



October 2010

## HECB Agency Budget Request for the 2011-13 Biennium

### Overview of HECB agency budget request

This overview of the 2011-13 Higher Education Coordinating Board (HECB) agency budget request is specific to the HECB. It does not include appropriations to the two- and four-year institutions or other higher education entities. It covers only those items normally included in the HECB's biennial budget. This request was authorized by the Board at its meeting of July 15, 2010 (Resolution 10-17), and submitted to the Office of Financial Management (OFM) on September 8, 2010.

This budget request *focuses on adequate funding for student financial aid*. The policy level changes proposed for financial aid programs were developed in concert with the Board's goals for the 2011-13 overall higher education system budget recommendations. Specifically, these budget goals are to:

- Address the successive budget reductions of FY09, FY10, and FY11.
- Support the state's *2008 Strategic Master Plan* and higher education policy goals of student access and affordability.
- Recognize uncertainty over the timing and strength of economic recovery.
- Advance credible budget recommendations.

Preserving affordability of college education becomes increasingly more important during economic downturns. This budget request helps make college affordable by:

- Reducing the number of students eligible for the State Need Grant but who are not served with existing funding. We are now serving only 77 percent of eligible students, compared to 98 percent three years ago.
- Restoring award amounts to more fully cover actual tuition levels and cost of attendance;
- Providing financial aid to less than half-time students.
- Increasing State Need Grant eligibility to 75 percent of the median family income.
- Funding the Passport to College and College Bound Scholarship programs.

## Background

Each state agency, public higher education institution, board, or commission is required to submit a biennial budget request to OFM. Agency requests are used by the Governor and legislative budget writers as the starting point for developing their budget proposals. The Governor's budget is released in December 2010, followed by the legislative session that begins in January 2011 when the Senate and House will develop budgets based on the Governor's proposals.

The state operating budget is incremental. The Governor, House, and Senate all begin with the existing enacted budget and add or subtract funding for programs or initiatives as each believes reflects the most important policy priorities for the state. This process follows a series of technical steps:

- **Enacted budget** - The enacted budget is the sum total of spending appropriated in the previous biennium (2009-11), including the operating budget bill and any supplemental budgets.
- **Carryforward level** - Technical adjustments are made to subtract any one-time funding provided in the enacted budget. Examples in the HECB budget include funding to restore funding for many programs that were reduced or suspended in the 2010 supplemental budget adopted earlier this year. Adjustments also are made to recognize the cost of additions that only impacted the second year of the enacted budget, but now affect both years of the next biennial budget. OFM negotiates the calculated carryforward level with agencies to some extent. This usually results in an agreed-upon carryforward amount that the agency, the Governor, the House, and the Senate all use in beginning to build the new biennial budget.
- **Maintenance level** - Adjustments are made to recognize the increased costs of providing services authorized in the enacted budget. The largest items provide funding for increases in Medicaid caseload and K-12 enrollment. In higher education, the Legislature has historically increased appropriations to the State Need Grant program to reflect the cost of serving the same number of students when tuition increases. These costs could technically be defined as maintenance level costs. However, as a practical matter, the amount of the increase is not known with certainty until the Legislature determines how much the institutions may increase tuition for resident undergraduate students. For budget purposes, the adjustment to appropriations is still dependent on policy decisions included in the new enacted budget. As a result, financial aid cost increases are made at the policy level.
- **Policy (Performance) level** - Adjustments are made to add or delete programs and activities to reflect the priorities of budget writers. The state's economic and revenue forecast determines whether the policy discussion centers on making significant cuts in existing services, making a combination of cuts and additions, or is primarily about where to invest available funds. The most recent forecast of revenue and economic conditions indicate the state continues to face a gap between available revenues and the cost of continuing all current activity with predicted caseload and enrollment increases.

**Proposed Adjustments to Policy Level**

- **Maintain Financial Aid Service Level** (Placeholder). This “placeholder” item will be needed to maintain the purchasing power of four tuition-sensitive financial aid programs: The State Need Grant (SNG), State Work Study (SWS), Washington Scholars, and the Washington Award for Vocational Excellence (WAVE). Actual funding required will depend on tuition increases authorized for the 2011-13 biennium during the 2011 legislative session.
- **Demand for SNG-Eligible Population** (\$125 million). During the 2009-10 academic year, the SNG program served more than 70,000 of the state’s lowest-income students. Unfortunately, during this period demand for higher education grew at an unprecedented rate. As a result, the program was unable to serve more than 22,000 students (17,150 FTE) who qualified for the award. In the 2011-13 budget period, significant additional student demand is expected. Therefore, the HECB is requesting sufficient funding to cover all SNG-eligible students.
- **SNG Less-Than-Halftime Awards** (\$1.5 million). A six-year pilot study established to evaluate the demand for and effectiveness of allowing SNG-eligible students to receive less-than-halftime SNG awards will expire at the end of FY 2011. The pilot project funding served 1,943 less-than-halftime students during FY 2009-10; however, 2,874 less-than-halftime students were left unserved. The HECB is recommending the Legislature adopt less-than-halftime awards as a permanent feature of the SNG program and fund the full demand for less-than-halftime awards.
- **Restore SNG Award Amounts Above 50 Percent MFI** (\$12 million). The SNG program serves more than 70,000 of the state’s lowest-income students. Over the last two budget cycles, the percentage of awards that eligible students receive in the 51-70 percent median family income (MFI) range has been decreased from the percentage outlined in HECB policy and program WAC. The affected ranges fall well below poverty level. The highest SNG eligible range receives half of a full SNG award. These reduced award amounts affect over 12,000 students. This proposal reinstates the Board’s percentage of award rates to assist this high-need student population with their costs of education.
- **Increase SNG Eligibility to 75 Percent of MFI** (\$12.6 million). The SNG program serves more than 70,000 of the state’s lowest-income students. Eligibility for the State Need Grant serves students up to 70 percent of MFI, leaving thousands of students who fall below median income ineligible for the grant award. The Board is proposing that the SNG eligibility threshold be raised from 70 percent to 75 percent of MFI. Raising the median income eligibility threshold by five percent will provide funding for over 3,000 additional students whose incomes fall well below median family income.

