WASHINGTON HIGHER EDUCATION COORDINATING BOARD

# PRELIMINARY BOARD MEETING AGENDA

## Highline Community College, Bldg. 8, Mt Constance Room

## December 15, 2009

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| **10:00** | **Welcome and Introductions**<br>• Jesus Hernandez, HECB Chair<br>• Jack Bermingham, President, Highline Community College | ***TAB*** |
| | | |
| | **Approval of November 19 Meeting Minutes**<br><br>**Report of the Executive Director**<br>• Don Bennett, Acting Executive Director | **1** |
| | | |
| **10:20** | **Tuition Policy: Final Recommendations**<br>*Resolution 09-36*<br><br>*The tuition policy recommendations were brought to the Board for discussion and action at its at its November meeting; action was tabled for December. The Board will continue its discussion on tuition policy before taking action on Resolution 09-36.* | **2** |
| | | |
| **11:00** | **2011-13 Budget Guidelines and Fiscal Priorities**<br>*Resolution 09-37*<br><br>*Staff will request board adoption of the preliminary 2011-13 operating and capital budget guidelines and fiscal priorities.* | **3** |
| | | |
| **11:15** | **Review of Governor's Proposed 2010 Supplemental Budget**<br><br>*Staff will discuss some of the implications of the proposed cuts to higher education.* | **4** |
| | | |
| **12:00** | Public Comment<br>*A sign-in sheet is provided for public comment on any of the items above*<br><br>**Adjournment** | |

**Meeting Accommodations:** *Persons who require special accommodation for attendance must call the HECB at 360.753.7800 as soon as possible before the meeting.*

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

**December 2009**

# Draft Minutes of November 19, 2009 Board Meeting

**HECB members present**
Jesus Hernandez, Chair
Charley Bingham
Ethelda Burke
Gene Colin
Bill Grinstein
Roberta Greene
Earl Hale
Andrew Helm
Nita Rinehart
Sam Smith

**WTECB members present**
Lori Province (proxy for Rick Bender)
Janet Lewis, Labor
Don Kay, DSHS (proxy for Lynnae Ruttledge)
Charlie Earl, SBCTC
Marty Brown, Chair
Karen Lee, ESD
Mike Hudson, AWB
Creigh H. Agnew, Business
Betty Klattenhoff (proxy for Kathleen Lopp)
Mark Mattke, WDC

## Welcome and Introductions

Chairman Jesus Hernandez opened the joint meeting of the Higher Education Coordinating Board (HECB) and the Workforce Training and Education Coordinating Board (WTECB) at 10:00 a.m. The members of both boards and the audience introduced themselves.

Renton Technical College (RTC) Interim President Steve Hanson said his campus was a perfect venue for the joint meeting of the two boards because RTC's primary mission is workforce education and basic skills. Renton Technical is a very diverse campus with a large number of immigrants. It has a strong emphasis on Integrated Basic Education Skills Training (I-BEST), which is an integrated approach to serving non-native English speaking students seeking workforce training.

## Joint Session with WTECB

The joint session with the Workforce Training and Education Coordinating Board included a discussion on how best to align the state's workforce development efforts with the new System Design Plan being considered by the HECB. Eleni Papadakis, WTECB executive director and Bryan Wilson, deputy director, discussed the *High Skills, High Wage* report and the *Adult Workers Strategy.*

*High Skills, High Wages 2008-2018* outlines a plan for providing education and training beyond high school that leads to high skill, high-wage jobs, thereby supplying industry with a skilled, flexible workforce.

Key strategic opportunities described in the plan include:

- Increasing high school graduation rates with programs such as *Navigation 101;*
- Expanding career and technical education programs;
- Increasing the number of skilled workers by boosting capacity at community and technical colleges, private career schools, and apprenticeship programs;
- Expanding financial aid to help more low-income students reach a "13th year" of education;
- Boosting the employability of workers through programs that roll basic skills, English language instruction and job skills into one complete package;
- Focusing on industry clusters that drive regional economies;
- Expanding workplace based learning, online courses and other flexible education options; and
- Continuing to identify and remove barriers to employment, education and training so that workers have a clear path to reach their career goals.

Jan Ignash, HECB deputy director for policy, planning and research, described the HECB's System Design Plan. The preliminary recommendations contained in the System Design Plan are based on extensive data analysis and months of work by the System Design group, state partner agencies, 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; 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.

The Plan's recommendations support improved college preparation of K-12 students and young working-age adults, use of existing system capacity to broaden college access, adoption of an "expand on demand" philosophy of system growth, and adjustments to the mix of undergraduate and graduate education at selected institutions so that graduate education also increases.

The joint meeting was adjourned at 12:00 noon.

## Regular Board Meeting

### Appointment of HECB 2010 Board Officials

According to board by-laws, the chair, vice chair, and secretary of the Board each serve one-year terms which terminate on Dec. 31st of each year or until successors are elected. Officers shall serve no more than two consecutive one-year terms. The Executive Committee, serving as Nominating Committee, recommended that the current slate of board officers continue serving through 2010.

**Action**: **Gene Colin** moved for approval of the 2010 HECB officers' slate (**Res. 09-25**). **Bill Grinstein** seconded the motion, which was unanimously approved.

