

# HOUSE BILL REPORT

## HB 1795

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**As Reported by House Committee On:**  
Higher Education

**Title:** An act relating to the higher education opportunity act.

**Brief Description:** Enacting the higher education opportunity act.

**Sponsors:** Representatives Carlyle, Seaquist, Haler, Reykdal, Rolfes, Probst, Morris, Sells, Pedersen, Jacks, Hudgins, Maxwell and Frockt.

**Brief History:**

**Committee Activity:**

Higher Education: 2/9/11, 2/14/11 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes public baccalaureate institutions to set tuition rates for all students for academic years 2011 through 2014.
- Retains tuition setting authority for community and technical colleges with the state.
- Permits the State Board for Community and Technical Colleges to initiate differential tuition.
- Directs public baccalaureate institutions to retain revenues from tuition raised above certain limits to support financial aid that mitigates tuition increases for middle class students with incomes up to 125 percent of the median family income.
- Requires an actuarial analysis by the state actuary for the Guaranteed Education Tuition Program.
- Permits public higher education institutions to charge Running Start students a fee that is equal to 10 percent of tuition and fees.
- Establishes data reporting requirements for public baccalaureate institutions in statute and repeals performance agreements.

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**HOUSE COMMITTEE ON HIGHER EDUCATION**

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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.*

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Seaquist, Chair; Carlyle, Vice Chair; Haler, Ranking Minority Member; Jacks, Probst, Reykdal, Sells, Springer, Warnick and Zeiger.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Parker, Assistant Ranking Minority Member; Buys, Crouse, Fagan and Hasegawa.

**Staff:** Madeleine Thompson (786-7304).

**Background:**

Educational Attainment Goals and the Higher Education Task Force.

In 2008 the Legislature approved the 2008 Strategic Master Plan for Higher Education in Washington developed by the Higher Education Coordinating Board (HECB). The plan set targets for additional degree and certificate attainment totaling 31,800 additional certificates and degrees annually.

In 2010 the Governor appointed a Higher Education Task Force (Task Force), composed of Washington business and education leaders, to develop a plan to address the need for increasing the number of Washington residents with college degrees. The Task Force recommended to:

- increase college degrees including in high demand fields such as science, technology, engineering, and math;
- provide universities with increased flexibility to set tuition based upon tuition levels in the Global Challenge States;
- expand financial assistance to low and middle income students through an endowment and tax incentive; and
- hold public universities accountable for graduating more students, and improving student transfer and awarding of academic credits.

Tuition Setting Authority.

Table 1: Authorized Resident Undergraduate Increases.

Academic Year	Authorized Resident Undergraduate Increases
1999-2000 – All public higher education institutions.	4.6%
2000-2001 – All public higher education institutions	3.6%
2001-2002 – All public higher education institutions.	6.7%
2002-2003	
Research	16.0%
Regional	14.0%
Community and Technical Colleges	12.0%
2003-2004 – All public higher education institutions.	7.0%
2004-2005 – All public higher education institutions.	7.0%

2005-2006 and 2006-2007	
Research	7.0%
Regional	6.0%
Community and Technical Colleges	5.0%
2007-2008 and 2008-2009	
Research	7.0%
Regional	5.0%
Community and Technical Colleges	2.0%
2009-2011	May exceed 7% for 2009-2011 only
Research and Regional Institutions	14%
Community and Technical Colleges	7%

Between 1999 and 2009, governing boards of each institution of higher education and the State Board for Community and Technical Colleges (SBCTC) were granted authority to increase tuition rates for resident undergraduate students within caps set by the Legislature in the Budget Act. Prior to 1999 the Legislature set tuition in statute as dollar amounts for each public institution. Between 1999 and 2009 tuition levels authorized by the Legislature varied (see table 1).

Tuition amounts (or percentage increases) specified in statute have referred only to the "tuition" portion of tuition and fees. Public colleges and universities are authorized to assess additional fees such as services and activities fees and technology fees within statutory limits.

