

HIGHER EDUCATION COORDINATING BOARD

SPECIAL BOARD MEETING AGENDA

*Labor & Industries Auditorium
7273 Linderson Way SW, Tumwater 98504
January 24, 2002*

*Approximate
Times*

Tab

- 9:00 a.m. Welcome and Introductions**
- Bob Craves, HECB Chair
- Overview of the Governor's 2002 Supplemental Budget Proposal** **1**
- Office of Financial Management
- Public Comment on Tuition and Financial Aid Issues**
- Board Work Session on Budget, Tuition, and Financial Aid** **2**
- Possible Board Action**
- 12:00 noon Adjournment**

HECB 2002 Meeting Calendar

Date	Event	Location
Feb. 6, Wednesday 10:00 a.m.	Regular Meeting & campus tour	South Seattle Community College Jerry Brockey Student Center, Room B
March 26, Tue. 4:30 p.m.	Campus tour	Washington State University Pullman Compton Union Building
March 27 Wed. 9:00 a.m. – 5:00 p.m.	Regular meeting	
May 28, Tue. 4:30 p.m.	Campus tour	WSU Tri-Cities Richland
May 29, Wed. 9:00 a.m. – 5:00 p.m.	Regular meeting & campus tour	Columbia Basin College , Pasco Columbia Basin Advanced Technology Bldg, W180
July 30, Tue. 4:30 p.m.	Campus tour	Western Washington University Bellingham Old Main 340 Board Room
July 31, Wed. 9:00 a.m. – 5:00 p.m.	Regular meeting	
Sept. 25, Wed. 9:00 a.m. – 5:00 p.m.	Regular meeting	Capitol Campus John A. Cherberg Bldg, SHR4
Oct. 29, Tue. 9:00 a.m. – 5:00 p.m.	Regular meeting & campus tour	Heritage College Toppenish
Dec. 11, Wed. 4:30 p.m.	Campus tour	University of Washington Seattle Walker Ames Room, Kane Hall
Dec. 12, Thu. 9:00 a.m. – 5:00 p.m.	Regular meeting	

If you are a person with disability and require an accommodation for attendance, or need this agenda in an alternative format, please call the HECB at (360) 753-7800 as soon as possible to allow us sufficient time to make arrangements. We also can be reached through our Telecommunication Device for the Deaf at (360) 753-7809.

Discussion draft: Funding public higher education

January 2002

Background

All states' tuition and financial aid policies, along with their approaches to funding the overall operation of public colleges and universities, reflect the priority they place on higher education as a tool to promote economic development, civic involvement, the cultural life of the state, and social and economic opportunity for individual students. Public institutions in particular are prized for the economic benefits they produce and the affordable access and educational opportunity they provide to all qualified citizens.

Long-term changes in Washington's approach to funding higher education, coupled with the current budgetary crisis, present serious challenges to the state's public colleges and universities and many students. The institutions, which have already suffered from years of reductions in state support for their instructional programs, face significant proposed budget cuts and have legitimate concerns about their ability to sustain and enhance program quality. Students at the public institutions have faced steady increases in expenses. The share of total educational costs that resident undergraduates pay at the research institutions rose from 25 percent in the late 1970s to more than 41 percent today. Over the past decade, tuition for resident undergraduates rose 50 percent faster than personal income; tuition increases were more than three times greater than the rate of inflation. Pressures are rising to find new ways to finance public postsecondary institutions, and higher tuition is viewed as a key source of the funds needed to offset proposed cuts in state funding.

Policymakers now face a challenge. Ideally, the state can maximize the values it gains from the public institutions — high program quality yielding major economic and social benefits, and affordable access for students from all walks of life — simultaneously. Indeed, over the years Washington has successfully achieved and balanced these values. Public institutions have been strong, tuitions have been moderate, and the state has sustained a large and effective financial aid program. The challenge now is that the tuition increases deemed necessary to preserve program quality test the state's ability to sustain affordable access and educational opportunity for all citizens to achieve their academic goals. If the state cannot sustain the levels of support for the institutions it has offered over the years, the balance between the values of access and quality will be disturbed. As the state reconsiders its approach to tuition, financial aid, and overall higher education funding, it is vital to consider how various proposals relate to the state's longstanding commitments to both program quality and affordable access at public colleges and universities.

Balancing the need in a changing economic environment

Current state policy for higher education can be summarized as providing students with the greatest possible access to an affordable, high-quality education. The Higher Education Coordinating Board's 2000 Master Plan emphasized affordability, predictability, and the need for students to pay a "fair share" of tuition. The Board urged the Legislature to link tuition increases to the ability of families to pay, as measured by changes in the state's per capita personal income. It also advocated protecting low-income students by increasing the State Need Grant to meet the cost of tuition increases on a dollar-for-dollar basis. This policy would sustain the state's recent pattern of moderate tuition increases and preserve current levels of access for students with the greatest financial need.

Unfortunately, if state support were to decline, the increases in tuition revenue allowed by this approach would fall short of the institutions' needs. In the event of budget cuts, the institutions would not be able to turn to students and their families as an alternative source of funds, and they would face significant challenges in meeting enrollment demand and maintaining program quality. Substantial budget cuts have been proposed. Thus, the Master Plan's tuition policy highlights the current dilemma: its approach to sustaining the state's commitment to affordability appears inconsistent with the steps deemed necessary to sustain the institutions in the current budgetary environment that may result in a decline of state support.

This is also the case with current tuition policy. For 2002-03, the institutions' governing boards are now authorized to increase tuition by no more than 6.1 percent for resident undergraduates. Funding is authorized to increase State Need Grants dollar-for-dollar to meet the full cost of possible tuition increases, and to cover Need Grant costs related to new enrollments in the second year of the biennium. This policy preserves moderate tuition increases for 2002-03, but (like the Master Plan) leaves the institutions vulnerable to cuts in state support. If those cuts were imposed, the institutions would be compelled to do more with less — undermining quality — unless new revenue sources are tapped.

Tuition-setting authority under debate

Historically, the Legislature and Governor have set college tuition, and they retain the authority to set maximum tuition rates at the public colleges and universities. Four-year institutions' boards of trustees and regents and the State Board for Community and Technical Colleges have had limited tuition-setting authority since 1999, when the Legislature and Governor began the practice of setting maximum limits on tuition increases, rather than establishing specific tuition rates. In 2001-02, the college and university boards were authorized to increase resident undergraduate tuition by no more than 6.7 percent from the previous year. As noted above, the operating budget currently contains a 6.1-percent limit for 2002-03 tuition increases.

Governor Locke's 2002 supplemental budget, which includes cuts of 5 percent for four-year public institutions and 3 percent for public two-year institutions, would provide the universities complete authority to set tuition without the approval of the Legislature or Governor for the

2002-03 academic year. The Governor's financial aid budget aims to hold State Need Grant recipients harmless on a dollar-for-dollar basis from tuition increases of up to 12 percent at the two-year colleges, 15 percent at comprehensive institutions, and 18 percent at the research universities. This represents the Governor's effort to allow the institutions to recover funds lost to coming budget cuts while ensuring that tuition increases do not greatly affect access for State Need Grant recipients. The impact of the policy would be to shift more of the burden of paying educational costs to students.

Under this policy, local boards of regents and trustees and the State Board for Community and Technical Colleges would have full authority to set tuition at the levels they believe are necessary. Some colleges might pursue "high tuition, high financial aid" strategies in which tuition increases more closely reflect education costs while financial aid increases comparably. Others might limit tuition increases to match the availability of state aid to needy students or to meet other institutional objectives. These increases may ease the institutions' budgetary problems, enabling them to sustain program quality and to compete more effectively against peer institutions for faculty, students, and research dollars. This concept would yield many benefits to the state while, again, shifting a greater share of instructional costs to those students who, presumably, have the ability to pay.

Yet the embrace of a "high tuition" policy over the long run would also test Washington's ability to sustain affordable access for its citizens. It is true that some residents attending the state universities can afford to pay more for their education, and that higher tuitions would probably not depress enrollments among higher-income students. But national research literature shows that low-income students would face real challenges from substantial tuition increases if those increases were not matched by enhanced financial aid. Grant aid that offsets tuition increases can mitigate, if not completely eliminate, the effects of tuition increases on enrollments by low-income students.

The finding that enrollments of middle- and upper-income students are unaffected by tuition increases should not completely alleviate concern about affordability for these students, particularly those at or around the median income who would not be eligible for need-based aid programs. The median income for a family of four in the state is about \$62,000. In the 2001-02 school year total estimated costs of attendance at a state community college were \$11,000; at a public comprehensive, costs were \$12,200; and at a public research institution, they were \$13,100. These costs of attendance represent an affordability challenge for many families who are not, in terms of financial aid eligibility, needy. For these students, moderate tuition has been a significant financial aid program supported by the state's taxpayers.

In view of the importance of the state's commitment to affordable access and the public character of these institutions, it is legitimate to ask whether that commitment could be sustained over the long term under this tuition-setting policy. Further, it is reasonable to ask whether the autonomy that would come with local tuition-setting authority should be balanced by commitments on the part of the institutions and the state to the preservation of affordable access and the public character of higher education. These commitments, in the form of an agreement between the institutions and the state, might include:

- (a) Keeping the institutions affordable to low-income and middle-class students (who may not be eligible for need-based aid),
- (b) Ensuring that the enrollments of Washington residents and transfers from the state's community colleges do not diminish,
- (c) Making the institutions more representative of the diversity of the state,
- (d) Guaranteeing that, in a context in which institutions may be free to charge different tuition rates for different undergraduate programs, needy students are not priced out of more expensive undergraduate programs,
- (e) Avoiding allowing rising costs to undermine student retention, and
- (f) Seeking efficiencies in administration and program delivery.

In any case, the state may have an interest in monitoring the impact of local tuition-setting authority on key indicators of access, affordability, and diversity. In effect, this would extend the current performance accountability system to address not only the efficiency of institutional performance but also the condition of the balance the state and the institutions have struck between program quality and affordable access.

Conclusion

Historically, Washington has been committed to students' affordable access to education, the opportunity for everyone in a diverse community to go to college, and the preservation of the public character of the state's colleges and universities.

There are many policy considerations to make as the state reconsiders its approach to tuition, financial aid, and overall higher education funding. Key values — program quality, access, affordability, diversity, opportunity, and choice — are in play in any discussion of higher education funding.

While there is nothing inherent in institutional tuition-setting authority that undermines these principles, there is nothing in this approach that ensures they would be preserved in the new environment.

The key question is whether and how the state can appropriately balance its commitments to maintaining quality educational programs and affordable access, not only for this year but also for many years to come.

