

PRELIMINARY BOARD MEETING AGENDA
 Renton Technical College, Business Tech Center, H 103/104
November 19, 2009

10:00-12:00

Joint Meeting with WTECB

10:00	Welcome and Introductions <ul style="list-style-type: none"> • Jesus Hernandez, Chair, Higher Education Coordinating Board • Marty Brown, Chair, Workforce Training and Education Coordinating Board • Steve Hanson, President, Renton Technical College 	<u>Tab</u>
10:15	Workforce Development Alignment with Strategic Master Plan for Higher Education and System Design Plan <ul style="list-style-type: none"> • <i>High Skills, High Wages</i> 2008-2018 • Adult Workers Strategy • HECB System Design Plan 	1
12:00	HECB and WTECB members will recess for lunch	

1:00 – 4:30

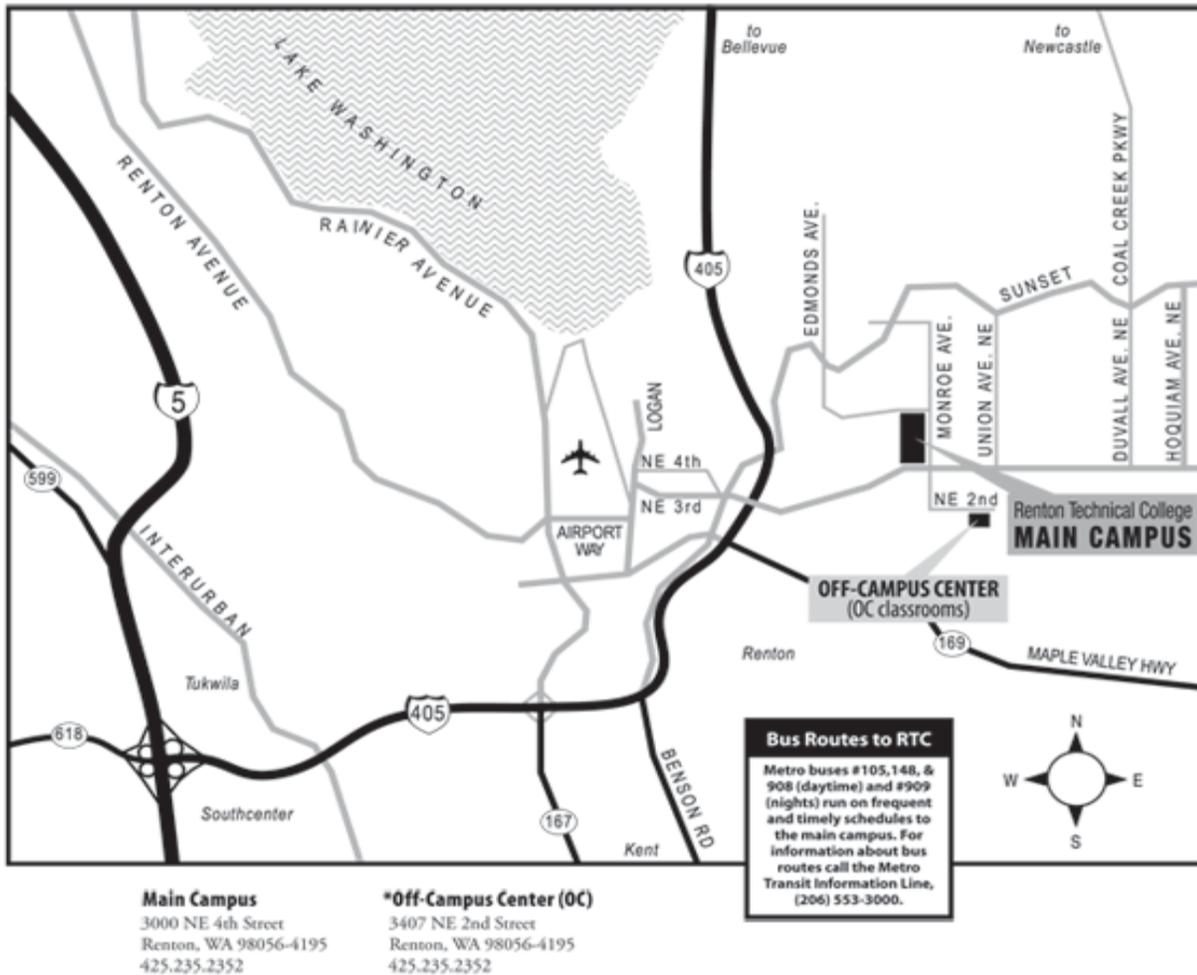
Regular Board Meeting

Tab

1:00	Welcome and Introductions Jesus Hernandez, Chair <ul style="list-style-type: none"> • HECB 2010 Board Officials <i>Resolution 09-25</i> <p>According to board by-laws, the chair, vice chair, and secretary of the Board each serve one-year terms which terminate on Dec. 31 of each year or until successors are elected. Officers shall serve no more than two consecutive one-year terms. The Board will adopt the 2010 board officials recommended by the Executive/Nominating Committee.</p>	2
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	<ul style="list-style-type: none"> • HECB 2010 Meeting Calendar <i>Resolution 09-26</i> <p>In accordance with the provisions of RCW 28B.80.420, RCW 42.30.075, and WAC 250-10-070, the Board will adopt and publish its calendar for 2010.</p>	3
	<p>Report of the Executive Director Acting Executive Director, Don Bennett, will provide an update on agency activities and programs.</p>	
1:25	<p><u>Consent Agenda</u></p> <ul style="list-style-type: none"> • Approval of October 27, 2009 Meeting Minutes 4 • Health Sciences and Services Report 5 <i>Resolution 09-27</i> <p>RCW 35.104 authorized the HECB to designate a Health Sciences and Service Authority (HSSA) special purpose district in Washington State. In March 2008, the HECB passed Resolution 08-08 designating an HSSA in Spokane County. Under the statute, the HECB is also required to report to the Washington Legislature every two years beginning December 1, 2009 on the implementation and performance of the HSSA. The first report on HSSA implementation and performance has been drafted by staff in collaboration with the HSSA staff and Board, and has been reviewed by the HECB Education Committee. HECB Resolution 09-27 approves the report as drafted for transmittal to the Washington Legislature.</p> <ul style="list-style-type: none"> • New Degree Program for Approval: 6 Bachelor of Science in Integrated Plant Sciences, WSU <i>Resolution 09-28</i> <p>Washington State University currently offers Bachelor of Science degrees in Horticulture, Crop Science, and Soil Science. WSU has submitted a Moderate Degree Change proposal to consolidate these three plant science-based degrees into a single Bachelor of Science in Integrated Plant Sciences degree. The consolidation would reduce duplication, promote efficiency, and improve degree attractiveness to students and employers.</p>	
1:30	<p><u>Discussion and Action:</u></p> <ul style="list-style-type: none"> • System Design Plan: Final Recommendations 7 <i>Resolution. 09-29</i> <p>PUBLIC COMMENT</p>	

To Renton Technical College Main Campus from Interstate 405

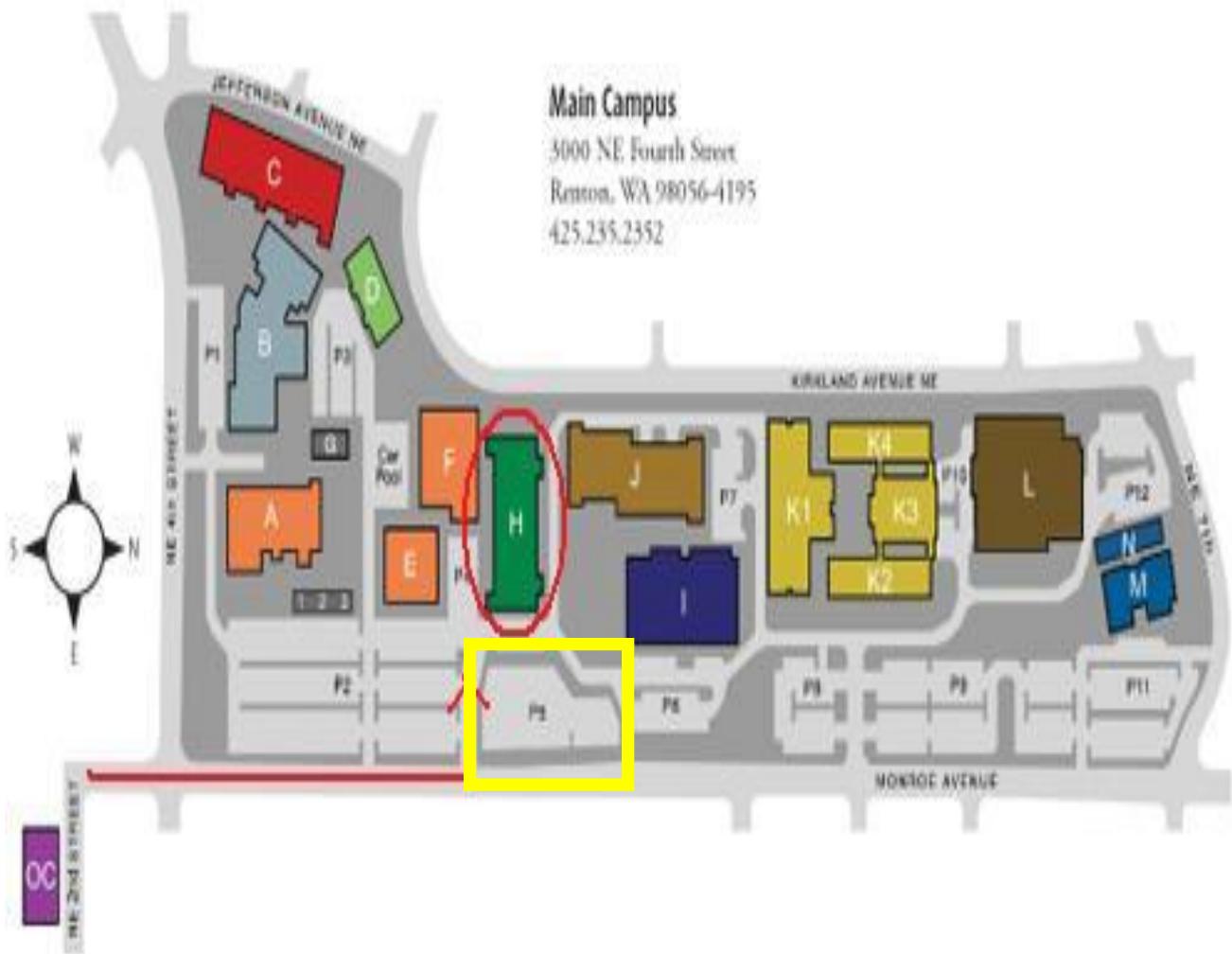


Northbound

Take **Exit 4**. After exiting, do not take the Maple Valley exit to the right. Stay to the left and take the **Bronson Way exit to Renton**. Turn right at bottom of the off-ramp. Continue to the next stoplight and turn **right onto Sunset Boulevard**. One block further at the stoplight, turn **right onto NE 3rd Street**. Follow NE 3rd Street to the top of the hill. RTC is on the left side after you crest over the top of the hill. Turn **left on Monroe Avenue NE** to access the main entrance.

Southbound

Take Renton Exit 4, merge onto Sunset Boulevard, turn left at the first stoplight onto NE 3rd Street. Follow NE 3rd Street to top of hill. RTC is on the left side after you crest over the top of the hill. Turn left on Monroe Avenue NE to access the main entrance.



**Renton Technical College
3000 NE Fourth Street
Renton, WA 98056**

**HECB Meeting in Bldg H, Business Tech Center,
H103/104**

Park in any available space.

HIGH SKILLS, HIGH WAGES 2008-2018: WASHINGTON'S STRATEGIC PLAN FOR WORKFORCE DEVELOPMENT

POSTSECONDARY GOALS, OBJECTIVES, AND STRATEGIES

Adult Goal: Provide Washington adults (including those with barriers to education and employment) with access to lifelong education, training, and employment services.

Objective 1: Increase the number of adults who have at least one year of postsecondary training.

- Provide more financial aid and support services to enable students to enroll in and complete at least one year of postsecondary training and receive a credential.
- Establish more industry-based credentials in occupational and general workplace skills demanded by employers for students that complete one year of training and develop more one-year certificated programs.
- Provide more workforce education students with access to work-based learning and career and labor market information.
- Create easy to navigate postsecondary education and training and career websites, including financial aid and support services.
- Conduct an ongoing marketing campaign to inform the general public about the employment and earnings benefits of postsecondary training, especially in high employer demand programs of study.

Objective 2: Postsecondary education and training provide effective opportunities for going in and out of training over the course of life-long learning.

- Develop public/private financial aid support to assist working adults to gain further education and training credentials including:
 - Increase the number of part-time, working students who can receive the State-Need Grant.
- Develop better links between Adult Basic Education, English-as-a-Second Language, job preparation and college-level courses.
- Develop more four-year degree options for students who complete technical associate degrees.
- Develop more statewide direct transfer agreements and articulation agreements between two-year and four-year schools, and between private schools and public schools.
- Grant more credits at postsecondary institutions for prior learning, including credits for major programs of study.

Objective 3: Adults with barriers to employment and training enter education and career pathways that lead to self-sufficiency.

- Expand the number of Adult Basic Education programs that integrate occupational skills training through the I-BEST model.

Industry Goal: Meet the workforce needs of industry by preparing students, current workers, and dislocated workers with the skills employers need.

Objective 1: The workforce development system supplies the number of newly prepared workers needed to meet current and emerging employer needs.

- Increase annual capacity in middle-skill education and training programs (greater than one year but less than four years).
- Expand apprenticeship training opportunities and recruitment of employers who hire apprentices for traditional and non-traditional programs.

Objective 2: The workforce development system strengthens Washington's economy, focusing on strategic industry clusters as a central organizing principle.

- Establish Industry Skill Panels that provide information on skill needs in strategic industry clusters in all workforce development areas.
- Establish Centers of Excellence that provide best practice support to education providers for all strategic industry clusters in the state.
- Expand High Employer Demand programs of study at all levels of postsecondary education and target under-represented labor pools to facilitate their entry to high demand occupations.
- Coordinate workforce development and economic development planning efforts at the state and local levels including an emphasis on industry clusters.

Objective 3: Current and dislocated workers, and job seekers receive education and training that builds competitive skills and businesses.

- Increase the level of public and private support to customized training for current workers.
- Increase the number of working adults gaining further education and training at the workplace through distance learning and other methods.
- Expand the availability of Lifelong Learning Accounts (LiLAs) to fund worker training.

ADULT

High Skills, High Wages 2008-2018 State Strategic Plan for Workforce Development

Education key to economic self-sufficiency

One year of education beyond high school can be the difference between earning a living wage and living on the edge.

Research shows that those who complete at least one year of education beyond high school and earn a certificate or credential have a much better chance of supporting themselves and their families. Those who don't find themselves trapped in entry-level, low-skill jobs.

Currently, 1.6 million Washington adults have an education that goes barely beyond high school, if that.

Many low-educated workers are "working poor," struggling to pay basic living costs—from food to housing to health care. Most low-wage jobs lack benefits and more than one in 10 Washingtonians lack health insurance—and are just a health care crisis away from the financial brink. Meanwhile, homelessness, hunger and childhood poverty threaten these workers and their families.

Taking the first step to a life of learning

By helping more Washington residents obtain a 13th year credential we can lift more people out of poverty, and improve business productivity at the same time.

Those with a vocational certificate or two-year vocational degree are especially in demand. But for low-wage working adults, reaching educational goals poses a challenge. We can help adult workers by focusing on key issues, including:

- **Too little job preparation**—Disadvantaged workers often do not have the basic skills, not to mention the job skills, to boost employability and earnings.
- **Being trapped in dead end jobs**—Working adults don't have the time or money to go back to school, but must continue to stick with jobs that pay poorly and offer few opportunities to get ahead.
- **Financial hurdles**—Many workers can't afford tuition, textbooks and other expenses, even if they're able to carve time away from work and family.
- **Education that takes too long to complete**—Let's face it, getting an education while working to support a household is tough. Everything from the length of the program to the culture of the campus can be barriers to an adult attempting to balance school and work.



Helping more adults reach next educational step

High Skills, High Wages 2008-2018: Washington's Strategic Plan for Workforce Development outlines key strategies to put adults on the path to success.

Our plan details how more Washington adults can get education and training beyond high school that leads to high skill, high-wage jobs. Key opportunities at the state level include:

- **Ensure job-ready workers** by expanding programs like I-BEST that blend basic education, including language lessons, with job skills training.
- **Engage employers in making workplace learning** and on-the-job training available so workers can earn while they learn.
- **Expand financial aid** and grants so more workers can afford further education.
- **Grant more credits for prior learning**, including direct transfer agreements from two-year colleges and other measures that make it easier for adults to pursue education over a lifetime .

High Skills, High Wages Adult Strategies

From preparing workers with education and training for family-wage jobs to supplying industry with a skilled workforce, *High Skills, High Wages 2008-2018: Washington's Strategic Plan for Workforce Development* offers a comprehensive look at our state's workforce challenges and opportunities.

We plan along a 10-year horizon to give us time to realize our vision of a stronger economy. Because we take a broad view of the many programs and initiatives aimed at boosting the job skills, paychecks and opportunities for Washington's workforce, we're able to recommend best practices that lead to real gains for both workers and the businesses that employ them. We focus on three main groups: youth, adults and industry. Here we offer a glimpse at our adult strategy.

Universal access to I-BEST

Many disadvantaged workers lack basic skills—from listening and leadership to reading, writing and math. But it's only when workers are taught specific job skills along with basic skills that they are able to land a decent job, keep it, and advance.

I-BEST offers this successful blend of basic skills and job preparation and is offered at Washington's community and technical colleges around the state with limited course offerings. These program offerings should be expanded.

Getting to that first rung

People who complete at least one year of college and obtain a certificate or credential have a much better chance of supporting themselves and their families.

Yet, the greatest barrier to postsecondary education, according to Workforce Board research, is the cost of tuition, books, and other expenses such as childcare and transportation. By 2018, Washington should be providing free tuition for workforce education students pursuing their 13th year of education. In the short term, the state should increase financial aid to low-income students, doing whatever reasonable to get them onto that first rung of the education/career ladder.

Creating a culture that supports life long learning

We need to make it easier to participate in college-level education and training, creating multiple ways to go in and out of training over the course of a lifetime of learning.

One concept that embodies that principle is Lifelong Learning Accounts, where employers and employees jointly fund continued education and training. Employees literally are able to learn while they earn.

In addition, our college and universities must pursue a system of seamless transfer, reducing barriers to adults who re-enter the education process wherever they may be in the lives.

Engaging employers through workplace learning

By continually upgrading and expanding skills, Washington's workers can advance along a chosen career path, stay on top of technology and other changes, and boost their value in an increasingly competitive marketplace.

But to do that, our adult workers must be able to stay employed and progress on the job. One way to help workers achieve their educational goals is to pursue strategies that bring education into the workplace, through online and distance learning tools.

Board Members:

Chair

Marty Brown

Labor

Rick Bender

Janet Lewis

Beth Thew

Business

Creigh H. Agnew

Mike Hudson

Lutz Ziob

Government

Randy Dorn

*Office of Superintendent
of Public Instruction*

Charlie Earl

*State Board for
Community and
Technical Colleges*

Karen Lee

*Employment Security
Department*

Target Populations

Tony Lee

Participating Officials

Susan Dreyfus

Rogers Weed

Mark Mattke

Executive Director

Eleni Papadakis

Workforce Board



Workforce Training and Education Coordinating Board

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STATE OF WASHINGTON

HIGHER EDUCATION COORDINATING BOARD

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RESOLUTION NO. 09-25

WHEREAS, According to HECB by-laws the chair, vice chair, and secretary of the Board each serve one-year terms which terminate on December 31 of each year or until successors are elected; and

WHEREAS, Officers shall serve no more than two consecutive one-year terms; and

WHEREAS, The Board's Executive Committee, serving as a Nominating Committee, reviewed and discussed the HECB 2010 board officers' slate; and

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board adopts the HECB 2010 board officers' slate.

Adopted:

November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary



STATE OF WASHINGTON

HIGHER EDUCATION COORDINATING BOARD

917 Lakeridge Way SW · PO Box 43430 · Olympia, WA 98504-3430 · (360) 753-7800 · FAX (360) 753-7808 · www.hecb.wa.gov

RESOLUTION NO. 09-26

WHEREAS, The Higher Education Coordinating Board is required to adopt an annual calendar of regular meeting dates for publication in the State Register; and

WHEREAS, The Board's Executive Committee reviewed the proposed 2010 meeting calendar, which includes four Advisory Council meetings; and

WHEREAS, The members of the Board have reviewed and approved the proposed 2010 meeting calendar;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board adopts the HECB 2010 meeting calendar.

Adopted:

November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary

November 2009

Draft Minutes of October 27, 2009 Board Meeting

Advisory Council Meeting

Board members present

Jesus Hernandez
Charley Bingham
Bill Grinstein
Roberta Greene
Earl Hale
Andrew Helm
Nita Rinehart
Sam Smith

Advisory Council members present

Charlie Earl, SBCTC
Mark Emmert, research institutions
Sheila Fox, SBE
Jim Fridley, four-year faculty
John Paul Johnston, proprietary schools
Catherine Riordan, regional universities
Sandra Schroeder, two-year faculty

Welcome and Introductions

Chairman Jesus Hernandez opened the meeting at 9:30 a.m. and asked the Board, the members of the Advisory Council, and the audience to introduce themselves.

Chancellor Patricia Spakes welcomed the Board and Council to the UW Tacoma campus, which has grown considerably in the past several years. In concert with the construction of new buildings and facilities, UWT's enrollment has been gradually trending upward. Its transition in 2006 to a four-year university has resulted in high lower-division and pre-major enrollments. Freshman applications are up 15 percent and transfer applications are up 12 percent over 2008. The FTE for this fall is an 11 percent increase over the state-funded FTE, made up primarily of transfer students. UWT is now turning its attention to expanding residential housing for its growing student body.

One exciting development – the UWT has partnered with the city of Tacoma and the state's Puget Sound Partnership to launch a new initiative, the Puget Sound Institute. Its mission is to further research on urban environmental issues and to develop solutions for water pollution in Tacoma and other coastal communities. Among other activities, the institute will convene panels of experts to identify opportunities for progress on specific environmental issues, including the restoration and protection of the Puget Sound.

Asked about the impact of budget cuts on the institution, Chancellor Spakes said that UWT has had to increase class sizes, put some faculty on sabbaticals, and slowed the growth of programs. The school will have to work on diversifying its funding base and to figure out creative strategies to continue building and maintaining access for students in the area.

System Design Plan: Preliminary Findings and Recommendations

Work is nearly complete on a framework for growing Washington's public higher education system in the years ahead. The Board will adopt a final draft of the new System Design Plan at its meeting on November 19, at Renton Technical College. A Study Group representing a cross section of the higher education community has been working on the Plan for the past several months.

HECB Executive Director Ann Daley outlined the four basic elements of the draft plan:

1. A set of guiding principles for making future growth decisions
2. A near-term strategy to grow enrollment without major capital investment
3. A proposal for twin processes – one locally initiated; the other state-initiated – to evaluate major new capital investment proposals and make legislative recommendations
4. A new Blue Arrow Fund for Innovation to provide competitive grants fostering innovation, pilot programs, collaboration and system productivity

The Plan is intended to help the state and its public and independent institutions continue progress toward the ambitious degree-attainment goals contained in the 2008 *Strategic Master Plan for Higher Education*.

Following Board action on November 19, the Plan will be sent to the Legislature in December. The next step would be the drafting of legislation to incorporate the system-expansion processes into law.

Comment and Discussion on the System Design Recommendations

Christine Kerlin, Everett Community College Student Center – concern that there is no mention of university centers in the section on graduate education; concern about encouraging the more academically prepared low income students to directly enter baccalaureate institutions; suggest that the data and assumptions behind that be subject to a more open analysis.

Sandra Schroeder, Advisory Council, two-year faculty representative – expansion should include faculty and staffing that will be needed; some of the funding is about keeping quality staff and the teaching faculty.

Earl Hale – The interplay between financial policy and education policy is going to suggest a reevaluation of public priorities. *How would the state implement the kind of access goals called for in the Plan within the context of our financial situation?* For example: “If you’re going to build out enrollments at the branches you’ve got to broaden the programmatic base and that is going to cost some money.”

Sheila Fox, Advisory Council, State Board of Education – described the work going on in the K-12 system for expanding pathways and preparing high school graduates for college.

Bill Grinstein reminded that previous discussions regarding direct enrollment in our community college system means prepared and motivated students that eliminated the need for remediation. While the State Board of Education has been part of these discussions through Sheila, he wasn't

sure about the Office of the Superintendent of Public Instruction. He asked whether “we should be talking about something that binds K-12 and higher education together more than Running Start.” Dan Newell, OSPI, assured the group that his office will take part in the discussion.

Roberta Greene called attention to the renewed focus on underserved populations for increasing access, suggesting that getting money into local areas would be the most effective strategy to make this happen.

Charley Bingham said there is a huge public cost and public benefit to higher education. The challenge is to convey what’s there for our younger population. “We need to educate the kids.”

John Paul Johnston, Advisory Council, proprietary schools – There is a need to look into innovative partnerships among institutions and businesses. Graduates from their schools have no place to apply.

Tuition Study Update

Jim Reed and Sarah Norris, HECB fiscal staff, presented a draft of the Tuition Flexibility Study required by the 2009 Legislature. The Legislature directed the HECB and key stakeholders to examine tuition options and make policy recommendations to ensure flexibility, access, and affordability. A study group looked into tuition models based on family income, course level, type of degree program, and hours enrolled.

The study recommends the state re-establish itself as the primary shareholder in its public higher education system by establishing a cost-sharing policy. State funding would constitute no less than 55 percent of future instructional costs while tuition and fees would provide no more than 45 percent of those costs. More discussion is taking place about how this 55/45 model might work given different state revenue conditions.

The state also would continue to provide significant levels of financial assistance to help keep higher education affordable for those families with very low incomes.

Mark Emmert, UW president, cautioned against a “universal” tuition policy. The University of Washington had 22,000 applicants this fall for 5,000 slots. A lot of the students who don’t get accepted go to Oregon or Idaho and other states and pay much higher tuition. (The implication is that even if the UW raised tuition students will continue to apply.)

Further review and revision of the draft were recommended. The report is due in December.

Advisory Council meeting was adjourned at 12:00 noon.

Regular Board Meeting

Consent Agenda Items Approved

Action: **Bill Grinstein** moved for approval of the Board’s September meeting minutes and Res. 09-24 adopting the SBCTC’s Student Achievement Initiative. **Sam Smith** seconded the motion. Ann Daley asked that a misleading statement in the GET portion of the minutes be corrected. The consent agenda items were unanimously approved as corrected.

September minutes corrected as follows: GET Update

Enrollment for 2009-10 has started and indications are strong that this year's enrollments will keep pace with last year, which was a record enrollment year.

Executive Director's Report

Technology Transformation Taskforce

The taskforce is looking at ways to improve the efficiency, effectiveness, and quality of education through the strategic use of technology. HECB staff and members of the taskforce executive committee met in October to outline the scope of the project and establish processes to gather the information necessary to inform further work. Regular discussions also have been held with Rep. Reuven Carlyle, the prime sponsor of the technology transformation legislation. An interim report is due to the Legislature in December.

Portal Work Group

The Portal Work Group has completed a review of other states that have developed similar privacy-protected access points enabling students to review information about their college programs. A report is due to the Legislature Dec. 1.

Performance Agreements

Staff-level discussions involving the HECB, Council of Presidents, Governor's office and legislators are looking at possible legislation to move the performance agreement effort forward.

Passport to College Program Update

Rachelle Sharpe, HECB associate director for Student Financial Assistance, discussed a breakthrough data exchange agreement with the Department of Social Health and Services that is helping identify foster care youth who are eligible for financial aid through the Passport to College program.

The program was created in 2007 as a six-year pilot to provide foster youth the tools and resources to succeed in higher education. Sharpe presented foster youth data, various outreach efforts, and the institutional viable plan. In order to increase the retention and success of Passport students, the HECB has contracted with the College Success Foundation to provide outreach, student intervention, and community integration.

Simone Scales, Director of College Success at Seattle Central Community College, discussed their privately funded program that serves foster youth, including Passport students. The program provides advising, tutoring, and individualized support services.

Transfer Pathways in the Attainment of Bachelor's Degrees

HECB Academic Affairs Director Randy Spaulding presented an update on the report of the graduating class of 2001, completed by the State Board for Community and Technical Colleges. The current study focused on the community and technical college transfer students who earned their bachelor's degrees in 2006 from the public baccalaureate institutions.

The study concluded that two-year degree programs that encourage students to choose a baccalaureate degree pathway before transferring to a four-year institution are producing more bachelor's degrees in less time. Established transfer pathways in business and the STEM fields (science, technology, engineering, mathematics) also cut costs by reducing the number of unnecessary courses taken on the road to a degree.

Other findings:

- Students who earn bachelor's degrees after transferring from a two-year institution are generally older than those who enter four-year institutions as freshmen.
- Most 2006 college graduates had attended two or more colleges.
- The majority of transfer students who successfully earned bachelor's degrees had completed remedial coursework at the community and technical college level.

2009-11 Supplemental Budget: Requests and Preliminary Recommendations

HECB Fiscal Analyst Rick Heggie provided a context for the 2010 supplemental budget, which is expected to address further erosion of state revenue since the biennial budget was enacted. The Office of Financial Management has provided guidelines for the supplemental budget submittals. Heggie summarized the budget requests received from the State Board for Community and Technical Colleges and the baccalaureate institutions.

The Board is scheduled to adopt the supplemental budget requests at the November meeting.

Preliminary 2011-13 Budget Guidelines and Fiscal Priorities

Heggie discussed the purpose of the budget guidelines and the policy framework behind it. The 2011-13 operating and capital budget priorities are set against a context that the recession is bottoming out but further reductions in earlier general revenue forecasts for 2010 will require additional 2009-11 general fund budget reductions. Budget recommendations must balance the goals of master plan with state fiscal reality. Where possible, the Board encourages institutions to complement requested state funds with local matching funds.

Board members Hernandez, Rinehart, and Bingham said the budget guidelines should reflect what it will take to reach the master plan goals.

Terry Teale, executive director of the Council of Presidents, said that if higher education funding is not restored, if it continues to be cut, "we will not be able to achieve our goals."

The meeting adjourned at 2:30 p.m.

November 2009

DRAFT: Report to the Washington Legislature Health Science and Services Authority Activities Pursuant to RCW 35.104

Introduction

The Washington Legislature, by E2SHB 1705 approved in 2007 (codified as Chapter 35.104 RCW), legislation authorizing formation of a Health Sciences and Service Authority (HSSA) in Washington, authorizing the Higher Education Coordinating Board (HECB) to approve or reject applications for designation of one HSSA in Washington, giving the HECB responsibility for development and evaluation of performance measures in order to evaluate the effectiveness of an HSSA's activities; and requiring the HECB to report to the Legislature on HSSA activities on a biennial basis beginning December 1, 2009.

This constitutes the first report to the Legislature, and includes an Executive Summary, Detailed Report, and Appendices.

Executive Summary

Spokane County won approval from the Higher Education Coordinating Board in March 2008, to establish a special purpose district known as a Health Science and Services Authority. The HSSA was formed under a new state law RCW 35.104, designed to foster bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health.

Following a brief but intensive organizational effort, assisted by the HECB, the Spokane County HSSA held its first board meeting in November 2008; and this year, awarded its first grants, which totaled more than \$900,000 to two organizations. The Spokane HSSA also is in the final stage of developing two additional grant competitions, having collected tax distributions of \$1,450,057 through September 2009.

The Institute for Systems Medicine was awarded \$675,000 to increase bioscience research infrastructure capacity. Project Access was awarded \$225,000 (subject to final negotiation) to increase access to health services for the underserved populations of Spokane County. Proposals will be sought soon for a health sciences research grant and collaboration challenge grant for health services. The HSSA has also contacted the Empire Health Foundation to discuss ways in which the two organizations may collaborate and leverage funding in the future for greater effect.

RCW 35.104, passed in 2007, specified that only one HSSA could be formed and that it must serve an area with a population of less than one million residents. The city, county, or town designated as an HSSA is authorized to use a small percentage of the state's share of local sales taxes (0.02) to fund the effort.

The law gave the HECB general administrative oversight for the process of approving and helping establish the HSSA. The HECB circulated a statewide Request for Proposals in fall 2007, for which Spokane County was the only respondent. The HECB and Spokane County signed a Memorandum of Agreement (MOU) in May 2008 regarding implementation of the HSSA and program guidelines.

The HSSA was then free to begin its work formally when a local Board was named to oversee the operation of the new authority. A schedule of regular Board meetings was established beginning in November 2008. A consultant was retained to serve in the role of interim director, office space was secured, an additional consultant was engaged to assist with financial reporting and budgeting, and a website was launched (<http://www.hssaspokane.org>).

The HECB and Spokane County HSSA have developed performance measures related to health science and service activities that flow directly from the HSSA's strategic goals and activities. It is anticipated these may evolve as the authority takes on additional activities to further its objectives. Because the activities directly related to the HSSA's mission are in their early stages, effectiveness of the HSSA program cannot be measured. Subsequent biennial reports will include information on HSSA performance.

Overview

In 2007, the Washington State Legislature passed a law codified as Chapter 35.104 RCW, designed to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. The law permits a town, city, or county with a population of less than one million to establish a Health Sciences and Services Authority, similar to a local port authority or water resources board.

Only one HSSA was permitted under the legislation. The law gave the Higher Education Coordination Board general administrative oversight for the program's designation, startup, and performance assessment. It authorized the HECB to solicit and approve applications and to designate the HSSA. The HECB sent a request for proposals statewide in fall 2007. Spokane County submitted the only response, which was received December 31, 2007.

In March 2008, the HECB formally designated the Spokane County HSSA and began to work with the county to establish the administrative structure for the new authority. The HSSA is a local special purpose district (similar to a local port authority or water resources board) authorized by a local government and overseen by a local board with dedicated funding and the ability to raise additional funds and make investments in the local community to achieve its purpose and goals.

Brief chronology of initial activity establishing Spokane County HSSA	
<p>December 11, 2007 - Spokane County Board of Commissioners adopted a resolution to establish an HSSA having the same boundaries as the County and to indicate their intent to impose a sales and use tax for the HSSA.</p>	<p>May-November 2008 Spokane County and HECB moved to implement the legislation by formally establishing the HSSA, adopting related policies, imposing the sales and use tax, and appointing support staff.</p>
<p>December 31, 2007 - HECB received formal proposal from Spokane County in response to RFP.</p>	<p>November 19, 2008 The new HSSA Board held the first monthly meeting, with members appointed by the Governor, the Board of County Commissioners, and the Mayor of Spokane.</p>
<p>February 26, 2008 - Spokane County Board of Commissioners adopted a resolution specifying the conditions under which the county would issue bonds to support the new HSSA.</p>	<p>November 2008 - May 2009 The HSSA Board retained consultants to provide financial and director-level support; established a physical and internet presence; adopted by-laws and policies; developed a mission statement, goals, and strategic initiatives and is planned for competitive grants to be awarded in the areas of infrastructure capacity and health services.</p>
<p>March 2008 - The HECB formally approved a resolution designating the Spokane County HSSA.</p>	<p>September 2009 HSSA Board awarded the first two grants totaling \$900,000 to include \$675,000 to the Institute for Systems Medicine for the purpose of increasing bioscience research infrastructure capacity, and \$225,000 (subject to final contract negotiations) to Project Access for increasing access to health services for the underserved populations of Spokane County.</p>
<p>May 2008 - The HECB and Spokane County signed a Memorandum of Understanding to assist them in carrying out their duties relative to establishing the HSSA.</p>	
<p>May 27, 2008 - The Spokane County Board of Commissioners passed an ordinance formally establishing a 0.02 percent sales tax to support HSSA operations and debt financing.</p>	

Summary of Current HSSA Program Activities

RCW 35.104 requires the HECB to develop evaluation and performance measures for an HSSA's activities – criteria that enable the local government to measure the program's effectiveness. The HECB is required to report to the Legislature on a biennial basis beginning December 1, 2009, on the implementation and performance of the HSSA.

Because the activities directly related to the HSSA's mission are in their early stages, insufficient data exists to measure the effectiveness of the program. However, the Spokane County HSSA appears to be moving rapidly to meet initial goals, as evidenced by a new grant allocation process initiated in June 2009. Initial performance measures have been identified (and are included in this report, see Appendix G) and will provide a basis for future reporting from the HSSA to the HECB and for further reporting to the Legislature when due in 2011.

Grant Allocation Proposals

In May 2009, at its first board retreat, the Spokane County HSSA initiated a grant allocation process to support its strategic initiatives. The HSSA issued two requests for proposals. These included a proposal for infrastructure capacity and a proposal for the provision of health services.

1. Grant proposal for infrastructure capacity

This grant initiative, released in June 2009, is directed specifically at building infrastructure capacity for bioscience research in Spokane County. In September 2009, following a review of proposals submitted, the HSSA selected the Institute for Systems Medicine to receive a two-year grant of \$675,000 to be used to assist in funding development of two repositories: the Spokane Human Tissue Repository and the Spokane Clinical Data Repository.