In 2009 the Legislature directed that increases in tuition for resident undergraduates may not exceed 7 percent per year, except in 2009-2011.

#### Guaranteed Education Tuition Program.

Most states have a form of a "529 Plan" operated by a state or educational institution designed to help families set aside funds for future college costs. They are named after section 529 of the Internal Revenue Code which created these types of savings plans in 1996. Washington's Guaranteed Education Tuition (GET) Program was created in 1998 as Washington's prepaid college tuition program. The GET Program allows purchasers to buy tuition units at current prices for use at a later date. These funds are invested by the State Investment Board and the purchaser is guaranteed that one year's worth of units purchased now will be worth one year's worth of public university tuition in the future. One hundred GET units are equal to one year of resident undergraduate tuition and state-mandated fees at the most expensive public university in Washington.

#### Performance.

In July 2010 the National Governor's Association (NGA) released recommendations on the common higher education measures that states should collect and report publicly. The Task Force in Washington recommends adoption of the NGA metrics:

- outcome metrics: degrees awarded, graduation rates, transfer rates, and time and credits to degree; and

- progress metrics: enrollment in remedial education, success in remedial education, success in first-year college courses, credit accumulation, retention rates, and course completion.

The Task Force also recommends developing a program to incentivize four-year public baccalaureate institutions to meet degree production, retention, and high demand degree targets. A limited financial incentive is provided for making measured progress. This is similar to the Student Achievement Initiative of the SBCTC adopted by the community and technical college system in Washington.

The Student Achievement Initiative is a performance funding system to incentivize colleges to employ strategies that promote student success. The SBCTC identified key academic benchmarks that students must meet to successfully complete degrees and certificates, known as Achievement Measures which are:

- building towards college level skills (basic skills gains, passing pre-college writing or math);
- first year retention (earning 15 and then 30 college level credits);
- completing college level math (passing math courses required for either technical or academic associate degrees); and
- completions (degrees, certificates, and apprenticeship training).

Between the 2006-2007 baseline year and 2008-2009, the first performance year, the colleges served 4 percent more students but increased student achievement by 19 percent with the greatest gains occurring in all points.

For public baccalaureate institutions, legislation enacted in 2008 required the establishment of pilot performance agreements. The purpose is to develop a six-year plan that aligns higher education policy goals and desired outcomes with resources. Performance agreements may address a variety of elements including benchmarks and goals for long-term degree production, recruitment and retention, quality, timeliness of student progress, and costs, among others. Other accountability provisions include reporting data to the HECB and the Office of Financial Management (OFM).

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### **Summary of Substitute Bill:**

#### Tuition-Setting Authority.

Public baccalaureate institutions have the authority to set tuition rates for all students for academic years 2011 through 2014. Tuition for resident undergraduates at community and technical colleges will be set by the Legislature in the Appropriations Act. The SBCTC may set differential tuition. The SBCTC retains the authority to set tuition rates for non-resident students, summer school, and self-supporting programs.

#### Mitigating the Effects of Tuition Increases.

Tuition revenue above certain limits at public baccalaureate institutions must be used to support financial aid to mitigate the increases in tuition for middle class students with incomes up to 125 percent of the median family income. More stringent requirements are put

in place for higher education institutions to inform students about tax credits available to them such as the American Opportunity tax credit and the Lifelong Learning tax credit and they are to report on methods used. The HECB is required to consider family size as part of the family contribution for students of the State Need Grant, and is also required to establish criteria for awards that are not solely based on "first-come, first-served."

#### Guaranteed Education Tuition.

The Committee on Advanced Tuition Payment is required to utilize the State Actuary in reviewing the Guaranteed Education Tuition Program.

#### Accountability.

The NGA Complete to Compete Metrics are established in statute. All students, not just first-time freshman must be counted. The higher education institutions are required to post data on a website. Performance agreements are repealed.

#### Running Start Fees.

Public institutions of higher education may charge Running Start students a fee that is equal to 10 percent of tuition and fees.