- **College Bound Scholarship Continue Endowment** (\$16.3 million). Since 2007, more than 65,000 middle school students from the state's neediest families have taken the College Bound Scholarship pledge to complete high school with a 2.0 GPA or better, demonstrate good citizenship, and enroll in college when they graduate. The first College Bound cohort will reach the state's colleges and universities in 2012. The scholarship supplements the SNG by providing the full cost of tuition and fees, books and some living expenses for successful participants. This proposal requests continued support for the program, which includes funding to cover the cost of rising tuition.
- **Passport to College** (\$2.5 million). The Passport to College Scholarship program was authorized in 2007 as a six-year pilot to provide foster youth a scholarship and support services. The first group of 155 students was served in academic year 2008-09 and 318 students were served in the 2009-10 academic year. The 2009 Legislature asked the HECB through an unfunded budget proviso to contract with the College Success Foundation to improve retention rates for these students. This proposal requests the funding necessary to provide full scholarships, institutional incentive funding, and the support services contract for the biennium.
- **Jefferson County Higher Education Center** (\$280,000). The Jefferson County Higher Education Center has developed partnerships with public and private institutions to deliver higher education services in Jefferson County. Since 1999, the demonstration project has proven to be an effective and efficient means to provide access for place- and time-bound students in the region. The HECB has determined that direct funding of the Center will better provide for the programs growth. HECB is recommending new appropriation to the State Board for Community and Technical Colleges (SBCTC) to support the Center. Funds currently dedicated to the Center would be repurposed by HECB to support other similar initiatives through the Innovation and Quality Program.
- **Health Sciences and Services Program** (\$66,000). The Higher Education Coordinating Board is required by RCW 24.104 to monitor and report to the Legislature biennially on the performance of the Health Sciences and Services Authority (HSSA) program in Spokane County. This decision package proposes eliminating this requirement because it duplicates work being carried out by the HSSA's local board of directors. The local board of directors has full operational oversight for the HSSA. Three of its nine members are appointed by the Governor, and the remainder are appointed by locally elected officials. This proposal would not affect the HECB's authority under 6727-S.SL to designate a second HSSA by December 31, 2010.
- **Degree Authorization Fee Increase** (\$0). Chapter 28B.85.060 RCW requires the HECB to impose fees on any degree-granting institution authorized to operate under the chapter. Fees are to be set and revised by the Board by rule at the level necessary to approximately recover the staffing costs incurred in administering the chapter. Fees are to be deposited in the general fund. The proposal to increase existing fees and implement new fees will allow the HECB to (1) comply with the requirements of the law and (2) to comply with a request by the Governor to review existing fees.

- **Interest Rate Consistency in Conditional Loan Programs (\$0).** The HECB administers two conditional scholarship and loan repayment programs: Health Professionals and Future Teachers. On the occasions when program participants default on their service obligation, one of four different interest assessment scenarios apply to the amounts that must be repaid. The primary purpose of this legislative proposal is to bring consistency to the interest rates assessed within these programs in default situations. This will provide for more uniform administration and application of interest assessment.

### **Anticipated Maintenance Level Adjustments to Carryforward Level**

- **Non-Appropriated Fund Adjustment (GET) (\$1.4 million).** GET, or the Guaranteed Education Tuition program, is Washington's 529 prepaid college tuition program. GET offers Washington families a safe, easy, and affordable way to save for college. GET is the fastest-growing prepaid college tuition program in the country. As a result of this rapid growth and the cost of providing service to our account holders, additional spending authority is needed for that increase as the program grows.
- **WICHE Dues and Support (\$240,000).** By paying dues, Washington participates in the Western Interstate Commission for Higher Education (WICHE), along with 15 other western states. In one of the three WICHE student exchange programs, the Professional Student Exchange Program (PSEP), the state pays conditional student support fees, helping eligible Washington residents offset out-of-state tuition costs for two professional programs not offered in Washington – optometry and osteopathy. Recipients return to Washington to work in high-need areas or repay the assistance received. This proposal restores funding sufficient to pay annual membership dues of \$120,000 and maintain current levels of participation in the program.
- **Self Insurance Premium Experience (\$5,000).** To reflect self-insurance premiums as calculated by the Office of Financial Management.

