May 21, 2011

**Title:** An act relating to establishing the office of student financial assistance by eliminating the higher education coordinating board and transferring its functions to various entities.

**Brief Description:** Establishing the office of student financial assistance and the council for higher education by eliminating the higher education coordinating board and transferring its functions to various entities.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators White, Tom, Hill, Zarelli, Murray, Ericksen, Prentice, Hobbs and Nelson).

**Brief History:**

**Committee Activity:** Higher Education & Workforce Development: 1/26/11, 2/16/11 [DPS-WM, w/oRec].

Ways & Means: 2/24/11, 3/14/11 [DP2S, DNP, w/oRec].

**First Special Session:** Passed Senate: 5/03/11, 34-9.

Passed House: 5/21/11, 59-28.

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### SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5182 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Tom, Chair; Shin, Vice Chair; Kastama, Kilmer and White.

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

Signed by Senators Baumgartner, Becker and Ericksen.

**Staff:** Aldo Melchiori (786-7439)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5182 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baxter, Brown, Fraser, Hatfield, Holmquist Newbry, Honeyford, Schoesler and Tom.

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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.*

**Minority Report:** Do not pass.

Signed by Senators Kastama, Kohl-Welles and Pridemore.

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

Signed by Senator Baumgartner.

**Staff:** Maria Hovde (786-7710)

**Background:** In 1969 the Legislature established the Council on Higher Education (CHE). During the six years of CHE's existence it took most of its cues from the Legislature. Though the Legislature only gave the board limited statutory authority, the board was widely viewed as one of the strongest in the country given its legislative backing.

The CHE became the Council for Postsecondary Education (CPE) in 1975 when federal legislation required states to establish or designate a single state postsecondary education planning agency to qualify for federal planning and other funds. There were several changes: (1) the membership of the CPE was reorganized; (2) its administrative responsibilities with respect to such programs as financial aid increased; and (3) the board's capacity to consider and debate higher education matters was enhanced.

The Higher Education Coordinating Board (HECB) was established in 1985 and replaced the CPE. The stated purpose of the HECB is to provide planning, coordination, monitoring, and policy analysis for higher education in the state in cooperation and consultation with the institutions, autonomous governing boards and with all other segments of postsecondary education, including but not limited to the State Board for Community and Technical Colleges (SBCTC). It is a ten member board that is charged with representing the broad public interest above the interests of the individual colleges and universities.

Major functions of the HECB include: (1) developing a statewide strategic master plan for higher education; (2) recommending policies to enhance the availability, quality, efficiency, and accountability of public higher education in Washington; (3) administering student financial assistance programs; (4) serving as an advocate on behalf of students and the overall system of higher education; (5) coordinating with other governing boards and institutions to create a seamless system of public education for the citizens of Washington; and (6) helping families save for college.

Mandated HECB responsibilities include reviewing, evaluating, and making recommendations on operating and capital budget requests; recommending legislation affecting higher education; recommending tuition and fee levels, and policies; making recommendations on merging or closing institutions and developing criteria identifying the need for new baccalaureate institutions; and approving new degree programs. The HECB has a number of administrative functions and duties, most of which pertain to student financial assistance programs and various federal programs.

**Summary of Engrossed Second Substitute Bill:** The HECB is eliminated. The Council for Higher Education (Council) is created. Council membership includes the six four-year institution presidents, one private nonprofit president, the Executive Director of the SBCTC, and a representative from the Office of the Superintendent of Public Instruction, or their

designees. The purpose of the Council is to develop performance-based measures and goals for each state university, regional university, and the state college, linked to the role, mission, and strategic plan of the institution of higher education including (1) indicators and goals that measure outcomes concerning cost, quality, and timeliness of student progress toward degrees and certifications; (2) benchmarks and goals for long-term degree production, including discrete benchmarks and goals in particular fields of study; (3) the level of resources necessary to meet the performance outcomes, benchmarks, and goals, subject to legislative appropriation; (4) indicators and goals that measure outcomes concerning recruitment, retention, and success of students from diverse, underrepresented communities; and (5) a system of consequences for exceeding or for failing to achieve the goals or benchmarks.

The Council performs essential state governance functions previously assigned to the HECB, including approving new programs, mission changes, new colleges, recognizing accreditation, and provides the interface to meet federal requirements. Every two years the Council assembles a disappearing workgroup to develop a ten-year projected master plan for higher education. Based on objective data analysis, the Council also develops and recommends statewide policies to enhance the availability, quality, efficiency, and accountability of public higher education in Washington State.

The Council and the SBCTC work together to adopt (1) statewide transfer and articulation policies for all two and four-year institutions of higher education, and (2) performance measures to ensure a collaborative partnership between community and technical colleges and the branch campuses to prepare students for transfer to upper division programs. The development of applied baccalaureate degree programs or purchases and leases of off-campus facilities by community and technical colleges are not subject to the mission change assessment process and Council approval.