2010 HECB Officers:

- Chair, Jesus Hernandez
- Vice Chair, Earl Hale
- Secretary, Roberta Greene
- Immediate Past Chair, Bill Grinstein
- Education Committee Chair, Sam Smith
- Financial Aid Committee Chair, Gene Colin
- Fiscal Committee Chair, Charley Bingham

### HECB 2010 Meeting Calendar

In accordance with the provisions of RCW 28B.80.420, RCW 42.30.075, and WAC 250-10-070, the Board is mandated to adopt and publish its annual meeting calendar. The Executive Committee recommended approval of the proposed 2010 board calendar.

**Action**: **Charley Bingham** moved for approval of the 2010 HECB calendar (**Res. 09-26**). **Gene Colin** seconded the motion**. Earl Hale** suggested that the November meeting be scheduled to a later date. The 2010 calendar was unanimously approved with the change proposed by Hale.

### Executive Director's Report

Acting Executive Director Don Bennett provided a brief update of agency activities.

Technology Transformation Taskforce (HB 1946**) -** 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 continue to meet on the project.

Washington Aerospace Council – The Washington Aerospace Council was convened by the Governor to look at what the state can do to support the aerospace cluster. The Council has met several times; has created three working groups—talent, research, and economic development, and is poised to issue its report to the Governor. The final report will identify policy options and program changes in each of the three areas. It is not clear at this time whether the Council will continue to meet once the report is issued.

Communications Outreach – HECB staff from communications and Student Financial Aid created a contest asking middle and high school students to submit short videos about what college means to them, and the importance of preparing early for college success. About 30 entries were received from public and private schools. The winning high school entry came from Cashmere, and Park Middle School in Kennewick turned in the best middle school award – a video in Spanish with English subtitles. All eight videos have been posted on YouTube (www.youtube.com/HECBWashington).

The HECB also is expanding its outreach via social networking on YouTube (www.youtube.com/HECBWashington) and the Guaranteed Education Tuition program (GET) has launched a Facebook page.

Academic Affairs (year-end report) – During 2009, the Board approved 22 new degrees offered by public institutions: three are health-related, seven are STEM-related , one is education-related, and the rest are a mix of social sciences, liberal arts, and athletic training.

The HECB awarded over $4.6 million in federally funded grants to six Educators for the 21st Century projects. These three-year-long projects involve K-12-higher education partnerships providing professional development activities to K-12 educators.

## Consent Items Approved

**Action: Sam Smith** moved for approval of the consent agenda items:

- Board's October meeting minutes
- Health Sciences and Services Report (**Resolution 09-27**);
- New degree program at WSU, Bachelor of Science in Integrated Plant Sciences (**Resolution 09-28**); and
- Passport to College report (**Resolution 09-33**)

**Earl Hale** seconded the motion. The consent agenda items were unanimously approved.

### System Design Plan Final Recommendations: Discussion and Public Comment

**Action**: **Sam Smith** moved for consideration of **Resolution 09-29**, to adopt the System Design Plan. **Andrew Helm** seconded the motion. **Jesus Hernandez** opened the floor for discussion and public comment.

Bill Grinstein: The process used in developing the System Design Plan (study group, data group, kitchen cabinet, Steering Committee) advances the work of the Strategic Master Plan and carries the theme forward of access and student need. The Plan clearly benefits from the participation of the various groups represented.

Charley Bingham: Recognized the participation of business executives in the public sector and read off the names of the Steering Committee members.

Gene Colin/Grinstein/Sam Smith: Stressed the need for a campaign to publicize the Plan. Make sure it is understood by policy makers that this is the roadmap for the future growth of higher education in the state.

Bill Lyne, President, United Faculty of Washington: (1) *We will all need to speak to the Legislature with one voice and make a strong case for state reinvestment in higher education*; and (2) The "fund for innovation" can have unintended consequences; could be viewed by the Legislature as a magic bullet and their excuse not to restore higher education funding.

Doug Wadden, Executive Vice Provost, UW: The System Design Plan is a profile of competing issues with something for everyone but difficult to prioritize. *It is a recipe for the status quo. We should look at it from the funding perspective. We should reinforce the build-out of branches to achieve our goals. Capital investment will be required.*

Catherine Riordan, Provost, Western Washington University: The Plan presents a conflict between the 2- and 4-year systems, but it's an important first step in working together as a system. Thinking of students first makes coordination easier.

Jane Sherman, Vice Provost for Academic Policy & Evaluation, WSU: *The Plan aligns goals, creates a clear pathway for institutions, defines a set of system priorities, and opens up pathways for change --but we have to moderate our expectations in the current economic environment*.

Gene Colin: The money is there. It is just a matter of the Governor and the Legislature deciding where to get it and where to put it.

Earl Hale/Grinstein: There have been conversations about these tradeoffs but this needs to be viewed in the context of our economic situation. Suggest we amend the resolution to include these hard philosophical discussions or reflect the need to fund higher education in the cover memo.

Sam Smith: We need to support the higher education funding study; we have a Plan but we need funds for it.

Nita Rinehart: We don't need another study; we should just ask for more funding.

**Action**: **Sam Smith** amended his motion to approve the Plan with the caveat that strong *language for strengthening the case for higher education funding* be added to Res. 09-29. **Bill Grinstein** seconded the amended motion. The Board unanimously approved **Resolution 09-29** as amended (attached).

## Tuition Study Recommendations

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. Staff reported on the study, including preliminary recommendations, at the Board's September and October meetings.

In his introductory statement, Fiscal Chair Charley Bingham said the Board wrestled with the issues surrounding tuition and decided that Washington State needs a tuition policy that reflects its commitment to public postsecondary education.