The operation of the repositories will be integrated and they will be used collaboratively by public and private researchers in the Spokane region. The development of these resources is expected to improve competitiveness in attracting bio-entrepreneurs, grow academic and corporate biomedical research, and advance local evidence-based health care.

2. Grant proposal for health services

The HSSA released a second request for proposals in July 2009, to fund efforts to increase access to health services in Spokane County for underserved citizens. In October 2009, the HSSA selected Project Access to receive a one-year, \$225,000 health services grant, subject to successful contract negotiations.

3. Additional grant initiatives

The HSSA is developing two additional grant competitions (a health sciences research grant and a collaboration challenge grant for health services) for release, pending approval by the Board. The HSSA has also contacted the Empire Health Foundation to discuss ways in which the two organizations can collaborate and leverage funding in the future for greater effect.

Grant Proposal Protocols

In August 2009, the HSSA Board adopted grant proposal protocols. All proposals require screening by an HSSA Board designee using the following criteria:

- Proposals will be reviewed by a Grants Subcommittee and HSSA Board Chair, each reviewer individually scoring and commenting on each proposal, using an evaluation criteria form derived from the request for proposals approved by the HSSA Board.
- The reviewers will meet to develop a consensus recommendation that, along with a copy of each proposal, proposal checklist, and evaluation criteria form, will be provided to each HSSA Board member for individual evaluation.
- The full HSSA Board will convene to discuss individual evaluations and make decisions regarding the outcome of each proposal.

- Once a proposal is accepted, an HSSA Board designee will in good faith negotiate with the applicant a funding contract that is substantially consistent with a grant agreement template approved by the HSSA Board and specifies conditions of the grant award.

Performance Measures

The HECB and the HSSA have identified performance measures linked to strategies that further the HSSA’s strategic goals. As HSSA programs and goals evolve over time, new or modified performance measures will be needed to accurately assess the success of the program. The HSSA’s strategic goals fall under two broad categories: health sciences and health services.

The strategies for meeting each of these goals and corresponding performance measures are described in detail in Appendix G. The HSSA will require grantee reporting, including the data needed to provide accurate assessment of program success over time. Given the early stage of HSSA activities there are no outcomes to report, but it is anticipated that performance data will be available by the next biennial report in 2011.

HSSA Strategic Goals by Program Area	
Health Sciences	Health Services
Support improved linkages between higher education and the health sciences industry that adds to the growth of the important higher education/health sciences critical mass in Spokane County	Increase access to health care for underserved citizens in Spokane County
Promote local economic development in Spokane County through collaborative bioscience research and development	Promote initiatives that will leverage HSSA funding with funding from other sources and that result in better delivery of health care services
Fund research promoting innovation in the health sciences industry	Reduce the cost of delivering health care in Spokane County

Conclusions

- It has been two years since the Legislature approved the HSSA legislation. Since then, the HECB has established and completed the RFP process for designation of the HSSA; created HSSA Guidelines, developed a Memorandum of Understanding with Spokane County, and been available as a resource to both the County and HSSA.
- Beginning in the first quarter of 2008 when it received the HSSA designation, the County has taken steps to implement the legislation relating to the HSSA, including formation of the HSSA, adoption of related policies, imposition of the related sales and use tax, and appointment of certain staffing support for the HSSA.
- The Governor, Board of County Commissioners, and the Mayor of Spokane each appointed members of the HSSA Board, which was in place by November 2008 and has been meeting monthly to set and review policy and oversee the work of consultants hired to provide financial and director-level support. It also has established a physical and internet presence.
- The HSSA Board has adopted by-laws and policies, and developed a mission statement, goals, and strategic initiatives. In June 2009, the HSSA Board issued its first two competitive grant proposals in the areas of infrastructure capacity and health services. In September, grants totaling \$900,000 were awarded to develop a human tissue repository and clinical data repository and increase access to health among under-served citizens in Spokane County.
- Because the activities directly related to the HSSA's mission are in early stages, effectiveness of the program cannot be measured. The performance measures that have been set forth are intended to provide a basis for future reporting from the HSSA to the HECB for further reporting to the Legislature when due in 2011.

More Detailed Information on How the HSSA Was Established

HECB Designation of the HSSA

In fall 2007, the HECB circulated a statewide request for proposals to establish an HSSA. City and county governments were notified, as well as various city and county associations. The HECB received one application in response to this request – from Spokane County on December 31, 2007.

The RFP reflected the requirements of RCW 35.104, requiring that the application:

- Provide sufficient information to enable the director to determine the viability of the proposal;
- Demonstrate that an ordinance or resolution has been passed by the legislative authority of a city, town, or county delineating the boundaries of an area that may be designated an authority;

- Be submitted on behalf of the city, town or county;
- Demonstrate that public funds directed to programs or facilities in the authority will leverage private sector resources and contributions to activities to be performed;
- Provide a plan or plans for the development of the authority as an entity to advance as a cluster for health sciences education, health sciences research, biotechnology development, biotechnology product commercialization, and/or health care services; and
- Demonstrate that the state has previously provided funds to health sciences and services programs or facilities in the applicant's city, town, or county.

After review of the proposal, the HECB review team recommended approval of the County for designation as an HSSA. On February 28, 2008, the HECB's executive director wrote to the County indicating she would recommend that the Board adopt a resolution approving the designation at its March 2008 meeting. The HECB subsequently reviewed and approved this resolution.

Spokane County's Resolution Establishing an HSSA

Prior to responding to the HECB request for proposals, the Spokane County Board of Commissioners adopted Resolution No. 7-1054 on December 11, 2007, establishing an HSSA with the same boundaries as the County, and providing that the HSSA have all powers and duties as set forth in RCW 35.104.060.

The County's resolution called for creation of a Board of not more than 14 members, with three members each appointed by the governor, the County Commissioner, and the Mayor of the City of Spokane, and up to five additional members to be appointed at the option of the newly created Board. Per RCW 35.104, the County also included language providing for the dissolution of the HSSA if a finding was reached that its responsibilities had expired.

The Spokane County Treasurer was designated to serve as treasurer of the HSSA; the Spokane County Prosecuting Attorney or a duly appointed deputy was designated to provide legal services; and the State Auditor (or a firm of certified public accountants) was designated as auditor.

The resolution stated the intent of the Board of County Commissioners to impose a sales and use tax to support the HSSA as provided in RCW 82.14.480 at a rate not to exceed 0.02 percent and to incur indebtedness in conjunction with financing grants and other HSSA programs in the amount of \$40 million dollars. The Board included a sunset provision for the tax effective January 1, 2033.

Fiscal Policies and Goals for HSSA

County Resolution No 8-0158 on February 26, 2008 set conditions on how the HSSA Board could spend revenue generated through limited tax general obligation bonds. It required the HSSA Board to:

- Budget and spend about 10 percent of total funding available to the HSSA on administration;
- Designate about 75 percent to the conduct of biomedical research, hiring of scientific faculty, acquiring instrumentation and laboratory cores, commercialization of biomedical technology, and other efforts to improve health and patient outcomes;
- Distribute about 15 percent to support of the underinsured and uninsured within the County; and
- Create a scientific advisory board to report to advise the HSSA Board about which investments would be most likely to lead to important breakthroughs in biology and medicine.

The resolution provided for collaboration between the Scientific Advisory Board and a second Strategic Advisory Board formed to support the Institute for Systems Medicine and its partners. A goal is to ensure that matters of fairness and conflict of interest are resolved in a transparent manner.

The Board of County Commissioners also made note of the results it expected from the HSSA and the need to follow strict ethical and legal protocols.

1. The results expected by the Board of County Commissioners:
 - (a) Provide better health and health care within the County and the region;
 - (b) Create hundreds of well-paying jobs within the County and the region; and
 - (c) Develop an economic engine to power future growth within the County.

To achieve these goals, the HSSA Board will be required, as a condition of the County issuing limited tax general obligation bonds and lending the proceeds to the HSSA, that the HSSA Board follow sound investment principles in making and managing its grants.

2. The HSSA Board shall:
 - (a) adopt the Ethics and Conflicts of Interest Policy developed for and used by the Trustees of the Life Sciences Discovery Fund and may modify such Policy to meet its particular requirements and policies;
 - (b) utilize the Intellectual Property Policy adopted by the Life Sciences Discovery Fund in developing its own intellectual property policy; and
 - (c) require that the grantees of HSSA money derived from the County be matched or otherwise leveraged by non-County resources; and will require that the HSSA Board undertake fund raising activities to obtain additional non-County funds to be used to achieve the goals set forth in Resolution No. 8-0158.

Memorandum of Understanding between Spokane County and HECB

In May 2008, the County and the HECB signed a Memorandum of Understanding (see Appendix F) to assist them in carrying out their respective administrative duties relative to the HSSA. The County agreed to provide the following to the HECB:

- Receipt of program guidelines for implementation, oversight, and reporting to the HSSA.
- Compliance with those guidelines.
- Acknowledgement that the HECB may amend the program guidelines from time to time, as necessary.
- Details relating to its statutory requirements as set forth under Section VI of the program guidelines no later than September 1, 2008.
- Details relating to appointment of an HSSA Board and treasurer as set forth under Section VII of the program guidelines, no later than September 30, 2008.
- Copies of any bylaws or rules adopted by the HSSA, within 30 days of such adoption.
- A copy of the ordinance or resolution adopted to impose the sales and use tax, including the date on which collection will be initiated and related information within 30 days of passage of the ordinance.
- Reports and information necessary to allow the HECB to comply with its reporting of activities and performance, as set forth in the legislation establishing the HSSA.
- Agreement to collaborate and engage with the HECB in developing evaluation and performance measures, and provide assistance measuring the effectiveness of the HSSA program. (It was understood by the County and HECB that development of performance measurements may depend on activities and decisions of the HSSA Board, and may need further development over time; therefore, the County and HECB agreed to cooperate in updating the performance measurement system as appropriate to meet the reporting requirements of the legislation.)
- Agreement to furnish a copy of any audited financial statements, including any related management letters, findings, reports, or performance audits, within 30 days of receipt by the HSSA, in any year.

The HECB agreed to assist the County in developing evaluation criteria to enable the County to measure the effectiveness of the programs and activities of the HSSA.

Initial Organizing Activities of Spokane County and HSSA Board

1. Imposition and use of sales and use tax and associated revenues

The Spokane County Board of Commissioners established a sales and use tax effective August 1, 2008, at the rate of 0.02 percent to be netted against the Washington State portion of sales and use tax. The sales and use tax was dedicated to the powers and duties of the HSSA or to finance and repay indebtedness incurred by the County for HSSA purposes. Ordinance No. 8-0516 dated May 27, 2008 (adopting Resolution No. 8-0569).

The State Department of Revenue distributed sales and use tax revenue for a total of \$1,450,057 from October 2008 through September 2009. Of this, the HSSA Board has committed grant awards totaling \$900,000, including \$675,000 to the Institute for Systems Medicine to increasing bioscience research infrastructure capacity, and \$225,000 (subject to final contract negotiations) to Project Access to increase access to health services for the underserved populations of Spokane County. HSSA administrative expenditures through September 2009 total \$54,754 or 3.6 percent of total sales and use tax revenues collected.

The economic downturn has reduced sales and use tax revenue below levels initially anticipated. As a result, Spokane County has not been in a position to issue bonds for the benefit of the HSSA. Taxable retail sales in Spokane County (which corresponds with the boundaries of the HSSA) are down 8.3 percent for the first half of 2009, compared to the first half of 2008. The HSSA and Spokane County are considering the possibility of executing a short-term loan from the County to the HSSA to fund HSSA priorities until economic conditions are favorable for the County to go forward and issue general obligation bonds.

2. Staffing and professional services

In mid-March 2009, the HSSA Board retained a consultant to serve as interim director, Susan Ashe, Principal of Ashe Public Affairs, on a part-time contract basis to facilitate activities of the HSSA Board and provide key administrative leadership. The Board has begun a discussion about whether the position of executive director should be part- or full-time. The HSSA Board also has contracted with Total Business Concepts to provide financial budget and reporting assistance.

The Spokane County Treasurer serves as treasurer for the HSSA and provides for investment of HSSA funds. The County's Prosecuting Attorney has appointed a representative to provide legal services; the representative has attended all HSSA Board meetings and provides legal guidance to the HSSA.

3. Board approval of mission, goal, and strategic initiatives

The HSSA Board adopted the following mission in May 2009:

- Mission Statement:

“The HSSA promotes bioscience-based economic development and advances new therapies and procedures to combat disease and promotes public health. The HSSA invests funds to create and support a nationally competitive health care cluster in Spokane County, catalyzing connections between higher education and health care that lead to high wage jobs, long-term sustainability, and economic diversification.”

At the same time, the HSSA Board set forth its goal and strategic initiatives, as follows:

- Goal:

To improve the capacity of the Spokane region to contribute to advances in health sciences and services.

- Strategic Initiatives:

Increase local infrastructure capacity for bioscience research that sustainably supports innovative advances in medical diagnosis, treatment, and health service delivery in Spokane County.

Increase access to health services for under-served people in Spokane County.

The HSSA Board has defined its areas of interest as health science research, health service delivery, and related health research capacity, and determined that recipients of funding must develop capacity in the County, deliver service in the County and conduct research in the State with demonstrable benefits to the County.

4. HSSA Board approval of by-laws and policies

The HSSA Board has reviewed and approved the following key organizational documents developed by staff:

- Corporate By-laws
- Ethics and Conflict of Interests Policy
- Confidentiality Policy

HSSA Powers, Duties, and Governance

HSSA Powers and Duties

RCW 35.104.060 provides that the HSSA has the following powers and duties:

- Enter into contracts with public and private entities for research to be conducted in this state;
- Hire staff and pay administrative costs; however, such expenses shall be paid from moneys provided by the sponsoring local government and moneys received from gifts, grants, and bequests; and the interest earned on the authority's accounts and investments.
- Use the authority's public moneys, leveraging those moneys with amounts received from other public and private sources in accordance with contribution agreements, to promote bioscience-based economic development and to advance new therapies and procedures to combat disease and promote public health;
- Solicit and receive gifts, grants, and bequests, and enter into contribution agreements with private and public entities to receive moneys in consideration of the authority's promise to leverage those moneys with the revenue generated by the tax authorized under RCW 82.14.480 and contributions from other public and private entities, in order to use those moneys to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health;
- Hold funds received by the authority in trust for their use pursuant to this chapter to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health;
- Make grants to entities pursuant to contract to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. Grant agreements shall specify the deliverables to be provided by the recipient pursuant to the grant. Grants to private entities may only be provided under a contractual agreement that ensures the state will receive appropriate consideration, such as an assurance of job creation or retention, or the delivery of services that provide for the public health, safety, and welfare. The authority shall solicit requests for funding and evaluate the requests by reference to factors such as: (i) The quality of the proposed research; (ii) its potential to improve health outcomes, with particular attention to the likelihood that it will also lower health care costs, substitute for a more costly diagnostic or treatment modality, or offer a breakthrough treatment for a particular disease or condition; (iii) its potential to leverage additional funding; (iv) its potential to provide health care benefits; (v) its potential to stimulate employment; and (vi) evidence of public and private collaboration;

- Create one or more advisory boards composed of scientists, industrialists, and others familiar with health sciences and services; and
- Adopt policies and procedures to facilitate the orderly process of grant application, review, and reward.

An amendment to RCW 35.104.060 in the 2009 supplemental session provides that:

During the 2009-2011 fiscal biennium, up to 10 percent of the amount received under RCW 82.14.480 may be used by a health services and sciences authority for the following purposes:

- Employ, contract with, or engage independent counsel, financial advisors, auditors, other technical or professional assistants, and such other personnel as necessary or desirable to implement this chapter; and
- Hire staff and pay administrative costs; however, such expenses shall be paid from moneys provided by the sponsoring local government and moneys received from gifts, grants, and bequests and the interest earned on the authority's accounts and investments.

HSSA Organization and Governance

Appointment of HSSA Board Members

Chapter 35.104 RCW and the County Resolution No. 07-1054 state that the HSSA is to be governed by a board of up to 14 members, with 3 members appointed by the Mayor of the city of Spokane, 3 members appointed by the Board of County Commissioners, and three members appointed by the Governor. The following members have been appointed to and are currently serving on the HSSA Board:

Appointments made by the Board of County Commissioners:

Alethea McCann (3-year term)
Dr. Jeff Collins (2-year term)
Roger Woodworth (1-year term)

Appointments made by the Mayor of the city of Spokane:

Earl F. "Marty" Martin (3-year term)
Dr. Kelsey Gray (2-year term)
Mari Thomas (1-year term)

Appointments made by the Governor:

Dr. Patricia Butterfield (3-year term)
Nancy Isserlis (2-year term)
Wendy Schneider (1-year term)

Three Board members whose terms expire in November 2009 (after serving an inaugural one-year term) will be replaced or reappointed. The HSSA has notified by letter the Governor, the Board of County Commissioners and the Mayor of the City of Spokane about these vacancies to ensure a smooth transition

HSSA Board Meetings and HSSA Address

The HSSA Board held meetings on November 19 and December 17 of 2008, and has held regularly scheduled meetings on the first Wednesday of each month starting January 2009. Meetings are subject to the Open Public Meetings Act and provide for public comment. Meeting agendas and approved meeting minutes are posted on the HSSA's website.

The HSSA established an office at 665 N. Riverpoint Boulevard, Suite 124, Spokane, in Sirti's Riverpoint facility, which could facilitate key linkages for the HSSA. (Sirti is a Washington State economic development organization focused on accelerating the development and growth of technology and life sciences companies in the Inland Northwest). The Spokane HSSA has also established a website at <http://www.hssaspokane.org>, and an e-mail address at info@hssaspokane.org.

Appendix B

Spokane County Resolution No. 7-1054 (12-11-07) Regarding Establishment of HSSA

NO. 7 1054

BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF SPOKANE COUNTY, WASHINGTON

IN THE MATTER OF ESTABLISHING A)
HEALTH SCIENCES AND SERVICES)
AUTHORITY AS PROVIDED FOR IN) **RESOLUTION**
CHAPTER 35.104 RCW AND OTHER)
MATTERS RELATED THERETO)

WHEREAS, pursuant to the provisions of RCW 36.32.120(6), the Board of County Commissioners of Spokane County (hereinafter referred to sometimes as the "Board") has the care of County property and the management of County funds and business; and

WHEREAS, pursuant to the provisions of chapter 35.104 RCW, the 60th Washington Legislature adopted legislation establishing a health sciences and services program to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health; and

WHEREAS, pursuant to the provisions of RCW 35.104.030, a local government, defined as a city, town or county, must establish by ordinance or resolution a health sciences and services authority ("Authority"), which ordinance must at a minimum (1) specify the powers to be exercised by the authority; (2) reserve the local government's right to dissolve the authority after its contractual responsibilities have expired; (3) establish an administrative board, including: (a) the number of board members; (b) the times and terms of appointment for each board position; (c) the amount of compensation, if any, to be paid to board members; (d) the procedures for removing board members and filing vacancies; and (e) the qualifications for the appointment of individuals to the board; (4) establish the authority's boundaries, which must be contiguous tracts of land; (5) ensure that private and public funds provided to the authority will be segregated; (6) establish guidelines under which the authority may invest its funds; (7) provide the requirements for auditing the records of the authority; and (8) require the local government's legal counsel to also provide legal services to the authority.

WHEREAS, pursuant to the provision of RCW 35.104.030, the Board of County Commissioners of Spokane County desires to adopt a resolution establishing a health sciences and services authority, said resolution to address to matters set forth in RCW 35.104.030.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Board of County Commissioners of Spokane County, pursuant to the provisions RCW 35.104.030, that the Board does hereby establish a health sciences and services authority as follows:

SECTION NO. 1: PURPOSE

The purpose of this resolution is to establish a health sciences and services authority to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health as provided for in chapter 35.101 RCW.

SECTION NO. 2: DEFINITIONS

The definitions in this section apply throughout this resolution unless the context clearly requires otherwise.

- (1) "Authority" means a health sciences and services authority created pursuant to this resolution.
- (2) "Board" means the governing board of trustees of the Authority.
- (3) "Board of County Commissioners" means the governing authority of Spokane County.
- (4) "County" means Spokane County governed by and through its Board of County Commissioners.
- (5) "Health sciences and services" means biosciences that advance new therapies and procedures to combat disease and promote public health.

SECTION NO. 3: ESTABLISHMENT OF HEALTH SCIENCES AND SERVICES AUTHORITY-BOUNDARIES

The County hereby establishes an Authority having the same boundaries as Spokane County.

SECTION NO. 4: POWERS THAT MAY BE EXERCISED BY THE AUTHORITY

The Authority shall have all powers and duties as set forth in RCW 35.104.060 as it presently exists or as it may be hereinafter amended.

SECTION NO. 5: DISSOLUTION OF THE AUTHORITY

The County may dissolve the Authority by resolution of the Board of County Commissioners upon a finding that all of the Authority's responsibilities have expired.

The Board may petition the Board of County Commissioners to dissolve the Authority upon a showing that the Authority has no reason to exist and that any assets it retains must be returned to the state treasurer.

SECTION NO. 6: ESTABLISHMENT OF BOARD, TERMS, COMPENSATION

(1) There is created a Board to oversee the Authority. The Board shall not have more than fourteen (14) members. Board members must have some experience with the purpose of the Authority set forth in SECTION NO. 1. The Board members shall be appointed as follows:

- (a) The governor shall appoint three members;
- (b) The Board of County Commissioners shall appoint three members;
- (c) The Mayor of the largest city within the boundaries of the Authority shall appoint three members; and
- (d) Up to five additional members may be appointed by the Board.

The initial terms of the Board shall be as follows: One member from 1(a), (b), (c) and (d) shall be appointed for one (1) year; one member from 1(a), (b), (c) and (d) shall be appointed for two (2) years; and one member from 1(a), (b), (c) and (d) shall be appointed for three (3) years. Any members beyond three (3) in (d) shall be appointed for four (4) years. Thereafter successors to the first members shall be appointed for four (4) year terms.

The appointing authority shall determine which of his/her/its appointees shall have initial terms of one (1), two (2), three (3) or four (4) years respectively.

(2) A simple majority of the Board members shall constitute a quorum.

(4) The Board shall annually elect a chair, secretary and any other officers it deems necessary.

(5) The Board may adopt bylaws or rules for their own governance.

(6) Meetings of the Board shall be held in accordance with the open public meetings act, chapter 42.30 RCW, and at the call of the chair or when a majority of the Board so requests. Meetings of the Board may be held at any location and Board members may participate in a meeting of the Board by means of a conference telephone or similar communication equipment under RCW 23B.08.200.

(7) Members of the Board shall serve without compensation and/or per diem. Provided Board members may receive reasonable travel expenses as determined by the Board of County Commissioners for travel to and from their usual places of business or home to the place of a regular or special meeting of the Authority.

(8) Vacancies occurring for any reason other than expiration of the term shall be filled by appointment by the appointing authority for the unexpired portion of the term.

(9) Any Board member may be removed by his/her appointing authority for inefficiency, neglect of duty, malfeasance, or failure to attend three (3) consecutive meetings unless excused due to illness of the Board member or his/her family.

SECTION NO. 7: DESIGNATION OF TREASURER OF AUTHORITY

The Spokane County Treasurer is designated to serve as treasurer of the Authority. The Treasurer shall have the power to create and maintain funds, issue warrants, and invest funds in its possession. The Treasurer shall ensure that private and public funds provided to the Authority are segregated. The Treasurer may invest funds in its possession and not needed for immediate expenditure by the Authority in the manner consistent with applicable state statutes regarding the investment of other funds in his/her possession and not needed for immediate expenditure of the Authority.

SECTION NO. 8: AUDITING OF AUTHORITY RECORDS

The Authority shall keep proper records of accounts and shall be subject to annual audit by the office of state auditor and by an independent certified public accountant.

SECTION NO. 9: DESIGNATION OF LEGAL COUNSEL

The Spokane County Prosecuting Attorney or his/her duly appointed deputies or special deputies are designated to provide legal services to the Authority.

7 1054

SECTION NO. 10: COUNTY AUTHORIZED TO USE EXCISE TAX IN RCW 82.14.480 AND INDICTING INTENT TO INCUR INDEBTEDNESS

The County intends to impose sales and use tax in accordance with the terms of chapter 82.14 RCW. The tax is in addition to other taxes authorized by law and shall be collected from those persons who are taxable by the state under chapters 82.02 and 82.12 RCW upon the occurrence of any taxable event within Spokane County. The rate of the tax shall not exceed 0.020 percent of the selling price in the case of a sales tax or the value of the article used in the case of a use tax. The tax imposed shall be deducted from the amount of tax otherwise required to be collected or paid over to the Department of Revenue under chapter 82.02 or 82.12 RCW. The tax shall expire January 1, 2023.

The Department of Revenue shall perform the collection of the tax on behalf of the Authority at no cost to the Authority.

The amounts received under this Section may only be used in accordance with RCW 35.104.060 or to finance and retire the indebtedness incurred pursuant to RCW 35.104.070, in whole or in part.

The County intends to incur indebtedness in conjunction with financing grants and other programs of the Authority in the amount of Forty (40) Million Dollars.

BE IT FURTHER RESOLVED by the Board of County Commissioners of Spokane County, that the chairperson of the Board or a majority of the Board or the County CEO be and are hereby authorized to sign/execute, at other than an open meeting, an application to be submitted to the Washington Higher Education Coordinating Board, as provided for in RCW 35.104.040, for Spokane County's designation as a Health Science and Services Authority under chapter 35.104 RCW. A copy of any such application upon signature shall be provided to the Clerk of the Board.

PASSED AND ADOPTED this 14th day of December, 2007.



BOARD OF COUNTY COMMISSIONERS OF SPOKANE, CO., WASHINGTON

Mark Richard
MARK RICHARD, Chair

ATTEST:
CLERK OF THE BOARD

Bonnie Mager
BONNIE MAGER, Vice Chair

Daniela Erickson
Daniela Erickson

Lodd Melke
LODD MELKE, Commissioner

Appendix C

Spokane Resolution 8-0156 (2-26-08) Stating Policies and Goals of HSSA

RESOLUTION NO. 8 -0156

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF SPOKANE COUNTY, WASHINGTON, STATING ITS POLICY AND GOALS WITH RESPECT TO THE HEALTH SCIENCES AND SERVICE AUTHORITY; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

SPOKANE COUNTY, WASHINGTON

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SPOKANE COUNTY, WASHINGTON, as follows:

WHEREAS, Spokane County, Washington (the "County"), is a class A county duly organized and existing under and by virtue of the Constitution and the laws of the state of Washington (the "State");

WHEREAS, the population of the inland northwest region (the "Region") is over one million people and spans four states including Eastern Washington, Northern Idaho, Western Montana, and Northeastern Oregon;

WHEREAS, the region is nationally known for having a high quality of life that includes diverse outdoor and recreational activities, an affordable cost of living and an efficient transportation system;

WHEREAS, the Region includes: (1) a significant network of rural and urban hospitals (including two of the top three in the state of Washington); (2) excellent higher education facilities (including a comprehensive regional university, a research university and three private colleges); (3) a significant community college system; and (4) a multi-program federal lab and world-class digital infrastructure allowing for broadband communication;

WHEREAS, recent studies by Tripp Umbach entitled "Opportunities for Biomedical Economic Development" and the Eastern Washington University Public Policy Institute entitled "The Economic Impact of Health Care to Spokane County" verifies that an economic development strategy that includes biomedicine is both possible and essential to supporting the significant economic engine of the delivery of health care in the County;

WHEREAS, the Region is known as the center for health care delivery with the economy of the County significantly influenced by the delivery of health care and the high wage jobs that this economic sector provides;

WHEREAS, the County has been a leader in supporting economic development strategies to establish and maintain a competitive "health care cluster" through funding to entities engaged in this strategy, including: (1) Greater Spokane, Inc.; (2) the Inland Northwest Technology Education Center; (3) the Institute for Systems Medicine Planning Authority; (4) Connect Northwest; and (5) Project Access, among others;

WHEREAS, the County has invested in these entities in the expectation that there would be a significant economic return to the taxpayers of the Region;

WHEREAS, the Health Sciences and Services legislation enacted last session was signed into law in Spokane by Governor Gregoire with the prime sponsors of the legislation being Spokane legislators Senators Lisa Brown and Chris Marr and Representative Don Barlow;

WHEREAS, the Health Sciences and Services Authority (the "HSSA") will enhance the effort to create and support a nationally competitive health care cluster and catalyze connections between higher education and health care that will lead to high wage job creation, economic diversification and long term sustainability;

WHEREAS, on December 14, 2007, the County adopted its Resolution No. 7-1054 establishing the HSSA;

WHEREAS, the Board of Spokane County Commissioners (the "Board") are committed to the successful and prudent administration of the HSSA and intends to provide guidance on HSSA administrative matters;

WHEREAS, the County intends to issue limited tax general obligation bonds and lend the proceeds to the HSSA with the understanding that the HSSA will repay such loan from its sales tax revenue;

WHEREAS, the Board recognizes that the Board of Trustees on the HSSA (the "Trustees") must provide appropriate oversight and management of the HSSA funds, including effective grantee selection, negotiation of grantee contracts and measurement of grantee deliverables;

WHEREAS, the Board understands that the primary function of the HSSA is to evaluate requests and to distribute the HSSA funds to eligible grantees, as described in the HSSA legislation;

WHEREAS, the Board will require, as a condition of the County issuing limited tax general obligation bonds and lending the proceeds to the HSSA, that the Trustees to budget and spend approximately 10 percent of total funding available to the HSSA in administering the HSSA, which shall include the hiring of a director, additional staff as needed and consultants and others skilled in the activities adequate to conduct the business of the HSSA;

WHEREAS, since the Board is principally interested in the economic impact of the HSSA resulting in the creation of new high wage jobs and associated positive economic impacts, it will require, as a condition of the County issuing limited tax general obligation bonds and lending the proceeds to the HSSA, that the Trustees distribute approximately 75 percent of total funding available to the HSSA to activities which may include, but are not limited to, the conduct of biomedical research, hiring of scientific faculty, the acquisition of important instrumentation and laboratory cores, commercialization of biomedical technology and other efforts to improve health and patient outcomes;

WHEREAS, the Board recognizes the importance of charity care and will require the Trustees, as a condition of the County issuing limited tax general obligation bonds and lending

the proceeds to the HSSA, to distribute approximately 15 percent of total funding available to the HSSA in support of the underinsured and uninsured within the County.

WHEREAS, the Board, as a condition of the County issuing limited tax general obligation bonds and lending the proceeds to the HSSA, will require the Trustees to create a scientific advisory board (the "Advisory Board") to report to the Trustees to insure that HSSA investments are likely to lead to important breakthroughs in biology and medicine. The Advisory Board may coordinate with the Strategic Advisory Board ("SAB") that has been formed to advise and support the Institute for Systems Medicine and its partners. The Advisory Board must ensure that matters of fairness and conflict of interest are resolved in a transparent manner;

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED, as follows:

Section 1: Goals of County Investments

The results expected by the Board from HSSA grant investments are ambitious. They are: (1) to provide better health and health care within the County and the region; (2) to create hundreds of well paying jobs within the County and the region; and (3) to develop an economic engine to power future growth within the County. The Board anticipates that the HSSA investments will earn local economic returns while fostering new scientific knowledge focused on health care advancement. To achieve these goals the Board will require, as a condition of the County issuing limited tax general obligation bonds and lending the proceeds to the HSSA, the Trustees to follow sound investment principles in making and managing its grants.

Section 2: Ethics and Conflicts of Interest

The Board will require that the Trustees adopt the Ethics and Conflicts of Interest Policy developed for and used by the Trustees of the Life Sciences Discovery Fund and may modify such Policy to meet its particular requirements and policies.

Section 3: Intellectual Property

The Board will require that the Trustees utilize the Intellectual Property Policy adopted by the Life Science Discovery Fund in developing its intellectual property policy.

Section 4: Leveraging of County Money and Fund Raising

The County will mandate the Trustees to require that the grantees of HSSA money derived from the County be matched or otherwise leveraged by non County resources. In addition, the County will require that the Trustees undertake, or cause to be undertaken, fund raising activities to obtain additional and non County funds to be used to achieve the goals set forth in Section 1 of this Resolution.

Section 5: Grant Administration

The Board will strongly recommend to the Trustees that the HSSA explore contracting with the Inland Northwest Foundation, or a similar foundation, for grant administration and contract negotiation.

Section 6: No Personal Recourse

No recourse shall be had for any claim based on this Resolution against any Board member, officer or employee, past, present or future, of the County or of any successor body as such, either directly or through the County or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 7: Ratification

All actions not inconsistent with the provisions of this Resolution heretofore taken by the Board and the County's employees with respect to the adoption of this Resolution are hereby in all respects ratified, approved and confirmed.

Section 8: Repealer

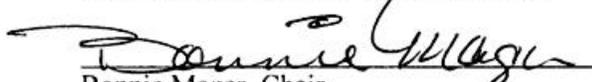
All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed, and shall have no further force or effect.

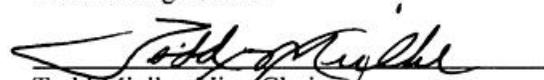
Section 9: Effective Date

This Resolution shall be in full force and effect from and after its adoption.

ADOPTED AND APPROVED by the Board of County Commissioners of Spokane County, Washington, at a regular meeting thereof, held on February 26, 2008.

SPOKANE COUNTY, WASHINGTON


Bonnie Mager, Chair


Todd Mielke, Vice-Chair


Mark Richard, Commissioner

ATTEST:



Daniela Erickson, Clerk of the Board
of County Commissioners



* * * * *

CERTIFICATE

I, Daniela Erickson, Clerk of the Board of County Commissioners of Spokane County, Washington, hereby certify that the foregoing resolution is a full, true and correct copy of a resolution duly passed and adopted at a regular meeting of the Board of County Commissioners, duly held at the regular meeting place thereof on February 26, 2008, of which meeting all members of such Board had due notice and at which a majority thereof was present; and that at such meeting such resolution was adopted by the following vote:

AYES, and in favor thereof: *Mager, Mielke & Richard*

NAYS:

ABSENT:

ABSTAIN:

I further certify that I have carefully compared the same with the original resolution on file and of record in my office; that such resolution is a full, true and correct copy of the original resolution adopted at such meeting; and that such resolution has not been amended, modified or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the County on February 26, 2008.

SPOKANE COUNTY, WASHINGTON

Daniela Erickson

Daniela Erickson, Clerk of the
Board of County Commissioners



Appendix D

Spokane Ordinance 8-0516 (6-10-08) Establishing 0.02 Percent Sales and Use Tax

ATTACHMENT "A"

NO. **8 0516**

BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF SPOKANE COUNTY, WASHINGTON

IN THE MATTER OF ADOPTING AN)
ORDINANCE IMPOSING A SALES AND)
USE TAX AS AUTHORIZED UNDER RCW)
82.14.480, THE PROCEEDS TO BE USED IN)
ACCORDANCE WITH RCW 35.104.060 OR)
TO FINANCE AND RETIRE THE)
INDEBTEDNESS INCURRED PURSUANT)
TO RCW 35.104.070, IN WHOLE OR IN)
PART. PROVIDED, THE TAX IMPOSED)
SHALL BE DEDUCTED FROM THE)
AMOUNT OF TAX OTHERWISE)
REQUIRED TO BE COLLECTED OR PAID)
OVER TO THE WASHINGTON STATE)
DEPARTMENT OF REVENUE UNDER)
CHAPTER 82.02 OR 82.12 RCW. THE)
ORDINANCE WILL NOT INCREASE THE)
OVERALL SALES AND USE TAX RATE.)

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN by the Board of County Commissioners of Spokane County (the "Board"), pursuant to the provisions of RCW 82.14.480, that a public hearing will be held on:

TUESDAY, JUNE 10, 2008, AT 5:30 P.M.
(or as soon as possible thereafter)
COMMISSIONERS' ASSEMBLY ROOM
SPOKANE COUNTY PUBLIC WORKS BUILDING
1026 W. BROADWAY AVE
SPOKANE, WA 99260

BACKGROUND

In 2007, the legislature approved E2SHB 1705, now codified as chapter 35.104 RCW. That law provides an opportunity for Counties to designate a Health Sciences and Services Authority ("HSSA"). An HSSA is a special purpose district having a *mission* of promoting bioscience-based economic development and advanced new therapies and procedures to combat disease and promote public health. An HSSA is governed by a Board of not more than fourteen (14) members. Three (3) of the Board members are appointed by the Governor, three (3) are appointed by the legislative authority in which the HSSA resides, and three (3) are appointed by the Mayor of the largest city within the HSSA. The number of possible members and their appointment is determined by the initial nine (9) appointees.

8 0516

Consistent with the HSSA legislation, the Board of County Commissioners established a Spokane County HSSA under Resolution Nos. 07-1054 and 08-0156. The Washington State Higher Education Coordinating Board approved the County's application to establish the HSSA.

The HSSA is funded from various sources including among others gifts, grants, bequests, and contribution agreements with private entities and public entities. Additionally, the legislature provided that once a HSSA was created and approved, HSSA activities could be funded by the enactment an Ordinance wherein the County could receive a sales a use tax at a rate of up to 0.020 percent (.0002) which would be deducted from the sales and use tax the State of Washington presently collects in Spokane County for state purposes.