Governor Locke's FY 2002 Supplemental Budget Proposal Regarding Higher Education

January 2002

Tuition

- The budget bill would grant unlimited tuition-setting authority to the institutions for the 2002-03 academic year by removing the current limits on tuition increases. This approach would apply only to the 2002-03 academic year.
- The bill does not address the maintenance of current service to financial aid recipients in response to locally established tuition rates. The Governor's budget staff said he would detail his long-term tuition and financial aid policies in legislation next month.

Financial Aid

- State Need Grant funding would be increased by \$3.2 million, to a total of \$105.8 million for 2002-03. The HECB staff estimates this amount would offset potential tuition increases of up to 18% for research institutions, 15% for regional institutions, and 12% for community and technical colleges.

Enrollment

- The budget preserves the full 2,587-FTE enrollment increase for 2002-03 from the original biennial budget (1,820 at the community and technical colleges, and 767 at the baccalaureates).
- \$9 million would be added to support 1,500 additional workforce retraining FTE at the community and technical colleges in 2002-03. The funding level of \$6,000 per FTE includes \$1,300 for financial aid administered by the SBCTC. This compares with the SBCTC request for 2,500-FTE (1,000 in the first year and 1,500 in the second) that was endorsed December 13 by the HECB.
- The proposal contains no funding for additional enrollments at Eastern Washington University or for enrollment recovery efforts at Central Washington University.

Cuts to institution and HECB budgets

- The Governor would make a 5% across-the-board cut for baccalaureate institutions, totaling \$37.6 million. The cut would affect both instructional and non-instructional programs.
- The proposal would make a 3% across-the-board cut for community and technical colleges, totaling \$16.3 million. The cut would affect both instructional and non-instructional programs.
- HECB agency funding would be reduced by \$120,000. Cuts would affect policy and planning activities and financial aid administration.

Salaries and Benefits

- The budget would provide a general state employee salary increase of 2.6% in the second year of the biennium, effective September 1, 2002. The current budget includes enough money to provide that increase on July 1.
- Employees covered by Initiative 732 (K-12 and community and technical college faculty) would receive increases of 3.6% on July 1, 2002, as specified in the initiative. Other state and higher education employees would receive 2.6% on September 1.
- All state employees, including those in higher education, would pay a larger share of their health coverage through increased premiums and-or co-pays and reduced pharmacy benefits.

E D U C A T I O N



Access to Quality Higher Education

IT IS VITAL TO MAINTAIN ACCESS to Washington's high-quality colleges and universities as Washington shifts to a new economy driven by knowledge and technology. Opportunities for workers - and the health of the new economy - depend on a well-educated citizenry prepared for a lifetime of learning.

Tuition at state colleges and universities is below the national average, and it is capped at rates substantially below that of peer institutions across the country. Low tuition puts our colleges

and universities at a competitive disadvantage with peer institutions. It also limits the capacity for high quality research and the economic benefits that research creates.

The Governor's Proposal:

Maintains enrollment-growth targets in public colleges and universities despite a 5 percent reduction in the General Fund appropriation for four-year public universities and a 3 percent reduction for community colleges. Enrollment growth is maintained to ensure student access to critical higher education opportunities. Included in the enrollment growth are expanded opportunities for high-technology degrees to help meet the need for well-trained workers in critical industries. *Saves \$54 million GF-State*

Keeps the state's current commitment to financial aid for lower- and middle-income students. Increases state funding for the State Need Grant - the state's primary student financial aid program - to shield lower-income students from the costs of potential tuition increases adopted by the community colleges and universities. Continues full funding of the Washington Promise Scholarship program. Promise Scholarships reward students from low- and middle-income families who graduate in the top 15 percent of their high school class. High-achieving students across the state earn two-year Promise Scholarships, which may be used at any accredited college or university in Washington.

Grants tuition-setting authority to the governing boards of the colleges and universities to allow higher education institutions to close the tuition gap with peer institutions, and to protect the quality of Washington's higher education institutions - from attracting faculty to investing in new programs, and to help the institutions absorb proposed reductions in the General Fund appropriation.

Expands enrollment for worker retraining programs at community and technical colleges from 7,200 FTE students to 8,700 FTE students. Worker retraining is important both to update skills of individual workers who are laid-off, and to expand the pool of available, well-trained workers needed to fill current job openings in high-wage, high-demand industries such as technology and healthcare. *\$9 million GF-State*

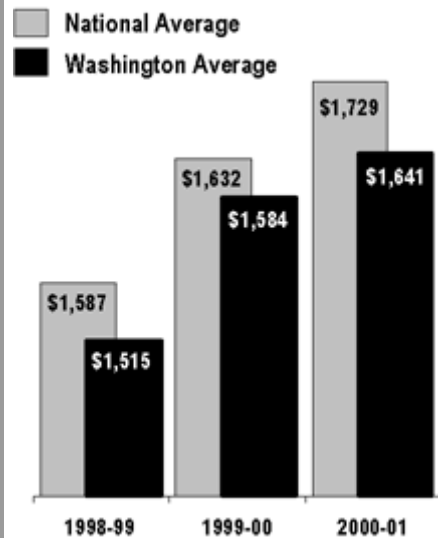
ISSUES IN DEPTH

[Workforce Training](#)

Governor Locke's Priorities for Higher Education

- ✔ Provide access to college by preserving increases in higher education enrollments.
- ✔ Grant colleges and universities more tuition-setting authority.
- ✔ Maintain state commitment to financial aid for low- and middle-income students.

Washington Community College Tuition Rates are Lower than the National Average



Higher Education Coordinating Board, 2001

E D U C A T I O N

Training Workers for a High-Tech World

OVER THE PAST YEAR, Washington State's economy has slowed. Closures in wood products, aluminum, semi-conductors and other manufacturing industries contributed to the problem. So did the decline in dot.com and agriculture-related jobs. The September 11 terrorist attacks accelerated this economic slowdown and job loss.



The key to economic recovery and the global competitiveness of our state depends on making our industries more competitive. In a knowledge-based economy, competitiveness is a function of having a skilled workforce.

Time to Expand Job-retraining Efforts



Governor Locke believes that Washington workers must be trained for jobs in high-wage, high-demand industries such as technology and health care in order to meet the need for skilled workers.

That way, Washington and its workers can keep their competitive edge. Last year, the Governor and Legislature expanded the number of student slots at universities and colleges for high-demand programs. The Governor's supplemental budget proposal takes the next step in worker retraining and workforce development. It will:

- Expand enrollment at community and technical colleges for worker retraining to 8,700 students, up from the current level of 7,200 students. \$9 million GF-State
- Invest funds to offset worker-training costs for new or expanding companies to promote economic development and train or upgrade workers skills so they earn more. \$750,000-Federal funds

Worker Retraining: A history of success

Since the state's worker retraining program was created in 1993, more than 50,000 unemployed workers have been served. This program, which operates through our community and technical college system, has been the key in retraining workers for re-employment in response to industry closures, declines, and restructuring. Colleges have used the dollars to invest in new program capacity in high-demand fields, which create greater economic competitiveness in regions throughout the state.



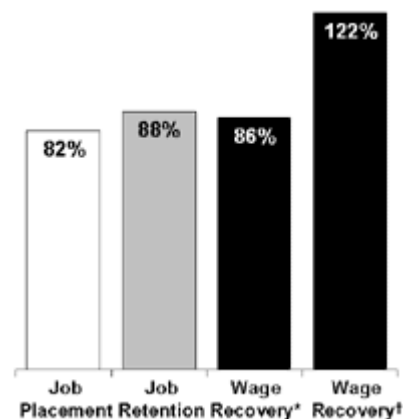
Retrained Workers Land on Their Feet

Since the program began, colleges have returned 82 percent of all worker-retraining participants to jobs within six months after leaving the program. At

"We need to use this period as an opportunity to position Washington State to compete effectively both now and when the economy rebounds."

Governor Gary Locke
November 5, 2001

Worker Retraining Success Summary for the Class of 1998-99



*Students earning \$12 an hour or above prior to entering the Workforce program recovered 86% of their previous wage upon placement.

†Students earning below \$12 an hour prior to entering the Workforce program recovered 122% of their previous wage upon placement.

Washington State Board for Community and Technical Colleges, 2000

seven to nine months after training, workers who lost middle or low-wage jobs recovered 122 percent of their former wage, and workers who lost high-wage jobs (paying \$12.06 an hour or more) recovered 87 percent of their former wages.

Getting Ready for an Economic Rebound

Governor Locke will expand this very successful program to address the current recession's wave of layoffs, and to prepare Washington workers for the economy's rebound.

Staff Contact: Jamila Thomas-Roberts, Governor's Executive Policy Office, (360) 902-0577, Fax: (360) 586-8380, Email: jamila.thomas-roberts@ofm.wa.gov

[Governor's Home Page](#) | [Office of Financial Management](#) | [Legislature](#) | [Press Releases](#) | [Budget Detail](#) | [Glossary of Budget Terms](#)



Governor Locke's Budget Principles:

- ✓ **Education is Our Highest Priority:** Improving student achievement and access to higher education are the keys to opportunity.
- ✓ **Use Public Works To Create Jobs:** Refinancing the capital budget and approving transportation funding creates thousands of jobs.
- ✓ **Transportation Problems Must Be Addressed:** Fixing serious transportation problems keeps our economy and people moving.
- ✓ **Make Government Work Better:** Eliminating lower priority programs puts focus on the state's highest priorities.
- ✓ **Protect Families and the Environment:** The most vulnerable children and adults are protected, and our natural resources preserved.
- ✓ **Maintain a Responsible Reserve:** A reserve fund of \$300 million is maintained.