Sarah Norris, HECB fiscal analyst, reviewed the tuition policy recommendations. The study recommends the state re-establish itself as the primary shareholder in Washington's public higher education system by establishing a cost-sharing policy that within three biennia (by 2016), the state's share will never be less than 55 percent of instructional costs for resident undergraduate students.

It also recommends a funding study to examine the true costs of higher education and to illustrate whether cyclical funding of higher education and tuition models should be considered together.

**Action**: **Sam Smith** moved for consideration of **Resolution 09-30**, adopting the tuition recommendations. **Andrew Helm** seconded the motion. **Jesus Hernandez** opened the floor for discussion and public comment.

Board members discussed the benefits of higher education and the creative tension between private and public good. Colin pondered the idea of giving institutions flexibility to set their own paths. Rinehart and Hale said doing so would move the state down the road of considering higher education an individual good rather than a public good.

Bill Grinstein: Setting a limit of 45 percent student share of cost is good but it exacerbates the problem. We must look at the relationship between tuition and financial aid. Our changing demographics could lead to financial aid going higher than tuition. We need to define what "refunding" means.

Earl Hale: We tend to look at pieces and not the whole. We need to start with a philosophical context. Funding must be viewed on an inter-connected basis.

Ann Anderson, Director of Government Relations, CWU: Right now, 55 percent in state funding is a bold statement. It reduces the trend line of rising student cost. We like the flexibility option for the 45 percent funding. However, the baccalaureates are concerned about setting *tuition* funding goal to the 60th percentile of the Global Challenge States (comparable institutions). It must be 60 percent of the *total funding* (state, tuition and fees), not just tuition.

Bill Lyne: The 55/45 ratio will have unintended consequences; we will be tied to this. Compared to GCS our tuition is still one of the lowest. But when state support goes down, tuition goes up. We need to increase overall funding to the 60th percentile of the Global

Challenge States. Additionally, there is no recognition in the tuition study that we are competing in the international market. We must put out a strong statement regarding state support for higher education.

Mike Bogatay, Executive Director, Washington Student Lobby: We need to tell legislators the importance of sufficient funding for higher education. Rising tuition will affect student access.

Doug Wadden: Let's not forget performance funding and accountability. If the state continues to disinvest, differentiated tuition may be the answer.

**Action: Sam Smith** moved to table **Resolution 09-30** until the Board's December meeting – to give the Board and the institutions time to work together and discuss the issue further. **Gene Colin** seconded the motion, which was unanimously approved.

**College Access Portal Plan**

The 2009 Legislature passed Substitute Senate Bill 5043 directing the HECB to convene a work group to develop a plan for a single one-stop college information web-based portal for students attending postsecondary education.

HECB CIO Bob Billings reported that 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. He requested Board adoption of the plan developed by the Portal Work Group, based in part on the findings in the survey of other states. The report is due to the Legislature by December 1.

The report recommends:

- The state to undertake the development of a higher education web portal;
- The HECB to lead the creation, maintenance and support of the portal; and
- An advisory council to be formed to provide guidance and collaborative support.

**Action**: **Jesus Hernandez** moved for consideration of **Resolution 09-32**, adopting the College Access Portal Plan. **Charley Bingham** seconded the motion, which was unanimously approved.

**2009-11 Supplemental Budgets: Requests and Preliminary Recommendations**.
HECB Fiscal Analyst Rick Heggie reviewed the criteria developed by the Board's Fiscal Committee and how they apply to the supplemental budgets submitted by the public four-year colleges and universities and the State Board for Community and Technical Colleges.

HECB's 2009-11 supplemental budget recommendations to the Legislature include:

- ✓ $862,000 in technical corrections; and
- ✓ $125.8 million in additional capital budget authorizations ($47.8 million is state bonds for four projects and $78.0 million in authorization to use building fees for six projects.

Additionally, two institutions requested consideration of supplemental budget requests:

- The Evergreen State College requested $120,000 in state bond funding for the pre-design of a biomass synthetic gas energy system to be matched with $250,000 of local fund sources.

- Central Washington University requested authority to use $7.8 million bid savings to make substantial progress on the planned Phase 2 of Hogue Hall addition and construction.

**Action**: **Sam Smith** moved for consideration of the HECB's 2009-11 supplemental budget recommendations with an amendment to include the requests from TESC and CWU. **Charley Bingham** seconded the motion. **Resolution 09-35** was unanimously approved as amended (attached).

**Preliminary 2011-13 Budget Guidelines and Fiscal Priorities**

Discussion and action on this item was tabled for the Board's December meeting.

**The meeting adjourned at 3:30 p.m.**

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

**December 2009**

# Tuition Policy 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 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 Board reviewed a draft *Tuition Policy Report* at its September 29, 2009 meeting and received initial public comment. On November 19, 2009, the Board received additional public comment and, after discussion, tabled consideration of the motion to adopt a resolution approving the tuition policy recommendations.

An *Executive Summary – Tuition Policy Report* and revised *Tuition Policy Recommendations* are presented for Board consideration, along with a revised resolution.

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

**December 2009**

# Tuition Policy Report

## Executive Summary

In 2009, at the direction of the Washington Legislature, the Washington Higher Education Coordinating Board (HECB) completed a comprehensive analysis of alternative tuition models that might be used in Washington to promote greater funding flexibility at the various public baccalaureate institutions. The Board's findings and recommendations are summarized in the following Executive Summary.