PURPOSE OF PUBLIC HEARING

The purpose of the above scheduled public hearing is for the Board of County Commissioners to consider public testimony and take action on a proposed Ordinance which would impose a sales and use tax as authorized under RCW 82.14.480, from those person who are taxable by the state of Washington under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within Spokane County in the amount of 0.020 percent (.0002) of the selling price in the case of a sales tax or the value of the article used in the case of a use tax, the proceeds to be used to in accordance with 35.104.060 or to finance and retire the indebtedness incurred pursuant to RCW 35.104.070, in whole or in part. **PROVIDED**, the tax imposed shall be deducted from the amount of tax otherwise required to be collected or paid over to the Washington State Department of Revenue under chapter 82.02 or 82.12 RCW. The Ordinance will not increase the overall sales and use tax. It would only allow Spokane County to receive a portion of the sales and use tax being collected in Spokane County and being paid to the state of Washington.

The full text of the proposed Spokane County Ordinance is as follows:

ORDINANCE NO. _____

AN ORDINANCE OF THE BOARD OF COUNTY COMMISSIONERS OF SPOKANE COUNTY, WASHINGTON, IMPOSING A SALES AND USE TAX AS AUTHORIZED BY RCW 82.14.480, PROVIDING FOR THE COLLECTION OF SUCH TAX, ESTABLISHING PENALTIES IN CONJUNCTION THEREWITH, AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SPOKANE COUNTY, WASHINGTON, as follows:

SECTION NO. 1: IMPOSITION

There is hereby imposed, as authorized by RCW 82.14.480, a sales or use tax, as the case may be, in addition to any other taxes authorized by law. The tax shall be collected from those persons who

8 0516

are taxable by the state of Washington under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event with Spokane County. The tax imposed herein shall be deducted from the amount of tax otherwise required to be collected or paid over to the Washington State Department of Revenue under chapter 82.08 or 82.12 RCW.

SECTION NO. 2: RATE

The rate of tax imposed by Section No. 1 shall be 0.020 percent (.0002) of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.

SECTION NO. 3: ADMINISTRATION/COLLECTION

The Washington State Department of Revenue shall perform the collection of the tax on behalf of Spokane County at no cost to Spokane County.

SECTION NO. 4: INSPECTION

Spokane County consents to the inspection of such records as are deemed necessary to qualify it for inspection of records pursuant to RCW 82.32.330.

SECTION NO. 5: CONTRACT WITH STATE FOR ADMINISTRATION

The Chairman of the Board of County Commissioners of Spokane County, or a majority of the Board, is authorized to enter into contract(s) with the Washington State Department of Revenue for the administration of the tax imposed pursuant to this Ordinance.

SECTION NO. 6: VIOLATION/PENALTIES

Any person who fails or refuses to collect the tax as required under the terms of this Ordinance with the intent to violate the provisions of this Ordinance or to gain some advantage or benefit, either directly, and any buyer who refuses to pay any tax due under this Ordinance, shall be guilty of a misdemeanor, and upon conviction thereof, shall be punished by imprisonment in the County jail for a maximum term fixed by the court of not more than ninety (90) days, or by a fine in the amount fixed by the court of not more than \$1,000.00 or by both such imprisonment and fine. Provided, however, the penalty provided for under the terms of this Section shall be in addition to any other provisions provided for in chapters 82.08 and 82.14 RCW.

SECTION NO. 7: EFFECTIVE DATE

This Ordinance shall take effect as provided by applicable law and shall automatically terminate on January 1, 2023.

8 0516

SECTION NO. 8: USE OF MONEYS COLLECTED

Moneys received from the tax imposed under this Ordinance shall be used in accordance with RCW 35.104.060 or to finance and retire the indebtedness incurred pursuant to RCW 35.104.070, in whole or in part.

SECTION NO. 9: SEVERABILITY

If any part or provision of this Ordinance, or its application to any person or circumstance is held invalid, it is the intent of the Board of County Commissioners of Spokane County that the remainder of this Ordinance or its application of the provisions to other persons or circumstances is not affected.

Any person may appear at the date, time and place set forth hereinabove, and present testimony in support of or opposition to the Ordinance. The adoption of the proposed Ordinance is exempt from the State Environmental Policy Act pursuant to WAC 197-11-800(15).

Additional information may be obtained by contacting Marshall Farnell, CEO, at (509) 477-2600.

All meetings and hearings will be conducted in facilities which are accessible to disabled individuals. For more particular information with respect to the accessibility of the Public Works Building, Commissioners' Assembly Room, please contact Daniela Erickson, Clerk of the Board, at (509) 456-2265: *(lde)*

DATED this 27th day of May 2008.



BOARD OF COUNTY COMMISSIONERS OF SPOKANE COUNTY, WASHINGTON

Bonnie Mager
BONNIE MAGER, Chair

ATTEST:

Daniela Erickson

Daniela Erickson
Clerk of the Board

Todd Mielke
TODD MIELKE, Vice Chair

Mark Richard
MARK RICHARD, Commissioner

PUBLISH: 5/30/08 The Spokesman Review

Appendix E

Letter from HECB to Spokane County, Regarding Designation as HSSA

Bill Grinstein
Chair



Ann Daley
Executive Director

STATE OF WASHINGTON

HIGHER EDUCATION COORDINATING BOARD

917 Lakeridge Way • PO Box 43430 • Olympia, WA 98504-3430 • (360) 753-7800 • FAX (360) 753-7808 • www.hecb.wa.gov

February 27, 2008

Mr. Marshall Farnell
Spokane County Chief Executive Officer
Spokane County Courthouse
1116 West Broadway Avenue
Spokane, WA 99260

Dear Mr. Farnell:

The Higher Education Coordinating Board (HECB) proposal review team has completed its review of Spokane County's proposal for designation of a Health Sciences and Services Authority (HSSA), pursuant to RCW 35.104, and we are pleased to inform you that they have made a positive recommendation for designation. Based on their recommendation, I am recommending to the Higher Education Coordinating Board designation of the HSSA in Spokane County, pending passage of a resolution to that effect by the Higher Education Coordinating Board at their next meeting, on March 19. A copy of the draft resolution is attached for your information. Designation is not official until the Board takes action.

In the mean time, I ask that you work with John Lederer on my staff. He is currently drafting a Memorandum of Agreement between, the HECB and the County that outlines the legislative requirements of the HSSA and the reporting requirements to this agency. Please let him know whom he should be working with on your staff to get the Memorandum reviewed, signed and implemented. You may contact John Lederer at the HECB at johnle@hecb.wa.gov or (360) 753-7822.

Sincerely,

Ann Daley
Executive Director

DRAFT RESOLUTION NO. 08-08

WHEREAS, In 2007, the Washington Legislature passed E2SHB 1705 establishing a Health Sciences and Services Authority Special Purpose District in Washington State; and

WHEREAS, The Higher Education Coordinating Board (HECB) has been tasked by the Legislature to solicit, review, and approve applications submitted by local governments for a single area's designation as a Health Sciences and Services Authority; and

WHEREAS, The purpose of a Health Sciences and Services Authority is "to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health"; and

WHEREAS, The Higher Education Coordinating Board issued a request for applications, in accordance with established state procedures, on November 9, 2007 to solicit applications for designation of a Health Sciences and Services Authority; and

WHEREAS, On or before December 31, 2007, the Higher Education Coordinating Board received one application for designation from Spokane County that met the minimum requirements for review established in the request for applications; and

WHEREAS, A review team that included a member of the Higher Education Coordinating Board, HECB staff and outside experts thoroughly reviewed the application submitted by the applicant against the criteria established in the law and determined the application to be sound and viable; and

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board approves the designation of a Health Sciences and Services Authority in Spokane County, in accordance with the written materials submitted to the Board in their application for designation; and

BE IT FURTHER RESOLVED That the Higher Education Coordinating Board instructs and authorizes the Executive Director, on behalf of the Board, to implement this designation and carry out all subsequent duties and responsibilities necessary for the proper administration and oversight of the Health Sciences and Services Authority, in accordance with legislative and regulatory requirements.

Adopted:

March 19, 2008

Attest:

Bill Grinstein, Chair

Roberta Greene, Secretary

Appendix F

**Memorandum of Understanding between the HECB and Spokane County, including HSSA
Program Guidelines**

**MEMORANDUM OF UNDERSTANDING
BETWEEN
HIGHER EDUCATION COORDINATING BOARD
AND
SPOKANE COUNTY, WASHINGTON**

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is made and entered into by and between the Higher Education Coordinating Board, hereinafter referred to as "Board," and Spokane County, Washington, referred to as the "County."

IT IS THE PURPOSE OF THIS MOU to provide for designation of a Health Sciences and Services Authority ("HSSA") in Spokane County and implementation of state law (Ch. 251, Laws of 2007), codified as Chapter 35.104 Revised Code of Washington, so the Board may carry out its administrative responsibilities under RCW 35.104.040.

THEREFORE, IT IS MUTUALLY AGREED THAT:

- The County has received guidelines for implementation, oversight and reporting relative to the HSSA designated by the Board (Exhibit A of this agreement), and will comply with those guidelines.
- The Board may amend the guidelines from time to time, and will provide notice to the County of any changes within 30 days of the effective date of any changes. Provided, however no amendment to the guidelines will be applicable to or affect any outstanding bonds which the County has issued under RCW 35.104.070.
- The County will provide to the Board details relating to its statutory requirements, as set forth under Section VI of the guidelines no later than September 1, 2008.
- The County will provide to the Board details relating to appointment of an HSSA board and treasurer as set forth under Section VII of the guidelines no later than September 30, 2008.
- The County will provide or cause to be provided to the Board copies of any bylaws or rules adopted by the HSSA, within 30 days of such adoption. The development and adoption of HSSA Board bylaws is strongly recommended by the Board.
- The County will provide to the Board a copy of the ordinance or resolution adopted to impose the sales and use tax, including the date on which collection will be initiated, the estimated amount of tax revenue to be received each year, and the historic data supporting the estimate within 30 days of passage of the ordinance.
- The County will require the HSSA to provide a copy of any audited financial statements, including any related management letters, findings, reports or performance audits, within 30 days of receipt by the HSSA, in any year.
- The County will provide to the Board reports and information necessary to allow the Board to comply with its reporting of activities and performance, as set forth in the legislation establishing HSSAs. Specifically, the County will provide (a) by January 30, 2009, a report of activities and performance through December 31, 2008; (b) by August 15, 2009, activity and performance from January 1 through June 30, 2009 (in order to support delivery of the first report to the legislature by December 1, 2009); and (c) by August 15 every year thereafter for HSSA activity that occurred in the previous fiscal year (July 1-June 30).
- The Board will assist the County in developing evaluation criteria to enable the County to measure the effectiveness of the programs and activities of the HSSA.

- The County will collaborate and engage with the Board in the development of evaluation and performance measures, and will provide assistance in measuring the effectiveness of the HSSA program. The parties intend to proceed with development of such measures with a target completion date of December 1, 2008. It is understood by the parties that development of performance measurements may depend on activities and decisions of the HSSA board, and may need further development over time, therefore the parties agree to cooperate in updating the performance measurement system as appropriate to meet the reporting requirements of the legislation. The County agrees to assist the Board in developing and presenting information on HSSA performance to external stakeholders, including the Governor's staff, the Office of Financial Management, Department of Revenue, and Washington State Legislature.

PERIOD OF PERFORMANCE

Subject to its other provisions, the period of performance of this Agreement shall commence on the date of execution of this agreement, and be completed on January 1, 2023, unless terminated sooner as provided herein.

PAYMENT

No payment is due from either party to the other.

INDEPENDENT CAPACITY

The employees or agents of each party engaged in the performance of this MOU shall continue to be employees or agents of that party and shall not be considered for any purpose to be employees or agents of the other party.

AGREEMENT ALTERATIONS AND AMENDMENTS

This MOU may be amended by mutual agreement of the parties, and such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.

COOPERATION

Each party understands that the intent of this agreement is to allow the County and the Board to comply with the conditions and requirements of Ch. 251, Laws of 2007, and agrees to cooperate as needed to assist in such compliance.

GOVERNANCE

This MOU is entered into pursuant to and under the authority granted by the laws of the state of Washington and any applicable federal laws. The provisions of this MOU shall be construed to conform to those laws.

In the event of an inconsistency in the terms of this MOU, or between its terms and any applicable statute or rule, the inconsistency shall be resolved by giving precedence in the following order:

- a. Applicable state and federal statutes and rules;
- b. Any other provisions of the agreement, including materials incorporated by reference;
- c. Guidelines developed by the Board, as may be amended from time to time.

WAIVER

A failure by any party to exercise its rights under this MOU shall not preclude that party from subsequent exercise of such rights and shall not constitute a waiver of any other rights under this MOU unless stated to be such in a writing signed by an authorized representative of the party and attached to the original MOU.

SEVERABILITY

If any provision of this MOU or any provision of any document incorporated by reference shall be held invalid, such invalidity shall not affect the other provisions of this MOU which can be given effect without the invalid provision, if such remainder conforms to the requirements of applicable law and the fundamental purpose of this agreement, and to this end the provisions of this MOU are declared to be severable.

ALL WRITINGS CONTAINED HEREIN

This MOU contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this MOU shall be deemed to exist or to bind any of the parties hereto.

CONTRACT MANAGEMENT

The program managers for the Board and the County shall be responsible for and shall be the contact person for all communications regarding this MOU.

The Program Manager for the Board is: John Lederer HECB, PO Box 43430, Olympia, WA 98504-3430, (360) 753-7822, johnl@hecb.wa.gov.

The Program Manager for the County is: Marshall Farnell, County CEO, West 1116 Broadway Avenue, Spokane, Washington 99260 mfarnell@spokanecounty.org.

HEADINGS

The Section headings in this MOU have been inserted solely for the purpose of convenience and ready reference. In no way do they purport to, and shall not be deemed to, define, limit or extend the scope or intent of the Sections to which they appertain.

COUNTERPARTS

This MOU may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same.

VENUE STIPULATION

This MOU has and shall be construed as having been made and delivered in the State of Washington and the laws of the State of Washington shall be applicable to its construction and enforcement. Any action at law, suit in equity or judicial proceeding for the enforcement of this MOU or any provision hereto shall be instituted only in courts of competent jurisdiction within Spokane County, Washington.

TERMINATION

Subsequent to execution, this MOU can only be terminated by mutual agreement of both parties.

COMPLIANCE WITH LAWS

Both Parties agree to observe all federal, state and local laws, ordinances and regulations that have any bearing upon either meeting its responsibilities under the terms of this MOU.

NOTICES

All notices or other communications given hereunder shall be deemed given on: (i) the day such notices or other communications are received when sent by personal delivery; or (ii) the third day following the day on which the same have been mailed by certified mail delivery, receipt requested and postage prepaid addressed to parties at the address set forth below, or at such other address as the parties shall from time-to-time designate by notice in writing to the other parties:

Board: Executive Director
Higher Education Coordinating Board
PO Box 43430
Olympia, WA 98504-3430

County: Board of County Commissioners
Spokane County Courthouse
1116 West Broadway Avenue
Spokane, Washington 99260

IN WITNESS WHEREOF, the parties have executed this MOU to be executed on the date opposite their respective signature block.

HIGHER EDUCATION COORDINATING BOARD

DATED: _____

DON BENNETT, Deputy Director

BOARD OF COUNTY COMMISSIONERS
OF SPOKANE, COUNTY, WASHINGTON

DATED: _____

BONNIE MAGER, Chair

ATTEST:

TODD MIELKE, Vice Chair

Daniela Erickson
Clerk of the Board

MARK RICHARD, Commissioner

Higher Education Coordinating Board Health Sciences and Services Authority

GUIDELINES

I. Background and Overview

During the 2007 legislative session, the state legislature approved E2SHB 1705, to provide an opportunity for municipalities or counties to apply for designation as a Health Sciences and Services Authority (an “HSSA”). Any city, town or county located in a county with a population of less than one million is eligible to apply through a competitive process overseen by the HECB, on or before December 31, 2007. The legislation provided for one HSSA to be designated statewide, based on proposals to be submitted to the Higher Education Coordinating Board (“HECB”). Applicants seeking designation as an HSSA must demonstrate that they meet certain criteria, as reflected in E2SHB 1705, and described herein.

An HSSA is defined in E2SHB 1705 as a special purpose district authorized by ordinance or resolution passed by a city, town, or county government. An HSSA may be created to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. An HSSA has the power and authority to make and execute agreements and contracts, establish special funds, hire staff, leverage its public funds with moneys received from other public and private sources, hold funds in trust, and make grants.

In addition to other powers and duties set forth in the legislation, the sponsoring local government may impose a sales and use tax at a rate not to exceed 0.02 percent of the selling price or value of the article used, to be used only for the purposes set forth in E2SHB 1705. The sales and use tax will be deducted from the amount of tax otherwise required to be collected or paid over to the Washington Department of Revenue, and may only be used in accordance with the related legislation. The sales and use tax authority is set to expire January 1, 2023.

II. HECB Role

The HECB was charged with prescribing the form and manner for competitive applications, developing criteria to evaluate the applications, and developing evaluation and performance measures in order to evaluate the effectiveness of the programs in the HSSA funded with public resources. Additionally, the HECB is responsible for developing evaluation criteria that enables the local governments to measure the effectiveness of the program.

The director may reject or approve an application for designation as an HSSA. The decision regarding such designation as it relates to a specific local government is final; however a rejected application may be resubmitted. The director may amend the boundaries of an authority upon the request of the local government.

The HECB was provided authority to adopt any rules necessary to implement the act. After review, the HECB determined not to adopt rules, but rather to develop these guidelines relating to implementation of E2SHB 1705. The HECB may amend these guidelines at any time, based on program performance and review, and input from stakeholders. Provided, however no

amendment to the guidelines will be applicable to or affect any outstanding bonds which the County has issued under RCW 35.104.070.

It is the intention of the HECB that the information, projections and other material contained in applications for designation will be used for purposes of evaluation and performance measures required by the state legislature.

Within 90 days of providing notification to a local government applicant of HSSA designation, the HECB will require the local government to provide written acknowledgement of these HSSA Guidelines and its obligations hereunder. The local government and HECB will enter into a written agreement to cooperate in the development of evaluation and performance requirements described in Section V herein.

III. Eligibility of Applicants for Designation as HSSA

Eligible applicants are located in counties with populations less than one million. Therefore, all cities, towns and counties are eligible to apply, except those located in King County.

The HECB may approve applications submitted under E2SHB 1705, with the form, manner and information requirements to be prescribed by the HECB, provided the applications:

- 1) Contain sufficient information to enable the director to determine the viability of the proposal;
- 2) Demonstrate that an ordinance or resolution has been passed by the legislative authority of a city, town or county that delineates the boundaries of an area that may be designated an authority;
- 3) Be submitted on behalf of the city, town or county, or, if that office does not exist, by the legislative body of the city, town or county;
- 4) Demonstrate that the public funds directed to programs or facilities in the authority will leverage private sector resources and contributions to activities to be performed;
- 5) Provide a plan or plans for the development of the authority as an entity to advance as a cluster for health sciences education, health sciences research, biotechnology development, biotechnology product commercialization, and/or health care services; and
- 6) Demonstrate that the state has previously provided funds to health sciences and services programs or facilities in the applicant's city, town or county.

IV. Application Evaluation Criteria

The HECB is to develop criteria for evaluation of proposals based on fulfillment of the requirements of E2SHB 1705, including the following evaluation criteria:

- 1) The presence of infrastructure capable of spurring development of the area as a center of health sciences and services;
- 2) The presence of higher education facilities where undergraduate or graduate coursework or research is conducted; and
- 3) The presence of facilities in which health services are provided.

V. HSSA Evaluation and Performance Measures

The HECB is to develop evaluation and performance measures in order to evaluate the effectiveness of the programs in the authorities that are funded with public resources.

Specific evaluation and performance measures are included in Attachment A hereto, and may be amended in the future, as necessary and appropriate.

A report to the legislature is due on a biennial basis beginning December 1, 2009.

The HECB is to develop evaluation criteria to enable the local government to measure the effectiveness of the program.

It is the HECB's expectation that any local government receiving designation as an HSSA will collaborate and engage with the HECB in the development of evaluation and performance measures, and provide assistance in measuring the effectiveness of the HSSA program.

VI. Requirements of the Sponsoring Local Government

The HSSA is to be established by resolution or ordinance of the sponsoring city, town or county. In accordance with E2SHB 1705 the resolution or ordinance is to:

- 1) Specify the powers to be exercised by the authority;
- 2) Reserve the local government's right to dissolve the authority after its contractual responsibilities have expired;
- 3) Establish an administrative board, including (a) the number of board members; (b) the times and terms of appointment for each board position; (c) the amount of compensation, if any, to be paid to board members; (d) the procedures for removing board members and filling vacancies; and (e) the qualifications for the appointment of individuals to the Board.
- 4) Establish the authority's boundaries, which must be contiguous tracts of land.
- 5) Ensure that private and public funds provided to the authority will be segregated;
- 6) Establish guidelines under which the authority may invest its funds;
- 7) Provide the requirements for auditing the records of the authority; and
- 8) Require the local government's legal counsel to also provide legal services to the authority.

The HECB will require the local government to provide it with information on how it has complied with this section within six months of its designation by the HECB.

VII. The Governing Board of the HSSA

The HSSA is to be overseen by a board with not more than fourteen members, each of which must have some experience with the mission of the authority. The authority board is to select a chair of the board, and is to annually elect a secretary and any other officers it deems necessary.

E2SHB 1705 states that the board members are to be appointed as follows:

- 1) The governor is to appoint three members;

- 2) The county legislative authority in which the authority resides is to appoint three members;
- 3) The mayor of the city in which the authority is created or the mayor of the largest city within the authority if created by a county, shall appoint three members; and
- 4) Up to five additional members may be appointed by the board.

The local government is to designate an individual with financial experience to serve as treasurer, which may be a city or county treasurer or auditor, or may be a private party. If a private party is designated to serve as treasurer, a financial bond is to be required. The treasurer is to have the power to create and maintain funds, issue warrants and invest funds in its possession.

The HECB will require the local government to provide it with information demonstrating compliance with this section in regard to the appointment of an HSSA board and treasurer, within six months of HSSA designation by the HECB.

The board may adopt bylaws or rules for their own governance.

The HECB will require the local government to provide or cause to be provided to the HECB copies of any bylaws or rules adopted by the HSSA, within 30 days of such adoption. The development and adoption of HSSA Board bylaws is strongly recommended by the HECB.

VIII. HSSA Powers and Duties

A. The HSSA was provided with powers and duties, some (but not all) of which are shown here:

- 1) Make and execute agreements, contracts and other instruments with any public or private entity or person, in accordance with E2SHB 1705;
- 2) Employ, contract with or engage consultants or personnel as necessary or desirable to implement E2SHB 1705;
- 3) Enter into contracts with public and private entities for research to be conducted in the state;
- 4) Hire staff and pay administrative costs; however, such expenses are to be paid from moneys provided by the sponsoring local government and moneys received from gifts, grants and bequests and the interest earned on the authority's accounts and investments.

B. Additionally, the HSSA is empowered to:

- 1) Use the authority's public moneys, leveraging those moneys with amounts received from other public and private sources in accordance with contribution agreements, to promote bioscience-based economic development, and to advance new therapies and procedures to combat disease and promote public health;
- 2) Solicit and receive gifts, grants, and bequests, and enter into contribution agreements with private entities and public entities to receive moneys in consideration of the authority's promise to leverage those moneys with the revenue generated by the tax authorized under E2SHB 1705 and contributions from other public or private entities, in order to use those moneys to promote bioscience-based economic development, and to advance new therapies and procedures to combat disease and promote public health;

- 3) Hold funds received by the HSSA in trust for their use pursuant to E2SHB 1705 to promote bioscience-based economic development, and to advance new therapies and procedures to combat disease and promote public health;
- 4) Make grants to entities pursuant to contract to promote bioscience-based economic development, and to advance new therapies and procedures to combat disease and promote public health.
 - a) Grant agreements are to specify the deliverables to be provided by the recipient pursuant to the grant.
 - b) Grants to private entities may only be provided under a contractual agreement that ensures the state will receive appropriate consideration, such as an assurance of job creation or retention, or the delivery of services that provide for the public health, safety and welfare.
 - c) The HSSA is to solicit requests for funding and evaluate the requests by reference to factors such as (i) the quality of the proposed research; (ii) its potential to improve health outcomes; (iii) its potential to leverage additional funding; (iv) its potential to provide health care benefits; (v) its potential to stimulate employment; and (vi) evidence of public and private collaboration;
- 5) Create one or more advisory boards composed of scientists, industrialists and others familiar with health sciences and services; and
- 6) Adopt policies and procedures to facilitate the orderly process of grant application, review and reward.

The records of the HSSA are subject to audit by the office of the state auditor.

The HECB will require the HSSA to provide a copy of its audited financial statements, including any related management letters, findings, reports or performance audits, within 30 days of receipt by the HSSA.

IX. Authority of Local Government to Impose a Sales and Use Tax

In accordance with E2SHB 1705, a new section is added to chapter 82.14 RCW to allow the legislative authority of a local jurisdiction that has created an HSSA to impose a sales and use tax, to be collected upon the occurrence of any taxable event within the local jurisdiction, in accordance with chapters 82.08 and 82.12 RCW. The sales and use tax rate may not exceed 0.02 percent.

The amounts received from the sales and use tax may only be used for the powers and duties of the HSSA or to finance and retire indebtedness incurred by the local government, in whole or in part.

The sales and use tax authority expires January 1, 2023.

The HECB will require the local government to provide a copy of the ordinance or resolution adopted to impose the sales and use tax, including the date on which collection will be initiated, the estimated amount of tax revenue to be received each year, and the historic data supporting the estimate. This information shall be provided to the HECB within 30 days of passage of the ordinance.

X. *HSSA Reporting Requirements*

Reporting items indicated in *italics* are to be provided to the HECB in the timeframes stated within each above. The performance criteria indicated in Attachment A are to be provided in accordance with the following reporting deadlines:

- September 30, 2008, designation of an HSSA Board and treasurer (see section VII).
- January 30, 2009, activities and performance through December 31, 2008.
- August 15, 2009, activity and performance from January 1 through June 30, 2009 (in order to support delivery of the first report to the legislature by December 1, 2009).
- August 15 every year thereafter for HSSA activity that occurred in the previous fiscal year (July 1-June 30). [note that the HSSA fiscal year end is December 31 of each year]

Reports and other documentation described in the sections above shall be submitted by mail to:

Higher Education Coordinating Board
Attn: Executive Director
P.O. Box 43430
Olympia, WA 98504-3430

Attachment A

The following information is required in order to evaluate the effectiveness of the programs in the authorities that are funded with public resources. Additional information may be requested as determined by the HECB.

- 1) Provide an overview of public money received and expended by the HSSA, specifically:
 - a) A table of all public money received by the HSSA, by source (for example: City contributions, County contributions, public University contribution, sales, and use tax collected by the County for HSSA purposes, state grants).
 - b) A table of all private funds received by the HSSA (private foundations, individual donors, corporate donations).
 - c) A table showing the expenditure of public and private money by the HSSA, by activity (for example: management/administration (broken out by cost category); other direct program expenses; grants; loans).
- 2) Provide copies of policies and procedures, if any, relating to grant applications, review, and award. If there is none, provide information on the HSSA's intentions regarding development of policies and procedures in the future.
- 3) Provide information on any process for solicitation of grant applications undertaken by the HSSA, including a copy of the solicitation document, process used to evaluate and award grants, summary of applications received, awards provided (amount and term), expected deliverables, conditions, and evaluation process.
- 4) For any grants awarded, describe the role of the recipient in promoting bioscience-based economic development, advancing new therapies and procedures to combat disease and promote public health, and the mechanism to be used by the HSSA to measure the outcome.
- 5) For any grants to private entities, provide a copy of the contractual agreement that ensures the state will receive appropriate consideration, such as an assurance of job creation or retention, or the delivery of services that provide for the public health, safety, and welfare.
- 6) Provide information on any advisory boards created by the HSSA including members, qualifications, and how the advisory board(s) is being employed to further the goals of the HSSA.
- 7) Summarize the status of any solicitations for gifts, grants, and bequests. This should separately include the amount of gifts received, pledges, or bequests relating to future gifts, and in-kind gifts. Note any conditions, restrictions, or requirements relating to any gifts.
- 8) Provide a summary of all funds held by the HSSA, indicating public and private funds separately, and any restricted funds.

- 9) Report on any commitments leading to leverage of public or private money received by the HSSA, consistent with the requirements of E2SHB 1705.
- 10) Describe outcomes that demonstrate the effectiveness of the programs funded, leveraged or supported by the HSSA, consistent with the intent of E2SHB 1705.

HSSA Strategic Goals and Performance Measures

HEALTH SCIENCES		
Strategic Goal	Strategy	Performance Measures
1) Support improved linkages between higher education & the health sciences industry that adds to the growth of the important higher education/health sciences critical mass in Spokane County.	Fund research infrastructure and research proposals that engage higher education and industry R&D and conduct innovative research.	<ul style="list-style-type: none"> • Number/type of new infrastructure projects to create capacity that supports bioscience research • Number/type of expanded/improved infrastructure projects to create capacity for bioscience research. • Number of research projects funded that support collaboration between higher education and industry. • Amount of extramural funding leveraged by HSSA-funded infrastructure. • Amount of extramural funding leveraged by HSSA-funded research.
2) Promote local economic development in Spokane County through collaborative bioscience R&D.	Fund research infrastructure and research proposals that leverage higher wage jobs.	<ul style="list-style-type: none"> • Monitor the creation of higher wage jobs in Spokane County. [75th percentile across all occupations; \$22.16/hr. or \$46,903 (March 2008)] • Direct employment attributable to HSSA investments that exceed County annual average wage of \$35,540 (2007). • Indirect employment attributable to HSSA investments that exceed County annual average wage of \$35,540 (2007). • Create baseline of data on total Spokane County gross sales in NAICS 5471 (Life Sciences, Engineering & Physical Science) • Monitor and compare growth in 5471 over 16-year duration of the HSSA.
3) Fund research that promotes innovations in the health sciences industry.	Commercialization of HSSA-funded research.	<ul style="list-style-type: none"> • Number of research articles published by proponents of HSSA-funded initiatives. • Number of innovations/inventions reported by HSSA-funded initiatives. • Number of patents awarded based on HSSA-funded initiatives (2007 patents in Spokane County per 100,000 persons are 7, Community Indicators) • Number of technology licenses/option agreements • Number of new business start-ups resulting, in part, from HSSA-funded initiatives • Number of jobs created by licensees

HEALTH SERVICES		
Strategic Goal	Strategy	Performance Measures
1) Increase access to health care for underserved in Spokane County	Fund proposals that increase access to health care for underserved in Spokane County via volunteer networks of providers such as physicians, pharmacists, allied healthcare providers and hospitals.	<ul style="list-style-type: none"> • Number of underserved people in Spokane County who earn less than 200% of the Federal Poverty Level who access health services via HSSA-funded proposals. • Number of discrete services provided by funding recipients (diagnostic evaluations, hospital care, professional services, medical equipment, etc.) through grant-funded activities. • Number of volunteer serving such networks in the County. • Monitor the 12.8% reported Spokane County population that is uninsured during the 16-year duration of the HSSA (Community Indicators, 2008 baseline).
2) Promote initiatives that will leverage HSSA-funding for funding from other sources and that result in better delivery of health care services.	Fund proposals that challenge existing health service delivery systems to match funding to HSSA funds that provide for more efficient delivery of services.	<ul style="list-style-type: none"> • Amount of extramural funding directly leveraged by HSSA funding. • Increased number of clients served by grantees • Decreased cost of service provided by grantees
3) Reduce the cost of delivering health care in Spokane County.	Fund proposals that increase access to preventative care for underserved populations.	<ul style="list-style-type: none"> • Monitor emergency care visits for basic health care needs, a reduction of which may translate to lower health care costs. • Number of people in Spokane County who access preventative health services through HSSA-funded projects.

October 14, 2009

RESOLUTION NO. 09-27

WHEREAS, In 2007, the Washington Legislature passed E2HSB 1705 (codified as Chapter 35.104 RCW), authorizing formation of a Health Sciences and Service Authority (“HSSA”) in the State; and

WHEREAS, Under that statute, the Higher Education Coordinating Board (HECB) was given the responsibility of approving a single application for designation of an HSSA to a local jurisdiction, based on an open competitive proposal process; and

WHEREAS, In March 2008, the HECB approved Resolution 08-08 authorizing the Spokane County HSSA; and

WHEREAS, A Spokane County HSSA Board was subsequently appointed and convened, staff were hired, operational bylaws and policies were drafted, and the first grant solicitations and grant awards were executed by the HSSA; and

WHEREAS, Under 35.104 RCW the HECB has the additional responsibility of developing performance measures in order to evaluate the effectiveness of an HSSA’s activities, and reporting to the Legislature on HSSA activities and performance on a biennial basis beginning December 1, 2009; and

WHEREAS, The HECB staff have developed a report to the Legislature to meet this requirement, and it has been reviewed and recommended for Board approval by the HECB Education Committee; and

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board adopts *Report to the Washington Legislature Regarding Health Sciences and Services Authority Activities* and directs staff to transmit the report to the appropriate legislative committees and other interested parties without delay.

Adopted: November 19, 2009

Attest:

Jesús Hernandez, Chair

Roberta Greene, Secretary

November 2009

DRAFT: Bachelor of Science in Integrated Plant Sciences Washington State University Moderate Degree Change Proposal

Introduction

Washington State University (WSU) currently offers Bachelor of Science degrees in Horticulture, Crop Science, and Soil Science. WSU seeks Higher Education Coordinating Board (HECB) approval of a Moderate Degree Change proposal to consolidate these degrees into a single Bachelor of Science in Integrated Plant Sciences (BSIPS) degree with seven options. The program would accommodate 80 FTE students beginning fall 2009, increasing to 160 FTE students by fall 2014.

Proposed Change Description and Rationale

The proposed change would consolidate three existing plant science-based degrees currently offered by the College of Agricultural, Human, and Natural Resource Sciences (CAHNRS) into a single degree, reducing the total number of options from 10 to 7.¹ The consolidation is based on recommendations from the Academic Affairs Program Prioritization (A2P2) process at WSU and has been approved by the provost, the Academic Affairs Committee, and the Faculty Senate. WSU has determined that the level of overlap and duplication among the existing degrees has contributed to less than optimum enrollment and graduate numbers. It is proposing to consolidate the existing degrees into a single BSIPS degree in order to reduce duplication, gain efficiency, and improve degree attractiveness to students and employers.

Students currently enrolled in the three programs would have a choice of either completing the existing degree or opting into the new degree program. Program planners consulted with students majoring in the three programs and determined that most students would prefer the new degree.

¹ The seven proposed BSIPS options are: Agricultural Biotechnology, Field Crop Management, Fruit and Vegetable Management, Landscape Design and Implementation, Nursery and Greenhouse Management, Turfgrass Management, and Viticulture and Enology. The existing degrees and options are: BS in Horticulture (with Environmental Horticulture, Fruit and Vegetable, and Viticulture and Enology options), BS in Crop Science (with Business and Industry, Cropping Systems, Science/Biotechnology, and Turf Management options), and BS in Soil Science (with Environmental, Management, and Sustainable Agriculture options).

The new BSIPS degree would be grounded in a common set of General Education Requirement (GER) courses and centered on a required set of interdisciplinary core courses. These core courses would give students a foundation of plant science-related knowledge on which they would build by pursuing one or more of the options. The core courses would allow students to explore interdisciplinary aspects of plant sciences, and the options would allow them to choose study emphases that best suit their career interests.

The proposed change would facilitate communication about the program with students. One interdisciplinary degree with seven distinct options is much easier to explain than three degrees with 10 options. It also would allow students enrolled in one degree option to change to another option more easily. This would prevent students who switch from taking unnecessary hours and reduce overall time to degree.

The proposed change would benefit employers, who would be able to choose graduates from a student pool with distinct skill sets and a more holistic general understanding of the subject matter.

The curriculum of the new BSIPS program closely corresponds to skill and knowledge needs identified in a 2006 survey of agribusiness employers. By more closely tailoring degree options to workforce needs, the program will advance a key goal of the *Strategic Master Plan for Higher Education* to drive greater prosperity, innovation, and opportunity.

The proposed change also will help WSU address lower levels of enrollment in the field by increasing efficiency. More enrollments in a single, interdisciplinary program translate to increased class sizes and fewer overall courses. In addition, the new program will reduce duplication and require less advising, tracking, and record-keeping to monitor student progress.

Table 1 compares options before and after the proposed changes. Across all of the options, the BSIPS curriculum overlaps significantly with the curricula of the existing degrees.² The main difference between the pre- and post-change programs is that the BSIPS is based on an interdisciplinary set of core courses essential to students majoring in plant science, regardless of which option they choose. This expansion in breadth of exposure to core topics should better equip students to deal with complex issues in plant sciences.

The proposed change would not significantly affect target student audience, admission requirements, location, delivery mode, scheduling, faculty, or facility use. In addition, the proposed change would not require significant start-up or ongoing expenditures and should result in cost savings through increased efficiency.

² HECB staff analyzed the pre- post-change curricula by examining advising sheets provided by WSU for the amount of overlap in required courses. Based on this analysis, staff determined that the curriculum is similar enough to fit within the criteria for a moderate change.