The current student financial aid functions performed by the HECB are all transferred to the newly created Office of Student Financial Assistance (Office) that administers all state and federal financial aid and the advanced college tuition payment program. The Office is created as a separate agency of the state.

Many HECB reporting requirements are eliminated, but current data gathering functions are maintained by the institutions or the Education Research and Data Center. The state performance agreement committee and process is eliminated.

Every two years, Office of Financial Management must produce an assessment of the number and type of academic and training credentials required to match employer demand. This is done jointly with the four-year institutions of higher education, the SBCTC, and the Workforce Training and Education Coordinating Board.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Staff Summary of Public Testimony on Original Bill (Higher Education & Workforce Development):** PRO: The current budget crisis is forcing a hard look at how to improve higher education governance and make it more cost-effective. The Legislature has a responsibility to look for efficiencies. The HECB has been a key player and should be acknowledged for its good work, but the governance landscape is changing.

CON: The HECB is needed to provide a roadmap to constantly improving the system. Without the HECB, who will stand up for students, families, and citizens of this state? Losing the HECB will ensure continued disinvestment in our student's education. The HECB provides an efficient and cost-effective service to the state. The state would be making blind decisions with no ability to know if its dollars are being well spent. This would be a loss of voice for the citizens of the state.

OTHER: The bill fundamentally reorders higher education governance without prior careful consideration. Critical functions such as statewide planning and citizen input are eliminated. The idea will not save as much money as you might think. Financial aid is not just an administrative function, there are policy decisions made in awarding it. The HECB provides data-driven recommendations vetted by a citizen board. Citizen input is important. Current efforts to update the statewide strategic master plan would be halted. The institutions are willing to work with legislators to study governance and determine what is appropriate for Washington. This bill should be the start of the discussion, not the end. Career colleges have a great relationship with the HECB and are concerned about losing that point of contact.

**Persons Testifying (Higher Education & Workforce Development):** PRO: Senator White, prime sponsor.

CON: Andrew Helm, WSU student; Sam Shaddox, HECB student member; Iris Maute-Gibson, WWU student.

OTHER: Ann Ryherd; Don Bennett, Executive Director, Roberta Greene, Member, Jesus Hernandez, Chairman, HECB; Steve Lindstrom, NW Career Colleges Federation; Ann Anderson, CWU.

**Staff Summary of Public Testimony on Recommended First Substitute (Ways & Means):** PRO: We are still in the process of making changes to this bill, and there are four main elements being included in a revised version: (1) elimination of additional policymaking decisions while maintaining data gathering duties; (2) clarifying the duties of the Council, the State Board for Community and Technical Colleges, and the Workforce Training and Education Coordinating Board; (3) making the Office of Student Financial Aid an independent office; and (4) renaming the Council the Council for Higher Education. What we are trying to do in this difficult environment is to get as many resources as we can directly to the institutions. We currently have about 30 policy analysts at the HECB and this would reduce that number to about four or five. This will result in substantial savings and will have minimal effects on the institutions. This session reform is a key issue and this addresses reform in higher education in a structurally efficient way. The HECB structure was established 26 years ago. Times have changed and this bill is one possibility for structural

reform. In 2002, the Washington Institute for Public Policy conducted a study of governance structures. Much of that study outlined what is in this bill. This focuses efforts on accountability and a consolidation of efforts which makes cost savings possible. With this reorganization many of the reporting requirements that take up staff time within the institutions will be eliminated.

**Persons Testifying (Ways & Means):** PRO: Senator Tom, sponsor; Julie Garver, The Evergreen State College, the Council of Presidents; Ann Anderson, Central Washington University, the Council of Presidents.

**House Amendment(s):** The provisions that create an Office of Student Financial Assistance (OSFA) and that transfer the current financial aid program management under the HECB to the new OSFA to be effective July 1, 2012, are retained. The HECB is eliminated on July 1, 2012. A Council for Higher Education is created, subject to recommendations of a Steering Committee on Higher Education and legislation enacted in 2012.

A Steering Committee on Higher Education is created to establish the purpose and functions of the Council for Higher Education. The Steering Committee is chaired by the Governor or the Governor's designee and includes four legislators and equal representation from higher education sectors in the state. The provisions that transferred specific functions of the HECB to the new Council for Higher Education and other agencies and that outlined the membership of the new Council for Higher Education are eliminated and will be determined by the Steering Committee.

HECB functions regarding reporting on state support received by students, the costs of higher education, gender equity, technology degree production, costs and benefits of tuition and fee reciprocity with Oregon, Idaho, and British Columbia, and transmitting undergraduate and graduate educational costs to boards of regents are eliminated. Until July 1, 2012, the HECB continues to prioritize capital projects for the higher education system, and the HECB is provided with additional guidance on how to accomplish that task.