## General Finding

The Legislature should adopt a tuition policy that restores and enhances the state's long-standing commitment to fund its public higher education institutions by providing for equitable cost-sharing between the state and the students who participate.

The benefits to our democracy of an educated citizenry and to our economy of a skilled workforce underscore the need to increase affordable access to higher education. The current alarming trend of transferring more and more of the cost of higher education to students and families moves the state away from its historical obligation.

The Board's tuition policy recommendations are based on two principles:

1. Tuition policy should reflect the state's commitment to public postsecondary education as a public good.
2. Tuition policy should further the goals of the state's Strategic Master Plan for Higher Education, which calls for substantially increasing degree and certificate production for our citizens.

## Background/Process

The legislation also directed the Board to study specific types of tuition models: high-tuition, high-financial aid; tuition rates based on family income and differentiated tuition based on institutional mission, campus location, credit hours, type of academic program, and program delivery methods. And it called for the Board to consider policies that address student access, equity and academic quality.

The tuition study was conducted collaboratively by staff from the HECB, the State Board for Community and Technical Colleges, the Council of Presidents, the Washington Student Association, The Office of Financial Management, and the Legislature. Fifteen prior tuition studies ordered by the Legislature were reviewed to provide perspective and background. An analysis of each type of tuition model proposed in the legislation was then conducted and offered for review and response to the institutions and student organizations.

## Recommendations

1. **Recognize state and student shared responsibility**
   The Board recommends a state tuition policy based on the fundamental principle that the state is the "majority shareholder" in public higher education. Tuition needs to be stable, predictable and affordable to ensure all state residents – including underrepresented populations – can participate. The state cannot develop a tuition policy that accomplishes these goals – and that will support progress toward Strategic Master Plan goals – unless it addresses the issue of tuition in the context of state support.

   Historically, the state has taken pride in its higher education institutions and has provided high levels of support both for facilities and operations. In addition, Washington offers high levels of financial aid paired with moderate tuition – a formula designed to ensure maximum access and affordability. However, the level of state support has declined substantially in recent years, and despite 2007 legislation that limited future tuition increases to 7 percent or less, the state authorized unprecedented 14 percent tuition increases for each year of the current biennium, a cumulative total of a 30 percent tuition increase.

   Currently, the student's share of the cost of higher education is now greater than the state's share at four out of six state baccalaureate institutions and very near that at the remaining two. Numerous studies have shown that as tuition increases, college access and aspiration declines, especially among underrepresented groups – the very demographic the state's Strategic Master Plan for Higher Education says we must focus on to achieve increased degree production goals. Therefore, the Board has recommended the state begin immediately to find ways to increase its share of funding for higher education.

2. **Maintain state control over tuition rates**
   The Board recommends that resident, undergraduate tuition rates be set by the Legislature using the following upper limit: tuition levels should not exceed the 60$^{th}$ percentile of tuition and fees at comparable Global Challenge State (GCS) institutions. The Board rejects the idea that full tuition-setting authority be delegated to the governing boards of the state's four-year institutions.

   Analysis of comparable GCS institutions reveals that tuition at Washington institutions is, on average, about 25 percent less than the 60$^{th}$ percentile. This disparity would permit flexibility to increase tuition in the context of a new, overall tuition policy that considers

state support, financial aid and performance agreements. It also would provide a national benchmark as a limit to guide the Legislature during the appropriations process. GCS institutions tuitions are expected to also rise over the next three years, creating even a larger gap with current tuition levels in Washington.

In other words, the tuition level for each institution would be established within the 60 percent GCS parameter after the state appropriation for the institution was known. The level of tuition needed to support increased enrollment and make specific progress toward master plan and institutional goals would be factored, as well as the level of financial aid needed to maintain access and affordability as part of the overall appropriations process.

Allowing the four-year institutions to set their own tuition rates in the absence of a specified level of state support or a formal tuition policy would result in more rapid tuition increases and a more rapidly declining level of state support because neither the institutions nor the Legislature would necessarily be bound by the key responsibility of providing broad and affordable access to higher education.

3. **Expanded flexibility through differentiated tuition rates**
   The Board recommends a state tuition policy that allows the governing boards of the four-year institutions to recommend a greater level of differentiation in their tuition rates than they now have based on institutional role and mission and the types of communities and students the institutions serve. The public baccalaureates currently charge different tuition rates by sector, with the research institutions charging one rate and the comprehensives charging another. There are only slight differences in the rates within each sector. This policy change would result in the potential for more broadly differentiated rates and more institutional flexibility. The HECB would develop recommendations based on proposed institutional budgets and forward them to OFM and the Legislature.

   HECB would make recommendations based on criteria such as meeting degree attainment goals in the Strategic Master Plan and increasing participation by underrepresented populations. Institution budget requests also would be framed by performance agreements that incorporate performance and accountability measures for achieve strategic goals.

4. **Reject ‘high-tuition, high-aid’ funding models**
   The Board recommends the Legislature reject the high-tuition, high financial aid funding model. This model is attractive on paper, but data show it is not successful in promoting access for underserved populations and that it adversely impacts middle-income families. Increased financial aid proposed by this approach does not counter the sticker shock that hits a potential first-generation scholar, nor does it assure the required increases in financial aid. High-tuition, high-aid models result in lower state support and higher levels of student debt.