Table 1

Pre-Change Major: Option	Post-Change Major: Option
BS Horticulture: Fruit and Vegetable	BS Integrated Plant Sciences: Fruit and Vegetable Management
BS Horticulture: Viticulture and Enology	BS Integrated Plant Sciences: Viticulture and Enology
BS Horticulture: Environmental	BS Integrated Plant Sciences: Nursery and Greenhouse Management and BS Integrated Plant Sciences: Landscape Design and Implementation ³
BS Crop Science: Cropping Systems	BS Integrated Plant Sciences: Field Crop Management
BS Crop Science: Science/Biotechnology	BS Integrated Plant Sciences: Agricultural Biotechnology
BS Crop Science: Turf Management	BS Integrated Plant Sciences: Turfgrass Management

Source: adapted from a table provided by WSU.

External Review

The proposal was reviewed by Dr. Linda Martin, Associate Dean and Director of Academic Programs, College of Food, Agricultural, and Environmental Sciences, The Ohio State University. She strongly endorsed the BSIPS program, stating “This proposal is strategic, innovative, and forward-thinking, and will ensure a high quality program that more effectively meets the needs of stakeholders.”

She noted that enrollments have declined in some of the more traditional programs nationwide and that disciplines have become much more integrated, spanning traditional disciplinary boundaries. She said the proposed changes reflect changing trends in the field and applauded the program’s design, noting its strength in providing a common set of core courses while also offering tracks that address more specialized coursework. She stated this design would encourage interdisciplinary thinking and learning, and predicted the proposed change would allow WSU to become more competitive in attracting high-quality students.

³ Both the post-change Nursery and Greenhouse Management and Landscape Design and Implementation options evolved from the pre-change BS Horticulture: Environmental option. Greenhouse Management emphasizes growing and managing plants in nursery or greenhouse settings, whereas Landscape Design and Implementation emphasizes placing and managing these plants in appropriate landscape settings.

Staff Analysis

The consolidation proposed by WSU meets the eligibility criteria for a Moderate Degree Change. It starts out with pre-change programs that have established track records of enrolling and graduating students, although not at optimum levels. The proposed change is a response to low enrollment.

Providing a more integrated curriculum is more efficient and also should attract more students. The post-change curricular requirements are not sufficiently different from pre-change requirements to warrant a new full degree proposal from WSU.

The proposed consolidation would not alter faculty or other resource requirements, so start-up and ongoing costs related to the change would be negligible. Furthermore, the proposed change should result in cost savings through increased efficiency.

WSU submitted sufficient evidence that the proposed change would benefit students, employers, and the community. Students would benefit from the interdisciplinary emphasis of the post-change curriculum and increased flexibility. Employers would benefit from more holistically trained graduates. This benefit to employers aligns with the overall *Strategic Master Plan* goal of driving greater economic prosperity, innovation, and opportunity. The community would benefit from increased efficiency at WSU and the institution's enhanced ability to attract quality students.

Finally, the external reviewer enthusiastically supported the proposed change, applauded the program's design, and noted that the proposed changes reflect changing trends in the field.

Staff Recommendation

After careful review of the proposal and supporting materials, staff recommends approval of the Bachelor of Science in Integrated Plant Sciences at Washington State University. The HECB's Education Committee discussed the proposal during its November 9, 2009 meeting and recommended approval by the full Board.

RESOLUTION 09-28

WHEREAS, Washington State University proposes to offer a Bachelor of Science in Integrated Plant Sciences; and

WHEREAS, The Bachelor of Science in Integrated Plant Sciences would result from the consolidation of existing Bachelor of Science degrees in Horticulture, Crop Science, and Soil Science; and

WHEREAS, The consolidation meets the eligibility criteria for a Moderate Degree Change; and

WHEREAS, The consolidation would promote cost savings through increased efficiency; and

WHEREAS, The consolidation would benefit students by providing greater flexibility than the pre-consolidation programs, and by emphasizing the interdisciplinary nature of plant sciences; and

WHEREAS, The consolidation would benefit employers by resulting in a degree program that produces graduates who have had holistic interdisciplinary plant sciences training; and

WHEREAS, By providing such training, the proposed program would align with the *Strategic Master Plan* goal of driving greater economic prosperity, innovation, and opportunity; and

WHEREAS, The consolidation would benefit the community by improving efficiency at Washington State University and attracting high quality students;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board approves the Bachelor of Science in Integrated Plant Sciences effective November 19, 2009.

Adopted:

November 19, 2009

Attest:

Jesús Hernandez, Chair

Roberta Greene, Secretary

November 2009

Draft: Passport to College Promise Scholarship Program

Executive Summary

Foster youth have one of the lowest postsecondary participation and retention rates for college aged youth. Without significant intervention, less than 2 percent of foster youth are likely to attain a bachelor's degree.

The 2007 Legislature created the Passport to College Promise Scholarship program to help students from foster care attend and succeed in college. The program is authorized in RCW 28B.117 as a six-year pilot, and completed its first full year of operation in July 2009.

The program provides foster youth with information and assistance in preparing for college, as well as a significant scholarship for postsecondary education. The program also provides incentive grants to institutions that enhance and target their support services to foster youth.

Highlights of the Board's first year of serving Passport students:

- A breakthrough data exchange was developed between the Higher Education Coordinating Board, the Department of Social and Human Services (DSHS), and colleges, which protects student identity while allowing financial aid and support services to be directed to the students.
- 460 foster youth were identified and confirmed as eligible for Passport.
- 157 foster youth received scholarship assistance valued at about \$540,000.
- An additional ten students attended college out-of-state, or enrolled in other non-participating schools.
- About 75 percent of all enrolled foster youth persisted through the full academic year.
- 48 colleges committed to enhance and target student support services.
- Training events were held across the state for college personnel and foster youth providers. The events were organized in partnership with DSHS, the Casey Family Foundation, and the College Success Foundation.

This report includes a discussion of the legislatively mandated contract for additional student support, retention, and recruitment activities using a non-profit scholarship organization.

The Washington State Institute for Public Policy is directed to complete an evaluation of the Passport program with recommendations for improvement, and submit a report to the Legislature by December 1, 2012.

How the Program Works

Passport is a comprehensive program with three primary components: 1) to provide pre-college outreach; 2) support efforts made by institutions; and 3) provide a scholarship to students.

1. Supplemental Education Transition and Planning program (SETuP)

Outreach, through SETuP, is designed to encourage foster care youth between the ages of 14 and 18 to prepare for postsecondary education. DSHS administers SETuP, which in turn contracts with six community-based non-profit organizations stationed in each of the DSHS regions. Contractors provide foster youth with information about postsecondary opportunities and financing and promote educational aspiration and preparation. This report primarily addresses functions administered by the Board; however, Appendix A presents information on services provided by SETuP in the first year.

2. Institutional Incentive for Enhanced Support Services

Second, an institutional incentive program, managed by the Board, leverages and supports colleges' efforts to serve enrolled students. This is accomplished by schools agreeing to the Viable Plan tenets for providing enhanced and focused student support services to enrolled former foster youth. Schools receive incentive payments for recruitment, enrollment, and retention of eligible youth. See Appendices B and C for details on services provided by institutions through their Viable Plan.

3. The Passport Scholarship

Third, the scholarship, administered by the Board, provides students with the financial resources necessary to succeed in higher education. The scholarship is designed to ensure the student's financial needs are met and reduce reliance on student loans. When Passport is combined with other state, federal, and institutional assistance, the total funds should be sufficient to cover all the student's educational and living expenses, with only a minimal self-help expectation.

Policy and Procedure Achievements

The first year of the program (2007-08), included the development of a consensus agreement with stakeholders on the program design, the break-through data match with DSHS, and a streamlined payment delivery system.

- **Broad Consensus on Program Design - Advisory Committee**

The Passport statute requires that the Board convene and consult with an advisory committee to assist with program design and implementation. The program's operational policies were designed with the significant assistance of a broad based advisory committee.

Approximately 25 representatives from college support service and financial aid areas, as well as non-profit organizations, DSHS, other higher education stakeholders, and legislative staff participated in five advisory meetings. Committee members developed recommendations on implementation processes and awarding policies, and provided input to the program rules, which were adopted by the Board in March 2008. Advisory Committee meetings were held between September 2007 and November 2008, and they will continue to meet on an as-needed basis.

- **DSHS Data Match**

HECB and DSHS staff members worked collaboratively to establish a ground-breaking secure data-exchange system. The data exchange is a critical step in mobilizing the delivery of Passport services to former foster youth.

Prior to the advent of the Passport program it was exceptionally difficult for the DSHS to legally confirm or distribute any information about a college student's former foster youth status. Because of stringent privacy laws protecting students and, in particular, vulnerable populations, the former foster youth needed to first self-identify him or herself as a former foster youth.

Authorization is obtained through the student's completion of the Free Application for Federal Student Aid (FAFSA) or through consent provided on the Common Application or the Passport Consent Form distributed through SETuP and other providers.¹

The HECB collects the student consent and organizes the secure data exchange with DSHS. Once DSHS has confirmed the student's eligibility, the HECB makes this information available to authorized staff members of the college at which the student is enrolling. The college then constructs the student aid package, including Passport funding where needed, and organizes other support services for the student.

- **Payments to institutions**

HECB staff created a secure web-based payment system that allowed institutional staff to identify and award Passport eligible students. This system facilitated identification of eligible students and successful payments to students and institutions.

¹ The common application was developed to allow students to apply to the Governors' Scholarship, Seattle University's Fostering Scholars, Passport to College, and the federal Educational Training Voucher.

Outreach and Training Activities

Website for foster youth

Since 2008, Passport has helped fund the expansion and improvement of the Washington State website for foster youth – www.independence.wa.gov.

The improvements include:

- Addition of an online application for both the Federal Educational Training Voucher (ETV) program and state Passport program.
- A directory of designated campus support staff identified to help students from foster care.
- Addition of health information (a topic that had been identified as an important issue for foster youth.)
- Funding for script writing to improve the website to promote and encourage current and former foster youth in their self-advocacy efforts.

Training video for foster parents

Passport funds also contributed to the production of a 30 minute training video for foster parents. The video is available in DVD format and on the Children's Administration Website under training at <http://www.dshs.wa.gov/ca/fosterparents/videoGear.asp>. The video uses GEAR UP learning objectives, as well as other resources, and allows foster parents to receive training credit required to remain certified as foster parents.

Foster Care to College Partnership

In October 2005, as the administrator of the Foster Care Endowed Scholarship and the GEAR UP partnership programs, the HECB became a member of the Foster Care to College Partnership, along with the College Success Foundation (CSF), DSHS, Treehouse, Office of the Superintendent of Public Instruction, and Casey Family Programs. Through a Memorandum of Understanding, the Board agreed to:

- Share college preparation materials developed by the HECB's GEAR UP and College Bound programs for presentations with foster youth and their caregivers. The publications include those targeted for middle and high school students and their parents or caregivers.
- Help promote and provide outreach to foster youth and their caregivers regarding financial aid programs administered by the HECB.
- Help promote other forms of dedicated assistance for foster youth to the financial aid community.
- Assist in training or identifying local college staff to train foster youth practitioners. College preparation materials will be used in designing seminars for foster youth and their caregivers.

- Assist in the development of Foster Care to College Partnership communications. This includes helping in the creation of printed materials and providing higher education expertise and funding of the Partnership's Web site development.

Training for institutional personnel and other providers

In May 2008, the HECB, in partnership with DSHS, Casey Family Programs, and CSF provided one-day Passport training for 150 institutional administrators, SETuP providers, and social service practitioners. The training offered attendees information on the Passport program, financial aid, current successful practices for college campuses, and sensitivity awareness. For many institutional administrators, this was the first time they had received any type of training for working with students from foster care.

In May 2009, the Passport training was expanded and offered in Eastern Washington, Western Washington, and via ITV to over 150 participants. All participants received training on Casey Family Program's successful practices, and could choose to attend concurrent sessions on DSHS, financial aid, and recruitment and retention. The CSF also launched a social networking site at the training, *Destination Graduation*, for college professionals and social service providers working with students from foster care www.destinationgraduation.ning.com.

The HECB also collaborated with DSHS to offer training to social workers, foster parents, SETuP providers, and foster care youth in a number of locations throughout the state including Yakima, Mount Vernon, Kent, Tacoma, Centralia, Olympia, Vancouver, and Spokane.

Foster Youth Outcomes - Washington statistics compared with national statistics

The state's Strategic Master Plan for Higher Education, adopted by the 2008 Legislature, calls for improvements in the educational attainment and improvements to the K-12 pipeline, especially for students from low-income families, students of color, and youth from foster care.

Nationally, half of the youth from the foster care system complete high school. This is significantly below the 70 percent high school completion rate of non-foster youth. From the 2007 cohort of 659 youth who emancipated from care in Washington State, DSHS indicates that only 22 percent attained a high school diploma and another 12 percent earned a GED.

Only 20 percent of former foster youth who graduate from high school enroll in college nationally, compared to over 60 percent of the general population. In Washington, about 42 percent of youth from foster care attempted some education beyond high school according to the Northwest Foster Care Alumni Study, sponsored by Casey Family Programs in 2005.

Although this sample had higher participation rates than nationally, it is still far below the participation rate of 72 percent for the general population of high school graduates in the state.

Less than two percent of former foster youth in Washington hold bachelor's degrees, compared to 28 percent of the state's general population. Although data are limited regarding the

performance of former foster youth in postsecondary education in Washington, the Casey study reported that:

- 42% received some education beyond high school
- 20.6% completed any degree/certificate beyond high school
- 16.1% completed a vocational degree (25 years or older: 21.9%)
- 1.8% completed a bachelor’s degree (25 years and older: 2.7%)

In the first year of serving Passport students, 36 percent of students verified as eligible actually enrolled. This is not a perfect comparison to Casey study data, however, the 42 percent participation rate is one measure by which Passport program will be evaluated.

Passport Enrollment Data and Student Outcomes

The Passport program provides the first opportunity to obtain verifiable baseline data on foster youth aspirations and performance in post-secondary education in Washington.

Approximately 608 youth who emancipated from care in 2008 met the definition for Passport eligibility, of which 76 percent (460) provided consent.² The submission of a consent form can be viewed as a positive sign of student aspiration to attend postsecondary education.

Identification of Eligible Students from Foster Care

About 2,300 records of self-identified former foster youth students were reviewed by DSHS over a two year period, as of October, 2009. The majority (73 percent) were identified using the Free Application for Federal Student Aid (FAFSA) via the question regarding whether a student was a “ward of the court”.

Of the records reviewed, 745 were determined eligible for Passport, 460 for the 2008-2009 academic year. Of these students determined eligible, most were identified through the Passport consent form (59 percent) distributed as part of the direct outreach efforts through the SETuP program and efforts of other outreach partners.

Applicant & Eligibility Data as of October 2009			
	Self-identified students reviewed by DSHS	Foster Youth per DSHS	Passport Eligible per DSHS²
Total	2,300	901	745 (460 for 2008-09)

² To meet the foster youth eligibility for Passport, a youth must have been in care for at least one year since their 16th birthday, and have emancipated from care in Washington on or after January 1, 2007.

This chart illustrates the difference between self-identified foster youth and confirmed foster youth as verified by DSHS. The other value of this match is that DSHS provides institutions with information regarding students who were in foster care but do not meet Passport eligibility. This allows institutions to marshal other aid resources available for foster youth such as priority for State Need Grant. In addition, aid administrators do not have to request additional documentation from the student to prove their status as foster youth for purposes of financial aid eligibility.

There were two cohorts of emancipated youth from 2007 and 2008, that were eligible for Passport during the 2008-2009 academic year. Therefore, the number of students who received Passport during that year is likely higher than new cohorts of Passport students in 2009-2010 and beyond. For example in fall 2008, 111 students had enrolled versus 97 new students in fall 2009, along with 68 continuing students.

Enrolled passport students

Of the Passport eligible students, 157 or 34 percent enrolled in a higher education institution (see Appendix A – *Passport Enrollment by Institution 2008-2009*). This exceeds the traditional college enrollment rate for high school graduates from foster care of 20 percent. In addition, three students attended non-SNG eligible institutions and seven attended college out-of-state. The majority of served students (75 percent) enrolled in a community or technical college.

Student Enrollment by Sector 2008-2009		
	Enrolled	Percent
Community/Technical	118	75%
Four-Year Public	23	15%
Four-Year Private	10	6%
Private Career	6	4%

Note: As part of its contract with the College Success Foundation, the Board has asked the CSF to evaluate the reasons some Passport-eligible students did not enroll in postsecondary education, and to provide educational planning to those students who express interest in enrolling. (see Appendix D, *College Success Foundation Summary*).

Retention

The retention of Passport students from Fall to Spring was 70 percent for students attending a community or technical college. This compares to 63 percent of low socio-economic status students who are degree seeking, according to the State Board for Community and Technical Colleges (SBCTC). However, only 36 percent of students in the public two-year sector have re-enrolled in the Fall of 2009.

The retention rate of Passport students from Fall to Spring in the four-year institutions was 100 percent in 2008-09. Two-thirds of those 33 students have re-enrolled in the Fall of 2009.

Within Year Retention Rates by Sector 2008-2009						
Sector	Fall to Winter		Winter to Spring		Full Year (does not include summer)	Total Terms
Two-Year	79%		80%		65%	255
Four-Year	100%		100%		100%	65
Total	85%		81%		75%	320

Viable Plan Retention Services

Institutions participating in the Viable Plan offered a wide array of services to Passport students to support their progress. Several institutions used incentive funding to provide direct student services, such as transportation assistance, housing assistance, and financial incentives for meeting academic goals. Broad-based services were also provided such as early intervention programs, workshops, and social events.

Ten institutions received additional grants given on a competitive basis to provide outreach and retention services to youth above and beyond the minimum requirements through the Viable Plan. Supports included placement testing, financial incentives, orientation events, informational materials, mentoring, resource fairs, and a textbook lending library (See Appendix B for more information regarding the Viable Plan services).

Demographic Information

Of the Passport enrolled students in 2008-2009, none were married, but eight had children of their own. All the students were age 19 or younger and 54 percent are female. Just over half of Passport students are Caucasian and 19 percent are African American.

2008-09 Passport Students by Race/Ethnicity	
Caucasian	55%
African American	19%
Hispanic/Latino	9%
Asian/Pacific Islander	7%
Native American	4%
Other	6%

Academic Profile of Two-Year College Students

Of the Passport students enrolled in the community and technical colleges, 56 percent intended to transfer to a four-year institution. According to the SBCTC, over 70 percent of two-year college students made achievement gains as measured by the SBCTC's Student Achievement

Project momentum points.³ However, 78 students took 204 developmental, pre-college level courses in English and math over the course of the academic year.

Passport Scholarship Information

The maximum annual award for 2008-2009 was \$6,793, set at the tuition rate of the public research sector. However, the average award for Passport students was \$3,866 due to significant funding received from other governmental and private sources. Also, the majority of students attended lower cost institutions and therefore had lower financial need. The average award by sector is listed below.

Passport Disbursements by Sector 2008-2009		
	Average Award	Total Disbursed
Community/Technical	\$3,319	\$358,403
Four-Year Public	\$5,114	\$102,287
Four-Year Private	\$7,011*	\$63,095
Private Career	\$3,437	\$15,853

*Higher than annual maximum due to students enrolling summer term.

Other Financial Aid Received

The Passport statute requires that the Board examine the extent to which institutions have awarded the student all available need-based and merit-based grant and scholarship aid for which the student qualifies.

Overall, Passport students received significant financial assistance, including funding specific for students from foster care. Notably, 75 percent of Passport students were eligible for the federal Educational Training Voucher (ETV), administered through DSHS, and over half received ETV funds. Thirty-five Passport students also received the Governors’ Scholarship (22 percent), administered by the College Success Foundation. Conversely, about 40 percent of the Governors’ Scholars enrolled in 2008-09 were eligible for Passport. In total, 42 percent of Passport students received funding from private sources.

All but one enrolled Passport student received the federal Pell Grant, and 87 percent received State Need Grant. In addition, 29 percent received institutional assistance. Only 11 percent students participated in a work-study program, however, it is likely that many students are working in non-work-study positions based on feedback from aid administrators. About ten percent borrowed subsidized student loans at an average of \$2,900. The average financial aid package was \$11,285.

³ The six areas of achievement gains from the SBCTC Student Achievement Project include basic skills, developmental coursework, 15 college level credits, 30 college level credits, qualitative math, and 45 college level credits.

Type of Aid	Average Amount
Federal Grants	\$3,512
State Grants	\$5,142
Institutional Grants/Waivers	\$4,063
Private Scholarships	\$3,055
Work-Study	\$1,317
Federal Loans	\$2,928

Legislative and Budgetary Changes

Partial budget reallocation

The 2007-2009 program allocation was based on broad estimates of potentially eligible students available to be served. Early in Fiscal Year 2009, the Board projected there would be a surplus of funds after all enrolled Passport eligible foster youth had been served with scholarships. The Board notified the Legislature and the Office of Financial Management.

As a result, a total of about \$1.6 million was redirected as part of the supplemental budget process, to the Education Advocacy program for foster youth at DSHS. The Washington State Institute for Public Policy also received \$75,000 for an evaluation of the adequacy of, and access to, financial aid and independent living programs for foster youth. The report due to the Legislature in 2009, is to include recommendations regarding opportunities to improve efficiencies within these programs.

Contracting with the College Success Foundation

The 2009 Legislature and the Governor affirmed the importance of getting more foster youth into higher education through the budget process. The Board was asked in the budget proviso and in follow-up legislative meetings to contract with a non-profit organization whose mission is to serve low-income, high potential students and foster youth for the purpose of implementing strategies that result in increased retention and post-secondary success of Passport students.

The College Success Foundation was selected for that contract. The CSF has experience working to improve educational outcomes of foster youth – including administering the Governors’ Scholarship and the “*Make It Happen*” program. The organization also is a founding partner of the Foster Care to College partnership.

The Board has agreed to a \$516,000 contract with the CSF to provide foster youth services related to outreach, student intervention, and community integration. See Appendix D for the scope of work from the contract.

The goals are to:

- Increase awareness of Passport among youth in foster care
- Increase the number of Passport-eligible students who enroll
- Survey of Passport eligible students who did not enroll in postsecondary education
- Provide direct support to Passport enrollees

- Monitor students' academic progress
- Coordinate services to youth from foster care in local communities
- Develop a sustainable infrastructure at community and institutional levels

Next Steps

In the 2009-10 academic year, the second year of serving students in the Passport to College Program, the HECB will work closely with the CSF to implement enhanced support services.

In partnership, the HECB and CSF will develop an evaluation tool to solicit feedback from institutions, students, and other stakeholders on the Passport program and its primary components (SETuP, the Viable Plan, student scholarship, and CSF services), as well as related policies and procedures.

Future Reporting

- December 2011: The HECB and SBCTC will jointly submit to the Legislature a report on rates of student participation, persistence, and progress.
- December 2012: The Washington State Institute for Public Policy will submit to the Legislature an evaluation of the Passport to College Promise program to estimate the impact of the program on eligible students' participation and success in postsecondary education, and shall include recommendations for program revision and improvement.

Appendix A – SETuP (Supplemental Education Transition Planning)

The Supplemental Educational Transition Planning (SETuP) program was created as part of the Passport to College program and is administered by DSHS. SETuP is designed to help current and former foster youth prepare for, attend, and successfully complete a postsecondary education.

SETuP provides information about postsecondary education and training opportunities for foster youth enrolled in high school or a recognized GED program. It offers foster youth, ages 14 through 18, assistance with pre-college readiness, financial aid, college admissions applications, transportation, and housing.

DSHS reported that, in the 2008-09 academic year, SETuP served 359 youth and was funded at \$430,000. DSHS has contracted with six private entities throughout the state to provide these services.

- Region 1 - Spokane – Volunteers of America
- Region 2 - Yakima – Catholic Family and Children Services
- Region 3 - Mount Vernon – YouthNet
- Region 4 - Seattle – YMCA
- Region 5 - Tacoma – Pierce County Alliance
- Region 6 - Olympia – Community Youth Services

About one-third of students served were younger than 17, and 57 percent were female. Nearly half of the youth served were students of color, as shown below.

Table 1. SETuP Demographics

SETuP 2008-09 Students, by Race/Ethnicity	
Caucasian	52.6%
African American	23.7%
Hispanic/Latino	9.2%
Asian/Pacific Islander	1.9%
Native American	8.6%
Other	3.9%

In 2008-09, 90 percent of students served through SETuP either advanced to the next grade level, graduated, or completed their GED program. Of the students that were 18 years old, 92 percent completed financial aid applications.

Appendix B – Institutional Viable Plan and Incentive Payments

The Passport program provided financial incentives to institutions that agreed to have a “viable plan” for students from foster care to support recruitment and retention of eligible students. The “viable plan” is a four point guideline developed by the Casey Family Foundation.

The viable plan, based on Casey Family Program’s Student Success Guide is based on four key elements:

1. Identify a knowledgeable “designated support staff” person who is able to direct youth in the areas of financial aid, academic guidance, personal issues, and career counseling.
2. Agree to review student budgets on a case-by-case basis to recognize the actual living expenses for current and former foster youth and tailor financial aid packages to the extent of student eligibility and available funds. Use all resources to meet the student’s full need, reducing their reliance on loans.
3. Strive to create a lasting institutional commitment to serve current and former foster youth by providing institutional leadership to advocate for the program’s success.
4. Connect with social services and independent living providers on an as-needed basis to ensure students from foster care receive a full-range of support services and college preparation information.

Institutions also have included a self-disclosure question on their admissions or registration materials to help identify foster youth on campus.

Institutions that successfully recruit and retain students and sign on to the viable plan, receive payments of \$500 per student, per term. In the 2008-09 academic year, 48 institutions agreed to implement the plan.

In the 2008-09 academic year, 71 percent of eligible institutions submitted signed agreements to participate in the viable plan, and used their grant funds for a variety of activities such as:

- Staff training
- Administration of the program
- Early intervention programs for students having academic difficulty
- Publications and mailings
- Additional financial assistance to students for expenses such as transportation and housing during periods of non-enrollment
- Incentives for students
- Workshops for students
- Testing
- Seminars with community partners
- Social events
- Staff meetings with students from foster care
- Tutoring
- College campus visits

Also in the 2008-09 academic year, ten institutions received additional grants given on a competitive basis to provide services to youth above and beyond the minimum requirements through the viable plan. These institutions received up to an additional \$5,000 to provide enhanced services on their campus.

The ten institutions were: Bellevue Community College, Columbia Basin College, Centralia College, Edmonds Community College, Everett Community College, Seattle Central Community College, Whatcom Community College, Yakima Valley Community College, Washington State University, and Seattle University.

They used additional funds for the following activities:

- Additional financial assistance to students for expenses such as interview preparation assistance, graduate school admissions test, and placement testing fees
- Orientation events and campus visits
- Resource fairs
- Workshops
- Mentoring
- Student incentives
- Textbook lending library
- Development of outreach materials for foster youth and foster parents
- Outreach to area high schools
- Development of a motivational film library

Appendix C – Passport Enrollment by Institution 2008-2009

Institution Type	Institution	Students served
Community/Technical College	Bellevue College	2
	Cascadia Community College	1
	Centralia College	5
	Clark College	6
	Columbia Basin College	2
	Edmonds Community College	7
	Everett Community College	6
	Grays Harbor College	1
	Green River Community College	5
	Highline Community College*	3
	Lower Columbia College	5
	North Seattle Community College	3
	Peninsula College	3
	Pierce College*	3
	Seattle Central Community College	9
	Shoreline Community College	1
	Skagit Valley College	2
	South Puget Sound Community College*	8
	Spokane Community College	9
	Spokane Falls Community College	5
	Tacoma Community College	5
	Walla Walla College	2
	Wentachee Valley College	1
	Whatcom Community College	3
	Yakima Valley Community College	9
	Clover Park Technical College	7
	Lake Washington Technical College	1
Renton Technical College*	1	
Seattle Vocational Institute	2	
Four-Year Public	Central Washington University	8
	Eastern Washington University	4
	University of Washington	6
	Western Washington University	2
	Washington State University	3
Four-Year Private	Northwest University*	1
	Pacific Lutheran University	1
	St Martin's University	2
	Seattle University	6
Private Career	Art Institute of Seattle	1
	Everest College	1
	Glen Dow Academy*	2
	Perry Technical Institute	1

*Not participating in the Viable Plan

Other Viable Plan Institutions without Enrolled Students: Olympic College, South Seattle Community College, Bates Technical College, Bellingham Technical College, The Evergreen State College, Bastyr University, Gonzaga University, Heritage University, Seattle Pacific University, Walla Walla University, Whitman University, Interface Computer School, International Air & Hospitality Academy

Appendix D – College Success Foundation Contract Summary

SCOPE OF WORK

The CONTRACTOR will provide services and staff, and otherwise do all things necessary for, or incidental to the performance of work, as set forth below.

The work CONTRACTOR will provide is designed to increase the number of youth from foster care that apply for Passport, to increase the number of Passport students that achieve their postsecondary educational goals, and to increase the capacity of institutions and community organizations to support the postsecondary success of youth from foster care.

The CONTRACTOR will adhere to privacy laws such as the Federal Education Right to Privacy Act (FERPA) and standards set forth in this contract; the BOARD will administer all primary data sharing agreements for Passport to College Promise.

The CONTRACTOR shall produce quarterly written reports on the Outreach, Student Intervention, and Community Integration activities (deliverables) to the BOARD (see exhibit B).

A. Outreach Goals

- Increase the awareness of Passport among youth from foster care.
- Increase the number of Passport-eligible students that enroll.

1. Outreach Activities

- Include Passport information in all existing CSF outreach activities for foster youth.
- Evaluate reasons Passport-eligible students did not enroll in postsecondary education, what supports are needed, and their enrollment plans.
- Invite Passport-eligible/not-enrolled students who were contacted to existing CSF programming.

2. Outreach Performance Measures

- Engage at least 50 percent of Passport-eligible, non-enrolled students with valid contact information.

B. Student Intervention Goals

- Provide direct support to Passport enrolled students.
- Monitor students' academic progress.

1. Student Intervention Activities

- Invite Passport students to student success activities on campuses.
- In collaboration with the campus Passport Designated Support Staff (DSS) or other advising staff, develop education plans with Passport students.

- Monitor current Passport students' progress, evaluate individual barriers, and collaborate with the DSS to provide intervention and support as needed.
- Provide emergency funding to Passport students as needed while ensuring coordination with the financial aid office to prevent an over-award of funding during periods of enrollment.
- Coordinate with the Passport Designated Support Staff in arranging campus visits and student contacts.

2. *Student Intervention Performance Measures*

- Increase year-to-year retention rate by ten percent, to be adjusted when baseline is established.
- Provide personal intervention to a minimum of 150 Passport enrolled students.

C. *Community Integration Goals*

- Coordinate services to youth from foster care in local communities.
- Develop sustainable infrastructure at community and institutional level.

1. *Community Integration Activities*

- Develop a memorandum of understanding with the Viable Plan institutions to define the Passport-related activities the CONTRACTOR will perform on campuses.
- Convene local community stakeholders and develop a shared vision and strategic plan for improving services.
- Perform campus visits and consult with the Designated Support Staff to discuss the implementation of the institution's Viable Plan agreement.
- Develop consortiums on the east and west sides of the state in collaboration with the Foster Care to College partnership members, and including the institutions.
- Host an annual Passport conference on the east and west sides of the state to provide training to institutional administrators and other stakeholders.

2. *Community Integration Performance Measures*

- Successfully engage 50 percent of the 49 Viable Plan participating institutions as determined by the number of Passport meetings attended, and activities related to the elements of the Viable Plan agreement.

RESOLUTION NO. 09-33

WHEREAS, The Legislature through RCW 28B.117, authorized the Higher Education Coordinating Board to develop, with the assistance of an advisory committee, the Passport to College Promise program to help encourage foster care youth to prepare for, attend, and successfully complete higher education; and

WHEREAS, The Legislature requested a status report on the extent to which foster youth are participating and persisting in postsecondary education; and

WHEREAS, The Board staff have developed a report that includes:

- Discussion of program accomplishments in the first year serving students;
- Information about the data exchange with DSHS and numbers of students verified eligible;
- Review of outreach including the DSHS program, SETuP;
- Overview of institutional participation in the Viable Plan to enhance student services for foster youth;
- Data regarding the Passport enrollment and student demographics;
- Information regarding scholarship and other financial aid received; and
- Legislative and budgetary changes including a contract to further improve outreach and retention services;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board adopts the staff report on the Passport to College Promise Scholarship program and authorizes staff to convey the report to the Legislature.

Adopted:

November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary

November 2009

DRAFT: 2009-11 Supplemental Budget Recommendations

Overview

The Board's Fiscal Committee is submitting its 2009-11 supplemental budget recommendations for Higher Education Coordinating Board (HECB) consideration and action.

Background

State law (RCW 28B.76.210(5)) requires the public four-year colleges and universities and the State Board for Community and Technical Colleges to submit proposed supplemental budgets to the Higher Education Coordinating Board at the same time they submit them to the Office of Financial Management (OFM). This year, OFM set a deadline of Monday, October 19, for agencies to submit their proposed supplemental budgets. The HECB then must submit its recommendations on the proposed supplemental budget submittals to OFM in November and to the Legislature in January.

Traditionally, both the Governor and Legislature have used supplemental budgets for the following purposes:

1. To provide **technical corrections or adjustments** to appropriations or provisos contained in the biennial budget. The biennial operating and capital budgets are complex spending plans that include hundreds of separate line-items of expenditures, from multiple funding sources. Many of the line-item appropriations provide for specific terms, conditions, and limits of appropriations. The adopted budgets frequently include proposed amendments offered in the final stages of budget adoption. Consequently, corrections to the adopted biennial budget often are needed.
2. To provide funding for **emergent needs and opportunities** within the biennial budget period. Supplemental budgets are used to fund critical needs that could not have been anticipated in the preparation and adoption of the biennial budget.

Within the above context, supplemental budgets have **not typically been used to fund state agency and institutional policy enhancements**. A primary reason is that policy enhancements typically involve carry-forward or "bow-wave" costs into the ensuing biennium. By deferring these types of requests to the regular budget cycle, the Governor and Legislature can evaluate their fiscal and programmatic priority within the overall biennial spending plan.

Recent economic information indicates that we appear to be past the worst of the economic crisis, and that a national and state recovery is beginning. However, businesses have been slow to hire back employees and consumers are still cautious about spending. This means that employment and revenue growth are likely to lag the recovery, creating the likelihood that state revenues will be adversely affected for the remainder of this biennium.

The September 17 General Fund-State (GFS) forecast represented a moderate decline in the biennial forecast that had already decreased in June, leaving the budget in a position where the revenues no longer supported expenditure assumptions. As OFM signaled in July, the 2010 supplemental budget for General Fund agencies will need to reflect reductions from the currently enacted biennial budget.

The Governor's Office of Financial Management has reaffirmed supplemental budget fiscal policy (see Appendix A). Specifically, OFM instructed state agencies and institutions to limit 2009-11 supplemental budget requests to:

- General Fund-State reductions that equal targets established in OFM budget guidance;
- Other options for efficiencies, reform, administrative savings, or reductions in lesser priority services;
- Critical and emergent costs that cannot be accommodated with savings or efficiencies within the existing budget;
- Non-discretionary changes in legally-mandated caseload or workload; and
- Necessary technical correction to the currently enacted budget.

Summary of Operating Supplemental Budget Submittals

The 2009-11 state operating budgets appropriated \$2.7 billion to the public universities and colleges. The institutions have submitted proposed supplemental budgets that equal \$59 million more than the enacted 2009-11 Operating Budget.

Table 1 summarizes the supplemental operating budget submittals of institutions and the HECB. As shown, the requested items have been grouped within three categories of supplemental budget submittals: *Reductions*, *Enhancements*, and *Technical Corrections and Adjustments*.

Table 1: Higher Education Supplemental Operating Budget Submittals by Category

Categories	Total Amount
Reductions*	(\$ 7,169,000)
Enhancements	\$65,220,000
Technical Corrections and Adjustments	\$ 862,000

*Reductions submitted by institutions only. OFM is requesting reductions from all institutions totaling \$26 million. Not all institutions submitted 2009-11 supplemental budgets with reductions.

Components of Operating Budget Submittals

The supplemental operating budget requests submitted by public institutions and the State Board for Community and Technical Colleges described below fall into three categories: 1) reductions requested by OFM; 2) enhancements; and 3) technical corrections and adjustments from last year to this year.

Reductions

OFM, acting upon reduced revenue forecasts, requested additional General Fund-State reductions from state agencies, including higher education institutions. OFM 2010 Supplemental Budget Guidance called for the inclusion of these further reductions in supplemental budget submittals.

The University of Washington, The Evergreen State College, and Western Washington University submitted supplemental operating budgets including the full amount of OFM expected general fund-state reductions. The Higher Education Coordinating Board submitted a reduction equal to the OFM expected rate of general fund-state reduction applied only to administrative programs, leaving general fund-state financial aid at full funding. Table 2 lists the reductions expected of each institution by OFM.

TABLE 2: OFM Expected General Fund-State Supplemental Reductions
(Dollars in Thousands)

Institution	2009-11 GF-S Operating Budget as Enacted	Supplemental Reduction Expected by OFM	% Reduction from 2009-11 as Enacted
University of Washington	\$566,682	(\$5,463)	1.0%
Washington State University	\$374,741	(\$4,190)	1.1%
Central Washington University	\$67,864	(\$591)	0.9%
Eastern Washington University	\$75,481	(\$713)	0.9%
The Evergreen State College	\$43,377	(\$490)	1.1%
Western Washington University	\$95,893	(\$995)	1.0%
Public 4-Year Total	\$1,224,038	(\$12,442)	1.0%
State Board for Community and Technical Colleges	\$1,262,580	(\$13,526)	1.1%
Institution Total	\$2,486,618	(\$25,968)	1.0%
HECB- Administrative Expenditures*	\$11,035	(\$221)	2.0%

*OFM requested reduction rate applied to HECB General Fund- State administrative expenditures.