Economy:

Creating Thousands of
New Jobs in Washington

Education:

Reducing Class Sizes for More
Individual Attention

Transportation:

Adding Capacity to Get
Washington to Work



Solving the Budget Problem

Governor's Priorities for Balancing the Budget

- ✓ Solve a \$1.25 billion problem in the current biennium
- ✓ Reduce spending to match revenue and lower long-term costs
- ✓ Generate new revenue without general tax increase
- ✓ Maintain an adequate reserve

The Governor's Proposal:

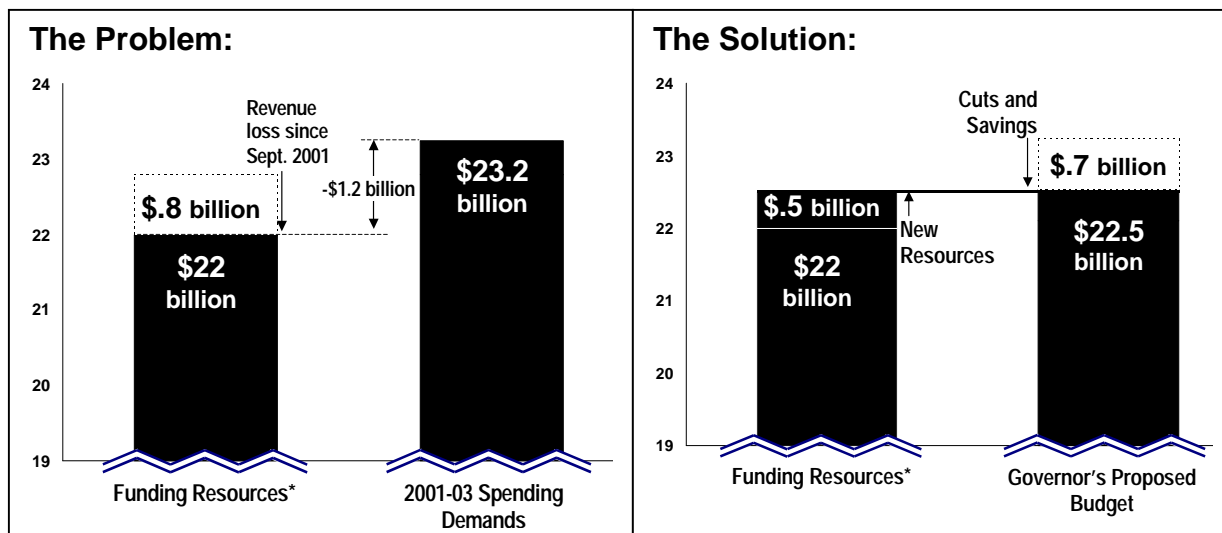
Solves a 1.25 billion budget problem, the result of an \$813 million drop in revenue and more than \$400 million in additional spending pressures, by reducing \$22.8 billion 2001-03 General Fund budget by \$566 million and providing \$573 million in additional resources.

Reduces human-services programs, which account for 32 percent of General Fund budget, by \$246 million. Reduces general government and natural resources funding by \$41 million, higher education by \$54 million, and discretionary public-school funding by \$29 million.

Returns \$125 million for ferry and multimodal transportation programs from General Fund to transportation budget. I-695 backfill for local governments ends, saving \$84.6 million. Selected fund balances and fee increases provide \$54 million.

Raising liquor prices, adding a multistate lottery game, taxing card rooms, closing loophole for shipments from out of state, and increasing state tax collection enforcement raises \$169 million.

\$200 million in new revenue comes from use of a federal nursing home reimbursement program. Reserve reduced by \$150 million, leaving \$300 balance in rainy day fund.



*Includes November revenue forecast, beginning fund balance and enacted fund transfers.

2001-03 Supplemental Budget

THE PROBLEM: \$1.25 Billion Shortfall in Current Biennium

Assumes November caseload/enrollment and revenue updates.

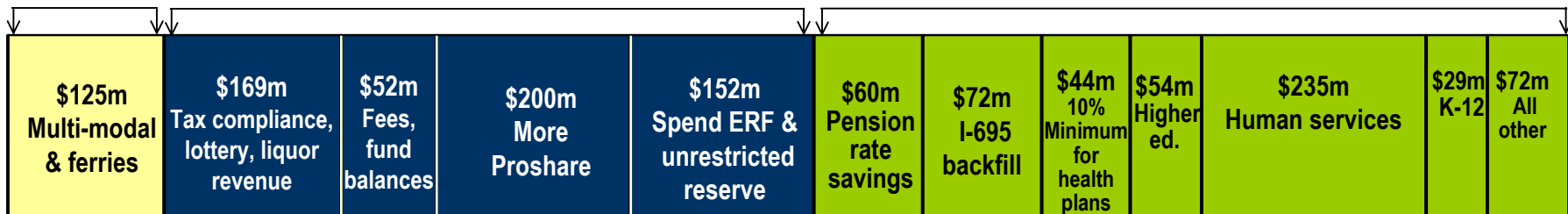


The Solution:

Return ferry and rail costs to transportation

Additional resources = \$573 million

Reductions = \$566 million



GFS/Emergency Reserve Balance = \$304 million

Making Government Leaner

Governor's Priorities for Reducing Costs

- ✓ Reduce costs now, and into the future
- ✓ Eliminate lower-priority programs
- ✓ Reduce growth of state workforce
- ✓ Expand use of money-saving efficiencies

The Governor's Proposal:

Reduces \$22.8 billion General Fund budget for 2001-03 Biennium by \$566 million, which reduces costs in the next full budget cycle, the 2003-05 Biennium, by \$1.2 billion.

Eliminates 30 state programs entirely and ends financial support for local governments losing revenue due to passage of Initiative 695. *Saves \$166 million GF-State*

Eliminates 835 full-time jobs in General Fund agencies – while adding 559 jobs related to criminal justice, care of elderly and disabled, and other required staffing – for a net decrease of 276 state jobs.

Re-examines basic business practices and operations used by state government and cuts \$22 million at agency headquarters.

Delays effective date of next year's 2.6 percent cost-of-living adjustment for state employees and vendors by two months. *Saves \$13 million GF-State*

Tightens belts of school districts by eliminating block grants, reducing state funding for Education Service Districts, and reducing other discretionary, non-essential grants and services to school districts. *Saves \$30 million GF-State*

Increases employees' share of health insurance costs. Compensation package for all state-funded employees, including public-school teachers and higher education employees, assumes all employees pay at least 10 percent of premium costs for health plans of their choice. Doctor's office co-pay increases from \$10 to \$20 for employees covered by managed-care plans. *Saves \$44 million GF-State*

Eliminating 30 Programs:

1. State SSI Supplement Payments
2. State Library
3. Local Government Replacement Funds
4. Three Fish Hatcheries
5. Block Grant in K-12
6. Mission Creek Youth Camp
7. CTED Film and Video Office
8. Washington State Int'l Trade Fair
9. Family Policy Council
10. Interpreter Services for Medical Assistance Clients
11. Fish and Wildlife Print Shop
12. Crisis Residential Center Assessments
13. Rural Opportunity Fund
14. Alternative Response System
15. Early Intervention Program
16. Continuum of Care
17. Secure Crisis Residential Centers
18. TASC Program
19. Extended Support Services
20. Three Mental Health Community Programs
21. Infant-Friendly Certification
22. Child Product Safety Campaign
23. Farmer's Market Nutrition Program
24. Grants to Northwest Family Center
25. Grants to Neurodevelopmental Center
26. Monetary Supervision of Non-violent Offenders
27. Low-Risk Community Supervision
28. Pre-Sentence Investigation
29. Truancy Petition Requirements
30. Pacific NW Economic Region Dues

Creating New Jobs, Building for the Future

Governor's Priorities for the Economy

- ✓ Create new jobs now
- ✓ Restart and refinance capital budget
- ✓ Fix transportation problems
- ✓ Expand worker retraining
- ✓ Move on Competitiveness Council recommendations

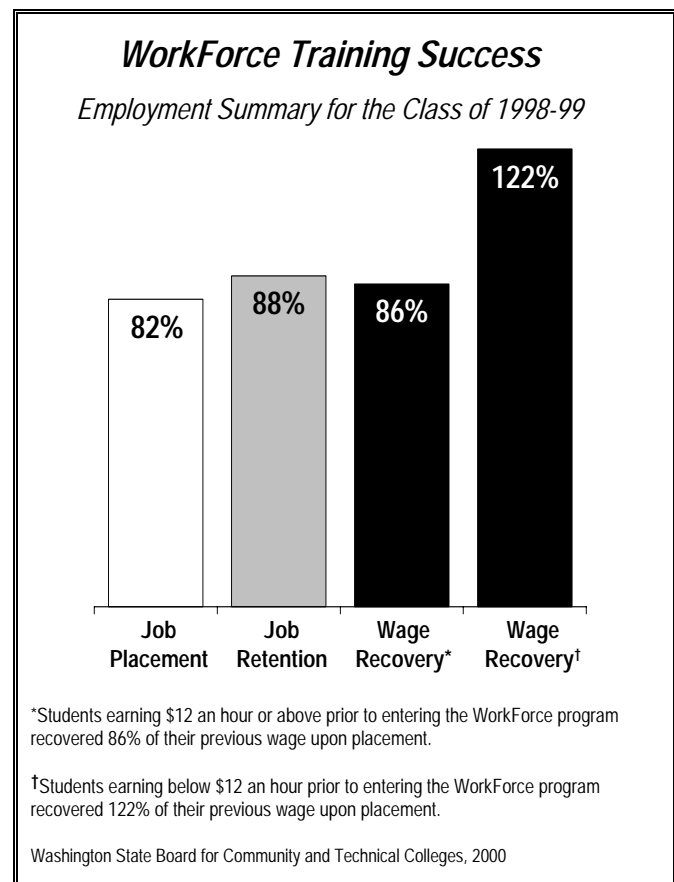
The Governor's Proposal:

Creates 24,000 new jobs generated by 10-year transportation-improvement proposal and refinancing \$880 million capital budget in the current biennium. Approval of \$8.5 billion in new state funding for transportation, plus voter-approved regional funding, sustains more than 20,000 jobs over several years. Refinancing capital budget and providing an additional \$100 million for new construction projects creates 4,200 jobs over next few years.

Expands worker retraining enrollment to 8,700, adding 1,500 new slots for students at community and technical colleges. Also expands customized training program for new and expanding companies that invest in training workers on the job. *\$9.8 million GF-State.*

Acts on Washington Competitiveness Council recommendations to cut regulatory red tape and create new leadership to bring major reform and accountability to the regulatory system. Establishes clear standards and guidelines, creating more certainty for business and reducing time and money spent securing development permits.