A high-tuition, high-aid funding model is predicated, in part, on the belief that state funding will never return to previous levels and most likely continues to decline.. Abandoning hope the state will chose to reassert its status as the majority shareholder in its higher education system closes the door on the issue of what the state's future responsibility should be. If we abandon this discussion with respect to our premier public institutions, have we not abandoned it for the rest of the system? Are we ready to walk away from this discussion and what it implies for the future?

5. **Higher education funding study as recommended in System Design Plan**
The Board recommends the state conduct a comprehensive review of higher education finance in Washington to provide a basis for determining costs and common indicators for evaluation of performance and accountability. Specific attention would be paid to eligibility levels and sufficiency of State Need Grant and other financial assistance for Washington families.

The intent of this study is to develop a better understanding of the component costs of delivering high-quality higher education opportunities, the relationship between state funding, tuition and financial aid, and to establish a strategy for discretionary and variable funding that moderates the effect of cyclical economic downturns.

As noted, an effective tuition policy must consider how all funding elements in higher education interrelate as we attempt to achieve the goal of providing broad, affordable access to higher education that leads to greater levels of education among our citizens, to new and enhanced economic opportunities, the continued quality of our institutions and to our common good as a society.

**RESOLUTION NO. 09-36**

**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 2010 Legislature; and

**WHEREAS,** Board staff have completed a six-month study involving more than 30 stakeholders, and have produced 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 that reflects the state's commitment to public postsecondary education as a public good and that furthers the goals of the *2008 Strategic Master Plan for Higher Education*, which calls for substantially increasing degree and certificate production for our citizens; and

**WHEREAS,** The Board finds that the new state tuition policy should be based on the fundamental principle that the state is the "majority shareholder" in public higher education and that tuition needs to be stable, predictable and affordable to ensure all state residents – including underrepresented populations – can participate; and

**WHEREAS**, The Board recommends that resident, undergraduate tuition rates be set by the Legislature using the following upper limit: tuition levels may not exceed the 60$^{th}$ percentile of tuition and fees at comparable Global Challenge State institutions. The Board rejects the idea that full tuition-setting authority be delegated to the governing boards of the state's four-year institutions; and

**WHEREAS,** The Board recommends a state tuition policy that allows the governing boards of the four-year institutions to recommend a greater level of differentiation in their tuition rates than they now have based on institutional role and mission and the types of communities and students the institutions serve; and

**WHEREAS,** The Board recommends the Legislature reject the high-tuition, high-financial aid funding model 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 equitable access to students and families of all income levels (including middle-income families); and

**WHEREAS,** The Board recommends the state conduct a comprehensive review of higher education finance in Washington to provide a basis for determining costs and common indicators for evaluation of performance and accountability. This would include specific attention to eligibility levels and sufficiency of State Need Grant and other financial assistance for Washington families; 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 of the *Tuition Policy Report* 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:

December 15, 2009

Attest:

Jesus Hernandez, Chair

Roberta Greene, Secretary

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

**Tuition Policy Recommendations**

Washington needs to adopt a tuition policy that restores and enhances its long-standing commitment to fund its public higher education institutions by providing for equitable cost-sharing between the state and the students who participate. The benefits to our democracy of an educated citizenry and to our economy of a skilled workforce underscore the need to increase affordable access to higher education. The current alarming trend of transferring more and more of the cost of higher education to students and families moves the state away from its historical obligation.

The Board's tuition policy recommendations are based on two principles:

1. Tuition policy should reflect the state's commitment to public postsecondary education as a public good.
2. Tuition policy should further the goals of the state's Strategic Master Plan for Higher Education, which calls for substantially increasing degree and certificate production for our citizens.

The Higher Education Coordinating Board, exercising its responsibility to act as an advocate for students and the state's higher education system as a whole above the interests of the individual institutions, endorses the following recommendations with respect to establishing a state tuition policy.

**1. Recognize State and student shared responsibility**

The Board recommends a state tuition policy based on the fundamental principle that the State is the "majority shareholder" in public higher education. Tuition needs to be stable, predictable and affordable to ensure all state residents – including underrepresented populations – can participate.

**2. Maintain State control over tuition rates**

The Board recommends that resident, undergraduate tuition rates be set by the Legislature using the following upper limit: tuition levels may not exceed the 60$^{th}$ percentile of tuition and fees at comparable Global Challenge State institutions. The Board rejects the idea that full tuition-setting authority be delegated to the governing boards of the state's four-year institutions.

**3. Expanded flexibility through differentiated tuition rates**

The Board recommends a state tuition policy that allows the governing boards of the four-year institutions to recommend a greater level of differentiation in their tuition rates than they now have based on institutional role and mission and the types of communities and students the institutions serve. This policy change would result in the potential for more broadly differentiated rates and more institutional flexibility. The HECB would develop recommendations based on proposed institutional budgets and forward them to OFM and the Legislature.

**4. Reject 'high-tuition, high-aid' funding models**

The Board recommends the Legislature reject the high-tuition, high-financial aid funding model. This model is attractive on paper but data show it is not successful in promoting access for underserved populations and that it adversely impacts middle-income families. Increased financial aid proposed by this approach does not counter the 'sticker shock' that hits a potential first-generation scholar nor does it assure the required increases in financial aid. High-tuition, high-aid models result in lower state support and higher levels of student debt.

**5. Higher education funding study as recommended in System Design Plan**

The Board recommends the State conduct a comprehensive review of higher education finance in Washington to provide a basis for determining costs and common indicators for evaluation of performance and accountability. This would include specific attention to eligibility levels and sufficiency of State Need Grant and other financial assistance for Washington families.