Enhancements

Washington State University has submitted a \$15 million dollar request for the replacement of its core Student Information Systems that serve all campuses and distance programs. Many of these systems are 30-40 years old. These computer systems are antiquated and failing, jeopardizing university functions for students including admissions, registration, financial aid, advising, transcripts and collection of tuition. This request was previously submitted in the 2009-11 Operating Budget, although it was not funded.

The State Board for Community and Technical Colleges has submitted a \$50 million dollar request for expansion of the worker retraining program and additional financial aid for these students. The Worker Retraining Program trains dislocated and unemployed workers who need new skills and knowledge in order to re-enter the workforce. Last year, the Worker Retraining Program served 8,900 FTES enrollments, a 35 percent increase over the prior year.

The Legislature provides \$28.8 million per year in funding for 6,200 Worker Retraining FTES. This is the same level of funding provided in 1997. Of the \$4,639 per FTES, \$1,300 is dedicated to student financial aid (to bridge the time it takes formerly employed workers to become eligible for financial aid) and the rest goes to support colleges' instruction and other related costs.

The proposed 2010 supplemental budget request would provide an additional \$49.6 million for the Worker Retraining Program this biennium, with an annual on-going increase of \$43.7 million. The funding would provide the following: additional financial aid spring quarter of this year (\$5.9 million), 6,000 additional FTES enrollment slots beginning next year (\$27.8 million), and double the current financial aid funding to \$2,600 per FTES for 12,200 FTES beginning next year (\$15.9 million.)

The SBCTC has also submitted a \$600,000 request for the maintenance and operations budget for Phase 2 of the Green River Community College Kent Station. This classroom building was an alternatively funded project approved by the legislature and built in two phases. The legislature provided M&O funding for Phase 1 beginning in FY 2007, but did not provide M&O funding for Phase II, which opened last spring. Additionally, the 2009 Legislature approved construction of Green River Community College's Humanities Replacement Building through alternative financing. The State Treasurer is requiring that the college purchase insurance beginning with the completion of the building March 2011. The \$11,300 request will cover five months of insurance costs; the on-going annual cost is \$27,000.

Technical Corrections and Adjustments

The University of Washington has requested a \$422,000 continuation of funding for the Geoduck Aquaculture Research Project as required in SSHB 2220. Funding for this six year program was not continued into FY 2011, although there is significant research that is still expected. The fiscal committee would recommend that the legislature determine if this research is essential and if so, provide funding.

Washington State University has requested a \$242,000 technical correction regarding overcharges for DIS service in the central service model.

The State Board for Community and Technical Colleges has requested a \$198,000 technical correction for the North Seattle Community College Employment Resource Center. This facility was added to the capital budget late in the legislative session and did not receive M&O funds in the operating budget. The building is scheduled to open in September 2010.

(Please see Appendix B for a full list of Supplemental Operating Budget submittals for higher education.)

Fiscal Committee Supplemental Operating Budget Recommendations

The fiscal committee's recommendations on the supplemental operating budget requests submitted by institutions are described below. These recommendations are based upon three major considerations:

1. Limit higher education budget reductions to, at most, OFM established guidance.

Higher Education sustained substantial reductions in state funding during the 2009 Legislative session. The fiscal committee recognizes the difficulty of dealing with revenue shortfalls, but further cuts fundamentally jeopardize the role and mission of our higher education institutions.

Despite substantial tuition increases and the best effort of institutions, instructional programs have been adversely affected by these funding reductions. Institutional capacity for growth, student outreach, and program diversity are expected to be limited until state support for higher education recovers. Additional cuts will further limit access to public higher education in Washington.

2. Prioritize current maintenance of effort above enhancements.

The fiscal committee would defer all of the enhancements requested in the budget until the 2011-13 Biennium. As noted earlier, the fiscal committee found that supplemental items being requested for program enhancement have merit and are important priorities for the institutions. However, the committee believes that funding these needs should be considered in the overall context of higher education spending priorities for the ensuing 2011-13 biennium, especially given the anticipated further reductions of state funding for higher education.

The fiscal committee acknowledges the importance of resolving the question of funding for maintenance and operations and insurance for alternatively financed higher education facilities, but this constitutes a substantive policy discussion and is better considered in the overall context of higher education spending priorities for the ensuing 2011-13 biennium.

Further the fiscal committee acknowledges the need for replacement of Student Information Systems at Washington State University. Given the anticipated funding reductions for higher education and the previous decision of the legislature to not support this item in the biennial budget, the fiscal committee recommends that WSU pursue financing alternatives to state funding for the replacement of these systems.

Instructional programs have been adversely affected in the 2009-11 biennium by state funding reductions and the fiscal committee prioritizes the restoration of instructional funding for public higher education.

3. Fully fund any technical corrections and adjustments.

Any technical corrections and adjustments should be resolved in the supplemental budget process.

(Please see Appendix C for a full line item list of HECB Operating Budget Recommendations for Higher Education.)

Summary of Capital Supplemental Budget Submittals

The 2008 Legislature passed House Bill 3329, establishing a new biennial system for scoring proposed capital projects at four-year institutions. Pursuant to the statute, the Office of Financial Management, in consultation with the Joint Legislative Audit and Review Committee (JLARC) and legislative fiscal committee staff, is responsible for scoring the capital project requests.

The Legislature appropriated \$737 million in state bonds and \$576 million in alternative financing sources for new higher education capital projects and minor works in the 2009-11 capital budget. The institutions are requesting \$162 million of supplemental capital spending authority, including \$84 million in state bonds (not including bid savings) and \$78 million in alternative financing.

The University of Washington requests capital funding for three capital projects that were included in the 2009-11 biennial capital process. UW requests alternative financing authority totaling \$63 million for continued construction of UW Tacoma Phase 3 and the reconstruction of Balmer Hall. Additionally the institution requests \$2 million in state bonds for land acquisition for the University of Washington Tacoma campus.

Eastern Washington University requests state bond funding for accelerated construction during the remodel of Patterson Hall. Approved for Phase 1 construction this biennium, officials at the university estimate they can save \$7.5 million dollars in total construction costs if provided with an additional \$27,300,000 to finish construction of Phase 2 in FY 2011 instead of in the 2011-13 biennium.

The Evergreen State College requests \$370,000 in state bond funding for the predesign of a biomass synthetic gas energy system.

The State Board for Community and Technical Colleges requests authorization to use \$4.4 million in institution building fees for roof repairs and minor works. The SBCTC also is requesting to use \$10 million in state bond bid savings from three approved projects in the Spokane Community College District, in addition to \$11 million in alternative financing for a campus classroom project at Spokane Falls Community College.

Additionally the SBCTC requests \$8.5 million in state bonds to fund the Cascade Core remodel at Pierce College-Fort Steilacoom, consistent with its original request. The 2009 Legislature approved funding of \$15 million in state bonds, while initial 2009-11 request for this project was \$23.5 million.

Finally, the SBCTC is requesting \$35.4 million in state bonds for the construction of a Learning Resource Center at South Puget Sound Community College. This project is the top priority among unfunded State Board 2009-11 Capital Requests.

(Please see Appendix D for a full list of Supplemental Operating Budget submittals for higher education.)

Fiscal Committee Supplemental Capital Budget Recommendations

The Fiscal Committee's supplemental capital budget recommendations are as follows:

1. Allow institutional discretion in projects funded through building fees or bid savings from state bond funded projects.

Projects that are included under this consideration are Balmer Hall, UW Tacoma Phase 3, Community and Technical College Minor Works and Roof Repairs, and Campus Classrooms at Spokane Falls.

2. Use State Bond funding for ongoing projects for cost savings or critical need.

The fiscal committee recommends state bond funding for accelerated construction of Eastern Washington University's Patterson Hall due to a substantial opportunity for total cost savings, as well as the full funding of the Cascade Core remodel at Pierce College-Fort Steilacoom. The fiscal committee appreciates the unique opportunity for land acquisition within the UW Tacoma campus and recommends \$2 million in state bond funding to facilitate land acquisition.

3. Defer state bond funding recommendations for capital projects not currently under construction until 2011-13.

The Learning Resource Center at South Puget Sound Community College and the predesign of a biomass synthetic gas energy system at The Evergreen State College would be better addressed by full review through a biennial capital process for the 2011-13 Biennium.

(Please see Appendix E for a full line item list of HECB Capital Budget Recommendations for Higher Education.)

RESOLUTION NO. 09-34

WHEREAS, It is the responsibility of the Higher Education Coordinating Board to recommend higher education funding priorities to the Legislature for regular biennial budgets as well as supplemental budget requests; and

WHEREAS, The public universities and colleges have submitted their respective supplemental budget requests for the 2009-11 biennium to the HECB and the Governor's Office of Financial Management; and

WHEREAS, The Board's Fiscal Committee met to consider the supplemental operating and capital budget requests on November 10, 2009; and

WHEREAS, The Fiscal Committee made recommendations and comments to the full Board for consideration on November 19, 2009;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board adopts the recommendations of its Fiscal Committee; and

BE IT FURTHER RESOLVED, That the Governor and the Legislature provide \$862,000 in additional operating budget funding while limiting further reductions; and, \$125.8 million in additional capital budget authorizations, including \$47.8 million in state bonds, to address technical changes and emergent needs within the 2009-11 biennium for the state's public universities and colleges.

Adopted:

November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

September 23, 2009

TO: Agency Directors

FROM: Victor A. Moore
Director

SUBJECT: SUBMITTAL OF 2010 SUPPLEMENTAL REQUESTS

Recent economic information indicates that we appear to be past the worst of the economic crisis, and that a national and state recovery is beginning. However, businesses have been slow to hire back employees and consumers are still cautious about spending. This means that employment and revenue growth are likely to lag the recovery, creating the probability that state revenues will be adversely affected for the remainder of this biennium.

The September 17 General Fund-State (GFS) forecast represents a moderate decline in the biennial forecast that had already decreased in June, leaving the budget in a position where the revenues no longer support expenditure assumptions. As we signaled in July, the 2010 supplemental budget for General Fund agencies will need to reflect reductions from the currently enacted biennial budget.

For purposes of the 2010 supplemental, only the following budget options should be submitted to the Office of Financial Management (OFM):

- GFS reductions that equal the GFS dollar targets reflected in Attachment B of OFM's July 1 savings implementation memo. (It can be found at <http://www.ofm.wa.gov/budget/instructions/other/implementgfsbudgetsavings070109.pdf>.)
- Any additional dollars savings (beyond those in Attachment B) to achieve total FTE targets in Attachment A of the July 1 memo from OFM.
- Additional options for efficiencies, reform, administrative savings, or reductions in lesser priority services. (At a minimum consider last year's Priorities of Government (POG) result area priorities, performance audits, and previous budget deliberations.)
- Critical and emergent costs that cannot be accommodated with savings or efficiencies within the existing budget.
- Non-discretionary changes in legally-mandated caseload or workload.
- Necessary technical corrections to the currently enacted budget.

Because we will be looking for additional opportunities for reductions, OFM budget analysts will also be contacting individual agencies as necessary to develop specific options relating to their services. As part of that analysis, we are asking agencies to identify mandatory and non-mandatory activities within their agencies, using the activity inventory as the vehicle for this categorization.

Submittal Procedures

Operating Expenditure and Revenue Changes

- Proposed supplemental budget revisions should be submitted to OFM electronically through the Budget Development System (BDS). Justification narrative follows the decision package format described in Section 4 of OFM's 2009-11 Budget Instructions (<http://www.ofm.wa.gov/budget/instructions/operating/2009-11/sec4.pdf>). Narrative descriptions should be as detailed as possible. Please make sure that the justification fully explains why any new costs cannot be absorbed within the agency's existing budget. Also describe any implications to revenues (including fees), legislation, or federal rules; and any barriers that might complicate achievement of a reduction.
- Some agencies have statutory authority to set program fees at a level sufficient to cover the costs of administering that program. Under Initiative 960 (RCW 43.135.055), such statutes do not authorize agencies to increase fees without prior, specific legislative approval. Agencies with legislative mandates for fee-supported programs, or other requests for new or revised fees, should document the specific fees using the *OFM Request for New or Increased Fees* form found at http://www.ofm.wa.gov/budget/documents/Fee_Request_Form.doc.
- The supplemental budget request should also include any additional federal or private/local funding expected to be received for the remainder of the biennium. Unless that funding has already been approved as part of the original legislative budget, or as an unanticipated receipt (for spending prior to April 2010), it needs to be made part of the supplemental budget request using expenditure authority types 2, 7 or 8 as appropriate. The unanticipated receipt process is suspended during the legislative session.
- Because agency supplemental budget requests are distributed to OFM and legislative staff, we require submittal of five paper copies for most agencies, and seven copies for higher education and transportation agencies. These copies should include the Recommendation Summary Report from BDS, narrative decision package justification, a summarized revenue report from BDS for agencies submitting revenue changes, and the *Request for New or Increased Fees* document (if applicable). Please transmit the specified number of copies by October 19 to:

Andrea Duane
Office of Financial Management
300 Insurance Building
P.O. Box 43113
Olympia, WA 98504-3113

Listing of Mandatory and Non-Mandatory Activities

Per OFM's email on September 1, the list of agency activities corresponding to the enacted budget are due on October 2 (<http://www.ofm.wa.gov/budget/instructions/activityguideemail.pdf>). After OFM receives each agency's individual list, we will return a summarized version with a space for identifying GFS activities that are not mandatory. For this purpose, the term "non-mandatory" refers to a service that is optional for the state to provide, even though it might be referenced in state law or shared with the federal government. Constitutionally-required programs are an example of what would be considered mandatory.

More detailed instructions will accompany the form you receive from OFM.

Capital Budget Supplemental Requests

For the purpose of the 2010 supplemental capital budget, agencies must submit budget revisions to OFM using the Capital Budget System (CBS). The justification must follow the format described in Section 2.3 of OFM's 2009-11 Capital Budget Instructions found at <http://www.ofm.wa.gov/budget/instructions/capinst/09-19capinstr/0911capbudinstructions.pdf>. Please submit seven copies for distribution to OFM and legislative staff as described in Section 1.4 of the Capital Budget Instructions.

Proposals for the 2010 supplemental capital budget should be limited to technical corrections, emergent issues, or return of project savings.

Both operating and capital supplemental budget items are due to the Office of Financial Management no later than Monday, October 19.

cc: Agency Budget Officers
Agency Capital Budget Officers
Charlie Gavigan, House Ways and Means Committee
Mike Wills, Senate Ways and Means Committee
Bryon Moore, Senate Ways and Means Committee
Dave Johnson, House Ways and Means Committee
Beth Redfield, House Transportation Committee
David Ward, Senate Highways and Transportation Committee
Kelly Simpson, Senate Highways and Transportation Committee
Brian Sims, Senate Ways and Means Committee
Nona Snell, House Capital Budget Committee

2010 Supplemental Operating Budget

Higher Education Institution Submittal

Near General Fund-State

Institution	Reduction		Enhancement		Technical Correction	
	Amount	Description	Amount	Description	Amount	Description
University of Washington	(\$5,463,000)	This budget reduction package is being submitted in accordance with OFM early budget guidance.			\$422,000	Funding for additional geoduck aquaculture research projects. The UW considers this decision package to be a technical correction.
<i>UW SUBTOTAL:</i>	<i>(\$5,463,000)</i>		<i>\$0</i>		<i>\$422,000</i>	
Washington State University			\$15,000,000	Funding for the urgent replacement of crippled core Student Information Systems that serve all campuses and distance degree programs.	\$242,000	Technical Correction Adjustment to the 2009-11 Biennium central service model calculations for DIS.
<i>WSU SUBTOTAL:</i>	<i>\$0</i>		<i>\$15,000,000</i>		<i>\$242,000</i>	

2010 Supplemental Operating Budget

Higher Education Institution Submittal

Near General Fund-State

Institution	Reduction		Enhancement		Technical Correction	
	Amount	Description	Amount	Description	Amount	Description
Central Washington University: As of 11/12/09 2010 Supplemental Operating Budget Submittal Not Available. OFM early budget guidance calls for a \$591,000 reduction in General Fund- State Appropriations.						
Eastern Washington University: As of 11/12/09 2010 Supplemental Operating Budget Submittal Not Available. OFM early budget guidance calls for a \$713,000 reduction in General Fund- State Appropriations.						
The Evergreen State College	(\$490,000)	This budget reduction package is being submitted in accordance with OFM early budget guidance.				
TESC SUBTOTAL:	(\$490,000)		\$0		\$0	
Western Washington University	(\$995,000)	This budget reduction package is being submitted in accordance with OFM early budget guidance.				
WWU SUBTOTAL:	(\$995,000)		\$0		\$0	

2010 Supplemental Operating Budget

Higher Education Institution Submittal

Near General Fund-State

Institution	Reduction		Enhancement		Technical Correction	
	Amount	Description	Amount	Description	Amount	Description
State Board for Community and Technical Colleges			\$27,834,000	Fund 6,000 additional worker retraining enrollments at current funding rate of \$4,639 per FTE	\$198,000	Fund Maintenance and Operations on North Seattle Employment Resource Center (State Bond Funded Construction)
			\$21,775,000	Provide additional financial aid for worker retraining programs.		
			\$600,000	Fund Maintenance and Operations on Green River CC Kent Station, Phase II (COP funded project)		
			\$11,000	Insurance Costs for Green River's Humanities Replacement Building (Funded by bonds repaid from Building Fee Account)		
<i>SBCTC SUBTOTAL:</i>	<i>\$0</i>		<i>\$50,220,000</i>		<i>\$198,000</i>	

2010 Supplemental Operating Budget

Higher Education Institution Submittal

Near General Fund-State

Institution	Reduction		Enhancement		Technical Correction	
	Amount	Description	Amount	Description	Amount	Description
Higher Education Coordinating Board	(\$221,000)	This budget reduction package reflects OFM early budget guidance for administrative programs.				
<i>HECB SUBTOTAL:</i>	<i>(\$221,000)</i>		<i>\$0</i>		<i>\$0</i>	

**2009-11 Supplemental Operating Budget Recommendations
Public Higher Education Institutions
HECB Fiscal Committee**

Reductions

Limit higher education budget reductions to, at most, OFM established guidance (\$26 million.)

Enhancements

<u>Institution</u>	<u>Request</u>	<u>Amount Requested</u>	<u>Fiscal Committee Recommendation</u>
WSU	Student Information Services	\$15,000,000	
SBCTC	Worker Retraining Enrollments	\$27,834,000	
SBCTC	Worker Retraining Financial Aid	\$21,775,000	
SBCTC	M&O Green River CC Kent Station Phase II (COP Financed)	\$600,000	
SBCTC	Insurance Green River CC Humanities Building (COP Financed)	\$11,000	
TOTAL		\$65,220,000	

Technical Corrections

<u>Institution</u>	<u>Request</u>	<u>Amount Requested</u>	<u>Fiscal Committee Recommendation</u>
UW	Geoduck Aquaculture Research Projects	\$422,000	\$422,000
WSU	DIS Central Service Model Overcharge	\$242,000	\$242,000
SBCTC	M&O Seattle Employment Resource Center (State Bond Financed)	\$198,000	\$198,000
TOTAL		\$862,000	\$862,000

Total by Institution

<u>Institution</u>	<u>Request</u>	<u>Amount Requested</u>	<u>Fiscal Committee Recommendation</u>
UW		\$422,000	\$422,000
WSU		\$15,242,000	\$242,000
CWU			
EWU			
TESC			
WWU			
SBCTC		\$50,418,000	\$198,000
TOTAL		\$66,082,000	\$862,000

2010 Supplemental Capital Budget

Higher Education Institution Submittal

Fund Source As Marked

<u>Institution</u>	<u>Fund Source</u>	<u>Amount</u>	<u>Description</u>
University of Washington	Institution Building Fees	\$42,800,000	Balmer Hall Reconstruction
	Institution Building Fees	\$19,800,000	UW Tacoma Phase 3
	State Bonds	\$2,000,000	UW Tacoma Land Acquisition
<i>UW SUBTOTAL:</i>	<i>Institution Building Fees</i>	<i>\$62,600,000</i>	
	<i>State Bonds</i>	<i>\$2,000,000</i>	
Washington State University: As of 11/4/09, No supplemental 2010 capital budget requests.			
Central Washington University: As of 11/4/09, No supplemental 2010 capital budget requests.			
Eastern Washington University	State Bonds	\$27,300,000	Accelerated Patterson Hall Construction
			Eastern Projects a total savings of \$7,500,000 over the next two biennia if Phase 2 construction of Patterson Hall takes place this biennium instead of next biennium.
The Evergreen State College	State Bonds	\$370,000	Biomass Energy System Predesign
Western Washington University: As of 11/4/09, No supplemental 2010 capital budget requests.			

2010 Supplemental Capital Budget

Higher Education Institution Submittal

Fund Source As Marked

<u>Institution</u>	<u>Fund Source</u>	<u>Amount</u>	<u>Description</u>	
State Board for Community and Technical Colleges	State Bonds	\$10,000,000	Spokane Falls CC: Campus Classrooms	
	Institution Building Fees	\$11,000,000		
				Captures \$10 million in bid savings and additional building fees.
	State Bonds	(\$2,690,000)	Spokane Falls CC: Chemistry and Life Science Bid Savings	
	State Bonds	(\$5,807,000)	Spokane CC: Technical Education Building Bid Savings	
	State Bonds	(\$1,636,000)	Spokane Falls CC: Music Bldg Bid Savings	
	State Bonds	\$8,500,000	Pierce College Fort Steilacoom: Cascade Core	
	State Bonds	\$35,382,000	South Puget Sound CC: Learning Resource Center	
	Institution Building Fees	\$988,000	Roof Repairs "A"	
	Institution Building Fees	\$2,513,000	Minor Works- Clover Park Spandrel Repair and Seattle Central Siding	
Institution Building Fees	\$884,000	Minor Works- Preservation		
SBCTC SUBTOTAL:	<i>Institution Building Fees</i>	\$15,385,000		
	<i>State Bonds</i>	\$43,749,000		

Additionally, the State Board is requesting funding for Debt Service and Insurance Coverage for Building Fee Financed Certificate of Participation Projects for \$6,500,000. This is an operating budget request that affects two capital projects at Bellingham Technical College Instructional LRC Buildings and the Green River Humanities Replacement Building. The State Board requests that debt service is considered an ongoing expenditure that is best addressed in the operating budget.

Also, the State Board is requesting to clarify the scope for the Edmonds Alternative Financing Contract. The initial request had the college collocating an allied health program and carpentry program in the Alternative High School adjacent to the Edmonds Community College Campus. This project has been delayed by the School District as it reconsiders its future options. The college has already relocated its allied health program into another facility in anticipation of the School Districts actions. The college proposes using the same COP funds to purchase adjacent property owned by the city which includes two smaller buildings and a warehouse. A portion of the warehouse can be modified to support the carpentry program and the rest of the site can be upgraded to support parking needs.

2009-11 Supplemental Capital Budget Recommendations
Public Higher Education Institutions
 HECB Fiscal Committee

Requests

<u>Institution</u>	<u>Request</u>	<u>Fund Source</u>	<u>Amount Requested</u>	<u>Fiscal Committee Recommendation</u>
UW	Balmer Hall Reconstruction	Institution	\$42,800,000	\$42,800,000
UW	UW Tacoma Phase 3	Institution	\$19,800,000	\$19,800,000
UW	UW Tacoma Land Acquisition	State	\$2,000,000	\$2,000,000
EWU	Accelerated Patterson Hall Construction	State	\$27,300,000	\$27,300,000
TESC	Biomass Energy System Predesign	State	\$370,000	
SBCTC	Pierce College Ft. Steilacoom: Cascade Core	State	\$8,500,000	\$8,500,000
SBCTC	South Puget Sound: Learning Resource Center	State	\$35,382,000	
SBCTC	Roof Repairs "A"	Institution	\$988,000	\$988,000
SBCTC	Minor Works- Clover Park Spandrel & Seattle Central Siding	Institution	\$2,513,000	\$2,513,000
SBCTC	Minor Works- Preservation	Institution	\$884,000	\$884,000
SBCTC	Spokane Falls CC: Campus Classrooms (reflects bid savings from following three projects)	State	\$10,000,000	\$10,000,000
		Institution	\$11,000,000	\$11,000,000
SBCTC	<i>Bid Savings: Spokane Falls Chemistry & Life Sci.</i>	State	(\$2,690,000)	(\$2,690,000)
SBCTC	<i>Bid Savings: Spokane Technical Education</i>	State	(\$5,807,000)	(\$5,807,000)
SBCTC	<i>Bid Savings: Spokane Falls Music Bldg.</i>	State	(\$1,636,000)	(\$1,636,000)
TOTAL	(Not including Bid Savings)	State	\$83,552,000	\$47,800,000
		Institution	\$77,985,000	\$77,985,000

Total by Institution

<u>Institution</u>	<u>Request</u>	<u>Fund Source</u>	<u>Amount Requested</u>	<u>Fiscal Committee Recommendation</u>
UW		State	\$2,000,000	\$2,000,000
		Institution	\$62,600,000	\$62,600,000
WSU		State		
		Institution		
CWU		State		
		Institution		
EWU		State	\$27,300,000	\$27,300,000
		Institution		
TESC		State	\$370,000	
		Institution		
WWU		State		
		Institution		
SBCTC	(Not including Bid Savings)	State	\$53,882,000	\$18,500,000
		Institution	\$15,385,000	\$15,385,000
TOTAL	(Not including Bid Savings)	State	\$83,552,000	\$47,800,000
		Institution	\$77,985,000	\$77,985,000

November 2009

Preliminary Findings and Recommendations: System Design Plan

The System Design Plan offers a long-term framework for making decisions about expanding Washington's higher education system. In a time of significant budget challenges, the plan shows how to continue progress on the ambitious goals of increased degree production contained in the HECB's 2008 *Strategic Master Plan for Higher Education* and also aligns well with the Obama Administration's aggressive goal of restoring the U.S. as the best educated nation in the world by 2020.

Background

The Legislature recognized the critical importance of educating more Washingtonians when it passed HRC 4408, endorsing the 2008 *Strategic Master Plan*. Growth in the state's economy will require thousands of people to obtain additional bachelors's and graduate degrees by the year 2030. We'll also need to add thousands more mid-level degrees and certificates. Even if Washington's degree production keeps pace with population growth – a *big if*, given the current challenges facing higher education – we'd only reach a third of the state's degree goals by 2030.

We face a harsh reality: younger working age adults are less well educated than their older counterparts. These well-educated members of the baby boom generation are a large percentage of the current workforce and they are nearing retirement age. Washington must respond to these alarming generational declines. In particular, the state needs to ramp up efforts to include more people from groups that traditionally have been under-represented in college.

We will also need to address regional inequities in access to postsecondary education. And we need to prepare more workers to be competitive in Washington's labor market. Projections show that forecasted demand for workers at all degree levels exceeds the supply. In some high demand fields, the annual need for workers is twice that of students currently graduating in those fields. These fields include science technology, aircraft mechanics and technicians, and selected health care occupations. In specialized, high demand fields like physical therapists and registered nurses, the gap is even larger – less than half of forecast demand.

There are positive signs of higher education's ability to respond. Community college enrollments are up sharply during the current recession. Branch campuses and centers are growing rapidly. An estimated 440,000 working adults have had "some college," a group with a past track record of success in college who might continue if going to college were more convenient. The number of high school graduates is growing and will continue to grow until at least the year 2025. We know which areas of the state are growing fastest and we can document where expansion in the higher education system is likely to be successful.

How the System Design Plan addresses the challenges

The preliminary recommendations contained in the System Design Plan are based upon extensive data analysis and seven months of work by the main System Design group, state partner agencies (SBCTC, COP, ICW, WTECB) and meetings with presidents and provosts of all public universities and several independents. The Plan consists of four key recommendations:

- A set of guiding principles on which to base future growth decisions;
- A near-term strategy to grow enrollment without major capital investment;
- A new process for evaluating major new expansion proposals (new branch campuses, capital investment in university centers, new campuses or major technology innovations); and
- A new Fund for Innovation to foster innovation, pilot programs, and partnerships focused on improving access and completion, increasing system productivity, and alternative program delivery.

Growing the system

The System Design Plan's recommendations rest on several key concepts:

- First, invest in effective programs to improve the motivation and preparation of K-12 students and young working-age adults.
- Second, make strategic use of existing capacity at the branch campuses, centers and comprehensive institutions to broaden the geographic availability of baccalaureate education.
- Third, when new capacity is proposed, employ an "expand on demand" philosophy building it only when demand is evident.
- Fourth, focus investment in expanded doctoral and high-cost graduate education at the main campuses of UW and WSU. Over time, shift the mix of undergraduate and graduate education at selected institutions so that graduate education also increases.

These key concepts recognize that we should first use existing system capacity before making new investments. The underlying principle is called "expand on demand." It calls for documented evidence that students are already in a region and ready to attend college, rather than relying on the "build it and they will come" approach that Washington has used in the past. This means that, in the near term, all existing higher education facilities would be expanded to their planned capacity to use the current system to its best advantage before making new capital investments.

At the public baccalaureate sector, the System Design Plan proposes connecting undergraduate and graduate education in optimal strategies so that both can expand rapidly. To do this, undergraduate programs would be diversified and expanded to more locations to provide greater opportunities to more students. Expansion of high-cost graduate programs would be focused at the two Research I universities.

A New Process for Evaluating Proposals for Expansion

Expansion to new sites, or a change of institutional mission requiring substantial new capital expenditures, must be predicated on the concept that capacity follows demand and evaluated against a set of key criteria. The plan envisions a new process where institutions and/or communities would submit proposals – either developed at their own initiative or in response to HECB-initiated RFPs – to identify under-served regions and populations or high need program areas requiring capital investment.

The HECB would evaluate the proposals and make a recommendation to the Legislature. In cases where expansion doesn't require major new capital investments, the existing budget and program approval processes would be employed.

Promoting innovative ideas

The Fund for Innovation, the final piece of the System Design Plan, is a vehicle to drive improvement in higher education. The Fund is a critical part of the Plan's implementation, allowing higher education to test innovative and alternative ideas. The process would be administered by the HECB and would seek to leverage federal dollars for innovation, such as those available through FIPSE and other grant programs, as well as some state dollars.

This new process for competitive grants would be open to all public and private institutions to foster innovation, collaboration and system-wide productivity. In a fiscal environment in which support for higher education is declining, the Fund for Innovation is a key component to foster the kind of change in the core academic enterprise that we need.

To achieve the targeted 40 percent increases in degree production called for in the *Strategic Master Plan*, higher education needs to grow efficiently and strategically. The System Design Plan recommendations propose strategies addressing both near- and long-term expansion of degree production in Washington. The plan builds upon current capacity while also encouraging innovation.

RESOLUTION NO. 09-29

WHEREAS, The Board's 2008 *Strategic Master Plan for Higher Education* and the companion *Implementation Plan* called for a comprehensive review of the existing delivery system and the development of a process to assess future needs, guide the development of new campuses, and recommend changes in institutional missions; and

WHEREAS, Pursuant to Engrossed Substitute House Bill 1244, Sec. 612, the Legislature has endorsed the process of developing a system design that "defines how the current higher education delivery system can be shaped and expanded over the next ten years to best meet the needs of Washington citizens and businesses for high quality and accessible postsecondary education;" and

WHEREAS, The System Design Plan was developed over seven months with input from a broad array of constituents, including the State Board for Community and Technical Colleges, the Council of Presidents, the Independent Colleges of Washington, a main System Design Plan work group of university provosts and community and technical college presidents, and a Steering Committee composed of leaders from Washington business and industry, legislators and their staff; and

WHEREAS, The System Design Plan recommendations contain a set of guiding principles on which to base future growth decisions; a near-term strategy to grow enrollment without major capital investment; a new process for evaluating major new expansion proposals; and a new to foster change and innovations in higher education; and

WHEREAS, The System Design Plan's recommendations rest on key concepts concerning improving the preparation of K-12 students and young working-age adults; strategically using existing capacity in higher education to broaden access to baccalaureate and graduate education; employing a philosophy of "expand on demand" articulated in the 2008 *Strategic Master Plan for Higher Education*; and shifting the mix of undergraduate and graduate education over time at selected institutions so that graduate education also increases; and

WHEREAS, the Board recommends that a larger higher education funding study be conducted as the next critical step in the implementation of the 2008 *Strategic Master Plan for Higher Education*;

THEREFORE, BE IT RESOLVED, That the Board approves the System Design Plan set forth in the Discussion Outline for the System Design Plan and the Summary Letter to the System Design Plan Steering Committee (dated November 9, 2009), and directs staff to complete the final report, making changes and adjustments as needed, and deliver to the Governor and the Legislature by December 15, 2009; and

BE IT FURTHER RESOLVED, That the Board directs staff to develop legislation for the 2010 session to implement the System Design Plan.

Adopted: November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary

DISCUSSION OUTLINE FOR SYSTEM DESIGN PLAN RECOMMENDATIONS: Statewide Plan for Moving the Blue Arrow

The Foundation

1. 2008 Strategic Master Plan Goals
 - Increase degree and certificate attainment by 40 percent by 2018
 - Focus on diversity
 - Set higher expectations for all K-12 students
 - Create a system of support for lifelong learning
 - Make college affordable and accessible
 - Promote economic growth and innovation by focusing on skills and knowledge needed for 21st century
 - Emphasize accountability for results
2. Key Recommendations from Implementation Plan (2009)
 - Preserve the progress we have made by maintaining levels of support for higher education
 - Build a larger “pipeline” to postsecondary education that captures more students from our K-12 schools and more working-age adults
 - Expand on demand by targeting growth and tailoring institutional plans to respond to specific demographic, regional and workforce needs
 - Develop an evaluation process that aligns system expansion (new sites or campuses and mission changes) with student demand and state goals.
 -
3. Mission of our Institutions
 - List things each sector should be doing
 - Include e-learning from a statewide perspective
4. Revisit economic needs assessment



SYSTEM DESIGN
PLAN

The Problems (Issues)

1. Significant budget reductions in the 2009-11 biennium (with even deeper cuts likely to be discussed in the 2010 legislative session) have set back institutional capacity for growth and program diversity.

2. To meet the goals of the Strategic Master Plan, we need to increase degree and certificate production at all levels (2010 - 2030). Additional degrees needed, by level, are provided in the table below. Note that the growth expected from population growth alone (assuming sustained participation rates, which may be a big assumption) achieves only one third of the goal. Therefore, achievement of the goal, which helps us reach the 75th percentile of the Global Challenge States, will require significant investment in policies that will increase participation rates across the state. The growth in the chart below represents a 40% increase over degree production in 2009, an aggressive goal that is entirely consistent with the Obama Administration's goal of a 60% increase in U.S. baccalaureate degree production.

Level	Population Growth	Policy Growth	Total
Mid-level	5,100	5,200	10,300
Baccalaureate	2,600	7,900	11,400
Graduate	1,600	7,700	9,300
TOTAL	9,300	20,800	31,000

3. There are regional inequities in access to post-secondary education, particularly at the baccalaureate and graduate levels. (For example, Snohomish County, Kitsap County, Pierce County and the peninsula)

4. The fastest growing portions of the state population are ethnic and racial groups and low-income families that have been traditionally under-served by the higher education system.

5. Grow college-awareness among first-generation, low- income, and students from traditionally underrepresented groups.

6. Encourage more high school graduates, community college graduates, and returning adults to define their educational goals and to enter institutions of higher education that provide them optimal opportunities to succeed.

7. Washington's economy relies on a well-educated and technically skilled workforce. We have developed this workforce by relying, in part, on our ability to draw specialized talent to the state. Going forward, we need to sustain our innovation capacity by educating more of our own citizens through certificate and degree levels, enhancing

investment in the expansion of high demand programs, and leveraging the research capacity of our research institutions.

8. Long-term degree production targets exceed the current capacity of the system (public and private)
9. We need to develop a mechanism to engage the private, independent colleges (including fully online programs and institutions) more fully into the planning and delivery of higher education.
10. More high school students today, *not* fewer, are graduating from high school unprepared for college-level work.
11. Declining levels of baccalaureate and graduate degree attainment will result in real losses for Washington—lower median annual household income, a greater percent of the population living in poverty, a higher percent using state or federal welfare, fewer taxes paid to the state, greater reliance on state human and social services, less research and innovation to fuel Washington’s economy.