Community Revitalization Board's loan program gets new funding for new projects to stimulate economic development in rural areas. *\$8.3 million Public Facilities Construction Loan Revolving Account*



Keeping the Commitment to Learning

Governor's Priorities for the Education

- ✓ Protect funding for public schools and class-size reduction
- ✓ Protect funding for teacher salaries approved by voters
- ✓ Grant additional tuition-setting authority to state colleges and universities

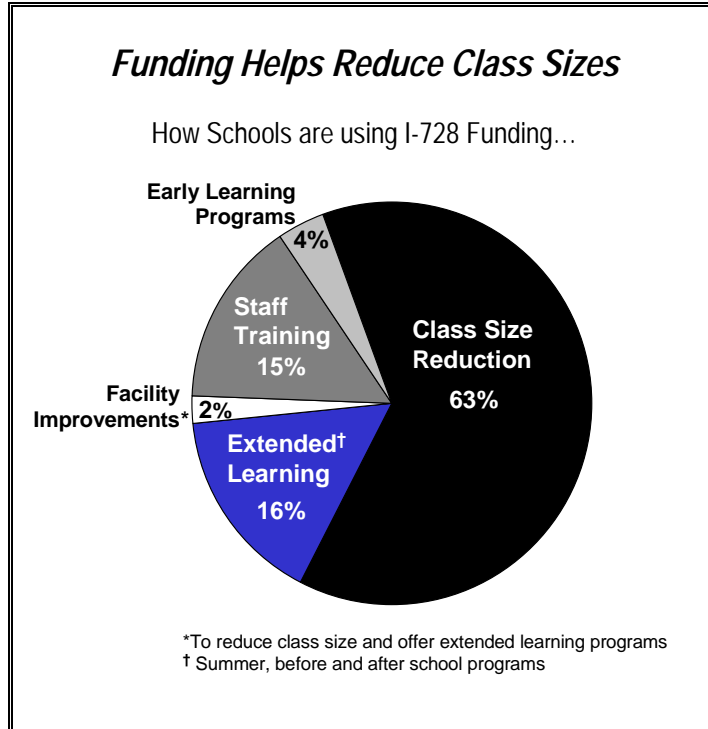
The Governor's Proposal:

Provides full funding for basic education in K-12 public schools. Additional funding in supplemental budget reflects higher-than-expected enrollments. *\$106 million GF-State*

Fully funds annual salary increases for state-funded teachers and other school staff – total cost \$333 million in the 2001-03 Biennium – as required by voters under Initiative 732.

Supplemental budget proposal increases next year's COLA, reflecting increase in inflation since biennial budget was adopted. *\$14 million GF-State*

Continues full funding to reduce class sizes under Initiative 728 – \$395 million in the 2001-03 Biennium. Supplemental budget increases appropriation to reflect increased student enrollment. *\$1 million Student Achievement Fund*



Tightens belts of school districts by eliminating block grants, reducing state funding for Education Service Districts, and reducing other discretionary, non-essential grants and services to school districts. *Saves \$30 million GF-State*

Maintains enrollment-growth targets at state colleges and universities despite reductions in General Fund appropriations of 5 percent for four-year institutions and 3 percent for community colleges. Grants full tuition-setting authority to governing boards of higher education institutions. *Saves \$54 million GF-State*

Getting Washington to Work

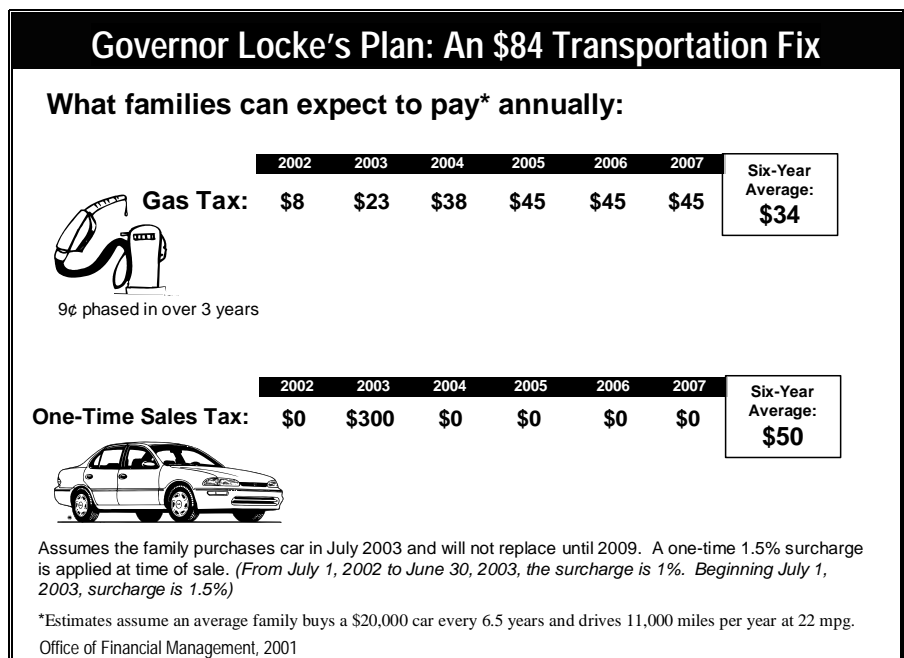
Governor's Priorities for the Transportation

- ✓ Cut traffic congestion at key chokepoints statewide
- ✓ Stimulate economy, create thousands of new jobs
- ✓ Launch transportation improvement plan measured by performance
- ✓ Give regions taxing authority to accelerate projects

The Governor's Proposal:

Makes \$8.5 billion in state transportation improvements, funded by phased-in 9-cent gas tax increase.

Adds capacity on highways such as I-405, SR 167, I-90 east of Snoqualmie Pass, I-5 in Southwest Washington, and SR 240 in Richland. Replaces ferries built in 1927. Provides public transit assistance grants. Regional funding proposal allows local voters to approve new regional resources to accelerate projects, such as the Alaskan Way Viaduct.



Targets funding along major transportation corridors to ensure the greatest return on investment. Ties new dollars to specific transportation projects.

Sustains 20,000 new jobs over several years with new state and regional funding as the state's aging transportation infrastructure is upgraded and repaired.

Emphasizes reform, efficiency, and greater accountability by establishing performance measures, contracting out for construction engineering services, changes in prevailing wage procedures, establishment of apprenticeship programs, and adoption of other recommendations of the Blue Ribbon Commission on Transportation.

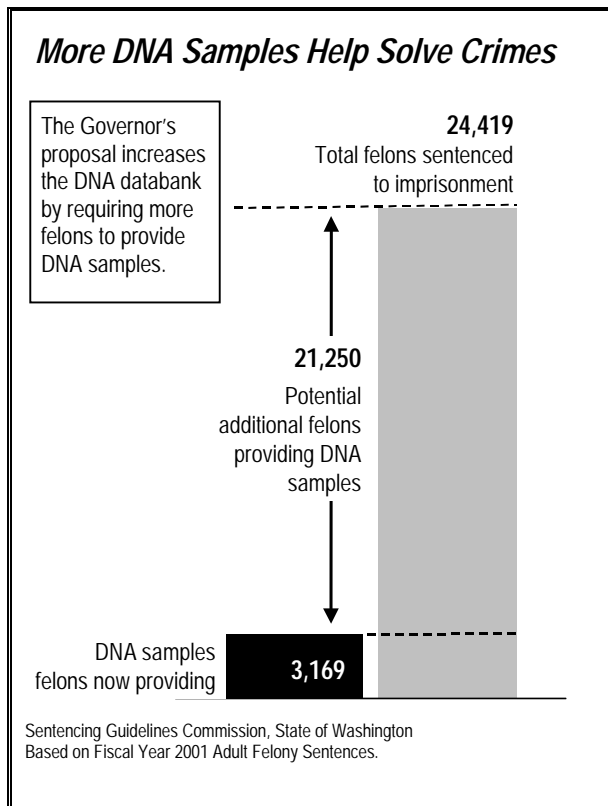
Keeping Communities Safe from Violence and Terror

Governor's Priorities for the Public Safety

- ✓ Strengthen Washington's ability to fight terrorism
- ✓ Expand the use of new technology to fight crime

The Governor's Proposal:

Fights terrorism with new legislation increase penalties for terrorism-related crimes, including homicide, use of biological or chemical agents, destroying infrastructure, threatening water systems, and perpetrating terrorist hoaxes.



Applies racketeering and money-laundering laws to terrorist operations. Protects certain sensitive records from public disclosure to protect national security, computer codes and other records that could advance terrorist attacks.

Keeps State Patrol troopers on state ferries to protect the public. *\$1.9 million State Patrol Highway Account*

Fights crime with new technology. Expands state's DNA databank. More felons must provide DNA samples. Speeds Crime Lab evidence testing. *\$1.9 million State and other funds*

2001-03 Balance Sheet
Including Governor Locke's Proposed 2002 Supplemental Budget
 General Fund - State
 (Dollars in Millions)

Resources

Beginning Fund Balance	599.0
November 2001 Revenue Forecast	21,208.7
Proposed Revenue and Fee Changes	165.6
	\$21,374.3
 Total Resources (Revenues plus Beginning Balance)	\$21,973.3

Initiative 601 Expenditure Limit

November 2001 Limit as adjusted for Supplemental Budget	23,131.5
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Expenditures

Current 2001-03 Appropriations	22,783.2
Governor's Proposed 2002 Supplemental	(252.9)
Revised 2001-03 Budget	22,530.3

Unrestricted General Fund Reserve

Unrestricted Balance	(557.0)
Current Budget: Money Transfers into General Fund	228.0
2002 Supplemental: Money Transfers into General Fund	250.1
Transfer from the Emergency Reserve Fund	78.9
	0.0

Emergency Reserve Fund

Beginning Balance	461.9
Emergency Reserve Transfers to Transportation	(70.0)
Interest Earnings	15.5
Earthquake/Drought	(25.0)
Transfer to General Fund	(78.9)
	303.5

**Background Information:
Budget, Tuition, and Financial Aid Discussion**

January 2002

OVERVIEW

Today Washington faces a budget crisis that could eclipse the problems the state confronted in the early 1980s and the early 1990s. In the next few months, the Governor and Legislature will confront a major shortfall in the state operating budget. Their budget and policy decisions during the 2002 legislative session will affect higher education for years to come.

Attached background material prepared by the HECB staff (first presented at the Board's Dec. 13 roundtable discussion) are provided to facilitate the discussion on budget, tuition, and financial aid.

State Budget Outlook

- Since the \$22.8 billion 2001-03 biennial operating budget was adopted in June, there have been additional pressures put on it.
 - First, public school enrollments, medical assistance caseloads and rates, corrections caseloads, forest firefighting costs, lawsuits, etc. have been greater than budgeted.
 - Also, several transportation accounts were not fully funded.
 - According to the Office of Financial Management (OFM), these pressures have increased needed expenditures by about \$440 million.

- Second, and of greater impact, the nation has entered a recession. In September, the state revenue forecast fell by \$96 million and by another \$813 million in November.