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

**December 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 years[1].

[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.

In addition, consistent with the recommendations in the Board's December 2009 Tuition Policy Study, institutions will also submit d**ifferentiated tuition rates with institutional budget requests.**

Public four-year institutions will propose differentiated tuition rates for their respective campuses, by role and mission and the cost of instruction at each campus for HECB consideration as part of the biennial budget cycle.

The Board will include recommendations on resident undergraduate tuition in its budget recommendations to the Legislature and Governor. Tuition rates and revenue derived from tuition will be evaluated according to criteria that include meeting degree attainment goals in the Strategic Master Plan and increasing participation from underrepresented populations. Institution budget requests should also be reflected in performance agreements that include performance and accountability measures for achieving state strategic goals.

# RESOLUTION NO. 09-37

**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:

December 15, 2009

Attest:

_____

Jesus Hernandez, Chair

_____

Roberta Greene, Secretary

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

TAB 4

# Governor's Proposed 2010 Supplemental Budget

## Higher Education Coordinating Board

## December 15, 2009

## Fiscal Context

- $9 billion shortfall going into 2009-11 Biennium. Addressed through cuts, one-time stimulus funding, and fund transfers. Additional $2.6 billion gap for the rest of the biennium.

- 71% of budget cannot be legally cut, due to either state or federal law. This includes the majority of funding for Higher Education Institutions. The ARRA requires FY 2006 funding levels.

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

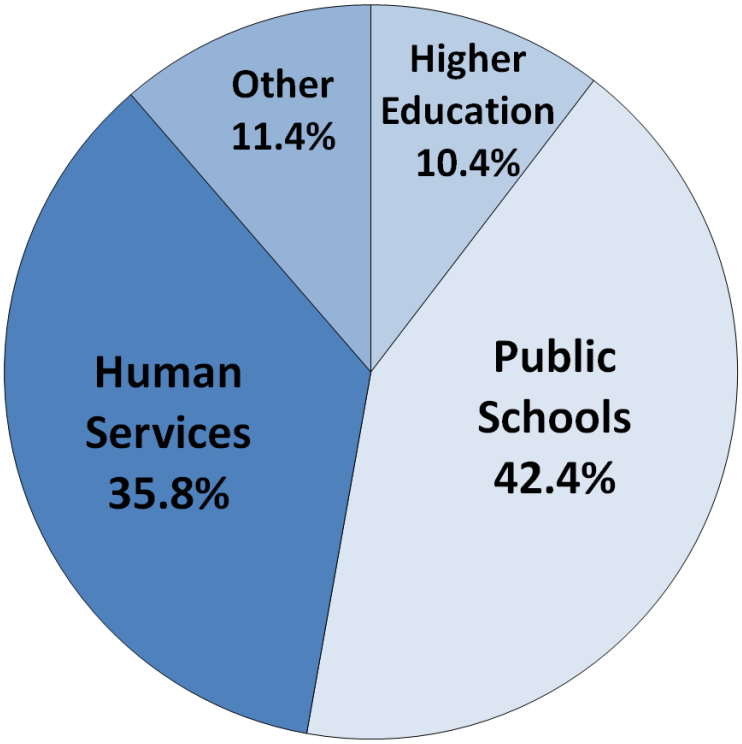
# Governor's 2010 Supplemental

**2009-11 Near General Fund-State Operating Budget, Version Comparison**

Does not include one-time federal stimulus funding.

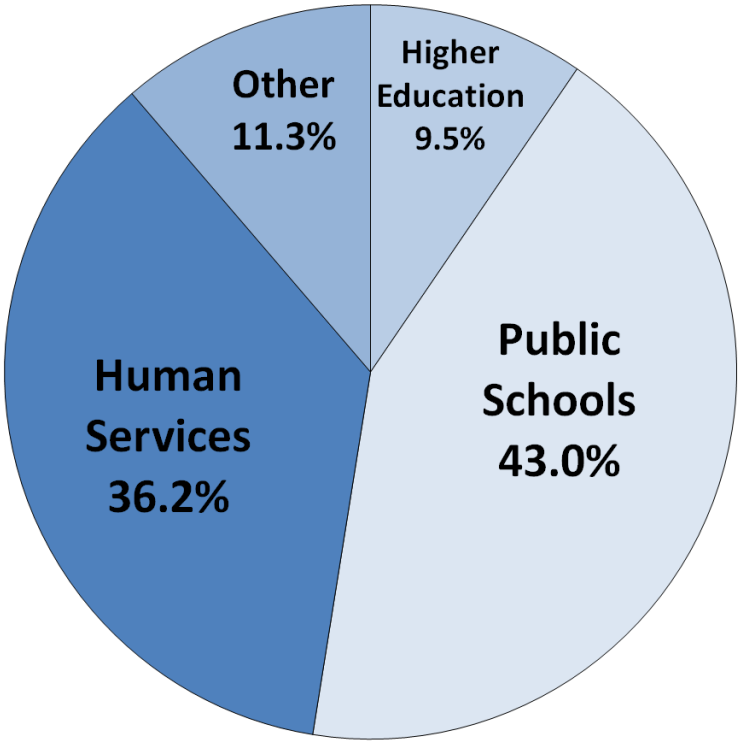
**As Enacted**

Total: $31.4 Billion




**Governor's Proposed 2010 Supplemental**

Total: $30.5 Billion



# Governor's 2010 Supplemental

## Large Cuts in Human Services

- **Health Care: $365 million in cuts**
  - Eliminates Basic Health, General Assistance Unemployable Health, HIV Services. Suspends or limits maternity care, hospice, adult dental, Children's Health Insurance, and support for Medicare (Vision, Part D, Physical Therapy.)
- **Human Services: $282 million in cuts**
  - Eliminates General Assistance Unemployable, chemical dependency programs. Limits in-home care, housekeeping, chore and laundry services for seniors, child care subsidies, foster care and family support.