The Strengths We Build Upon:

1. Washington’s higher education system is highly efficient.
2. Washington’s higher education sectors all rank at or near the top in national comparisons of degree productivity relative to enrollments, as well as to funding per FTE.
3. Robust dual credit programs (Running Start, College in the High School, AP, IB) enrich high school and lower the time-to-degree for a number of students. In Running Start alone, nearly 18,000 students are earning high school and college credit simultaneously.
4. Washington’s Community and Technical College system :
 - a. Provided 16,000 transfer students last year
 - b. Retrains 15,000 workers annually for a changing economy
 - c. Effectively prepares more students for college level work
 - d. Hosts baccalaureate and graduate degrees at 24 local community and technical college campuses around the state through partnerships with public and private universities
 - e. Provides applied bachelors degrees at 7 institutions
 - f. Provides literacy and basic skills to those who did not complete high school and to immigrants

5. Washington's six public baccalaureates:
 - a. Produced over 22,000 bachelors degrees last year,
 - b. Produced over 3,200 high demand degrees
 - c. Produced 6,500 graduate degrees
 - d. Overall, since 2000 increased 6-year graduation rates by nearly nine points to over 70%, one of the best in the nation.
6. Research activity at WSU and UW in FY07, including commercialization, resulted in
 - a. Almost \$1 billion in R&D expenditures
 - b. \$2.1 billion in additional total sales
 - c. \$200 million in state and local sales and B&O tax revenue, and
 - d. Supported 16,000 jobs in the state's economy
7. Independent colleges and universities award more than one fourth of the bachelor's degrees and almost half of the masters and professional degrees.
8. eLearning continues to grow at all levels, with improvements in direct instruction and student services expanding opportunities for Washington's placebound, hard-to-reach, and working adults to access higher education and achieve their educational goals
9. ICW produced over 6000 baccalaureate degrees last year.
 - a. Over 1700 of these degrees were in STEM fields and the health sciences.
 - b. Over 2700 were graduate degrees.
 - c. The four-year graduation rate has increased by 11 percent since 2000.

Characteristics of the Delivery System Today

1. The public baccalaureate system is relatively small compared to other states, but provides a broad array of choice (from TESC interdisciplinary approach to flagship research university).
2. Five branch campuses and 10 university centers and 40 teaching sites collocated on community and technical college campuses provide additional access to baccalaureate programs.
3. CTC system (34 community and technical colleges) is highly effective at providing transfer education, workforce preparation, applied bachelor's degrees and basic skills, and is geographically well distributed across the state
4. Ten private, non-profit universities provide additional access to a diversity of quality baccalaureate, master's, and professional programs located across the state, offering

over 175 programs in more than 25 sites across the state, including on military bases, community college campuses, and business parks.

5. Washington's two major research universities award 35% of all undergraduate degrees.
6. The public universities award 92% of all doctoral degrees in the state.
7. Regional-comprehensive universities award nearly 60% of all teaching credentials at the undergraduate level and a quarter of all master's degrees.
8. Private universities award one-fourth of bachelor's degrees and one-half of master's and professional degrees.
9. Washington's community and technical colleges provide two out of every five bachelor's degree graduates through transfer.
10. Washington's private career colleges comprise a small, but fast-growing, portion of the higher education system that provide baccalaureate degrees especially attuned for adult learners and using technology as part of its delivery mechanism.
11. Washington's higher education system, both 2- and 4-year, has already agreed upon a core of performance measures that track students' progress and success in higher education.
12. Washington's higher education community has embraced the use of performance agreements to measure productivity through the SBCTC Student Achievement Initiative and through efforts currently underway with the 4-year sector.

Key Elements of the Proposed Recommendations

- I. Guiding Principles for System Expansion and Optimization
- II. Enrollment growth strategy for near term (not requiring major new capital investment)
- III. Blue Arrow Fund for Innovation in outreach, access and completion, alternative program models
- IV. Rules for Expansion
 1. Concept of Expand on Demand: Includes expansion handled through current "normal" processes as well as major new capital expenditures for new campuses, centers, partnerships and collaborations (Attachment A)
 2. Diagram of HECB- and locally-initiated processes to encourage increases in educational attainment (Attachments B and C)

I. Guiding Principles for System Expansion and Optimization

1. The interests and needs of current and future students should be one of the primary considerations in deciding whether and how to expand or revise higher education services.
2. Investments in higher education should advance the state's economic vitality, innovation and job growth, including meeting the high demand needs of the state.
3. Washington should restore and further invest in its higher education system to preserve and build upon its excellence and productivity and optimize opportunities for future generations.
4. Major new investments in expansion to meet the HECB *Strategic Master Plan* degree goals should first leverage existing missions, institutions, partnerships, collaborations, and educational delivery models.
5. Washington should place an early emphasis on policies that will raise educational attainment in underserved populations and underserved regions of the state.
6. Incentives for innovation in outreach, access and completion, and alternative program delivery should be developed.
7. Washington should invest in online and hybrid instructional delivery to transform higher education so that it is better positioned to meet changing technological, cultural and economic forces, improve the efficiency and quality of higher education, and provide greater access for all students, particularly for placebound and hard-to-reach student populations.

II. Enrollment Growth Strategies, Near Term (not requiring major new capital investment)

1. ***Expand the "Pipelines"*** by:
 - a. Investing early in key strategies to increase the supply of motivated and prepared high school graduates to enter college directly after high school:
 - Expand existing programs that are proven effective (GEAR-UP, College Bound, drop-out prevention, dual credit, *Navigation 101*, mentoring programs like "Compass 2 College," etc.)
 - Encourage innovative and collaborative new efforts to encourage students to consider all options for college

- Among new entrants to higher education, encourage more academically prepared, especially low income, students to directly enter baccalaureate institutions
 - Increase utilization of independent non-profit colleges, through increased freshman, transfer, and graduate students
- b. Increasing transfer rates of associate degree holders
 - Preserve CTC transfer opportunities at the baccalaureates
 - Encourage more transfer students to enroll in independent colleges and universities through transfer-friendly policies
 - Develop financial aid programs to encourage transfer students to continue to the baccalaureate
 - c. Strengthening and expanding re-entry programs for working-age adults
 - Expand existing programs that work (Opportunity Grants, I-Best, etc)
 - Explore options for flexible scheduling and convenient class locations
 - Consider financial aid for part-time students
 - Provide outreach to former students to encourage them to return and complete their programs
 - Explore ways to scaffold portions of programs so that students can return to upgrade skills and earn degrees
 - Develop employer partnerships, such as the Lifelong Learning Accounts (LiLAs) currently piloted by the WETCB
 - Consider ways to award credit for prior learning through portfolios assessments and other ways to demonstrate competence
2. *Expand baccalaureate capacity* through concurrent and multiple strategies that fully utilize existing and planned capacity in current missions, institutions and partnerships.
- a. Grow Vancouver, Tacoma, Bothell and Tri-Cities campuses to planned capacity levels and focus on expanding program diversity
 - b. Expand capacity for freshmen and transfer students, with an emphasis at comprehensive universities and TESC, branch campuses, university centers, and community and technical colleges
 - c. Provide additional service in underserved regions (for example Kitsap, Clallam, Snohomish, Pierce) by rapid expansion of program diversity at existing university centers and sites
 - d. Provide additional access for hard-to-reach and placebound populations through online programs and course offerings
 - e. Expand applied baccalaureate degrees at universities, university centers and community and technical colleges.
 - SBCTC and HECB to develop statewide assessment of need for additional degrees
 - HECB and SBCTC to develop process for determining institutional interest in offering applied baccalaureates among 2- and 4-year institutions

- SBCTC and HECB approve programs for CTC offerings; HECB approves programs from public four-year institutions
3. *Expand graduate capacity* by:
 - a. Undertaking an expanded state role in supporting high cost graduate and doctoral programs at main campuses of UW and WSU in order to leverage research and commercialization activity
 - b. Incorporate statewide economic needs assessment to target graduate programs for expansion
 - c. Identifying 2030 goals for undergraduate/graduate enrollment mix at the University of Washington and Washington State University
 - d. Expanding graduate education at comprehensives and branch campuses
 - e. Providing financial aid and support for students pursuing graduate education

III. Rules for Expansion to New Sites or New Missions

1. Expansion to new sites or new missions requiring substantial new capital expenditures must be predicated on the concept that capacity follows demand.
2. A matrix (Attachment A) categorizes institutional types and characteristics, including estimated costs to replicate.
 - Note: Both University Centers and CTC BAS degrees provide baccalaureate degrees located on CTC campuses. Both should be eligible for capital if they meet the FTE threshold.
3. A diagram (Attachments B and C) of two paths (HECB-initiated and locally-driven) describes the process for developing and evaluating proposals for growth
 - Responds to state and regional economic development, workforce and innovation needs
 - Funds outcomes for innovation and reallocation

IV. The Blue Arrow Fund for Innovation

1. Develop a new process for competitive grants to universities and community and technical colleges to foster innovation, pilot programs, collaboration and system-wide productivity, (see Attachments B and C) such as:
 - Access and completion efforts targeted to underrepresented population groups
 - Partnerships between institutions, foundations and K-12 school districts to increase the number of college-ready high school graduates who transition directly to college
 - Expansion of hybrid and online courses, open courseware, and other uses of technology and online services to improve educational outcomes
 - Accelerated programs and alternative scheduling, such as three-year baccalaureate degrees
 - Other innovations to improve educational attainment
2. Process would be administered by the HECB and would seek to leverage federal dollars for innovation (Access and Completion Fund; FIPSE)

V. Funding

Many worthy policy objectives have been sacrificed in unplanned responses to the boom-and-bust cycle that characterizes higher education finance in Washington. To achieve the HEC Board's enrollment goals, we need a stable and predictable higher education finance system.

Our finance system should:

- Allow students at an early age to plan with confidence for their college educations
- Encourage student choice among the state's public and private colleges
- Insulate students' access to quality and diverse educational opportunities from the financial vagaries of the state's revenue base
- Strike an appropriate level of shared financial responsibility from available funding sources, including tuition paid by students and their families, financial aid and state appropriations
- Monitor and fund higher education to support system performance and sustainability
- Adopt a state-level strategy for investing in productivity enhancement

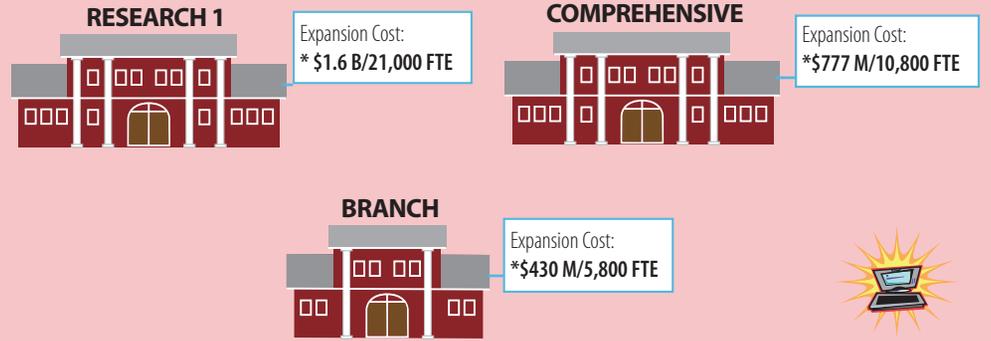
EXPAND ON DEMAND

(Cost depends on program and partner mix)

CHARACTERISTICS

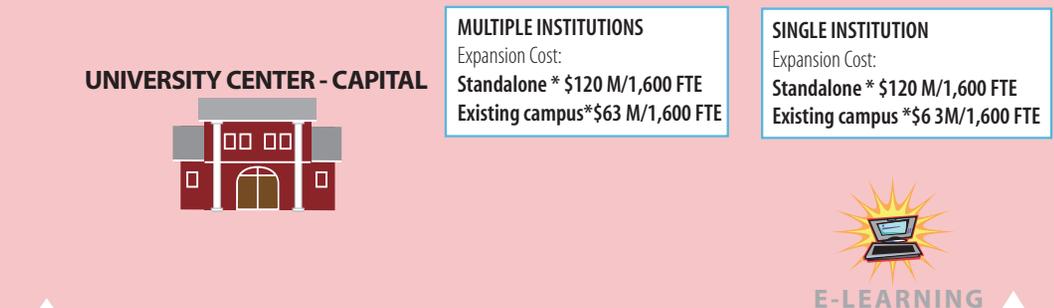
SYSTEM CAMPUSES (University, College, Branch Campus)

AUTHORIZATION	Legislature (Authorization & Funding) & HECB (Program Approval)
NATURE	Permanent
PROVIDER	Single or New Institution
FOCUS	Statewide
OFFERINGS	Array of Certificates, Degrees
SUSTAINED STUDENT DEMAND	Branch: ≥ 800 FTE; Comprehensive $\geq 4,000$ FTE; Research $\geq 15,000$ FTE
FUNDING	New State Dollars
CAPITAL	New State Capital Dollars



UNIVERSITY CENTER (with Capital Investment)

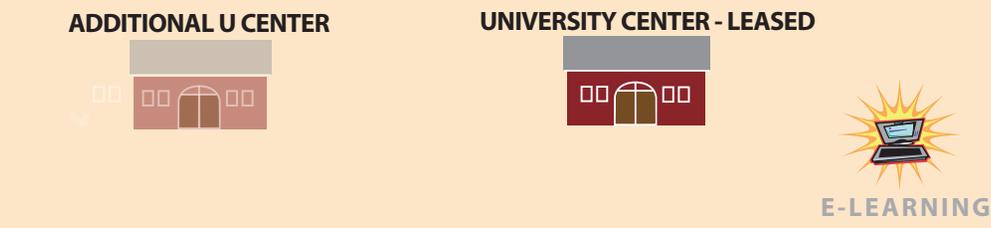
AUTHORIZATION	Legislature (Funding) & HECB (Program Approval)
NATURE	Transitional/Permanent
PROVIDER	Single or Multiple Institutions
FOCUS	Regional
OFFERINGS	Array or Courses, Programs, Certificates, Degrees
SUSTAINED STUDENT DEMAND	≥ 300 FTE
FUNDING	New State Dollars
CAPITAL	New State Capital Dollars



↑ CAPITAL INVESTMENT NECESSARY ¹ ↓
 ↓ CURRENT PROGRAM & BUDGET APPROVAL PROCESS ↓

UNIVERSITY CENTER (Leased or Existing)

AUTHORIZATION	HECB (Program Approval)
NATURE	Transitional/Permanent
PROVIDER	Single or Multiple Institutions
FOCUS	Regional
OFFERINGS	Array of Courses, Programs, Certificates, Degrees
SUSTAINED STUDENT DEMAND	150-300 FTE
FUNDING	New State Dollars
CAPITAL	No New State Capital Dollars



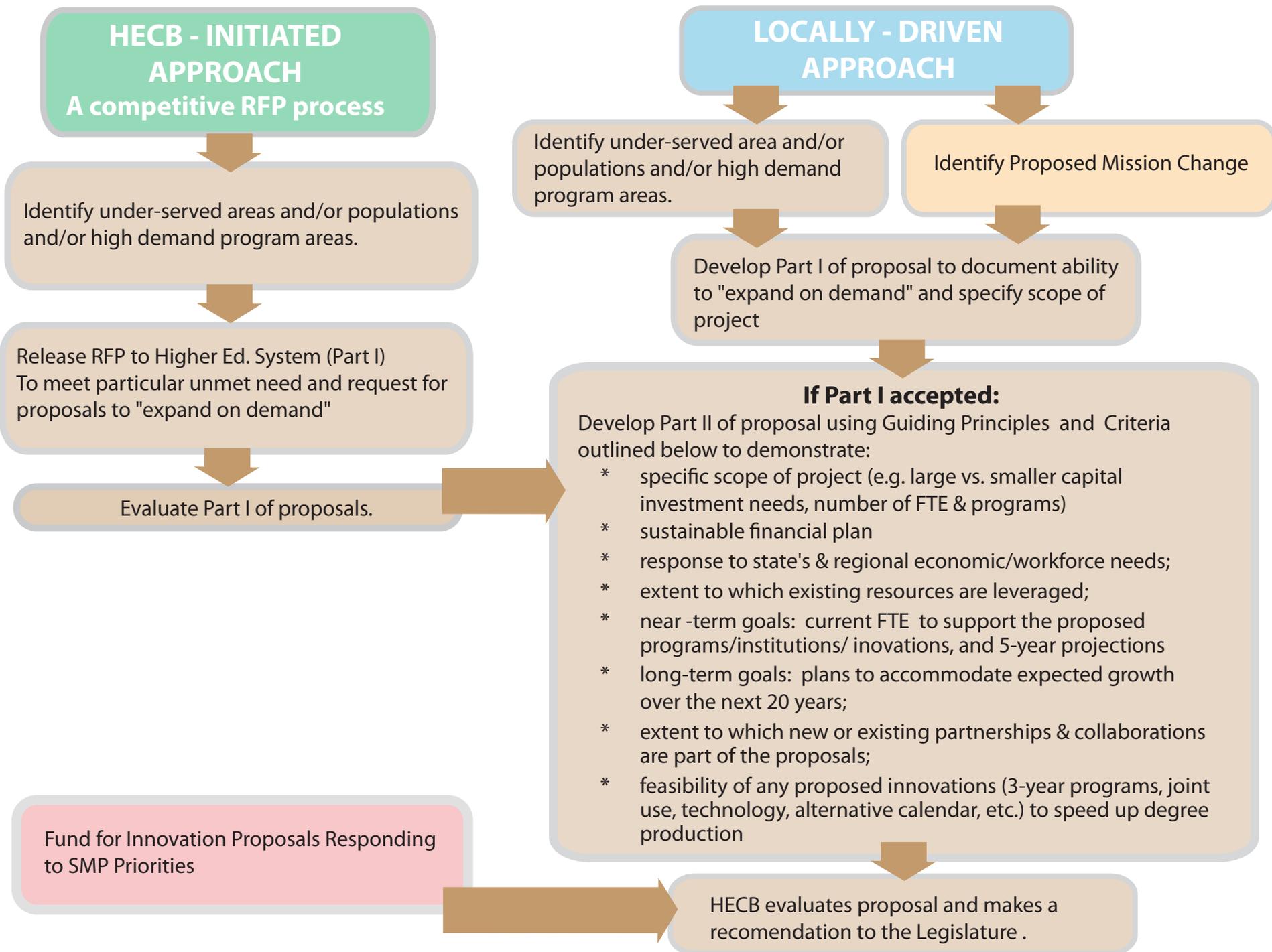
TEACHING SITE E-LEARNING

AUTHORIZATION	HECB (Program Approval)
NATURE	Temporary/Pilot
PROVIDER	Single Institution
FOCUS	Local
OFFERINGS	Limited Courses, Programs, Certificates, Degrees
SUSTAINED STUDENT DEMAND	≤ 150 FTE
FUNDING	Reallocation/Limited New State Dollars
CAPITAL	No New State Capital Dollars



* Approximate
¹ See Attachment B

Increasing Washington's Higher Educational Attainment Levels: Process for Reviewing Proposals for Major Expansion



EXPAND ON DEMAND

Process for Reviewing Proposals for Major Expansion Requiring Capital Investments

CHARACTERISTICS	
SYSTEM CAMPUSES (University, College, Branch Campus)	<p>AUTHORIZATION Legislature (Authorization & Funding) & HECB (Program Approval)</p> <p>NATURE Permanent</p> <p>PROVIDER Single or New Institution</p> <p>FOCUS Statewide</p> <p>OFFERINGS Array of Certificates, Degrees</p> <p>SUSTAINED STUDENT DEMAND Branch: ≥800 FTE; Comprehensive ≥4,000 FTE; Research ≥15,000 FTE</p> <p>FUNDING New State Dollars</p> <p>CAPITAL New State Capital Dollars</p>
UNIVERSITY CENTER (with Capital Investment)	<p>AUTHORIZATION Legislature (Funding) & HECB (Program Approval)</p> <p>NATURE Transitional/Permanent</p> <p>PROVIDER Single or Multiple Institutions</p> <p>FOCUS Regional</p> <p>OFFERINGS Array or Courses, Programs, Certificates, Degrees</p> <p>SUSTAINED STUDENT DEMAND ≥300 FTE</p> <p>FUNDING New State Dollars</p> <p>CAPITAL New State Capital Dollars</p>

RESEARCH 1



Expansion Cost:
*\$1.6 B/21,000 FTE

COMPREHENSIVE



Expansion Cost:
*\$777 M/10,800 FTE

BRANCH



Expansion Cost:
*\$430 M/5,800 FTE

UNIVERSITY CENTER - CAPITAL



MULTIPLE INSTITUTIONS

Expansion Cost:
Standalone * \$120 M/1,600 FTE
Existing campus*\$63 M/1,600 FTE

SINGLE INSTITUTION

Expansion Cost:
Standalone * \$120 M/1,600 FTE
Existing campus *\$63 M/1,600 FTE

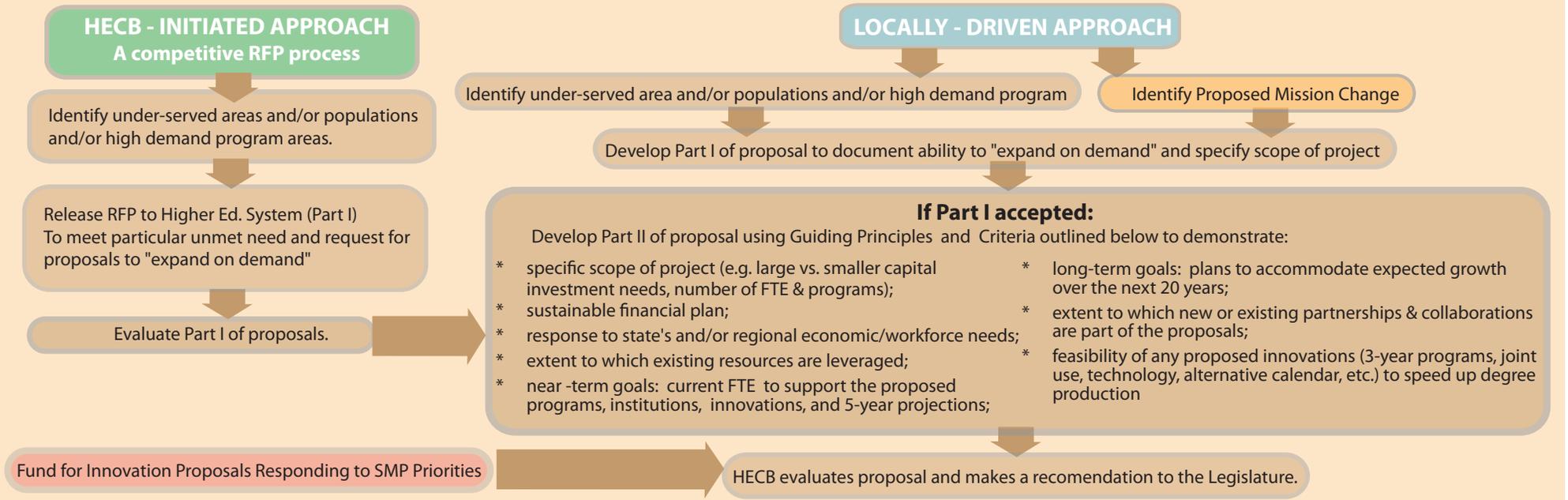


E-LEARNING



E-LEARNING

CAPITAL INVESTMENT NECESSARY



RESOLUTION NO. 09-29

WHEREAS, The Board's 2008 *Strategic Master Plan for Higher Education* and the companion *Implementation Plan* called for a comprehensive review of the existing delivery system and the development of a process to assess future needs, guide the development of new campuses, and recommend changes in institutional missions; and

WHEREAS, Pursuant to Engrossed Substitute House Bill 1244, Sec. 612, the Legislature has endorsed the process of developing a system design that "defines how the current higher education delivery system can be shaped and expanded over the next ten years to best meet the needs of Washington citizens and businesses for high quality and accessible postsecondary education;" and

WHEREAS, The System Design Plan was developed over seven months with input from a broad array of constituents, including the State Board for Community and Technical Colleges, the Council of Presidents, the Independent Colleges of Washington, a main System Design Plan work group of university provosts and community and technical college presidents, and a Steering Committee composed of leaders from Washington business and industry, legislators and their staff; and

WHEREAS, The System Design Plan recommendations contain a set of guiding principles on which to base future growth decisions; a near-term strategy to grow enrollment without major capital investment; a new process for evaluating major new expansion proposals; and a new to foster change and innovations in higher education; and

WHEREAS, The System Design Plan's recommendations rest on key concepts concerning improving the preparation of K-12 students and young working-age adults; strategically using existing capacity in higher education to broaden access to baccalaureate and graduate education; employing a philosophy of "expand on demand" articulated in the 2008 *Strategic Master Plan for Higher Education*; and shifting the mix of undergraduate and graduate education over time at selected institutions so that graduate education also increases; and

WHEREAS, the Board recommends that a larger higher education funding study be conducted as the next critical step in the implementation of the 2008 *Strategic Master Plan for Higher Education*;

THEREFORE, BE IT RESOLVED, That the Board approves the System Design Plan set forth in the Discussion Outline for the System Design Plan and the Summary Letter to the System Design Plan Steering Committee (dated November 9, 2009), and directs staff to complete the final report, making changes and adjustments as needed, and deliver to the Governor and the Legislature by December 15, 2009; and

BE IT FURTHER RESOLVED, That the Board directs staff to develop legislation for the 2010 session to implement the System Design Plan.

Adopted: November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary

November 2009

Draft: Tuition Report Final Recommendations Engrossed Substitute House Bill 2344

Introduction

Engrossed Substitute House Bill 2344 (ESHB 2344) directed the Higher Education Coordinating Board (HECB) to evaluate “tuition flexibility options” for the state’s public baccalaureate institutions.

This study, which began in May 2009, was conducted in collaboration with representatives of the public baccalaureate institutions, staff from the State Board for Community and Technical Colleges (SBCTC), the Council of Presidents (COP), representatives of the Washington Student Association, and staff representatives from the Governor’s Office of Financial Management and the state Legislature.

The study representatives reviewed the findings and recommendations of 15 prior tuition studies, evaluated the tuition alternatives outlined in the legislation, and have formulated a new state-level tuition policy to guide future tuition rate decisions.

Each tuition alternative was evaluated in terms of its administrative feasibility, effect on state financial aid programs, and impact on students of varying income levels. Importantly, the stakeholder group also evaluated each option in terms of its effect on student access, affordability, and alignment with the state’s *Strategic Master Plan for Higher Education*.

The sum of this work is captured in a working draft entitled, *Tuition Policy Report*, for HECB review and consideration before Board action scheduled for November. The working draft contains a general review of public policy as it pertains to higher education and the responsibility of the state and private beneficiaries of a public higher education system.

The draft includes a review of prior research related to tuition and its effect on access and affordability and an illustration examining the relationship between tuition levels, expected family contribution, and income levels of Washington families.

Finally, preliminary recommendations from HECB staff as well as institutional and student assessments of each tuition alternative are presented for consideration by the Board.

I. Policy Context

Engrossed Substitute House Bill 2344 (ESHB 2344) directs the Higher Education Coordinating Board to evaluate “tuition flexibility options” for the state’s public baccalaureate institutions. This paper presents the findings and recommendations of the study, which was conducted in collaboration with representatives of the public baccalaureate institutions, staff from the SBCTC, the COP, representatives of the Washington Student Association, and staff representatives from the Office of Financial Management and the Legislature.

This report proposes for Board consideration, a recommended tuition policy – at both a state and institutional level – for resident undergraduate students. Additionally, the paper presents an institutional and HECB staff assessment of the tuition alternatives as specified in ESHB 2344.

The paper also presents an important discussion of existing data concerning how tuition setting practices can influence student enrollment and, particularly, responds to ESHB 2344 by examining the high tuition model.

The HECB’s statute requires it to represent the broad public interests in higher education above the interests of the individual institutions and to serve as an advocate for the state’s system of higher education and for students. This report reflects careful attention to fulfilling that responsibility, especially as it concerns the interests of students and families. Additionally, the primary goals of access and affordability, as promulgated by the *2008 Strategic Master Plan for Higher Education*, are paramount to the formation of this tuition policy.

Summary of Washington Tuition Practices

Tuition policy has been a focal point for debate in higher education nationwide since the 1970s and many tuition-setting options have been explored several times in our state and others.

Since 1990, the Higher Education Coordinating Board has produced 15 studies related to tuition policy and tuition setting practices.¹ These prior studies have demonstrated two important principles. First, increasing tuition and fees for students continues to outpace median family income and personal per capita income growth. Second, when state revenue declines, higher education appropriations decline in tandem and tuition and fees increase dramatically in an effort to offset non-tuition based revenue.

These prior reports discuss and emphasize the need to ensure access to higher education by determining a fair, predictable, and affordable tuition policy. Despite many efforts toward those goals, however, since 1995, tuition-setting practices have been established by the Legislature in the state budget and not by a state public higher education tuition policy. As a consequence, decisions about tuition levels have, in effect, been a result of the cyclical nature of state general fund revenue and not a long-term commitment to tuition policy goals.

¹ The full detail, of the HECB reports and briefs related to tuition and fees and tuition policy, is presented in Appendix 1 titled “Synopsis of Tuition Policy Work.”

Guiding Principles

1. Tuition and Accessibility

Ensuring access to college for all citizens, regardless of their income, is a primary principle of public higher education in the United States. This concept is a founding principle of our democracy. Specifically, public higher education was intended to be, and is, a vehicle for educating all citizens and not just the elite. The historical significance of an accessible higher education system resonates today as strongly as it did when Thomas Jefferson founded the first public university in Virginia.

"I know no safe depositary of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education." Thomas Jefferson, 1820

Higher education has the power to transform lives, to build a more prosperous future for our state, and to help us create a society that reflects the diverse contributions of all its citizens. This transformative power flows from the government through an independent but state-supported system of higher education to the students.

Ensuring equitable access is a fundamental underpinning for such an enterprise, which is based on the idea that everyone benefits from rising levels of education. This concept has served our country very well over time, and it argues strongly for a tuition policy that defines the appropriate share of costs between the state and the individuals who benefit.²

In summary, equitable access to public higher education is achieved through several avenues, but perhaps the most important is tuition policy – because the amount people have to pay for higher education directly affects how many participate and succeed.

2. Academic Quality and Funding

Since tuition provides a principal source of revenue to institutions, it plays an important role in an institution's ability to provide students with a quality academic experience. Specifically, academic quality requires, in large part, a sufficient amount of resources being available to, and optimally managed by, an institution.

This principle keenly illustrates, therefore, the importance of tuition to both an institution and to the student. Specifically, institutions need enough revenue to be held accountable for providing quality instruction, and students deserve a quality education from the tuition they pay.

² This report will not offer lengthy analysis about each tuition policy's potential to affect the Guaranteed Education Tuition (GET) program, as the Office of the State Actuary is conducting an analysis of that program, with participation from the HECB concurrently.

II. HECB State Tuition Policy: Rationale and Framework

The term “policy” is used in many different contexts, often with different meaning. Often it is used to refer to a rule which prescribes desired behavior. Public policy is different, however, in that it represents a formal expression of shared values and goals, typically adopted by a governmental entity, to guide future decisions to achieve desired outcomes.

The central issue of public higher education tuition policy concerns the appropriate sharing of cost between the public and students. This policy question has endured since the creation of American public higher education. As Jefferson wrote:

“The expenses of the universities are defrayed partly by the public, and partly by the individuals profiting of them.”

— Thomas Jefferson, 1823

Accordingly, a state public higher education tuition policy should express as a goal the appropriate and desired share of costs between students and the public.

Such a policy would produce the following desired outcomes:

- Support existing state policy to raise the educational attainment level of Washington citizens.
- Result in stable and predictable levels of tuition for students, families, and institutions to ensure access and affordability for students of all income levels.

Components of Tuition Policy

Following from these desired outcomes, this paper proposes a state resident undergraduate tuition policy which establishes as goals:

- At the state level, the appropriate share of public (state appropriated) revenue to institutions and of student tuition revenue to fund the cost of undergraduate education.
- At an institutional governance level, the types of tuition rate setting alternatives available to institutions to realize the state-level tuition revenue goals.

As a policy goal, the share of costs will be normative in nature, reflecting a consensus on what the appropriate share or proportion of cost should be between students and the public – as Table 1 illustrates.

Table 1 - Cost-sharing examples

State Share of the Cost (NGF-S Appropriations)	Student Share of the Cost (Tuition Revenue)
60%	40%
55%	45%
45%	55%

Table 2 shows the percentage of total instructional funding provided by tuition revenue for each of the six baccalaureate institutions in Washington during 2006-07. It also shows the percentage of total funding provided by tuition revenue at comparable types of institutions in Global Challenge States (GCS) for this time period. Based on these figures, it is apparent that Washington institutions relied on tuition revenue to fund instructional costs more than their GCS peers did in 2006-07.

Table 2
Percentage of tuition and fee revenue to total revenue (state support and tuition and fee revenue) by institution Compared to the average percent in the Global Challenge States

2006-07	UW	WSU	CWU	EWU	TESC	WWU
Percentage of Tuition & Fee Revenue to Total Revenue (State Support + T&F)	51.4%	38.9%	47.5%	50.5%	51.5%	53.4%
GCS Average	40.4%	42.5%	44.2%	47.5%	35.6%	45.2%

Table 3 shows that in FY 2010, the percentage of total funding provided by tuition revenue per budgeted FTE grew significantly in response to the economic downturn.

Table 3
Percentage of tuition and fee revenue to total FY 2010 revenue (state support and tuition and fee revenue) by institution, for the current fiscal year by budgeted FTE

2009-10	UW	WSU	CWU	EWU	TESC	WWU
Percentage of Tuition & Fee Revenue to Total Revenue (State Support + T&F)	52.0%	47.4%*	50.2%	49.1%	51.5%	53.2%

*Calculation excludes appropriations to agricultural research and extension programs.

III. Implications of Tuition Policy

ESHB 2344 calls for an examination of the interaction effects of high tuition, lower-income student participation, and financial aid. The term “high tuition,” by itself has no implicit definition and, hence, no meaning. Clearly, “high tuition” is a relative concept, meaning tuition levels that are higher than something else, specifically other tuition levels.

When discussed in the context of public higher education, the “high tuition” concept is typically found to be a part of a state budgeting approach which would propose that higher tuition can, and should, be tied to lower state appropriations to institutions. This “higher tuition and less state appropriations model” frequently addresses the issue of affordability by linking “high financial aid” as a mitigating action.

This paper presents a summary of the experiences of other states and institutions that implemented forms of the high tuition model. Specifically, this existing research provides objective information about the consequences of the “high tuition model” on lower-income

student participation and student debt impacts. The impact of student debt is very important since it demonstrates the limits of financial aid as high tuition mitigation on students and families who do not qualify for aid.

Following this discussion, the paper presents data concerning the interaction between family income levels, expected family contribution levels, and tuition levels.

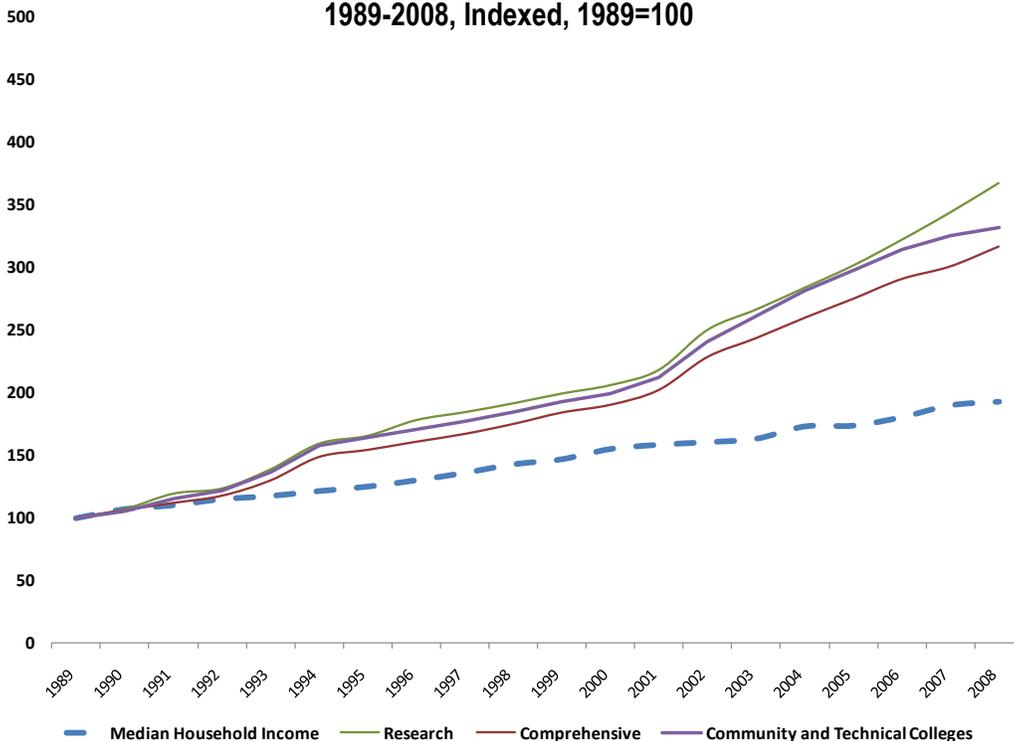
Prior Research

Tuition and fees in Washington have outpaced the level of median family income growth in Washington for more than two decades. As tuition and fees have increased disproportionate to family income levels, student debt has risen dramatically. This decreasing level of affordability for Washington students has been compounded by increased general levels of consumer debt, higher health care costs, and a rising cost of living.

The result is that middle-income families and individuals – those who do not qualify for most student financial aid programs – cannot save as much for college. The dollars they earn buy less higher education than in the past, and that current wages are not sufficient for current tuition and fees (Heller, 1996; Perna & Li, 2006).

Chart 1 shows the relationship of median family income growth to college tuition and fee growth over the last 20 years. Note that tuition and fees have outpaced income growth in each sector of higher education.

**Chart 1 - Washington Median Household Income and Resident Undergraduate Tuition
1989-2008, Indexed, 1989=100**



Source: Office of Financial Management for MHI, Tuition from HECB Tuition Survey.