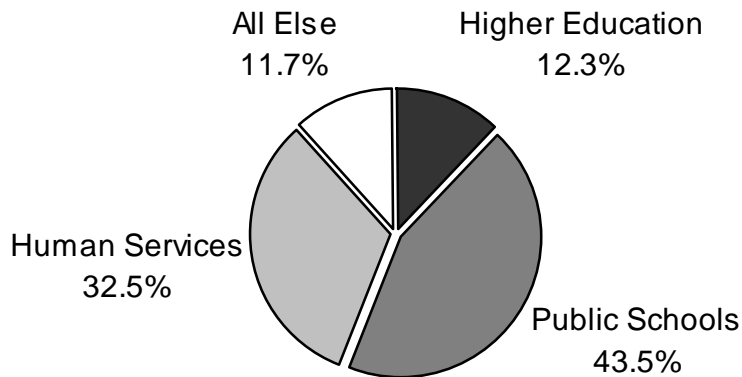
- OFM estimates the lower revenue forecast and the additional spending pressures mean that the state faces a \$1.25 billion budget problem. In the 2002 session the Legislature will need to rebalance the operating budget.

State General Fund 2001-03 Biennium (dollars in millions)			
	State General Fund (GF-S)	Emergency Reserve Fund (ERF)	Total
Reserves 6/30/01	\$600	\$460	\$1,059
Transfers to GF-S from Other Accounts	\$228		
June Revenue Forecast	\$22,117		
ERF Interest Earnings		\$25	
September Revenue Adjustment	(\$96)		
November Revenue Adjustment	(\$813)		
2002 Revenue Adjustments	?		
Resources Available (11/01)	\$22,036		
Total Appropriations	\$22,783	\$25	
ERF Transfer to Transportation		\$70	
Est. Supplemental Budget Adds (OFM)	\$440		
Supplemental Budget Reductions	?		
I-601 Spending Limit	\$22,863		
Reserves 6/30/03	(\$1,187)	\$390	(\$798)

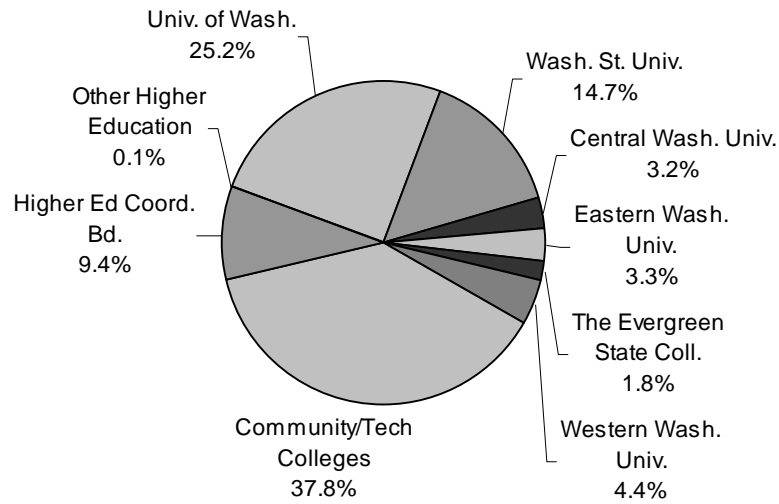
Higher Education Budget Trends

- Higher education receives 12.3 percent of total state general fund appropriations in the 2001-2003 biennium.
- Shares of the higher education GF-S budget:
 - Research universities 40 percent
 - Community and technical colleges 38 percent
 - Comprehensive college and universities 13 percent
 - HECB (primarily student financial aid) 9 percent
- The higher education share of the general fund budget declined from 14.2 percent in 1987-89, to 11.1 percent in 1995-97. Since then, the share has increased to its current level of 12.3 percent.

State Operating Budget State General Fund: 2001-03 Biennium \$22.8 Billion Total



**Higher Education
State General Fund: 2001-03 Biennium
\$2.8 Billion Total**



**Higher Education 2001-2003 Operating Budget
State General Fund
(Dollars in Millions)**

Community and Technical Colleges	\$1,058.1
University of Washington	707.1
Washington State University	411.4
Higher Education Coordinating Board	264.6
Western Washington University	122.6
Eastern Washington University	92.9
Central Washington University	89.1
The Evergreen State College	51.6
Other Higher Education	3.0
Total	\$2,800.5

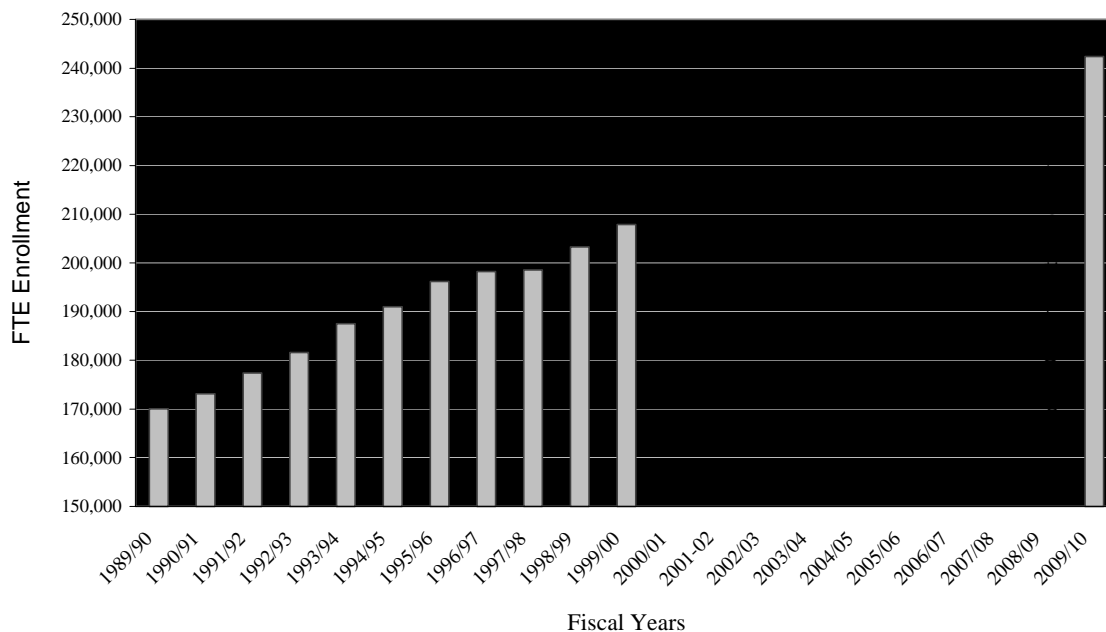
Source: LEAP, Budget Notes

Enrollment Trends And Projections

Enrollment growth is expected to continue at a steady pace, reflecting the increase in Washington’s population. Layoffs in aerospace and other industries are expected to bring additional enrollment pressure, especially for job training programs.

- Fall 2001 enrollments are at or above budgeted levels at every campus of the four-year institutions.
- Community and technical colleges have not yet reported official fall 2001 enrollments, but system leaders expect the colleges to be over-enrolled by about 5,000 full-time students statewide, compared with a budgeted level of about 125,000 FTE.
- In national comparisons, Washington has consistently ranked among the top 10 states in the rate of enrollment at the lower division—due to a strong two-year college system.
- Washington has consistently ranked near the bottom in the rate of enrollment in upper division and graduate programs.

PUBLIC HIGHER EDUCATION ENROLLMENT
EXPECTED TO CONTINUE TO GROW



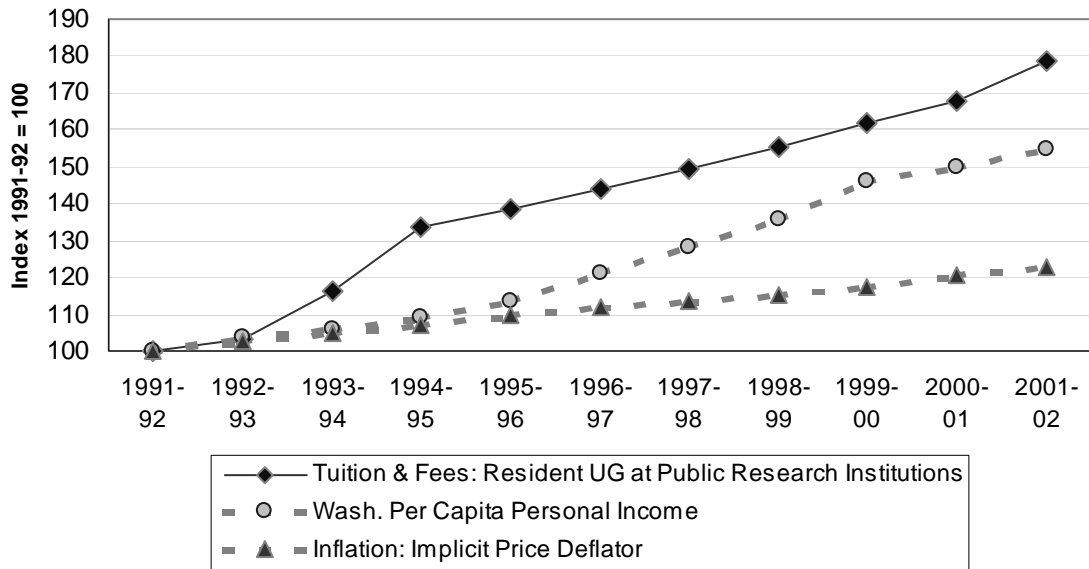
Comparison of FTE Enrollment For FY 2002
OFM Estimates of Average Annual FTEs versus Budget Level
Based on Fall 2001 Actual Enrollments

	<u>Budget Level FY 2001</u>	<u>Budget Level FY 2002</u>	<u>Increase 2001/2002</u>	<u>OFM Estimate FY 2002</u>	<u>Increase 2001/2002</u>	<u>FY 2002 Over-enroll (Under-enroll)</u>	<u>Budget Level FY 2003</u>
UW	34,688	34,820	132	36,688	2,000	1,868	35,146
Seattle	32,266	32,321	55	33,862	1,596	1,541	32,427
Bothell	1,136	1,169	33	1,269	133	100	1,235
Tacoma	1,286	1,330	44	1,557	271	227	1,484
WSU	19,847	19,570	(277)	19,828	(19)	258	19,694
Pullman	17,609	17,332	(277)	17,471	(138)	139	17,332
Spokane	551	551	-	587	36	36	593
Tri-Cities	616	616	-	624	8	8	616
Vancouver	1,071	1,071	-	1,146	75	75	1,153
CWU	7,867	7,470	(397)	7,626	(241)	156	7,470
EWU	7,864	7,933	69	8,404	540	471	8,017
TESC	3,713	3,754	41	3,933	220	179	3,837
WWU	10,826	10,976	150	11,239	413	263	11,126
HECB	50	-	(50)	-	(50)	-	-
Subtotal 4-Year	84,855	84,523	(332)	87,718	2,863	3,195	85,290
SBCTC	123,762	125,082	1,320	NA	NA	NA	126,902
Total	208,617	209,605	988	NA	NA	NA	212,192

Tuition at the Public Colleges and Universities

- Tuition has grown about 40 percent faster than personal income over the last 10 years—and over three times faster than the rate of inflation.
- All of Washington’s four-year institutions increased resident undergraduate tuition up to the legislative cap of 6.7 percent for the 2001-02 academic year. The community and technical college system increased tuition by 6.2 percent. The UW, WSU and TESC have set increases at the legislative cap of 6.1 percent for 2002-03. The others have deferred the 2002-03 decision.
- Washington continues to rank very close to the national average in tuition levels for flagship (research) universities, comprehensive colleges and universities, and community colleges.