# Governor's 2010 Supplemental

## Large Cuts in K-12 Education

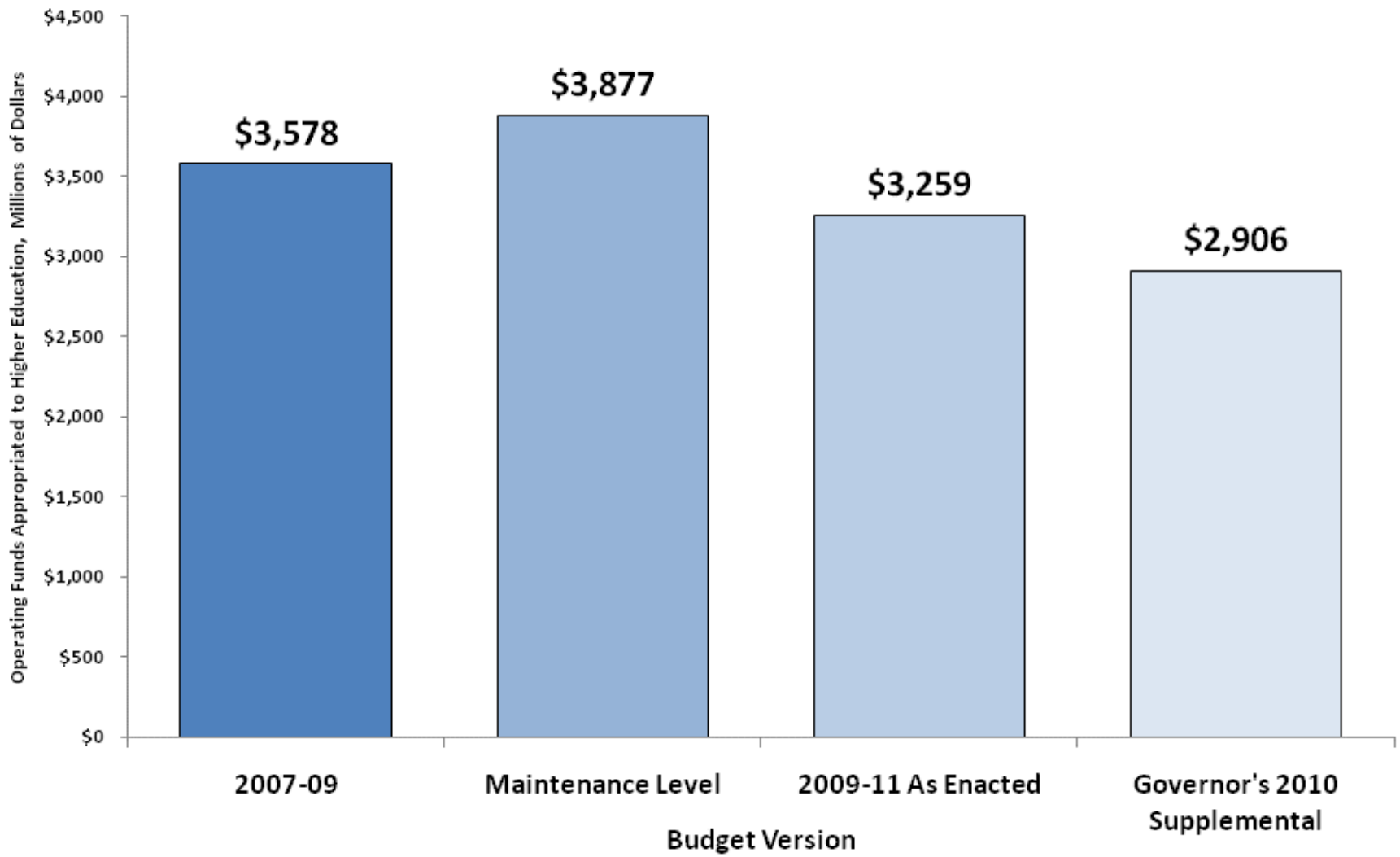
- **K-12 Education: $373 million in cuts**
  - Eliminates K-4 Staffing Enhancement: $111 million
  - Suspends Levy Equalization Assistance: $143 million
  - Suspends Student Achievement Program: $79 million
  - Suspends All-Day Kindergarten: $33 million
  - Suspends Gifted Education: $7 million

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

# Governor's 2010 Supplemental

## Higher Education Operating Funding by Budget Version

NGF-S In millions of dollars, does not include one-time federal stimulus funding.