### **Summary**

The proposed agency budget request – in the summary that follows – displays the current expenditure authority of \$553 million for 2009-11, with adjustments for carryforward level (\$42 million) and maintenance level (\$1.6 million). The policy level additions described above focus almost entirely on need-based support and increase the 2011-13 proposed budget by more than \$170 million for the biennium.

Only minor changes in authorized full-time equivalent (FTE) staff positions are associated with the proposed budget primarily for the GET program. The adjusted carryforward level is 100.7 FTE, from the current authorization of 96.6 FTE.

**HECB 2011-13 Biennial Budget Request**

<b>Program</b>	<b>Title</b>	<b>FTEs Biennium</b>	<b>GF-S Biennium</b>	<b>Other Biennium</b>	<b>Total Biennium</b>
<b>010</b>	<b>Coordination, Policy and Administration</b>				
	<i>Current Biennium Expenditure Authority</i>	45.2	\$ 11,963	\$ 4,332	\$ 16,295
	<i>Total Carryforward Level Adjustments</i>		\$ (726)	\$ 30	\$ (696)
	<i>Total Maintenance Level Adjustments</i>		\$ 11	\$ -	\$ 11
	<i>Policy Level Adjustments</i>				
	Jefferson County Higher Education Center	1.2	\$ 280	\$ -	\$ 280
	Health Science and Services Program	-0.1	\$ (66)	\$ -	\$ (66)
	Degree Authorization Fee Increase		\$ -	\$ -	\$ -
	<i>Total Policy Level Adjustments</i>	1.1	\$ 214	\$ -	\$ 214
<b>010</b>	<b>2011-13 Proposed Budget</b>	<b>46.30</b>	<b>\$ 11,462</b>	<b>\$ 4,362</b>	<b>\$ 15,824</b>
<b>020</b>	<b>Guaranteed Education Tuition</b>				
	<i>Current Biennium Expenditure Authority</i>	21.6	\$ -	\$ 8,629	\$ 8,629
	<i>Total Carryforward Level Adjustments</i>		\$ -	\$ 88	\$ 88
	<i>Total Maintenance Level Adjustments</i>	3.0	\$ -	\$ 1,385	\$ 1,385
	<i>Total Policy Level Adjustments</i>	0	\$ -	\$ -	\$ -
<b>020</b>	<b>2011-13 Proposed Budget</b>	<b>24.6</b>	<b>\$ -</b>	<b>\$ 10,102</b>	<b>\$ 10,102</b>
<b>030</b>	<b>Financial Aid and Grants</b>				
	<i>Current Biennium Expenditure Authority</i>	29.8	\$ 310,550	\$ 217,685	\$ 528,235
	<i>Total Carryforward Level Adjustments</i>		\$ (28,005)	\$ 70,616	\$ 42,611
	<i>Total Maintenance Level Adjustments</i>		\$ 240	\$ -	\$ 240
	<i>Policy Level Adjustments</i>				
	Maintain Financial Aid Service Level		\$ -	\$ -	\$ -
	Demand for SNG Eligible Population		\$ 125,058	\$ -	\$ 125,058
	SNG Less Than Halftime Awards		\$ 1,476	\$ -	\$ 1,476
	Restore SNG Award Amounts Above 50% MFI		\$ 12,091	\$ -	\$ 12,091
	Increase SNG Eligibility to 75% of MFI		\$ 12,560	\$ -	\$ 12,560
	College Bound Scholarship Continue Endowment		\$ 16,343	\$ -	\$ 16,343
	Passport to College		\$ 2,458	\$ -	\$ 2,458
	Interest Rate Consistency in Conditional Loan Programs		\$ -	\$ -	\$ -
	<i>Total Policy Level Adjustments</i>		\$ 169,986	\$ -	\$ 169,986
<b>030</b>	<b>2011-13 Proposed Budget</b>	<b>29.8</b>	<b>\$ 452,771</b>	<b>\$ 288,301</b>	<b>\$ 741,072</b>
<b>Agency</b>	<b>Current Biennium Spending Authority</b>	<b>96.6</b>	<b>\$ 322,513</b>	<b>\$ 230,646</b>	<b>\$ 553,159</b>
	<b>Carry Forward Level Adjustments</b>	<b>-</b>	<b>\$ (28,731)</b>	<b>\$ 70,734</b>	<b>\$ 42,003</b>
	<b>Maintenance Level Adjustments</b>	<b>3.0</b>	<b>\$ 251</b>	<b>\$ 1,385</b>	<b>\$ 1,635</b>
	<b>Policy Level Adjustments</b>	<b>1.1</b>	<b>\$ 170,200</b>	<b>\$ -</b>	<b>\$ 170,200</b>
<b>Agency</b>	<b>2011-13 Proposed Budget</b>	<b>100.7</b>	<b>\$ 464,233</b>	<b>\$ 302,765</b>	<b>\$ 766,997</b>