Complicating this is the growth of personal family debt relative to family income. The Federal Reserve has calculated that the ratio of debt payments to disposable personal income was a high 13.9 percent in 2008 (compared to 11 percent in 1988 and 1998).³

Rapidly increasing health care costs also have reduced the ability of many families to pay for college. A 2008 Kaiser Foundation annual survey of family health care costs, found that employees contributed nearly \$3,400 towards their health insurance (or 12 percent more than they did in 2007).

To summarize, as higher education tuition and fees have outpaced income growth and as rising consumer debt service and increased health care costs have taken up ever-higher proportions of family incomes, higher education has become increasingly less affordable (Heller, 1999).

When families cannot afford the cost of attendance, they often are forced to take out loans. The use of federal loans to finance higher education attendance increased from \$791 million to \$67 billion from 1970 to 2007 (Cunningham and Santiago, 2008). Even worse, research indicates that many students from lower and middle-income families simply forego college participation based on the increasing price.

Without a tuition policy that establishes the appropriate share of costs to be paid by students and the state, it is likely that tuition and fee increases will continue to outpace family income growth, making a college education much harder to attain than at any time in recent history; this at a time when we need to be educating many more of our citizens to higher levels to compete in the knowledge-driven global economy.

Increasing access to higher education for students from low-income families and students of color, is a priority of the *2008 Strategic Master Plan for Higher Education*. Promoting access can be accomplished in a number of ways, but the literature presents tuition-setting policy as a key means for positively or negatively affecting college going among low-income students.

Higher education literature presents a vast body of work on the relationship between tuition and enrollments. By and large, increasing tuition is believed to affect enrollments negatively (Leslie & Brinkman, 1987; Heller, 1996; Ehrenburg, 2006).

While some efforts have been made to unpack the explanatory variables for slackening enrollment, the face value amount of tuition, the availability of financial aid, and the preparation of students in the K-12 sector are all believed to affect college-going rates; however, a more critical question is clear: ***Who is affected by increasing tuition?***

An implication of rising tuition is access to higher education for low-income students and students of color.

³ Federal Reserve Economic Research and Data Services. Retrieved June 3, 2009, from <http://www.federalreserve.gov/releases/housedebt/default.htm>.

Research indicates that low-income students react differently than high-income students to tuition rates, known also as “sticker price,” and to different types of financial aid (Heller, 1997; St. John, 2002). Overall, lower income students respond quickly and decisively to higher tuition rates. When tuition increases by \$1,000, lower income students are 16 to 19 percent more likely to drop out of college, regardless of financial aid (Paulsen & St. John, 2002).

Across all institution types and student income levels, tuition increases of \$100 result in a drop in enrollments of one-half to one percent; these data points were arrived at using information from the early 1980s, so the affect could be much greater today (Heller, 1997). Overall, the higher education literature asserts that the higher tuition prices climb, the more low-income and lower middle-income students perceive college as a hardship.

“It is precisely those poor and working-class students who are aware of the problematic nature of college costs, those who self-identify and profess that they are financially at risk in the face of such costs and who intentionally select the colleges they attend according to the availability of financial aid and low tuition ...”

— Paulsen and St. John, 2002

Research suggest that high levels of financial aid may not have a significant impact on decisions made by low-income students, many of whom would rather attend low-cost institutions over high-cost institutions, even if high aid is available (Paulsen and St. John, 2002).

Although tuition assistance programs aim to assist extremely low-income resident students, many of these students will choose not to sit for entrance exams and submit applications, steps that are necessary to enroll in college, due to sticker shock from tuition costs (St. John, 2002). Far fewer middle and upper income students will fail to take required entrance exams and submit applications due to college costs than their low-income peers.

The high tuition scenario has been associated with a number of unintended negative consequences, primarily on the enrollment patterns of low-income students and students of color. Since this policy has been employed, the University of Michigan has experienced a 10 percent decrease in the number of students from households making between \$10,000 and \$74,999, and an 8 percent increase in the number of students from households making over \$200,000. Likewise, the entering freshman classes have become less ethnically and culturally diverse (Nishimura, 2009).

In summary, access to higher education is affected by increasing tuition and fee rates. In particular, rates affect low-income students and students of color most adversely.

Interaction between Family Income, Tuition Share, and Financial Aid

To examine and illustrate the interaction between varying tuition levels, family income, and financial need, data were gathered to address the following questions.

At varying levels of tuition, with a fixed or constant amount of the cost of undergraduate instruction (state appropriations and tuition):

1. *What are the differing amounts of the “cost of attendance” to a family/student (tuition, room and board, books, transportation costs, and mandatory fees)?*
2. *What income levels of a family of four with one student are needed to pay the differing costs of attendance?*
3. *How many families of four in Washington have family income that fall below these needed amounts?*

To address these questions, the following data sources and assumptions were used:

- For this illustration, the cost of instruction for resident undergraduate students was based upon the University of Washington’s 2008-09 level of \$10,885.
- Cost of attendance includes fixed costs but would decrease should tuition decrease as the student share of the cost of instruction is adjusted.
- Family income information is based on a Washington-domiciled family of four with varying levels of annual income, assets of \$40,000, varying levels of taxes, but with one dependent student in college.
- Information related to income levels below Expected Family Contribution is derived from the American Community Survey. The analysis was completed for the HECB by the Office of Financial Management.

Table 4
Interaction between cost of instruction, tuition rates, and family income
in the state of Washington for families of four – University of Washington example

2008-09 Cost of Instruction (State Support and Tuition Revenue) = \$10,885⁽¹⁾		Cost of Attendance at Varying Levels of Tuition⁽²⁾	Family Income Levels		
Tuition and Fees in dollars as a part of the Cost of Instruction	Tuition and Fees as a Percent of the Cost of Instruction	Cost of Attendance as Tuition Increases	Family Income Needed to Pay Cost of Attendance	Families Below Income Level Required to Meet Expected Family Contribution ⁽³⁾	
				N = Number of Families	% of State Families of Four
\$2,177	20%	\$14,513	\$90,000	174,314	61%
\$2,721	25%	\$15,057	\$92,500	180,159	64%
\$3,810	35%	\$16,146	\$95,000	184,480	65%
\$4,354	40%	\$16,690	\$97,500	189,330	67%
\$4,898	45%	\$17,234	\$98,500	190,267	67%
\$5,443	50%	\$17,779	\$100,000	193,190	68%
\$5,987	55%	\$18,323	\$102,500	197,844	70%
\$6,531	60%	\$18,867	\$103,500	199,151	70%
\$7,075	65%	\$19,411	\$105,000	202,136	71%

(1). Cost of Instruction for resident undergraduates at the University of Washington derived from 2008-09 Disclosure Report.

(2). Based on the 2008-09 total academic year cost of attendance \$19,138 when tuition was \$6,250.

(3). Source: ACS PUMS 2005-2007. The ACS sample was 8,680 families of four with resident children under 25. Using the ACS household weights, that translates into 283,704 families of four in WA.

Table 4 illustrates how the Cost of Attendance to a family changes as the share of tuition to the Cost of Instruction changes. In the table, tuition shares to the cost of instruction (\$10,885) are presented in categories ranging from 20 to 65 percent. Additionally, the table shows the family income levels needed (per Peterson's Expected Family Contribution calculator) to afford the varying levels of the Cost of Attendance, and the proportion of Washington state families of four with incomes below the needed income level.

For example, if tuition is 40 percent of the cost of instruction, the family income needed to pay the full cost of attendance is \$97,500. As shown in the table, about 67 percent of Washington families of four are below this income level.⁴

The implications of these data on the importance of financial aid as a means to achieve affordability and "level the playing field" are significant. For example, currently, the State Need Grant (SNG) program provides assistance to families making up to 70 percent of the current median family income. In 2008-09, the median income for a family of four was \$75,000. Therefore, SNG assistance was available only to families that made up to \$52,500.

In light of the above, it is clear that the current eligibility income level for state financial assistance is not sufficient for the majority of families to pay the cost of attendance. This finding reveals a significant obstacle in achieving state policy goals to raise the state's postsecondary educational attainment level. Put simply, state financial assistance being available only to families earning less than \$52,500 will not "level the playing field" for most Washington families.

IV. Tuition Alternatives Analysis: Institution and HECB Evaluation

Two major policy values will guide the assessment of these potential tuition alternatives:

- 1. Higher education is a public good with a private benefit.**
The burden and benefit of higher education must be shared by the public, as higher education benefits Washingtonians broadly, but also benefits the individuals specifically that experience it. The share of the cost born by each group is the qualitative judgment which must be made before establishing particular tuition policy alternatives.
- 2. Tuition policy shifts must support the deep-rooted values of affordability and access.** This is promulgated by the *2008 Strategic Master Plan for Higher Education* approved by the HECB and agreed to by the public institutions, the 2008 Legislature, and the State Board for Community and Technical Colleges.

⁴ It is important to note that these data do not reflect other sources of funds which some families receive or have to pay for college. For example, some families may have diligently saved for college costs over many years or have invested in GET or other similar programs. Also, some families receive financial contributions from other family members or other organizations.

“The ultimate reality for publicly supported colleges and universities is that they serve their states. The ultimate reality for state government is that they have to make explicit what they expect and how much they will pay to get it” (Leslie and Berdahl, 2008).

Arriving at a fair and balanced share of the cost for higher education for the citizens of our state and the students in higher education will be a critical process to towards supporting the *Strategic Master Plan* goals of increasing degree attainment broadly and maintaining access for low-income students and students of color.

ESHB 2344 identified several tuition alternatives to be examined in collaboration with higher education institutions.

The alternatives evaluated in this paper include:

- A. Institution based
 - i. Mission/role based
 - ii. Campus based
- B. Student choice based
 - i. Program based
 - ii. Student credit load based
 - iii. Upper/lower-division based
 - iv. Delivery method based (online delivery)
- C. Student/Family income based
- D. Market based
- E. Option to ‘encourage or facilitate co-enrollments’
- F. High Tuition, High Financial Aid

Alternatives Evaluation

A. Institution Based

i. Mission / Role Based

Summary of Option

This option would allow for further differentiation of tuition rates among Washington’s public higher education institutions based on individual mission and role.

Tuition rates currently are set by general institutional type. The state’s two research universities charge an average of \$7,594 per year; the four ‘comprehensive’ universities (which include The Evergreen State College) charge an average \$5,480 annually; and the community and technical colleges charge an annual average of \$2,925. The rates vary slightly by institution within each of the three sectors.

A mission/role-based tuition model is advocated by some because it might result in levels of tuition that more accurately reflect the specific types of programs, degrees, and services provided by each institution. This would broaden the range of tuition charged statewide and might encourage institutions to be more market sensitive and cost conscious.

The current practice of setting tuition rates by sector began in 1977, when a cost-sharing model was established based on the cost of instruction (expenditure-driven) at the research institutions. Under this model, students at the research institutions paid tuition equal to 25 percent of instructional costs. Students at the comprehensive institutions paid 80 percent of the research tuition rate and students at the community colleges paid from 45 to 50 percent of the research rate.

The cost-sharing model was abandoned in 1981, but the practice of differentiating tuition by sector remained, which accounts, in part, for today’s higher research institution tuition rates. Table 5 shows how tuition rates were determined in 1977-81. Table 6 shows today’s rates by sector and institution.

Table 5
1977-1981 tuition was a percent of the cost of instruction at the research universities

	Percent of Cost at Research Universities
Research, Resident	25% of cost
Research, Nonresident	100% of cost
Comprehensive, Resident	80% of research cost
Comprehensive, Nonresident	80% of research cost
Community and Technical College, Resident	45% or 50% of research cost

Table 6
2009-10 Tuition and fees by institution and sector average

Institution/Sector	Tuition and Fees
University of Washington	\$7,587
Washington State University	\$7,600
Research Sector Average	\$7,594
Central Washington University	\$5,589
Eastern Washington University	\$5,445
Western Washington University	\$5,472
The Evergreen State College	\$5,413
Comprehensive Sector Average	\$5,480
Community College Average	\$2,925

Institutional and Student Assessment

A tuition policy allowing institutions to set tuition rates based on their perceived role and mission presumably would result in more widely differentiated rates pegged more specifically to institutional programs and markets. This type of tuition policy would be met with less resistance by institutions than many other alternatives explored in this report. Institutions tended to agree it would provide a better model than sector-based tuition to account for their differential missions, quality, and competitiveness.

HECB Staff Assessment

Staff concur with the institutional assessment and recommends the Board support this as a tuition alternative. This alternative recognizes the diversity of Washington’s public higher education institutions. It would not appear to affect the distribution of State Need Grant funds. Neither would it prevent accurate predictions of how changes in tuition rates might affect program costs nor would it affect current reporting requirements.

ii. Campus Based

Summary of Option

Another option would be campus-based tuition rates. This option would allow institutions to take into account the unique economies of their various service areas and regions in setting tuition rates. For example, the branch campuses now charge the same rates as their research universities. This change would allow the branch campuses to charge different rates, possibly closer to those charged by the comprehensive institutions.

Institutional and Student Assessment

This alternative was generally thought to be feasible from an administrative standpoint by some institutions. Some of the comprehensive institutions have different fees at the university center locations than at the main campus but, by and large, the operating portion of

tuition is consistent across campus locations. There were no real concerns about the policy from the research institutions, with the exception that the option would not necessarily influence enrollments substantially at the branch campuses as the policy may intend.

HECB Staff Assessment

The staff review of this alternative indicated it would be relatively easy to implement and might have the potential to raise participation rates at branch campuses were those campuses to charge lower tuition rates and if they continue to expand degree and course offerings. It is possible this alternative might negatively influence perception in the marketplace about the value of a branch campus degree.

This option would not affect the distribution of SNG funds nor would it act as a barrier to predicting the impact of changes in tuition on program cost. It also would allow the HECB to preserve current SNG policies and the decentralized administrative structure. However, this option would require moderate changes to the reporting requirements for institutions in the State Need Grant program. We recommend the Board support this as a tuition alternative.

B. Student Choice Based

i. Program Based

Summary of Option

Different types of academic programs carry different instructional costs. Instructional costs can vary – sometimes widely – among institutions. Institutions in some states have begun to charge variable tuition rates at the undergraduate level to recoup the costs of more expensive undergraduate programs. Some higher education administrators believe the higher cost of faculty in certain departments necessitates that higher tuition be charged for these programs (Redden, 2007).

Among the institutions outside Washington charging higher tuition for specific undergraduate programs are the University of Wisconsin (Madison and Milwaukee), the University of British Columbia, and the entire Colorado higher education system. The University of Colorado Boulder has four tuition rates for undergraduate students, with programs like engineering and business at the top of the tuition ladder.

The University of Colorado at Colorado Springs and Colorado State University each advertise six tuition rates for undergraduate students. Iowa State University charges higher tuition for all students enrolled in upper-division engineering courses, and the University of Kansas and University of Illinois Champaign charge different rates for different engineering programs.

Washington higher education institutions are allowed to charge differentiated tuition only at the graduate level. Washington State University and the University of Washington have a wide range of tuition rates for various graduate and professional programs. The authority to set graduate tuition rates was extended through 2013 by Senate Bill 5734, passed in 2009.

The challenge of setting a differentiated tuition rate for undergraduate courses is complicated by the fact that one size will not fit all across the different institutions. In other words, instructional costs differ for the same courses taught at different institutions (see Table 7).

Details on different institutional cost structures are provided in the HECB’s 2005-06 *Education Cost Study* (published in 2007). Table 7 shows how the expenditures associated with educating one student in the social sciences vary among institutions. These differentials are due to levels of salaries and benefits (for faculty, support staff, and some administrators), differences in the cost of supplies and equipment related to instruction, and differences in class size. New programs tend to have start-up costs that push their overall instructional costs up initially. However, these drop over time.

Table 7
Approximate total cost per average full time equivalent undergraduate student by institution in 2005-06 for general social science degree

Institution	Discipline Area	Total Cost per Student
University of Washington Seattle	Social Sciences	\$6,916
Washington State Univ. Pullman	Social Sciences	\$5,261
Central Washington University	Social Sciences	\$6,576
Eastern Washington University	Social Sciences	\$7,091
The Evergreen State College	Arts and Letters	\$11,021
Western Washington University	Social Sciences	\$6,135

Source: 2005-06 Higher Education Coordinating Board Cost Study.

Institutional and Student Assessment

Setting variable tuition rates based on instructional costs is viewed by some as equitable, but has the potential to reduce enrollment in certain high-demand programs and high-cost programs like music, art, and drama. In addition, the option could reduce enrollment of low-income students in the programs they want to pursue. Most institutions oppose this option because it would limit student choice of majors and force early declaration of majors. Some institutions think this alternative would harm their liberal arts missions by reducing available fields of study. Further, the option was considered an administrative challenge, as students might be more likely to change majors and would need financial aid repackaging.

HECB Staff Assessment

The HECB staff recommends the Board not support this tuition alternative. This option would limit HECB’s ability to equitably distribute SNG funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, this option would require substantial changes to the reporting requirements for participating institutions and might affect HECB’s ability to adhere to current program policies. HECB staff concurs with the institutional assessment that this alternative would be an administrative challenge for institutions as well as students and families.

ii. Student Credit Load

Summary of Option

Currently, students who attend Washington public colleges and universities are charged a flat rate (per institution) as ‘full-time students’ if they take from 10 to 18 credits per quarter (except for summer courses). At the University of Washington, for example, a full-time student paid \$2,375 in tuition in fall 2009. The intent of this flat-rate tuition policy is to encourage students to take more credits and complete their degrees sooner.

One alternative would be to eliminate the flat rate for full-time students and require all students to pay according to the number of credits taken. This model would be similar to the one in effect for part-time students at the UW. For example, two credits at the UW cost \$476 in fall 2009, three credits \$712, four credits \$950, and so on up to \$2,137 for nine credits.

Institutional and Student Assessment

Institutions report that flat-rate tuition does speed student degree completion. Institutions also harbor a number of concerns about credit-based tuition. Credit-based tuition could lead to greater volatility in student demand and greater fluctuation in student enrollment. Absent the flat rate for full-time tuition, students would have no incentive to enroll in more hours (or not to drop a course if they found it inconvenient). This could negatively impact time to degree and courses would become more difficult to schedule.

Financial aid (State Need Grants) also would be more difficult to administer because student aid awards would vary to a much greater degree than they now do. To sum up, the additional administrative time needed to manage credit-based tuition would offset any revenue gains such a policy might produce. Therefore, institutions oppose such a policy.

HECB Staff Assessment

For the reasons stated above, the HECB staff does not recommend a credit-based tuition option. This option would limit HECB’s ability to equitably distribute State Need Grant funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, this option would require substantial changes to the reporting requirements for participating institutions and may affect HECB’s ability to adhere to current program policies.

iii. Undergraduate Level Based (lower/upper-division)

Summary of Option

Some U.S. institutions (Michigan State, Arizona State) charge higher tuition rates for upper-division courses than for lower-division courses in undergraduate degree programs. This is not a practice among Washington’s baccalaureate institutions, although seven of the state’s community and technical colleges authorized to offer Bachelor of Applied Studies degrees charge a differentiated rate between lower- and upper-division courses in those degree programs.

Institutional and Student Assessment

This option was seen as less problematic by students and institutions than some others. A higher standard tuition rate for upper-division courses might encourage institutions to offer more upper-division courses and enable them to accept more community college transfer students. A higher standard rate would be more predictable than variable tuition rates or other approaches.

Still, there were broad concerns about the administrative feasibility of this alternative, given that students often take a mix of upper- and lower-division courses. Factoring different tuition rates would make financial aid packaging more difficult. Students might load up on lower-division courses to save money while slowing their progress to a degree. More students might drop out once they reach upper-division course levels, and levels of private and public financial aid might not be adequate to cover the cost differential.

HECB Staff Assessment

The HECB staff believes such a tuition policy would negatively affect student retention at the upper-division level. In addition, such a policy would place a greater financial burden on students (especially those from low-income families), would be more difficult for institutions to administer, and would require increased levels of financial aid – all elements that offset any potential positive effects.

This option would reduce the HECB's ability to distribute SNG funds equitably, as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, this option would require substantial changes to the reporting requirements for participating institutions and might affect the HECB's ability to adhere to current program policies. The HECB staff recommends the Board not pursue this alternative.

iv. Delivery Method Based (online delivery)

Summary of Option

Currently, Washington public higher education institutions charge the same tuition for students who take online undergraduate courses as those who attend campus-based courses (with the exception of some campus fees, which online students are not required to pay). Graduate and certificate students in online courses pay a higher per-credit rate.

An alternative would be to adopt a statewide policy of lower tuition rates for online undergraduate courses. The purpose would be to increase access, especially among place-bound students or others who are under served. This would help accomplish the strategic master plan for higher education goal of expanding the use and reach of online learning to achieve higher levels of degree and certificate attainment.

There are relatively few fully online degree programs offered by Washington institutions, although the number of online courses is increasing rapidly, especially among the community and technical colleges. The great majority of students who take online undergraduate courses also take campus-based courses.

One way of approaching this policy might be to specify lower tuition rates in general for online learners and to further lower tuition rates for students who are place-bound or under-served and not taking any campus-based courses. Various metrics could be used to determine tuition rates for under-served students – such as distance from a campus or learning center.

In Pennsylvania, where many fully online degree programs are being offered, students who enroll full-time only in online courses pay less tuition than students who only enroll full-time in campus-based courses.

Full-time (12 or more credits), online students enrolled in bachelors programs through Penn State World Campus paid \$5,504 per semester in 2008-09 for the first 59 credits of the program and \$5,957 after the 59 credit threshold.⁵ Students at Penn State's University Park campus paid \$6,507 per semester in 2008-09 as lower-division students and even higher rates for certain upper-division programs in business, science, engineering, and nursing.⁶

Institutional and Student Assessment

Institutions and students indicated this option might influence more place-bound and under-served students to enroll and complete their degrees. However, there is a fear that lower tuition revenue from online courses might act as a disincentive for institutions to develop and offer online programs. Some institutions also felt this option would be difficult to administer because campus-based students often supplement their course schedules by enrolling in online courses.

HECB Staff Assessment

Administering differentiated online tuition rates could be difficult for institutions and the revenue generation capacity is unknown. However, this policy might encourage more place-bound, nontraditional students to enroll in undergraduate courses and complete degrees. Staff believes that this alternative should be evaluated further prior to its use.

C. Student/Family Income Based

Summary of Option

This approach bases the amount of tuition paid on family income and assets as recorded on the FAFSA form or on the family's adjusted gross income reported to the IRS. In the past, this type of tuition model has been proposed in Washington but not adopted.

One university appears to have a modified form of this model in place – Miami University of Ohio, a public institution with 16,000 students. In 2008-09, tuition ranged from a low of \$8,693 to a high of \$11,443 for full-time undergraduate Ohio residents. About 60 percent of

⁵ For more information on Penn State's World Campus tuition and fee rates, reference <http://www.worldcampus.psu.edu/TuitionTable.shtml>.

⁶ For more information on Penn State's tuition and fee rates, reference <http://tuition.psu.edu/Rates2008-09/UniversityPark.asp>.

Ohio residents received an income-based Miami Grant that reduced the cost of tuition by from \$1,000 to \$2,750.⁷

The university also discounted its in-state tuition by awarding merit-based scholarships (given regardless of income level). In addition, it offered a Miami Access grant that subsidized the full cost of tuition and fees for students with family incomes of \$35,000 or less. These students also were eligible to receive additional scholarships, grants, and federal loans to cover the cost of books and living expenses.

More than 30 percent of Miami students come from out of state and pay a much higher tuition rate (above \$25,000 per year). This money is used to help subsidize lower income Ohio residents. Miami of Ohio is considered an elite public university.

Institutional and Student Assessment

The resounding feedback from institutions regarding income-based tuition rate setting was negative from an administrative and enrollment management standpoint as well as a student perspective. There was widespread recognition that high-tuition models (absent high financial aid) are correlated with high dropout rates in lower and middle-income populations and that applications to, and enrollments in, institutions with this model could slow as a result. Middle-income students often do not have additional funds to pay the higher tuition and do not qualify for most [current] student assistance programs, thus they could end up with high levels of student loan debt if their needs are not considered in this model.

Additionally, this option has the potential to lead to income stratification across sectors and institutions. Finally, a realization that high-income students may more readily choose to go to private or out-of-state institutions rather than pay higher in-state tuition was apparent.

HECB Staff Assessment

Research has demonstrated that students from low-income backgrounds and students of color often avoid attending institutions with high tuition. Additionally, the administrative burden of this option on students, families, and institutions is problematic and its administrative feasibility is questionable. This option would limit HECB's ability to equitably distribute SNG funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, it would require substantial changes to the reporting requirements for participating institutions and might affect HECB's ability to adhere to current program policies. Staff recommends the Board not pursue this as a potential tuition alternative.

⁷ Undergraduate Admission Tuition and Fees. Retrieved January 12, 2009, from <http://www.miami.muohio.edu/admission/fees/finaid/>

D. Market Based

Summary of Option

The alternative suggests the market – supply and demand – provide the appropriate level of tuition at a public institution. For example, an institution with 3,000 available freshman seats and 15,000 freshman applicants would be free to charge more in tuition than an institution with 3,000 available seats and only 6,000 applicants. Relative demand would be the price driver. Institutions with higher tuition levels could, presumably, reinvest those higher revenues in greater amounts of student aid to ensure broad representation.

A literature review did not produce examples of an institution-level or state-level tuition policy related to, or contingent upon, demand in the form of applications versus open slots for freshmen.

Institutional and Student Assessment

Responses varied among the research and comprehensive institutions. Some institutions were concerned this alternative was not in the student's best interest because basing tuition rates on market demand could erode the predictability of tuition rates from year to year. Other institutions indicated that this alternative was feasible, given declining levels of state support. Student representatives expressed significant concerns over the implications of this option on student and family affordability and access.

HECB Staff Assessment

A market-driven tuition policy would further diminish the role and responsibility of the state to educate all its citizens to higher levels. The need to educate more of our citizens to higher levels – to ensure our competitiveness in a global economy and to provide a stable and civil society – is well documented. Placing institutional status at the center of the pricing model for public higher education sends the wrong message – that higher education is for some, not all. This type of policy might also have the potential to speed the reduction of state support at a time when increased levels of state support are needed.

It is well-documented in surveys and through direct experience that students from very low and lower middle-income backgrounds self-select out of institutions perceived as having high tuition rates – despite the financial aid that may be available to them. This option would limit the HECB's ability to equitably distribute State Need Grant funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, it would require substantial changes to the reporting requirements for participating institutions and might affect HECB's ability to adhere to current SNG program policies. Staff recommends the Board not pursue this as a potential tuition alternative.

E. Option to “Encourage or Facilitate Co-enrollments”

Summary of Option

ESHB 2344 required the HECB to assess how to encourage or facilitate co-enrollments. The primary goal of this option is to accelerate time to degree and to lower costs. This option, the reasoning goes, would make it easier for full-time students to ‘maximize’ their tuition investment by taking additional hours in courses not available at their ‘home’ institutions through other institutions at no additional cost.

This option would assist students who do want to take more credits but are prevented from doing so because the courses they need are not being offered at their home institution. It would allow them to co-enroll at another institution (on a space-available basis) where the course they need is offered without having to pay additional tuition (unless they go over the 18-credit upper limit).

Institutional and Student Assessment

Analysis of this model yielded no examples of states currently using it at the baccalaureate level. On the surface, it would appear to present highly complex administrative challenges. Tuition rates in Washington vary among institutions. New funding models would be needed to redistribute the instructional costs associated with co-enrolled courses.

Aligning or agreeing upon tuition rates and dealing with extraneous fees (that are institution-specific) would present additional challenges. Further, departments might not agree on course content for similar courses and, therefore, might reject course equivalencies for major-specific courses. Even if system-wide course articulation was established to initiate this option, the articulation agreements would be difficult to change and institutional flexibility in course design and delivery would be lost.

HECB Staff Assessment

Students could benefit from this option if they could take core, general education requirements at other state institutions, including community colleges, when those courses are full on their own campuses. There is a potential effect to quicken time to degree. Further, university departments could engage more across campuses and best practices for course planning, content, and pedagogy could be shared. However, the tremendous administrative undertaking that would be required of institutions and the maintenance of articulation agreements may not justify the process. This is not a tuition alternative but, rather, it is an institution-level arrangement concerning cost recovery. \

F. High Tuition, High Financial Aid

Summary of Option:

The high tuition, high financial aid concept proposes increasing tuition as a means to cover an institution’s costs as a result of declining state appropriations. Under this model, it is crucial that financial aid is increased so that the economic profile of an institution’s student mix is not disrupted. This model can be implemented across a spectrum or in increments but,

in its purest form, tuition is set at or closer to the actual cost of instruction at an institution. Students and families who are able to afford the tuition based on existing federal calculations pay a higher rate of tuition.

Existing state operating funds dedicated to higher education are shifted to a much-increased commitment to financial aid to ensure that access for low and middle-income students remains strong. This alters the role of the state from an actor that provides a higher education subsidy for all students in the state, regardless of their ability to pay, to an actor that utilizes public dollars to subsidize the purchase of a full-priced education for those students who cannot afford it. It removes what may be considered an unnecessary subsidy for wealthy families attending public colleges and universities. Ultimately, this model shifts more of the cost burden for higher education onto higher income families who no longer receive state subsidy.

Institutional and Student Assessment:

Student representatives as well as some of the baccalaureate institutions are opposed and do not support, this model. The University of Washington strongly advocates for this approach and Western Washington University appears to support this proposal, at least in concept.

Appendix 3 of this report provides unedited written comments from the University of Washington explaining the rationale for their support of this model.

HECB Staff Assessment

Staff understands that those who advocate the high tuition model may do so for two different reasons.

1. Some may advocate for high tuition at public institutions, not as a way to compensate for declining state appropriations but, rather, as a way to lower state appropriations to the public institutions. This type of proposal would rely on the promise of available student financial aid to mitigate the effect of high tuition on “lower” income students and families.
2. Others believe adopting a high tuition/high aid model will provide institutions a much-needed additional source of revenue *and* more flexibility to manage that revenue than is provided under the current system. This, in turn, may lead to operational efficiencies and increases in productivity.

Staff believes that the above intent and rationale for “high tuition” at public institutions has two central flaws. First, this concept conflicts with the underlying values of American public higher education which hold that public institutions are **public institutions** and benefit not just those who attend but society itself. Therefore, as discussed earlier, the cost of public institutions should be shared between the public and those who attend in a manner reflecting the public as the “owner” and principal “shareholder” of the enterprise.

Additionally, the proposal for high tuition as a way to lower state support to institutions relies on the assumption and promise that (increased) state financial aid will be available to lower income families and students. This promise ignores the evidence that affordability is no

longer a problem just of “lower income” families. Rather, as shown earlier in this report, affordability is a problem for middle-income families who do not currently qualify for state financial aid.

Secondly, others advocate for high tuition for a different reason. Specifically, in Washington some, not all, of the public baccalaureate institutions propose the high tuition model as a means to mitigate declining state support to the public institutions. Staff believes that a thoughtful understanding and analysis of this position is warranted, but within the context of an appreciation of the institutions’ commitment and interests to protect institutional quality.

Staff offer the following:

- State appropriations to the public institutions of higher education and to the state financial aid program come from the State General Fund.
- The State General Fund receives money (revenue) primarily from the state sales tax and the real estate excise tax.
- In times of economic decline, state sales tax and real estate excise tax contributions (revenue) to the State General Fund decrease.
- This decrease in contributions to the State General Fund results from people having less money for discretionary spending on products subject to state sales tax or the real estate excise tax.
- Reductions in State General Fund revenue have consistently resulted in reduced general fund appropriations to the public institutions of higher education, either as a percent of the state’s total general fund budget, or in absolute dollars.
- During periods of economic recessions, reductions in State General Fund appropriations to higher education have consistently been accompanied by increases in student tuition (see Appendix 4).
- Therefore, during periods of economic recession, tuition has been increased to those students and families who, as a result of an economic recession, have (1) fewer dollars to contribute to the State General Fund, but are then (2) expected to pay more tuition because of the decrease in revenue to the State General Fund.
- Relying on state financial aid to hold students and families “harmless” to higher tuition, imposed as a result of State General Fund budget reductions, requires an increase in state appropriations for student financial aid. These appropriations come substantially from the State General Fund, the same fund whose lack of revenue leads to increased tuition.

Some public institutions can avoid this “*Catch-22*” by having access to large amounts of private funds which, in part, can be used to offset the gap between public financial aid and higher tuition costs. However, many of Washington’s public baccalaureate institutions do not have this amount of private resources available to them.

In summary, earlier this paper provided a definition of public policy. Specifically, that *public policy* represents a formal expression of shared values and goals, typically adopted by a governmental entity, to guide future decisions to achieve desired outcomes. As discussed above, those who advocate for the “High Tuition, High Aid” model do so for two very different public policy goals. Specifically, some advocate for this model as a means to achieve the goal or outcome of less state spending on higher education. This policy goal is often part of a broader goal of reducing the size and cost of government.

Others advocate for the “High Tuition, High Aid” model to achieve the goal or outcome of sustaining institutional quality and excellence.

While it clearly conflicts with the central underlying and guiding values of public higher education, staff recognizes that those who advocate for “High Tuition, High Aid” as one means to reduce state spending have a different policy agenda which is not concerned with the purpose and values of public high education.

The same cannot be said for public institutions whose goal is to sustain the academic quality of their institution. Unfortunately, staff feels that the means of attaining this goal, through higher tuition, has long-term detrimental policy implications in sustaining the public as the principal “shareholder” of public higher education.

The Need for a New Basis of Determining Tuition: An Alternative Approach

The Board recognizes that a realistic and feasible funding basis will be required to reinstall the state’s role as primary “shareholder” of public higher education. In this regard, the findings and recommendations of the Board’s System Design Plan call for a study of higher education funding, which will examine all of the three components (state appropriations to institutions, tuition, and financial aid) of higher education funding.

As part of that study, the Board believes a new alternative, hypothetical tuition revenue model should be considered, which does not ignore, but incorporates, Washington’s “cyclical” pattern of general fund revenue and higher education funding as a basis to “trigger” changes in resident undergraduate tuition.

Such a tuition revenue model would be based on the following assumptions:

- There will be no change in the state’s existing tax structure. The State Sales Tax and the Real Estate Excise Tax will continue to be the predominant source of State General Fund revenue.
- Higher education will remain a discretionary funding component of the state budget.
- The Legislature will continue to have, within constitutional provisions and existing state law, the authority to appropriate State General Fund revenue up to estimated general fund revenues.

Table 8 illustrates how tuition decisions can be linked, or “triggered,” by changes in general fund revenue and higher education appropriations.

Table 8
An Alternative Basis for Determining Tuition Revenue

Goal: Over time, the state should regain its position as the “majority shareholder” of the state’s public higher education enterprise.

	State General Fund Revenue and Higher Education Appropriation Cycle	Tuition “Triggers” and Institutional Flexibility Options
Reduction	State General Fund (SGF) appropriations to higher education institutions reduce the institutions Maintenance Level funding.	Institutions have authority to increase resident undergraduate tuition revenue to fund up to 45 percent of the reductions in instructional program costs, resulting from the reduction in institutional Maintenance Level funding, net of increased tuition revenue from increased non-resident undergraduate tuition.
No Growth	State General Fund appropriations to higher education institutions fully fund the institutions Maintenance Level funding with nominal program enhancements (less than 3 percent increase over the institutions Maintenance Level).	Institutions may increase resident undergraduate tuition revenue by the same escalation factor used to determine the institution’s Maintenance Level.
Growth	State General Fund appropriations to higher education institutions fully fund the institutions Maintenance Level funding and fund instructional program enhancements greater than 3 percent above the institutions Maintenance Level.	<ol style="list-style-type: none"> 1. The carry-forward level of resident undergraduate tuition may be escalated by the same factor used to calculate the total State General Fund Maintenance Level. 2. Up to 45 percent of the cost of undergraduate instructional program enhancements will be funded by resident undergraduate tuition.

VI. Proposed Tuition Policy Recommendations

Washington State needs a tuition policy that reflects its commitment to public postsecondary education. The current alarming trend of steadily increasing reliance on students' paying higher and higher tuition moves the state away from its commitment. In order to restore that commitment the Board recommends that the Legislature and Governor adopt a tuition policy that leads to a restoration of state support so that within three biennia, the state's share will never be less than 55 percent of instructional costs for resident undergraduate students.

The downward trend in state support is starkly visible when we look at the time when, by law, the state provided 67 percent of instructional costs at our four-year institutions and 75% of instructional costs for our two-year institutions. In 2009, those percentages of state support dropped dangerously low. For the first time, students' share of instructional costs (tuition) was greater than Washington State's share. Without a publicly stated, conscious decision, Washington State is headed toward privatizing all of higher education.

The benefits to our democracy of an educated citizenry and the benefits to our economy of a skilled work force require the state to acknowledge its responsibility to the public interest.

Provided below are the Board's findings and recommendations pursuant to the provisions of ESHB 2344 which seek to reverse the march towards privatized higher education in Washington. The findings and recommendations are presented in three areas:

1. State Tuition Policy
2. Basis of Tuition Rates and Charges
3. Costs and Affordability

State Tuition Policy

The Higher Education Coordinating Board finds that a state resident undergraduate tuition policy is needed to provide students, their families, and public institutions with predictable tuition – a policy that will enable progress toward the *2008 Strategic Master Plan for Higher Education* goals of increasing educational attainment by ensuring equitable access and affordability.