# Governor's 2010 Supplemental

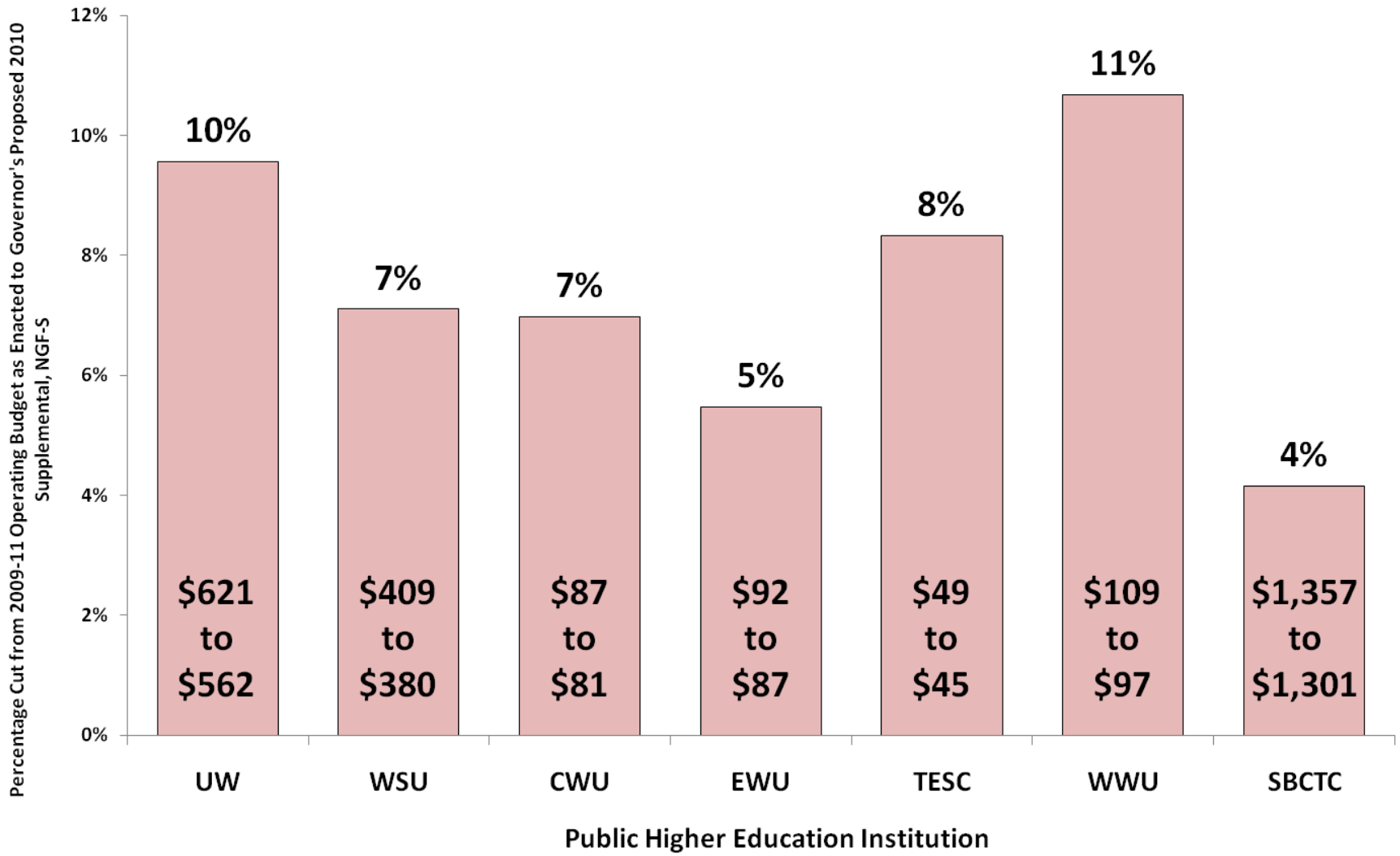
## Higher Education Institutions

- **Higher Education Institution Reductions**
  - $90 million dollars in general fund-state reductions to administrative programs and academic offerings.
  - $103 million of operating funds used to pay for maintenance and operations is shifted to the capital budget, where each institution's local building fund will cover costs. Projects that were to be paid with these funds will be paid for through general obligation bonds.
  - An additional $19 million of GF-S funding for the University of Washington will be replaced with federal one-time stimulus funds.

# Governor's 2010 Supplemental

## Proposed 2010 Reductions by Institution

NGF-S in millions of dollars, does not include one-time federal stimulus funding.



# Governor's 2010 Supplemental

## Financial Aid

- $182.5 million overall proposed reduction
- All impacts are for 2010-11, not current year
- Seven program suspensions
- Three program reductions
- Eliminates about 25,000+ awards
- Reduces awards for 57,000+ students

# Governor's 2010 Supplemental

## State Need Grant

- Reduced by $146 million, an overall cut of 2/3
- Eliminates awards to about 15,000 students
- Cuts awards in half for the remaining 56,500 students

## State Work Study

- Suspends all funding - $23.7 million in state funds + $6 million in matching funds
- Eliminates awards to over 9,300 students
- Eliminates all community service and high demand projects

WASHINGTON HIGHER EDUCATION COORDINATING BOARD

# Governor's 2010 Supplemental

- **Suspended - $9.5 million**
  - **Washington Scholars** - 430 current students
  - **Passport to College for Foster Youth -** 300 students and support activities at 48 institutions
  - **State Funded GEAR UP** - 3,400 students in 25 school districts
  - **WAVE** - 300 current students
  - **Future Teachers -** 200 new awards
  - **Child Care Grants** - assistance to 6 public university child care centers
- **Reduced - $2.9 million**
  - **Health Professional Scholarship**
  - **GET Ready for Math and Science**