**INCREASES IN TUITION HAVE OUTPACED
PER CAPITA PERSONAL INCOME AND INFLATION**



RESIDENT TUITION AND FEES FOR FULL-TIME STUDENTS
ACADEMIC YEAR 2001-02
PUBLIC HIGHER EDUCATION INSTITUTIONS

RESIDENT	TUITION		S & A	TOTAL	Technology Fee	OVERALL TOTAL
	Operating Fee	Building Fee	Services and Activities (S & A) Fee	Tuition plus S & A Fees	(Optional)	
UW - Seattle						
Undergraduate	3,413	180	279	3,872	111	3,983
Graduate	5,373	166	279	5,818	111	5,929
Master Professional Accounting	5,710	177	279	6,166	111	6,277
Master Business Administration	6,096	189	279	6,564	111	6,675
Law	6,325	196	279	6,800	111	6,911
Professional (MD, DDS)	9,264	488	279	10,031	111	10,142
UW- Bothell						
Undergraduate	3,413	180	249	3,842	120	3,962
Graduate	5,373	166	249	5,788	120	5,908
UW-Tacoma						
Undergraduate	3,413	180	273	3,866	120	3,986
Graduate	5,373	166	273	5,812	120	5,932
WSU -- all campuses						
Undergraduate	3,396	178	324	3,898		3,898
Graduate	5,375	166	313	5,854		5,854
Professional (Veterinary Med.)	9,074	478	320	9,872		9,872
CWU						
Undergraduate	2,552	106	366	3,024	75	3,099
Graduate	4,373	109	366	4,848	75	4,923
EWU						
Undergraduate	2,509	104	351	2,964	105	3,069
Graduate	4,299	108	351	4,758	105	4,863
TESC						
Undergraduate	2,551	106	367	3,024		3,024
Graduate	4,369	112	367	4,848		4,848
WWU						
Undergraduate	2,550	105	360	3,015	30	3,045
Graduate	4,374	108	360	4,842	30	4,872
Community/Technical Colleges						
Undergraduate	1,396	172	175	1,743	varies	

DRAFT...TUITION AND REQUIRED FEE RATES - NATIONAL COMPARISON ...DRAFT

RESIDENT UNDERGRADUATE: FLAGSHIP UNIVERSITIES

	1997-98	2000-01	2001-02	Percentage Increase	
				One Year	Four Year
Alabama	2,594	3,014	3,292	9.2%	26.9%
Alaska	2,710	3,420	3,495	2.2%	29.0%
Arizona	2,058	2,344	2,486	6.1%	20.8%
Arkansas	2,656	3,867	4,158	7.5%	56.6%
California	4,355	^ 4,046	^ 4,123	1.9%	-5.3%
Colorado	2,939	3,188	3,357	5.3%	14.2%
Connecticut	5,242	5,596	5,824	4.1%	11.1%
Delaware	4,574	5,005	^ 5,290	5.7%	15.7%
Florida	1,994	2,348	2,444	4.1%	22.6%
Georgia	2,739	3,276	3,418	4.3%	24.8%
Hawaii	2,949	3,157	3,253	3.0%	10.3%
Idaho	1,942	2,476	2,720	9.9%	40.1%
Illinois	4,406	4,994	5,754	15.2%	30.6%
Indiana	3,929	4,405	4,734	7.5%	20.5%
Iowa	2,760	3,204	3,522	9.9%	27.6%
Kansas	2,385	2,725	2,884	5.8%	20.9%
Kentucky	2,736	3,446	3,734	8.4%	36.5%
Louisiana	2,711	3,395	3,395	0.0%	25.2%
Maine	4,339	4,829	5,117	6.0%	17.9%
Maryland	4,460	5,136	5,341	4.0%	19.8%
Massachusetts	5,332	^ 5,212	5,212	0.0%	-2.3%
Michigan*	5,878	6,513	6,935	6.5%	18.0%
Minnesota*	4,473	4,877	5,536	13.5%	23.8%
Mississippi	2,731	3,153	3,626	15.0%	32.8%
Missouri	4,280	4,726	4,887	3.4%	14.2%
Montana	2,727	3,178	3,648	14.8%	33.8%
Nebraska	2,829	3,465	3,745	8.1%	32.4%
Nevada	1,995	2,220	2,295	3.4%	15.0%
New Hampshire	5,889	7,395	7,693	4.0%	30.6%
New Jersey	5,333	6,333	6,655	5.1%	24.8%
New Mexico	2,165	2,795	3,026	8.3%	39.8%
New York	4,340	4,715	4,815	2.1%	10.9%
North Carolina	2,173	2,710	3,219	18.8%	48.1%
North Dakota	2,677	3,088	3,261	5.6%	21.8%
Ohio	3,660	4,383	4,788	9.2%	30.8%
Oklahoma	2,403	2,861	2,963	3.6%	23.3%
Oregon	3,648	3,819	4,071	6.6%	11.6%
Pennsylvania	5,832	6,852	7,396	7.9%	26.8%
Rhode Island	4,592	5,154	5,365	4.1%	16.8%
South Carolina	3,534	3,868	4,064	5.1%	15.0%
South Dakota	2,824	3,448	3,642	5.6%	29.0%
Tennessee	2,576	3,362	3,784	12.6%	46.9%
Texas	3,279	^ 3,800	4,226	11.2%	28.9%
Utah	2,601	2,895	3,043	5.1%	17.0%
Vermont	7,550	8,288	8,665	4.5%	14.8%
Virginia	4,786	^ 4,160	4,236	1.8%	-11.5%
WASHINGTON	3,366	3,761	3,983	5.9%	18.3%
West Virginia	2,336	2,836	2,998	5.7%	28.3%
Wisconsin	3,240	3,788	4,086	7.9%	26.1%
Wyoming	2,326	2,575	2,807	9.0%	20.7%
National Average	3,517	4,002	4,260	6.5%	21.1%
Washington Rank	22	25	25		
CHANGES FROM PREVIOUS YEAR:					
National Average		5.1%	6.5%		
Washington		3.4%	5.9%		

* Average of lower division and upper division charges.

^ Fees reduced.

DRAFT...TUITION AND REQUIRED FEE RATES - NATIONAL COMPARISON ...DRAFT

**RESIDENT UNDERGRADUATE -- STATE AVERAGES
COMPREHENSIVE COLLEGES AND UNIVERSITIES**

	#	1997-98	2000-01	2001-02	Percentage Increase	
					One Year	Four Year
Alabama	5	2,489	2,892	3,261	12.8%	31.0%
Arizona	2	2,058	2,344	2,486	6.1%	20.8%
Arkansas	4	2,305	2,974	3,477	16.9%	50.9%
California	11	1,957	^ 1,859	1,897	2.0%	-3.0%
Colorado	5	2,180	2,353	2,511	6.7%	15.2%
Connecticut	3	3,611	3,908	4,165	6.6%	15.3%
Florida	6	1,994	2,348	2,551	8.6%	27.9%
Georgia	8	2,059	2,361	2,480	5.0%	20.4%
Idaho	2	1,979	2,514	2,732	8.7%	38.0%
Illinois	5	3,392	4,002	4,215	5.3%	24.3%
Indiana	2	3,305	3,697	3,947	6.7%	19.4%
Iowa	1	2,752	3,130	3,440	9.9%	25.0%
Kansas	4	2,096	2,354	2,424	3.0%	15.7%
Kentucky	7	2,187	2,699	2,897	7.3%	32.4%
Louisiana	7	2,117	2,482	2,578	3.9%	21.8%
Maine	3	3,192	3,510	3,690	5.1%	15.6%
Maryland	6	4,003	4,650	4,769	2.6%	19.1%
Massachusetts	7	3,433	^ 3,260	3,295	1.1%	-4.0%
Michigan	6	3,456	4,027	4,508	12.0%	30.4%
Minnesota	7	2,754	3,238	3,561	10.0%	29.3%
Mississippi	5	2,415	2,789	3,207	15.0%	32.8%
Missouri	5	2,753	3,202	3,436	7.3%	24.8%
Montana	2	2,468	2,924	3,222	10.2%	30.6%
Nebraska	2	2,175	2,693	2,916	8.3%	34.1%
Nevada	1	1,995	2,220	2,295	3.4%	15.0%
New Hampshire	2	4,331	5,309	5,557	4.7%	28.3%
New Jersey	7	4,336	5,328	5,762	8.2%	32.9%
New Mexico	1	1,514	1,933	2,042	5.6%	34.9%
New York	10	3,866	4,006	4,081	1.9%	5.6%
North Carolina	5	1,700	2,025	2,255	11.3%	32.7%
North Dakota	4	2,525	2,790	2,909	4.3%	15.2%
Ohio	4	3,927	4,674	5,058	8.2%	28.8%
Oklahoma	6	1,830	1,996	2,171	8.8%	18.7%
Oregon	4	3,275	3,435	3,650	6.2%	11.4%
Pennsylvania	14	4,265	4,695	4,969	5.8%	16.5%
Rhode Island	1	3,073	3,371	3,521	4.4%	14.6%
South Carolina	1	3,270	3,350	3,790	13.1%	15.9%
South Dakota	2	2,768	3,485	3,702	6.2%	33.7%
Tennessee	6	2,233	2,852	3,246	13.8%	45.3%
Texas	9	2,289	2,651	2,841	7.2%	24.1%
Utah	1	1,935	2,106	2,252	6.9%	16.4%
Vermont	2	4,428	4,944	5,132	3.8%	15.9%
Virginia	5	4,058	^ 3,730	3,841	3.0%	-5.4%
WASHINGTON	3	2,536	2,890	3,071	6.3%	21.1%
West Virginia	7	2,185	2,494	2,645	6.1%	21.1%
Wisconsin	4	2,683	3,058	3,272	7.0%	22.0%
Average*		2,786	3,164	3,385	7.0%	21.5%
Washington Rank		23	26	28		
CHANGES FROM PREVIOUS YEAR:						
National Average			4.6%	7.0%		
Washington			3.4%	6.3%		

Number of institutions in survey.