Recommendation One

The Board recommends a state tuition policy be enacted by the Legislature which recognizes that the cost of higher education should be a shared responsibility between the public and those who attend. Accordingly, the Board recommends that state tuition policy be enacted which is based on the following principles:

- The state should regain its position as the “majority shareholder” of the state's public higher education enterprise. Within the next three biennia, the state should be responsible for no less than 55 percent of the recognized cost of undergraduate instruction.

- Tuition costs to students and families and tuition revenue to institutions should be predictable during periods of economic decline as well as economic growth.
- A state tuition policy does not prescribe future legislative actions, but provides a framework for guiding decisions toward the above two principles.

Recommendation Two

That a higher education funding study, as recommended and introduced in the System Design Plan as well as this Tuition Report, be conducted by the HECB.

Recommendation Three

ESHB 2344 called for an assessment of the “higher tuition (lower state appropriation), higher financial aid” model. The Board does not support this approach as a basis of state tuition policy.

The Board’s position is based on the following considerations:

- Empirical evidence of the consequences of this approach at other universities, as reviewed in the report, clearly shows that the high tuition, high aid model reduced the participation of lower-income and underrepresented groups. Increasing participation of lower income and underrepresented students in higher education is a critical goal of the strategic master plan as well as the System Design Plan.
- As a state policy, this approach would conflict with the Legislature’s authority and responsibility to sufficiently fund public higher education at levels which result in affordable tuition and access to students and families of all income levels.
- This approach would have a tremendous financial impact on middle-income families, who do not benefit from state financial aid programs and cannot afford paying the full cost of instruction, as detailed in Table 4, above.
- The Board proposes that undergraduate resident tuition rates for resident undergraduate students shall not exceed the 60th percentile of institution’s respective Global Challenge State peer set undergraduate resident tuition rate.

Basis of Tuition Rates and Charges

Recommendation Four

ESHB 2344 directed the Board to evaluate, in collaboration with higher education stakeholders, ten alternative bases for setting tuition rates. The following three general criteria were to be used in this assessment:

- Impacts on students of different income levels
- Administrative feasibility
- Implications on financial aid

Because the public interest in higher education is at a critical point where student tuition dollars exceed public investment at most institutions, the Board recommends a new process for arriving at tuition rates. Based upon the findings of this study, the Board recommends that the institutions will propose differential tuition rates at each of their respective campuses, by role and mission and the cost of instruction at each campus, and within the parameters outlined by Recommendation 1 (above) for HECB consideration as part of the biennial operating budget proposal cycle. Based on these submissions and staff analysis, the Board shall include recommendations on resident undergraduate tuition rates in its biennial budget recommendations to the Legislature and Governor.

The Board recognizes that differential tuition rates would reflect the diverse missions and roles of our institutions, while simultaneously emphasizing the need to grow student access points at the branch campuses. Additionally, the Board contends that resident undergraduate tuition rates are a state-level policy discussion and should be contemplated at a system-wide level to ensure that access and degree goals are considered in tandem with tuition rates.

Associated Findings Concerning Costs and Affordability

Recommendation Five

ESHB 2344 directed the Board to examine the interaction between differing tuition rates, family incomes, and financial aid. This paper presents clear evidence that current eligibility levels for State Need Grant are insufficient for the majority of families of four with two dependents and one of college age. This finding applies to both upper-lower income families as well as middle-income families.

The Board recommends that this finding be carefully considered by the Governor and Legislature. Accordingly, the HECB will consider enhancements in the State Need Grant program as a high priority when developing the HECB 2011-13 agency budget request.

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Appendix 1

Synopsis of Prior Tuition Policy Work June 2009

October 1990**Tuition and Fee Briefing Paper for the 1991-93 Biennium**

In anticipation of the 1991-93 biennium, HECB staff drafted a tuition policy brief to help the Board develop and adopt a new tuition policy. At that time, tuition was tied to the cost of instruction (calculated via the Education Cost Study). The paper prompted an inquiry into how costs for higher education in Washington compared to those at peer institutions outside of the state. A peer comparison was provided and the Board adopted a resolution for the 1991-93 biennium to hold tuition policy to the current structure.

Board action: Resolution 90-33 recommended continuation of current tuition and fees structure.

Board action: Resolution 90-34 accepted the 1989-90 Education Cost Study for submittal to the Legislature.

Legislative action: Tuition was based on a percentage of the cost of instruction by sector.

December 1991**Briefing Paper: Higher Education Finance Issues**

This finance paper was prompted by the need to assess how declining state revenues would impact higher education and how to make thoughtful policy decisions about tuition to avoid long-term damage to its funding. The paper deemed that higher education was a public good in need of predictable, consistent public funds and noted that current state funding did not adequately support anticipated and growing enrollments, quality programs, and peer funding levels.

Board action: This briefing paper was delivered to the Board as an information item only.

Legislative action: Tuition was based on a percentage of the cost of instruction by sector.

December 1992**Tuition and Fee Policies**

This analysis was conducted in response to a December 1991 request by the HECB to analyze tuition and fee policy shifts. Various policies were examined including pegging tuition to growth in per capita personal income (PCPI) and continuing current policy, which used a factor of the cost of instruction to set tuition. The report reiterated HECB principles for tuition policy including balance (between the share of state support and student resources), fairness, and predictability.

Board action: Resolution 92-39 recommended continuation of current tuition and fees structure.

Legislative action: Tuition was based on a percentage of the cost of instruction by sector.

December 1993 Tuition in Washington: A Comprehensive Review

This report found that in the preceding twenty years, tuition was increasing rapidly and that extra tuition dollars were not buying more education, they were replacing state tax support. Various tuition policy options were examined including high tuition, high aid and linking tuition to program costs, family income, credit load, and even charging students extra tuition for classes that did not count towards degree requirements. Recurring concerns about affordability and access were brought to bear in the report, which included a recommendation to keep tuition levels equitable and predictable.

Legislative action: 2ESSB 5982 established local, institution-level control for tuition operating fees and interest.

Legislative action: ESSB 5781 passed in an effort to preserve access to higher education. The bill was designed to retain 1993 participation rate levels by sector and incrementally add appropriations to reach HECB participation goals by 2010.

December 1994 Tuition and Funding Policy Brief for the 1995-97 Biennium

The 1994 brief on tuition and funding recommended a bilateral approach to funding higher education in Washington. The Brief recommended that 1) annual inflation increases be met with a minimum annual 3 percent tuition increase across all institutions (that increase plus an optional 3 percent annual increase was considered a stable, predictable funding level) and 2) institutions be allowed to increase tuition an additional 2 percent per year depending on institutional priorities and needs.

Board action: Resolution 94-36 recommended consistent inflationary tuition increases, with an option for institutions to raise tuition an additional five percent (maximum of 8 percent).

Legislative action: ESHB 1603 (originally legislation from 1993) gave local control of tuition revenue to institutions effective 1995, along with a ceiling increase for tuition and fees. "It is the intent of the legislature to address higher education funding through a cooperative bipartisan effort that includes the legislative and executive branches of government, parents, students, educators, and concerned citizens. This effort will begin in 1995, with the results providing the basis for discussion during the 1996 legislative session for future decisions and final legislative action in 1997. The purpose of this act is to provide tuition increases for public institutions of higher education as a transition measure until final action is taken in 1997."

January 1995 Tuition in Washington: A Comprehensive Review

From 1984-85 to 1994-95 the overall cost of attendance for undergraduates at the research institutions grew 64 percent. During that period, tuition at the research level grew 122 percent. This review considered tuition policy options including high tuition, high aid and linking tuition to program costs, family income, credit load, and even charging students extra tuition for classes that do not count towards degree requirements. Continued concerns about affordability and access were a critical theme of this report.

Legislative action: ESSB 5325 in its original form (Rinehart, D-Seattle) sought to ensure predictability and affordability of tuition in Washington by linking tuition increases to average per capita income increases. Tuition policy would have been increased as a percent outlined by statute, rather than the HECB's Education Cost Study. After the first engrossed version of the bill, the legislation outlined a four percent annual increase to tuition and no longer included language to link tuition increases to average per capita income increases. The policy was supposed to be revisited in 1997.

September 1996 An Overview of Tuition in Washington

This report contends that in 1992-93 and 1993-94, Washington institutions relied on tuition and fee revenue more than most states to balance shortfalls in state funding. Several tuition policy options were analyzed including cost sharing models (between state funding and student tuition), indexing tuition to PCPI or median family income (MFI), as well as differentiating the cost of programs or upper- or lower-division coursework.

Board action: Resolution 96-45 recommended an agency bill to study model tuition programs.

Legislative action: Senate Bill 6314 (Rinehart, D-Seattle) outlined that tuition increases be indexed to personal per capita income with a corresponding increase in state general fund dollars as tuition gradually increased. This legislation did not progress through the Senate Rules Committee.

January 1997**Washington State Tuition and Fee Policies**

This brief document outlined recent and historical policy related to tuition. The document calls attention to the prior two years of four percent annual tuition increases and notes that Washington resident undergraduate tuition and fee rates are growing faster than peer rates (HECB "24" peers). No resounding recommendation was made, although the report notes that the legislature would be making a more pronounced, long-term tuition policy decision during the coming session.

Legislative action: Senate Bill 5833 addressed the predictability and stability of tuition policy and would have frozen tuition and fees at a consistent rate for students until they reached 180 credits. This legislation did not progress through the Higher Education Committee.

Legislative action: E2SSB 5927 provided a four percent annual tuition increase for the 1997-99 biennium for institutions and froze tuition increases after 1999 (specified that new tuition rates could be specified in the budget). This was an important moment for tuition policy in Washington, as the 1997 legislature was supposed to determine a long-term policy for tuition in the state, as outlined in legislation from 1995.

October 1998**An Over view of Tuition in Washington: 1998 Update**

This overview is a holistic look at tuition policy developments in the state including tuition policy history, peer group differences, and tuition growth compared to PCPI, MFI and inflation growth. In addition, the overview suggests tuition policy alternatives like indexing tuition to MFI or PCPI, charging tuition based on credit load, and sharing costs based on information from the Cost Study (which would have reinstalled prior tuition policy).

Board action: Operating budget request submitted to OFM suggested a tuition policy linking tuition increases to the three year average increase of per capita income based on findings of the September 1996 Overview of Tuition in Washington document.

Winter 1999

Board action: Operating budget request submitted to OFM suggested a tuition policy linking tuition increases to the three year average increase of per capita income based on findings of the September 1996 Overview of Tuition in Washington document.

Legislative action: Senate Bill 5699 provided limited tuition setting authority (up to 20 percent for public four-year institutions and up to 5 percent for community and technical colleges) to institutions. This legislation did not progress through the Higher Education Committee.

Winter 1999	<p>An Overview of Tuition in Washington: 1998 Update (continued) Legislative action: Substitute Senate Bill 5592 (Companion bill HB 1528) provided limited tuition setting authority (up to 6.75 percent at UW and WSU and up to 2 percent per year for every other institutions) after the 1999-2000 academic year. Any additional tuition increases after 1999-2000 were supposed to be tied to the average increase of per capita income in the state. Instead, tuition was decided upon in the operating budget and allowed to increase up to 4.6% in 1999-2000 and 3.6% in 2000-2001.</p>
October 1999	<p>Statewide Strategic Master Plan Goals The 2000 Statewide Strategic Master Plan called for increased predictability in the way in which tuition was charged at public institutions. The plan called for tuition increases to be equivalent to increases in median family income in the state.</p>
December 2001	<p>Higher Education Coordinating Board Legislative Priorities As a follow-up to the statewide strategic master plan, HECB called for tuition to increase equivalent to the projected increase in per capita personal income (per capita income was forecast to increase by 4.7 percent in 2001-02 and 3.8 percent the following year).</p>
January 2002	<p>Washington Tuition and Fees The 2001-02 articulation of the Washington Tuition and Fees report found that tuition and fees in Washington was swiftly outpacing PCPI as well as inflation. Additionally, the legislatively mandated tuition percent increase ceilings were being maximized by institutions annually. In other words, most institutions found just cause to increase tuition to the full extent allowable each year. Board action: Resolution 02-01 called for institutions to receive tuition setting authority, given decreasing state funding to higher education and increasing enrollments. The Board recognized that the tuition policy was a departure from the current tuition policy, but that tuition authority should be accompanied by increased state funding, financial aid and institution aid. Legislative action: SB 6739 called for tuition to be indexed against median family income to ensure predictability of tuition growth and affordability for Washington families. The legislation did not progress past the Higher Education Committee.</p>
March 2002	<p>Washington Tuition and Fees (continued) Legislative action: ESSB 5770 would have given local tuition setting authority to the boards of institutions and the State Board for Community and Technical Colleges. This legislation was not signed by the Governor. Instead, institutions received double-digit percent increases for tuition in the operating budget.</p>

January 2003**Washington Tuition and Fees**

The 2002-03 version of Washington Tuition and Fees archives the steepest tuition increases in recent memory. Double-digit tuition increases occurred in every sector of Washington higher education. Notably, tuition increased 16 percent at WSU and 14.6 percent at UW (the 8th highest research institution tuition increase in the nation at the time). The average tuition increase for comprehensive institutions was 13 percent, the 12th highest tuition increase in the nation for the comprehensive sector. The community college sector tuition rate grew by 13.7 percent, the 5th highest tuition increase in the nation for the community college sector. The report laid the groundwork for heightened concerns regarding access and affordability.

Legislative action: "The legislature recognizes the importance of keeping the public commitment to public higher education and will continue searching for policies that halt the trend for the growth in tuition revenue to outpace the revenue provided by the state. The legislature believes that a well-educated citizenry is essential to both the private and the public good."

Legislative action: Effective July 2003, ESSB 5448 gave institutions tuition setting authority for all students other than resident undergraduates.

January 2004**Washington Tuition and Fees**

The 2003-04 articulation of the Washington Tuition and Fees report found that tuition and fees increases in Washington were less than the year previous, or 7 percent for the research and comprehensive sector, but 8.1 percent for the community and technical college sector. However, the report notes that the previous year's steep increases were carried forward in the base. Additionally, the report notes that Washington institutions were becoming increasing more expensive relative to WICHE peer institutions. The 2004 Strategic Master Plan called for tuition authority to be limited to seven percent annually over four years.

Legislative action: Tuition increases for resident undergraduate students were held to 7 percent annually.

February 2005**Washington Tuition and Fees**

The 2004-05 articulation of the Washington Tuition and Fees report found that tuition and fees increases in Washington were less than the year previous, or 7 percent for the research and comprehensive sector, but 8.1 percent for the community and technical college sector. The report notes that tuition and fees increased 78 percent at the UW since 1994-95 while PCPI grew 51 percent.

Legislative action: Tuition increases for resident undergraduate students were held to 7 percent for research, 6 percent for comprehensive, and 5 percent for community and technical colleges through the biennium.

March 2006 **Washington Learns: Tuition Policy Options**

In response to the legislation that created Washington Learns, tuition policy was examined to better fulfill the goals of predictability, affordability, accountability, clarity, and quality. The Washington Learns higher education advisory committee examined tuition policies including high tuition, high aid, linking tuition to the cost of instruction and differentiating tuition rates by credit hour, upper and lower division, major, type of institution, inflation index, institution campus and student income level. Don Heller presented to the advisory committee, which decided sustain current policy, maintaining a 7 percent tuition increase ceiling by legislative mandate.

May 2007 **Washington Tuition and Fees**

The 2006-07 Washington Tuition and Fees report found that tuition and fees increased 6.8 percent for the research sector and 5.8 percent for the comprehensive and community and technical college sectors. The report noted that tuition and fees increased 81 percent at the UW since 1996-97 while PCPI grew 49 percent.

Legislative action: SB 6133 introduced a tuition policy which would have frozen tuition rates for undergraduate students during their tenure as undergraduate students, with annual adjustments to tuition for inflation only. This legislation did not progress through the Higher Education Committee.

Legislative action: Tuition increases for resident undergraduate students were held to 7 percent for research, 5 percent for comprehensive, and 2 percent for community and technical colleges through the biennium.

February 2009 **Differentiated Tuition Policies: An Examination of Graduated Income-Based Tuition Policy**

This white paper examined both graduated and differentiated tuition policies, defined various types of tuition policies, and provided examples of cases where such policies were in place. This report was completed in anticipation of a legislatively mandated tuition policy study and was meant to inform Board members about various tuition policy options.

Board action: HECB decided on two principles for tuition policy should large increases occur. First, that any increases beyond 7 percent be treated as a surcharge, and not as permanent policy and second, tuition increases should include a sunset clause.

Legislative action: 2SHB 1235 (Companion bill SB 5734) allowed institutions to continue to set tuition rates for students other than resident undergraduates for four more years.

Legislative action: ESHB 2344 required the HECB, with the input and assistance of higher education stakeholders, to review a number of alternative tuition policy options in order to arrive at a suggested recommendation for tuition policy.

Legislative action: Tuition increases were outlined in the omnibus appropriations act and four-year institutions were given authority to raise tuition up to 14 percent per year for resident undergraduates through 2010-11. Community and technical colleges were allowed to raise tuition no more than 7 percent per year through 2010-11.

Appendix 2

Legislation Requiring Tuition Policy Work

**Excerpt from Engrossed Substitute House Bill 2344
(As passed by the Legislature April 26, 2009)**

NEW SECTION. Sec. 2. A new section is added to chapter 28B.15 RCW to read as follows:

- (1) The Higher Education Coordinating Board, in coordination with higher education stakeholders, shall review options and make recommendation on a tuition policy that allows flexibility, accessibility, and differentiation among Washington's various public baccalaureate tuition rates. Recommendations shall support the implementation of the strategic master plan for higher education including consideration of policies that address student access, equity, and academic quality.
- (2) The Board shall examine policies that couple higher tuition with higher institutional need-based financial aid; differential tuition rates based on family income; differential tuition rates based on institutional mission, campus, credit hours, academic program, and delivery method; and policies that encourage collaboration and coordination among institutions of higher education that facilitate coenrollment among multiple institutions, including enrollment in online learning courses.
- (3) Each option shall be assessed in terms of administrative feasibility, interactions with, and implications for state and federal financial aid tuition programs, and impacts on students of different income levels.
- (4) The Board shall report its findings and recommendations to the governor and to the appropriate committees of the legislature by November 1, 2009.

Appendix 3

**University of Washington Submission for High Tuition
High Financial Aid Alternative****High Tuition, High Financial Aid*****Summary of Option:***

A higher tuition/higher-financial aid model is another model to consider. As tuition is increased to cover an institution's costs, financial aid is increased even more so that the economic profile of the student body is not disrupted. This model can be implemented across a spectrum or in increments, but in its purest form, tuition is set at or closer to the actual cost of instruction at an institution. Students and families who are able to afford the tuition based on existing federal calculations pay a higher rate of tuition.

Existing state operating funds dedicated to higher education are shifted to a much-increased commitment to financial aid to ensure that access for low and middle-income students remains strong. This alters the role of the state from an actor that provides a higher education subsidy for all students in the state, regardless of their ability to pay, to an actor that utilizes public dollars to subsidize the purchase of a full-priced education for those students who cannot afford it. It removes what may be considered an unnecessary subsidy for wealthy families attending public colleges and universities. Ultimately, this model shifts more of the cost burden for higher education onto higher income families who are no longer receiving an automatic state subsidy.

Institutional and Student Assessment:

All students enrolled in Washington's public institutions of higher education pay less than the actual cost of their attendance and instruction. The distribution of the true cost of education between the state and families has been a topic of much debate and has changed over time, most recently with losses in state operating funds pushing more of the burden to Washington's students and their families. Tuition and fee revenue now makes up over 50 percent of the core education budget for most of Washington's institutions.

Proponents of a pure high tuition/high aid model argue that providing a state subsidy for the higher education of every state citizen is inefficient and unnecessary in a world where much of the benefit of higher education accrues to the individual student over his or her lifetime. It may also be inequitable as it leads to a reality where many public dollars are being spent to benefit middle and upper income families, diminishing the amount of financial aid dollars available to low-income students and families and thereby decreasing their access to higher education and social mobility.

Research and experience relating to this model in its most extreme form has raised some serious concerns for students and families. Because students and families may pay more attention to the 'sticker price' of tuition than the availability of financial aid, higher tuition may decrease the likelihood that they apply and attend college as they may become discouraged. This is especially a concern for low-income and minority students.

If this model were adopted, this potential effect would need to be aggressively addressed and combated to preserve access and diversity. Additionally, for this model to work, increased state and institutional commitments to financial aid must be codified. If financial aid becomes a discretionary expense that is curtailed in a bad economy, this, coupled with the now high tuition rate, could prove devastating to access and diversity. Lastly, increased financial aid, particularly for low-income students, must not rely heavily on loans. Increased student debt burden could also have deleterious effects for student access.

This model also raises concerns for middle and high-income students and their families. Middle-income students and their families might be squeezed by this model because they do not qualify for much financial aid. A successful implementation of this policy would need to target this impact on middle-income families.

Additionally, fairness concerns about high-income students subsidizing low-income students must be addressed, as must be the concern that high quality students from middle and high-income families will go out of state or to a private institution when faced with so much less of a discrepancy in cost between the public and out of state and/or private options. An institutional merit aid program similar to many private institutions may help to combat this, as would the fact that, even when priced on actual cost, public university tuition will still be much lower than the alternatives.

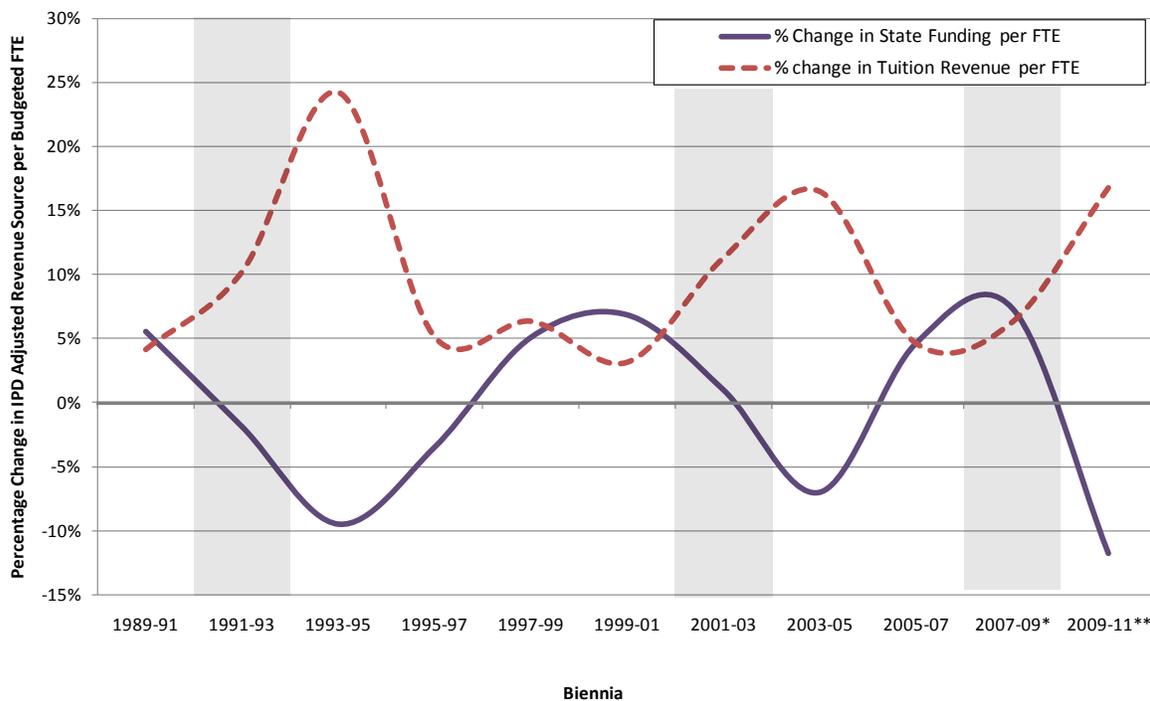
Many of the above concerns dissipate as you consider partial implementation of this model, which leaves in place a general state subsidy, but reassesses the portion of the costs carried by the state and the portion carried by the student and family, and sets tuition and financial aid accordingly.

Appendix 4

State General Fund Appropriations to Higher Education Consistently Accompanied by Increases in Student Tuition

Percentage change in IPD Adjusted State Biennial Funding for Higher Education in Washington Per Budgeted FTE as Compared to Percentage change in IPD Adjusted Tuition Revenue per FTE

Average Biennial Budgeted FTE Student Enrollment, Near General Fund-State,
Biennia with Recessions are Shaded



Notes:

*2007-09 Funding Reflects Appropriation Levels from 2009 Supplemental 2007-09 Operating Budget.

**2009-11 Funding and FTE Levels Reflect Appropriation Levels from 2009-11 Operating Budget as Passed Legislature.

RESOLUTION NO. 09-30

WHEREAS, Substitute House Bill 2344 required the Higher Education Coordinating Board to assemble higher education stakeholders to review and make recommendations on numerous tuition policy alternatives to be submitted to the 2009 Legislature; and

WHEREAS, Board staff have completed a six-month study, involving over 30 stakeholders in production of a tuition report entitled “Tuition Policy Report,” dated November, 2009; and

WHEREAS, The Board finds that a system-wide resident undergraduate tuition policy is needed to provide students, their families, and public institutions with predictable tuition which will enable progress toward the *2008 Strategic Master Plan for Higher Education* goals of increasing educational attainment by ensuring equitable access and affordability; and

WHEREAS, The Board proposes a system-level tuition policy where the state would be responsible for no less than 55 percent of the cost of instruction for resident undergraduate tuition within three biennia of this Resolution; and

WHEREAS, The Board believes that a larger higher education funding study needs to be conducted as the next key step in implementing the *2008 Strategic Master Plan for Higher Education*; and

WHEREAS, The Board contends on the basis of empirical research and HECB staff analysis that a higher tuition (lower state appropriations), higher financial aid model would conflict with the Legislature’s authority and responsibility to sufficiently fund public higher education at levels which result in affordable tuition and access to students and families of all income levels (including middle-income families); and

WHEREAS, The Board recognizes the diverse mix of institutions in our system by proposing a new policy, where institutions will propose differential tuition rates at each of their respective campuses, by role and mission, based upon the cost of instruction, and within agreed upon parameters for consideration as part of the biennial operating budget proposal cycle; and

WHEREAS, The Board finds that current eligibility levels for State Need Grant are insufficient for the majority of lower and middle-income families and recommends that this finding be carefully considered by the Governor and Legislature and be considered as a high Board priority when developing the HECB 2011-13 agency budget request; and

WHEREAS, The Board welcomed public, institutional, and student comment during its September, October, and November 2009 meetings;

THEREFORE, BE IT RESOLVED, That the members of the Higher Education Coordinating Board hereby accept the Tuition Policy Report recommendations as written and direct staff to submit these recommendations and the entirety of the report to the 2009 Legislature and Governor in compliance with the provisions of ESHB 2344; and

BE IT FURTHER RESOLVED, That the Board directs staff to develop legislation for the 2010 session to implement the recommendations of the Tuition Policy Report.

Adopted:

November 19, 2009

Attest:

Jesús Hernandez, Chair

Roberta Greene, Secretary

RESOLUTION NO. 09-31

WHEREAS, The Higher Education Coordinating Board finds that the state has not adequately funded the higher education of its resident undergraduate students, as evidenced by the cyclical nature of higher education funding during economic recessions and the ever increasing use of tuition increases to balance institutional funding; and

WHEREAS, Tuition rates have increased approximately 50 percent over the past decade; and

WHEREAS, The basic concept of public higher education is at risk if this increasing reliance on tuition revenues is allowed to persist. This reliance on tuition also jeopardizes our capability to provide an affordable and accessible system of higher education to many of our state's residents; and

WHEREAS, The Board finds that a state resident undergraduate tuition policy is needed to provide students, their families, and public institutions with predictable tuition – a policy that will enable progress toward the *2008 Strategic Master Plan for Higher Education* goals of increasing educational attainment by ensuring equitable access and affordability;

THEREFORE, BE IT RESOLVED, That the members of the Higher Education Coordinating Board request legislative support amending the state's *Strategic Master Plan for Higher Education* by including a goal that by 2016, the state shall resume its majority shareholder interest in public higher education by funding no less than 55 percent of the cost of instruction.

Adopted:

November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary



November 2009

College Access Portal Plan

The plan developed by the Portal Work Group will be provided during the meeting on Nov. 19, as a board discussion and action item.

RESOLUTION NO. 09-32

WHEREAS, The passage of Substitute Senate Bill 5043 directed the Higher Education Coordinating Board to convene a work group to develop a plan to create a single, coordinated, collaboratively supported, one-stop college information web-based portal for students and families planning, preparing, and applying for, as well as those attending, postsecondary education; and

WHEREAS, The HECB convened the 2009 Higher Education Portal Work Group, made up of representatives from Washington's public two-year and four-year colleges and universities, independent colleges, private vocational colleges, the State Board for Community and Technical Colleges, the Council of Presidents, the Workforce Training and Education Coordinating Board, the Independent Colleges of Washington, the Office of Superintendent of Public Instruction, and the Higher Education Coordinating Board; and

WHEREAS, The 2009 Higher Education Portal Work Group has created a Higher Education Portal Development Plan for the state of Washington;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board approves the Higher Education Portal Development Plan for delivery to the Legislature by December 1, 2009.

Adopted:

November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary



November 2009

Preliminary HECB 2011-13 Budget Guidelines and Fiscal Priorities

I. Purpose of the Budget Guidelines

The Higher Education Coordinating Board (HECB) is required by statute (RCW 28B.80. 330(4)) to “review, evaluate and make recommendations” on the operating and capital budget requests of the public colleges and universities.

The Board’s budget recommendations are to be based on:

- The role and mission of the public institutions;
- The state’s higher education goals, objectives, and priorities as identified in the strategic master plan for higher education; and
- Guidelines that describe the Board’s **fiscal priorities**.

The Board’s fiscal priorities contained in the guidelines are, therefore, central to establishing the linkage between system goals and needs and the state budgeting process.

Through this alignment of state-level higher education goals with biennial budgetary priorities, the HECB budget recommendations are intended to provide the Governor and Legislature with a system perspective to higher education operating and capital needs.

II. Policy and Fiscal Context of the Board’s 2011-13 Fiscal Priorities

Policy Framework

The Board’s *2008 Strategic Master Plan for Higher Education*, adopted by the Legislature in 2009 as state higher education policy, is the policy framework for the Board’s 2011-13 budget guidelines and fiscal priorities. This plan and state policy calls for significantly increasing the postsecondary degree attainment level of Washington citizens over the next several years¹.

¹ See www.hecb.wa.gov/research/masterplans/masterplansindex.asp.

In developing the plan's degree attainment goals, a thorough analysis of changing state demographics and regional needs was conducted. This analysis found that, in order to reach the state's degree enrollment goals, increased enrollment from historically underrepresented groups, primarily those from lower-income families, will be needed as well as in regions of the state that are under-served.

As a strategy to achieve the increased participation of lower-income youth and older working adults, the Board initiated a "system design plan." The goal of the system design plan was to prepare a "blueprint" for those systemic changes that would be needed to reach the state policy higher education degree attainment goals.

Underlying the system design plan was a key planning principle. Specifically, that rules for growth were needed to ensure that higher education resources were optimally aligned to achieve state policy goals. Embedded in this principle was recognition that the old paradigm of creating capacity and assuming demand would follow was no longer relevant. Due to new demographic realities, fostering demand among historically under-served groups was now the imperative. Further, significant investments in capacity would follow demonstrable potential for rapid expansion, resulting in a principle of "expand on (demonstrated) demand."

Fiscal Context and Outlook for 2011-13

At its September 2009 meeting, the Board was briefed on the September 2009 Economic Forecast by Arun Raha, the Executive Director of the Washington State Economic Forecast Council. From this briefing and additional information provided by the Office of Financial Management, we know that:

1. There are strong indications that the worst economic recession in recent times is now "bottoming out." While the economy may be on the path to recovery, consumer spending remains slow. That means jobs and our tax revenue will lag behind overall growth. At the same time, the demand for the important services we provide is growing.
2. Due to the depth and nature of the recession, recovery will take time – perhaps two to three years – and is expected to be a "jobless recovery" with employment recovering at a slower pace than the general economy. Consumer spending also is expected to lag significantly as compared to the overall economic recovery.
3. As consumer spending is the key component in state revenue, state revenue recovery will lag the overall economic recovery. By FY 2011, state general fund growth is forecasted to be less than general fund revenues in both FY 2007 and FY 2008.
4. Further reductions in earlier general fund revenue forecasts for fiscal year 2010 will require additional 2009-11 general fund budget reductions.

In summary, credible recommendations to the Governor and Legislature must, therefore, recognize and balance the aspirations of the goals of state higher education policy with the reality of current and near-term economic circumstances. Simply put, this means that we need to serve more students but with fewer resources. Accordingly, the Board has adopted the following fiscal priorities for the 2011-13 biennium.

III. 2011-13 Operating Budget Priorities

Given the state's fiscal realities and the importance of addressing the policy goals of the strategic master plan, unique operating budget fiscal priorities are required for the 2011-13 biennium. Specifically, the Board believes that a limited number of focused priorities should be considered by the institutions in developing their operating budget requests.

These priorities are:

1. Funding for limited and focused enrollment increases where such increases can be shown to be needed for existing unfunded enrollment demand. The Board encourages the institutions to consider cost-savings strategies to address such needs, particularly the use of innovative delivery methods where lower instructional costs can be obtained.
2. Funding to support the institutions' public service role for specific actions to promote student preparation, particularly students from lower-income families and under-represented groups.
3. Funding to restore instructional program quality impacted from budget reductions when the institution can demonstrate that institutional reprioritization of direct and indirect costs was (a) undertaken, and (b) insufficient to offset all instructional program reductions.

When developing operating funding requests for these priorities, the Board strongly encourages the institutions to, when possible, compliment the requested state funding with local "matching" funds available from the reprioritization of existing state funds or through non-state resources.

IV. 2011-13 Capital Budget Priorities

The economic recession also reduces the state's capital budget capacity. Specifically, both the state constitution and permanent law limit the amount of debt service that the state can pay on general obligations bonds. The limitation is calculated as a percentage of the average prior three years' general fund revenue.

For the 2011-13 biennium, the calculation will be based on general fund revenues in FY 2009, FY 2010, and FY 2011. Thus, the decline in general fund revenues in these years due to the recession will limit the amount of bonds the state can sell in the 2011-13 biennium. For higher education, this is very significant because, historically, about 75 percent of higher education's capital budgets have been funded by general obligation bonds.

Accordingly, the Board's 2011-13 capital budget priorities are limited to the following three "core" capital investment needs.

The **first priority** is (a) to maintain academic quality through the preservation of physically deteriorated facilities and infrastructure, and (b) the modernization of facilities that are programmatically deficient.

The **second priority** is to support the master plan policy of “growth on demand,” by supporting access-related projects which align to the findings and near-term recommendations of the system design plan.

The **third priority** is to support economic growth and innovation through projects that provide for expanded research activity and graduate education in high-demand fields. The acquisition and installation of specialized equipment is authorized under this category.

When developing capital funding requests for these priorities, the Board strongly encourages the institutions to, when possible, compliment the requested state funding with local “matching” funds available from the reprioritization of existing state funds or through non-state resources.

V. 2011-13 Budget Request Schedule and Required Information

As required in RCW 28B.76.210:

1. The institutions and the State Board for Community and Technical Colleges shall **submit an outline of their proposed operating budgets to the Board no later than July 1 of each even-numbered year**. Pursuant to guidelines developed by the Board, operating budget outlines submitted by the institutions and the State Board for Community and Technical Colleges after January 1, 2007, shall include all policy changes and enhancements that will be requested by the institutions and the State Board for Community and Technical Colleges in their respective biennial budget requests. Operating budget outlines shall include a description of each policy enhancement, the dollar amount requested, and the fund source being requested.
2. **Capital budget outlines for the two-year institutions shall be submitted by August 15 of each even-numbered year**, and shall include the prioritized ranking of the capital projects being requested, a description of each capital project, and the amount and fund source being requested.
3. **Capital budget outlines for the four-year institutions must be submitted by August 15 of each even-numbered year**, and must include: the institution’s priority ranking of the project, the capital budget category within which the project will be submitted to the Office of Financial Management in accordance with RCW 43.88D.010, a description of each capital project, and the amount and fund source being requested.

RESOLUTION NO. 09-35

WHEREAS, The Higher Education Coordinating Board is required by statute (RCW 28B.76.210) to review, evaluate, and make recommendations on the operating and capital budget requests of the public four-year college and universities, and the community and technical college system; and

WHEREAS, These recommendations are to be based on the Board's biennial budget fiscal priorities as derived from the Strategic Master Plan for Higher Education; and

WHEREAS, The Higher Education Coordinating Board also is required by statute to distribute budget guidelines, which outline the Board's fiscal priorities, by December of each odd-numbered year; and

WHEREAS, Preliminary HECB budget guidelines for the 2011-13 biennium have been prepared and distributed for review and comment by the public universities and colleges; and

WHEREAS, The Board's Fiscal Committee has reviewed the preliminary guidelines and recommends that the Board adopt the preliminary guidelines for the 2011-13 biennium;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board approves the 2011-13 preliminary budget guidelines and fiscal priorities.

Adopted:

November 19, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary