

College Affordability, Two Ways

Briefly

- The Senate's College Affordability Program would return tuition-setting authority to the Legislature.
- It would tie tuition to the state's average wage, resulting in tuition reductions in the 2015–17 biennium.
- Reflecting the tuition reductions, funding for the state need grant would be reduced.
- Appropriations to institutions would be increased to make up for the reduced tuition.
- Current GET investors would be held harmless.
- The House would freeze tuition, increase appropriations to institutions, and increase state need grant funding.

The Senate 2015–17 operating budget proposal assumes enactment of ESSB 5954, the College Affordability Program, which the Senate passed 37–12 on March 11. The College Affordability Program would reduce resident undergraduate tuition. This is quite an accomplishment given that when the Legislature froze tuition for the 2013–15 biennium, it was the first time since 1986 that tuition had not risen.

Tuition-Setting Authority

ESSB 5954 would return resident undergraduate tuition-setting to the Legislature beginning in SY 2015–16. In 2011,

the Legislature gave the four-year institutions tuition-setting authority for 2011–13 through 2017–19. (But, if an institution increases tuition above the levels assumed in the state operating budget, it must offset the tuition increase through financial aid.) The Legislature prohibited the institutions from using this authority in school years (SY) 2013–14 and 2014–15.

Tying Tuition to the State's Average Wage

Tuition consists of operating fees (which fund instruction) and building fees (which fund debt service on buildings). Under ESSB 5954, in SY 2015–16, resident undergraduate tuition operating fees at the University of Washington (UW) and Washington State University (WSU) would be no more than SY 2014–15 operating fees and no less than 14 percent of the state's average wage. (The average wage was \$52,635 in 2013).

Tuition operating fees for SY 2015–16 at Central Washington University (CWU), Eastern Washington University (EWU), Western Washington University (WWU) and The Evergreen State College (TESC)

Table 1: Resident Undergraduate Tuition Increases Assumed in State Operating Budgets

	2007-09	2009-11	2011-13	2013-15
UW	7%	14%	16%	0%
WSU	7%	14%	16%	0%
WWU	5%	14%	16%	0%
CWU	5%	14%	14%	0%
TESC	5%	14%	14%	0%
EWU	5%	14%	11%	0%
CTCS	2%	7%	12%	0%

Table 2: ESSB 5954 Proposed Operating Fees

	Current	Proposed by Senate	
	FY 2015	FY 2016	FY 2017
UW	\$10,740	\$9,474	\$7,560
WSU	\$10,336	\$9,474	\$7,560
CWU	\$6,954	\$6,316	\$5,400
EWU	\$6,491	\$6,316	\$5,400
TESC	\$6,968	\$6,316	\$5,400
WWU	\$7,209	\$6,316	\$5,400
CTCS	\$3,217	\$3,217	\$3,240

Guaranteed Education Tuition Program (GET)

This tax-advantaged educational savings plan was established in 1998. Investors buy GET units, and 100 units represent one year of resident undergraduate tuition and fees at Washington's most expensive public university in the year they are used. The units cover tuition regardless of any increases in the years since they were purchased, and they may be used at other schools.

would be no more than SY 2014–15 operating fees and no less than 10 percent of the state's average wage. Resident undergraduate tuition operating fees at community and technical colleges (CTCS) would be no more than SY 2014–15 tuition and no less than 6 percent of the state's average wage.

Beginning with SY 2016–17, resident undergraduate tuition operating fees would be 14 percent of the state's average wage at UW and WSU; 10 percent at CWU, EWU, WWU and TESC; and 6 percent at community and technical colleges.

Table 2 shows the Senate's proposed operating fees for 2016 and 2017 under this framework. Although operating fees would be significantly reduced from current levels (except for the CTCS), note that they would begin to increase again from 2018 on, as the average wage increases. The Economic and Revenue Forecast Council produces estimates of the average wage's growth rate five years out; operating fees would not regain their current level within that timeframe.

Effect on Institutions and Students

Although the ability of the institutions to increase revenues through tuition increases would be curtailed by the bill, it would not allow the institutions to reduce enrollment below SY 2014–15 levels. But, under ESSB 5954, in the 2015–17 biennium, the institutions would receive

at least as much in state funds as had been appropriated in 2013–15 plus the loss of tuition funds. In future biennia, these numbers would be adjusted for inflation. In 2015–17, the total amount appropriated to the institutions for this purpose would be \$221 million.

The bill notes that its tuition reductions "will allow the legislature to reduce state need grant appropriations by an equal amount." College would be less expensive; thus, students would not need as much financial aid. Appropriations for the state need grant and college bound scholarship would be reduced by \$75 million in 2015–17.

GET Program Impacts

As we wrote earlier this year ("[Higher Education Policy and the State Budget](#)"), investors in the Guaranteed Education Tuition (GET) plans are betting that tuition will increase in the future. ESSB 5954 would seemingly cause them to lose their bet.

But, for SY 2015–16 and 2016–17, one-time adjustments would be made to all previously purchased GET units "to ensure that the total payout value of each account . . . is not decreased or diluted as a result of" the bill. When tuition is reduced, the dollar value of a GET unit declines; the bill would hold current investors harmless.

So not only will all students benefit from lower tuition, those holding GET units will further benefit by having their investment restructured to hold its previous value. According to the fiscal note, this could be done by "allowing current units to be worth a greater fraction of a year's tuition than the current 1/100th" or by adding units "to existing accounts to ensure the total account's dollar value is not decreased."

Comment

Effectively, ESSB 5954 would take tuition-setting authority out of the hands of both the institutions and future Legislatures. Without the option of increasing

tuition, if the state wants to maintain higher education funding in the future, it would have to continue to maintain its state appropriations—something that can be difficult given its discretionary nature. (The bill pairs its tuition changes with increased state funding in an attempt to make institutions whole; presumably, if state appropriations had to be reduced in the future, the Legislature would also free up the tuition lever—making this more a question of the state’s funding role than the institutions’ ability to operate.)

The House budget proposal offers another

way to increase college affordability. Like the Senate, the House would provide significant new funds for higher education (see our policy brief, “[2015–17 Operating Budget: Spending Priorities](#)”). The House would freeze tuition for the biennium and increase state support to institutions by a total of \$106 million. The House would additionally provide \$53 million to increase the number of students served by the state need grant.

The Legislature faces a philosophical question: To increase affordability, should the state lower tuition or increase access to state-funded financial aid?