* Does not include Alaska, Delaware, Hawaii, or Wyoming

^ Fees reduced.

DRAFT...TUITION AND REQUIRED FEE RATES - NATIONAL COMPARISON ...DRAFT
RESIDENT UNDERGRADUATE - ESTIMATED STATE AVERAGES - COMMUNITY COLLEGES

	1997-98	2000-01	2001-02	Percentage Increase	
				One Year	Four Year
Alabama	1,280	1,653	1,964	18.8%	53.4%
Alaska	1,908	2,088	2,148	2.9%	12.6%
Arizona	815	903	930	3.0%	14.1%
Arkansas	969	^ 1,314	1,503	14.4%	55.1%
California	390	^ 330	330	0.0%	-15.4%
Colorado	1,802	1,920	1,999	4.1%	10.9%
Connecticut	1,814	1,886	1,888	0.1%	4.1%
Delaware	1,380	1,530	1,710	11.8%	23.9%
Florida	1,225	1,463	1,525	4.2%	24.5%
Georgia	1,296	1,514	1,486	^ -1.8%	14.7%
Hawaii	956	1,061	1,064	0.3%	11.3%
Idaho	1,100	1,313	1,406	7.1%	27.8%
Illinois	1,348	1,507	1,580	4.8%	17.2%
Indiana	2,455	2,540	2,540	0.0%	3.5%
Iowa	1,950	2,187	2,422	10.7%	24.2%
Kansas	1,206	1,368	1,446	5.7%	19.9%
Kentucky	1,100	1,230	1,450	17.9%	31.8%
Louisiana	1,117	^ 1,378	1,403	1.8%	25.6%
Maine	1,980	2,040	2,040	0.0%	3.0%
Maryland	2,150	2,262	2,345	3.7%	9.1%
Massachusetts	2,444	^ 2,180	2,279	4.5%	-6.8%
Michigan	1,624	^ 2,354			
Minnesota	2,190	2,472	2,750	11.2%	25.6%
Mississippi	960	1,072	1,278	19.2%	33.1%
Missouri	1,292	2,129	2,214	4.0%	71.4%
Montana	1,423	1,944	1,818	^ -6.5%	27.8%
Nebraska	1,233	1,415	1,480	4.6%	20.0%
Nevada	1,140	1,275	1,320	3.5%	15.8%
New Hampshire	3,388	4,114	3,780	^ -8.1%	11.6%
New Jersey	2,212	2,337	2,399	2.7%	8.5%
New Mexico	663	714	750	5.0%	13.1%
New York	2,532	2,602	2,657	2.1%	4.9%
North Carolina	560	880	992	12.7%	77.1%
North Dakota	1,820	1,954	2,040	4.4%	12.1%
Ohio	2,006	2,133	2,300	7.8%	14.7%
Oklahoma	1,285	1,399	^ 1,520	8.6%	18.3%
Oregon	1,628	1,828	1,934	5.8%	18.8%
Pennsylvania	1,978	2,134	2,277	6.7%	15.1%
Rhode Island	1,746	1,806	1,854	2.7%	6.2%
South Carolina	1,221	1,507	1,856	23.2%	52.0%
Tennessee	1,145	1,430	1,626	13.7%	42.0%
Texas	909	1,072	1,122	4.7%	23.4%
Utah	1,392	1,526	1,626	6.6%	16.8%
Vermont	2,614	3,004	3,124	4.0%	19.5%
Virginia	1,429	^ 1,159	1,159	0.0%	-18.9%
WASHINGTON	1,458	1,641	1,743	6.2%	19.5%
West Virginia	1,444	1,675	1,747	4.3%	21.0%
Wisconsin	2,127	2,453	2,619	6.8%	23.1%
Wyoming	1,187	1,431	1,501	4.9%	26.5%

Average** 1,537 1,737 1,811 4.3% 17.9%

Washington Rank 21 25 25

CHANGES FROM PREVIOUS YEAR:

National Average 6.4% 4.3%

Washington 3.6% 6.2%

* In-district rates for Arizona, Arkansas, Colorado, and Montana

** Does not include New Hampshire or South Dakota

^ Fees reduced.

Financial Aid

- Affordability is one of the most important factors that influence a student's ability to attend college. Financial assistance is available to needy students attending both public and private institutions. About one in three Washington college students (about 110,000 students) receive some type of need-based financial aid – both grants and loans.
- Of the \$2.8 billion in state support for postsecondary education this biennium, about nine percent (\$254 million) is for financial aid - mostly for financial needy students.
- Direct financial aid to individual students falls into one of three categories:
 - Assistance to needy students (State Need Grant, State Work Study, Educational Opportunity Grant);
 - Rewarding merit (Washington Promise Scholarship, Washington Scholars, Washington Award for Vocational Excellence); and
 - Targeted assistance (Health Professional Loan Repayment and Scholarship, Future Teachers Conditional Loans)
- Washington's tuition and financial aid policies are closely linked. The state's financial aid policies have been based on the fact that students from low-income families are particularly affected by rising tuition and other college costs. The state has regularly increased funding for the State Need Grant program, which serves the state's lowest income students, to offset tuition increases.
- State Need Grants help financially-needy undergraduate students pursue degrees, hone skills, or retrain for new careers. This is the largest of the state-sponsored student-aid programs with \$193 million appropriated for grants to students in the 2001-03 biennium and serving about 53,000 students annually.
- The maximum annual value of State Need Grant awards range from \$1,740 for eligible students attending the community and technical colleges to \$3,594 for students attending the independent four-year universities.

Cost Of Instruction Trends

- Tuition paid by resident undergraduate students and their families covers about 40 percent of undergraduate instructional costs at the research institutions; and about 30 percent at the comprehensive institutions and the community and technical colleges.
- Prior to 1995, tuition at the public colleges and universities was based on a percentage of the cost of instruction. For example, resident undergraduate tuition at the research universities was set by the Legislature and Governor at 25 percent of the cost of instruction in 1977-78.
- Since 1996 tuition has been set (or capped) by the Legislature and Governor in the state operating budget.
- Since 1999, the Legislature and Governor have allowed the colleges and universities' boards of trustees and the State Board for Community and Technical Colleges to set tuition for their students within limits established in the budget.

Tuition as a Proportion of Educational Cost

	1977-78 to 1980-81	1981-82 to 1992-93	1993-1994	1994-1995	2001-2002
Research Universities:					
Resident Undergraduate	25.0%	33.3%	36.3%	41.1%	41.6%
Nonresident Undergraduate	100.0%	100.0%	109.3%	122.9%	138.3%
Comprehensive Universities & College:					
Resident Undergraduate	*	25.0%	27.7%	31.5%	31.1%
Nonresident Undergraduate	*	100.0%	109.4%	123.0%	120.5%
Community & Technical Colleges:					
Resident Undergraduate	*	23.0%	25.4%	28.8%	29.8%
Nonresident Undergraduate	*	100.0%	109.3%	122.7%	127.2%

Notes:

Tuition = "operating" and "building fees." Does not include "services and activities fees" or other fees.

Proportion calculated as tuition divided by cost of instruction.

*Resident Undergraduate rates at the comprehensive institutions were set at 80% of the research universities. Community college resident rates were set at 45% of research universities; nonresidents at 50% of research. Tuition was not increased in **1979**.

From 1981 through 1995, tuition rates in any given year were calculated on a two-year "lag" basis.

For example, tuition for 1995-96 was determined based on 1993-94 expenditures and actual enrollments.

Tuition increases for **1995-96 to current** were not based on a specified proportion of cost,

but were increased by a percentage specified in the appropriations act.

Calculations for 1995-96 forward reflect budgeted enrollments and allotment data.

Source: HECB, December 2001

Faculty Salary Trends And Comparisons

- State-funded salary increases for faculty and instructional staff have varied year by year, with no increases in some years.
- Faculty salaries are below peer averages at all the public four-year institutions.
- Each year, faculty salaries at Washington's baccalaureate institutions are compared to those at peer institutions nationally. These rankings vary by institution. For example, salaries at the UW and WWU are just below the 50th percentile, while they are at the 9th percentile at WSU. *Note: Percentile rankings measure the position on a scale starting at 0 and stepping up to 100. Therefore, a ranking of a higher percentile indicates a relatively higher salary level, while a lower percentile ranking indicates a relatively lower salary level.*
- National data is not available for the two-year colleges, but the State Board for Community and Technical Colleges indicated in its 2001-2003 budget request that salaries in Washington are below the average of seven Western states.

**FACULTY SALARIES AT WASHINGTON INSTITUTIONS
RELATIVE TO THEIR PEERS**

<u>Institution</u>	<u>FY 1992</u>	<u>FY 1994</u>	<u>FY 1996</u>	<u>FY 1998</u>	<u>FY 2000</u>
University of Washington					
<i>average salary</i>	53,855	57,486	60,126	63,130	68,463
<i>percentile rank</i>	56th	64th	48th	44th	44th
Washington State University					
<i>average salary</i>	45,482	48,656	51,209	53,899	58,533
<i>percentile rank</i>	26th	22nd	22nd	17th	9th
Eastern Washington University					
<i>average salary</i>	39,068	43,414	47,172	49,755	51,101
<i>percentile rank</i>	30th	48th	59th	57th	43rd
Central Washington University					
<i>average salary</i>	42,391	40,895	44,314	43,619	48,556
<i>percentile rank</i>	59th	28th	33rd	14th	24th
The Evergreen State College					
<i>average salary</i>	40,462	43,016	44,070	44,866	46,984
<i>percentile rank</i>	41st	43rd	31st	20th	17th
Western Washington University					
<i>average salary</i>	44,499	46,987	48,698	48,560	51,746
<i>percentile rank</i>	71st	71st	67th	48th	48th
Community & Technical Colleges					
<i>average salary</i>	35,329	37,343	39,309	n/a	n/a
<i>percentile rank</i>	65th	62nd	55th		

source: HECB, November 2001

Higher Education Capital Funding

Historical Perspective

- Since 1991 higher education has accounted for about 30 percent of the total state capital budget.
- Since 1991 General Obligation bonds have financed nearly half of the state's capital budgets (\$5.4 billion of \$11.8 billion), and have financed 73 percent of higher education's capital budgets (\$2.5 billion of \$3.4 billion).
- Higher education has received about 46 percent of each biennial total bond authorization.
- While total higher education appropriation levels have remained fairly stable, capital funding levels between and within the sectors has varied over time – reflecting different capital priorities and initiatives.

The 2001-2003 Higher Education Capital Budget

Higher Education's 2001-2003 capital budget totals \$650 million. Of this amount, \$414 million comes from General Obligation Bonds. Major policies reflected in the 2001-2003 capital budget include:

- A growing emphasis and priority on community and technical college capital improvements.
- Capital spending for the comprehensive institutions includes new major facilities at three of the four campuses.
- The two research institutions have, combined, the lowest total appropriation and bond authorization received over the past six biennia.
- The 2001-2003 capital budget reflects roughly equal investments in both need to preserve/renew facilities and to provide additional capacity.
- Based on the November 2001 revenue forecast, the 2002 Legislature will be examining alternative fund sources for about \$175 million of General Obligation bond projects authorized in the 2001-2003 biennium.
- Since the state's debt limit is based on a percentage of the average of the prior three years general fund revenue, the effect of a 12 to 22 month recession on capital funding will be noticed through the 2005-2007 biennium.

Resident Undergraduate Tuition at Washington's Public Colleges and Universities

Special Board Meeting

January 24, 2002

Higher Education Coordinating Board

**How much are resident
undergraduates paying this year?**

• UW -- Seattle	\$3,983
• WSU -- All	\$3,898
• CWU	\$3,099
• EWU	\$3,069
• TESC	\$3,024
• WWU	\$3,045
• Comm. & Tech. Colleges	\$1,743

Note: Includes tuition and mandatory fees

How much annual revenue does tuition represent?

- UW \$139 million
- WSU \$74 million
- CWU \$21 million
- EWU \$22 million
- TESC \$16 million
- WWU \$29 million
- Comm. & Tech. Colleges \$145 million
- Total, 2001-02 \$445 million

Note: Net revenue estimate for 2001-02 from T/ECM, based on 1999-00 student mix

Who sets tuition rates?

- Legislature and Governor established maximum limits for tuition (operating and building fee) increases in operating budget -- 6.7% in 2001-02
- Regents, trustees and the SBCTC set specific dollar amounts within those limits
- Regents, trustees and local two-year college trustees, with student input, set campus-specific fees such as S&A and technology fees

Tuition policies over time

- From 1977-78 to 1994-95, the Legislature and Governor set tuition as a percentage of the cost of instruction
- Tuition at research universities ranged from 25% of the cost of instruction in 1977-78 to 41% in 1994-95
- Tuition at comprehensives and CTCs was about 30% of cost of instruction in 1994-95

Tuition policies over time

- Since 1995-96, tuition has been set (or capped) by the Legislature and Governor in the state operating budget
- For four years, from 1995-96 through 1998-99, the Legislature and Governor set specific tuition-increase rates (operating and building fees) of 4% per year

Tuition policies over time

- Since 1999, local four-year boards and the SBCTC have been allowed to set specific rates within the following **maximum** limits:
 - 1999-2000: 4.6%
 - 2000-2001: 3.6%
 - 2001-2002: 6.7%
 - 2002-2003: 6.1%*
- * May be adjusted in 2002 supplemental budget

Tuition changes over time

- In dollar terms, resident undergraduate tuition has increased about 80% in the past decade. Per capita personal income has increased about 50% and inflation about 25%
- Today, tuition represents approximately the same portion of the cost of instruction as in 1995 -- 42% at research, 31% at comprehensives, 30% at two-year institutions

State-to-state comparisons

- **Flagship institutions (UW) -- \$3,983
(25th of 50)**
- Other States
 - High -- Vermont \$8,665
 - Low -- Nevada \$2,295
 - U.S. Average \$4,260
 - Western States Ave. \$3,281
- States near U.S. average: Arkansas, California, Texas, Virginia, Wisconsin (w/i \$200)

State-to-state comparisons

- **Regional comprehensives (CWU, EWU, WWU)
-- \$3,071 average (28th of 46)**
- Other states
 - High -- New Jersey \$5,762
 - Low -- California \$1,897
 - U.S. Average \$3,385
 - Western States Ave. \$2,731
- States near U.S. average: Arkansas, Iowa, Massachusetts, Missouri (w/i \$100)

State-to-state comparisons

- **Community Colleges -- \$1,743 (25th of 48)**
- National
 - High -- New Hampshire \$3,780
 - Low -- California \$ 330
 - U.S. Average \$1,807
 - Western States Ave. \$1,472
- Other states near U.S. average: Conn., Delaware, Montana, R.I., S. Carolina, W. Va. (w/i \$100)

Peer comparisons

- **University of Washington -- \$3,983 (15th of 25)**
- Public Research I universities with medical schools
 - High -- Cornell \$12,062
 - Low -- Florida \$ 2,444
 - Average \$ 4,680
- Notable: Michigan (Ann Arbor) -- \$6,935, North Carolina (Chapel Hill) -- \$3,219, UCLA -- \$4,236

Peer comparisons

- **Washington State Univ. -- \$3,898 (10th of 23)**
- Public Land Grant Research I and II universities with veterinary schools
 - High -- Cornell \$12,062
 - Low -- Florida \$ 2,444
 - Average \$ 4,287
- Notable: UC Davis -- \$4,595, Minnesota (Twin Cities) -- \$5,536, North Carolina St. -- \$3,228

Peer comparisons

- **Evergreen State College -- \$3,024 (23rd of 27)**
- Public liberal arts and comprehensive colleges of similar size, programs and other characteristics
 - High -- St. Mary's, Maryland \$7,609
 - Low -- Winston-Salem, NC \$1,918
 - Average \$3,989
- Notable: Wisconsin-Green Bay -- \$3,648, Coll. Of Charleston -- \$3,780, SUNY-Oneonta, \$4,216

Conclusions

- Washington resident undergraduates pay somewhat less than the national average for tuition
- This is true in all public higher education sectors -
- research, comprehensives, CTCs
- Difference between Washington and 'average' more pronounced in comparisons among research and TESC peer institutions
- Tuition rates in Washington are higher than in most Western states

State-funded Financial Aid for Students in Washington

Special Board Meeting
January 24, 2002

Higher Education Coordinating Board

The state's interest in college affordability

- RCW 28B.10.786
 - “... *financial need shall not be a barrier to participation in higher education.*”
- RCW 28B.15.065
 - “*It is the intent of the Legislature that needy students not be deprived of access to higher education due to increases in educational costs or consequent increases in tuition and fees.*”

The state strives to meet that commitment in two major ways

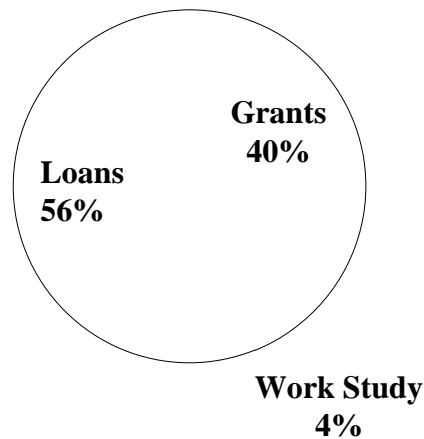
- **Funding support** to public colleges and universities to help pay instruction costs. General-fund appropriations help maintain tuition for all students at moderate levels
- **Direct assistance to students** in the form of financial aid programs to needy students
 - *In 2001-03, the state budget allocates 9 percent of the \$2.8 billion higher education appropriation to the HECB for financial aid, and directs colleges and universities to use a portion of tuition for student aid*

State aid complements federal student assistance

- The Higher Education Coordinating Board is directed in RCW to administer all state financial aid programs
- The Board works closely with more than 70 public and private institutions, who administer one or more aid programs at the campus level
- In its statewide role, the HECB also is charged to coordinate state and federal aid programs to provide the maximum benefit to the student

Most financial aid is in the form of federal loans

In 1999-2000,
Washington
students received a
total of \$896
million in financial
aid, mostly in the
form of federal
loans.



Most state aid is from grants, primarily the State Need Grant

2001-02 financial aid programs	Dollars in millions	Students Served
• State Need Grant	\$90.6	54,000
• State Work Study	\$16.3	9,500
• Promise Scholarship	\$ 8.3	6,600
• Educational Opportunity Grant	\$ 2.9	1,000
• Health Professional Loan Repayment and Scholarship Program	\$ 1.0	50
• Washington Scholars	\$ 1.2	400
• Future Teachers Conditional Scholarship	\$ 1.0	250
• Wash. Award for Vocational Excellence	\$ 0.6	260
• WICHE Student Exchange	\$ 0.2	15

Goals of state financial aid as embodied in Need Grant program

- A focus on students, not institutions
- Aid to the neediest students first
- Statewide consistency -- similar treatment for students with similar income and family size
- Students required to bear a portion of costs and make satisfactory progress
- Assistance to students at their colleges coupled with statewide program oversight
- Ultimately, to ensure that financial need does not prevent a student from attending college

State Need Grant overview

- In the current year, \$90 million was appropriated for the Need Grant program, to serve about 54,000 students
- Undergraduate residents are eligible for State Need Grants if they attend college at least half-time and have family incomes up to 55% of the state median (\$33,500 for family of four)

Maximum Need Grant amounts

- Public research institutions \$3,360
- Private colleges and universities \$3,594
- Public comprehensive institutions \$2,730
- Community & technical colleges \$1,740
- Private career colleges \$1,740

- Notes
 - Full-time students above 50% MFI receive 75% of full grant amount
 - Grants are reduced for less than full-time, year-round attendance
 - Students with documented dependent care costs can receive supplement of up to \$618 per year

Who receives State Need Grants?

- State Need Grant student profile, 1999-2000
 - 61% female
 - 89% enrolled full-time
 - 31% dependent on family support (average income about \$21,000)
 - 69% independent (average income about \$11,000)
 - 23% racial or ethnic minorities (8% did not disclose)
 - Median age 22

Where do Need Grant recipients go to school?

- 57% attend community and technical colleges
- 32% attend public four-year institutions
- 6% enroll in private baccalaureate colleges and universities
- 5% attend private career colleges

Need Grant changes over time

Students served by State Need Grant

2000-01	53,000
1993-94	37,000
1992-93	22,000

Cost of attendance at research university

2000-01	\$12,661
1993-94	\$9,768
1992-93	\$9,217

Appropriations to State Need Grant

2000-01	\$87.7 m
1993-94	\$45.6 m
1992-93	\$21.2 m

State rank, per capita financial aid

1999-00	10th
1993-94	10th
1992-93	19th

Not all needy students receive the State Need Grant

- In 1999-2000, about 111,000 Washington students receive some financial aid based on documented need
- Of these, 53,000 (47%) received a Need Grant as part of a financial aid 'package' that typically includes grants, work and loans
- The remainder, while not receiving the State Need Grant, may receive federal grants, loans, institutional or private aid, or participate in work-study