#### Transfer.

Public higher educational institutions must publish all transferrable courses and make them easily accessible on their institutional websites.

### **Substitute Bill Compared to Original Bill:**

Changes the underlying bill by:

- adding statements in the intent section about the state's commitment to public funding for public higher education;
- removing permission for local colleges to set tuition up to the limit set in the Appropriations Act if the SBCTC does not;
- permitting the SBCTC to institute differential tuition models;
- removing the Global Challenge State funding targets;
- directing public baccalaureate institutions to use revenue that exceeds certain limits be used through various methods to mitigate the effects of tuition increases on middle income students with incomes up to 125 percent of the median family income;
- changing the percentage for revenue from additional tuition increases to be used for financial aid — in line with the Governor's proposed budget. At the University of Washington, Washington State University, and Western Washington University that is 11 percent per year and at The Evergreen State College, Central Washington University, and Eastern Washington University that rate is 9 percent per year;
- adding additions to the outcome data to be collected to participation and completions rates for science, technology, engineering and math programs, including participation and completion rates for under-represented students, as well as graduate and professional degrees;
- adding a requirement that the HECB consult with four-year higher education institutions, and the SBCTC, for developing State Need Grant award criteria that does not solely rely on a first-come, first-served basis;

- replacing a review of the GET Program with changes that require an actuarially sound and predictable payout value to meet the long-term obligations of the account by the State Actuary rather than a nationally recognized actuary;
- adding the Baccalaureate Degree Innovation Program to provide rewards to four-year higher education institutions that make progress towards meeting individually defined performance goals;
- removing a requirement for the baccalaureate institutions to develop an action plan for performance;
- adding permission for public higher education institutions (four-year and community and technical colleges) to charge Running Start Students a fee that is equal to 10 percent of tuition and fees in addition to other mandatory technology fees; and
- requiring public higher education institutions to publish courses that help students to prepare and design their course of study for transfer and to publish these on their college or institution's websites.

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**Appropriation:** None.

**Fiscal Note:** Requested on February 3, 2011.

**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 bill takes into account middle income students who earn too much to qualify for financial aid, but not enough to pay for higher education out-of-pocket. The sponsor is looking at innovative ways to fund higher education and find the right balance between state funding, financial aid, accountability, and tuition. Higher education funding cuts have had impacts of limiting student access, limiting diversity of programs offered on campus, and cutting programs such as science programs that prepare students that are in demand by employers. This bill attempts to address these issues. The greatest gift the Legislature could give to higher education institutions is stability. Students, parents, and families need to plan ahead and know that they can rely on a stable tuition rate. Higher education institutions need the partnership of the Legislature. Students between the 70th percentile and the 100th percentile of the median family income need support to afford higher education. There is endorsement of the accountability metrics and measures to publicize tax credits available to students. The public good that came from the GI Bill provided a public good for the country and Washington is facing declines in this public good. Public universities cannot exist without state appropriations. Limits to higher education are detrimental to our entire education system because fewer K-12 teachers are educated.

(In support with concerns) Allowing individual community and technical colleges to increase tuition raises issues related to price competition and equal access. It is important to find the balance between state investment, tuition, and financial aid. State appropriations for higher education will potentially be reduced by half.

(Opposed) None.

**Persons Testifying:** (In support) Representative Carlyle, prime sponsor; Sherry Burkey and Marsha Riddle Buly, Western Washington University; Bill Lyne, United Faculty of Washington State; Jim Fridley, University of Washington; George Scarola, The League of Education Voters; Don Bennett, Higher Education Coordinating Board; and Mike Reilly, Council of Presidents.

(In support with concerns) Deb Merle, State Board for Community and Technical Colleges; Chris Mulick, Washington State University; Ann Anderson, Central Washington University; David Buri and Alex Clardy, Eastern Washington University; Margaret Shepherd and Quinn Majeski, University of Washington; Julie Garver, The Evergreen State College; and Iris Maute-Gibson, Western Washington University.

**Persons Signed In To Testify But Not Testifying:** None.