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1999 - 2001 Higher Education Budget General Fund State Highlights

Gov. Locke has proposed \$2,506 million in General Fund-State (GFS) spending on higher education in the 1999-01 biennium, up \$297.4 million from the \$2,209 million authorized for the 1997-99 biennium. (Locke also would like to increase 1997-99 higher education spending by \$3 million. See WRC Policy Brief 99:2, *Governor Asks for \$73 Million in Supplemental Spending*.) The 13.5 percentage increase in higher education is nearly twice the 7.4 percent increase in overall GFS spending recommended by the Governor.

A breakdown of the higher education increase is shown in Chart 1.

Policy initiatives make up about two-thirds of the increase in GFS spending. The largest of these increases are for enrollment, employee compensation and financial aid.

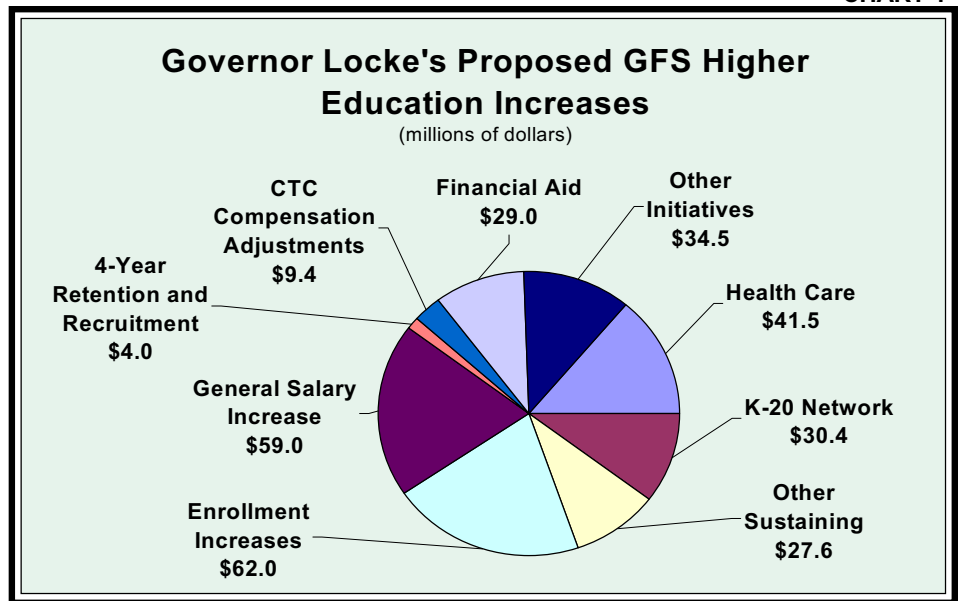
The Governor would spend \$62.0 million to increase enrollment by 9,785 full-time-equivalent (FTE) students. The community and technical colleges would serve 5,145 of these students, while specific 4-year institutions would educate 2,940. The final 1,700 enrollment slots would target high-demand majors such as computer science. The Higher Education Coordinating Board (HECB) will develop a process through which the four-year schools compete for these slots. Schools must match each two new FTEs in a high-demand major with one FTE reallocated from a low-demand major.

Nearly a quarter of the increase would go to employee compensation. Under the Governor's proposal, higher education faculty and staff would receive pay raises averaging 2 percent in each year of the biennium, at a cost of \$59.0 million. The four-year schools would receive an additional \$4 million for pay raises targeted to retain and recruit outstanding faculty. The community and technical colleges would receive \$1.9 million to extend retirement-system eligibility to part-time faculty, \$4 million to raise part-time salaries, and \$3.5 million to provide salary adjustments based on experience.

The Governor would shift tuition setting authority from the Legislature to the institutions. The Research Council's report *Defining the Challenge: A Closer Look at Higher Education* (May 1997) recommended such a shift. Locke would then allow the schools to use tuition hikes to fund further increases in faculty salaries. An upcoming Policy Brief will examine the competing tuition proposals of the Governor, the HECB, and the University of Washington.

The Governor proposes \$29.0 million in additional funding for financial aid. Major components of this increase are \$7.5 million for the State Need Grant, \$1.2 million for scholarships for college students who plan careers as K-12 teachers, and \$20.0 million for *Washington's Promise Scholarships*. This new program is discussed below.

CHART 1



Other policy initiatives total \$34.5 million. These initiatives include \$1.5 million for the creation of an Online College of Lifelong Learning, which would consolidate and coordinate the existing distance learning offerings of the state's colleges and universities, \$9.7 million to support consortiums and partnerships among the two-year and four-year schools, \$7 million to expand capacity in information technology programs, and \$6.9 million in expenses for the Internet and the next generation Internet II at UW.

The remaining one third of the increase in spending proposed by the Governor, \$99.6 million, is needed to sustain in 1999-01 the 1997-99 level of higher education activity. Major components include \$30.4 million for maintenance, operations and support of the new K-20 telecommunications network and \$40.5 million for the increased costs of health insurance for higher education employees. The remaining \$27.6 million nets out cost increases due to inflation, cost savings from efficiency gains, transfers of funding responsibility, and expenditure reductions due to the elimination of programs.

	Budgeted 1997-99		Gov.'s Proposed 1999-01		GFS	All Funds	Enrollment Growth
	GFS	All Funds	GFS	All Funds			
Higher Education Coordinating Board	193,427	207,332	238,375	248,575	23.2%	19.9%	High Demand Fields: 1,700
University of Washington	577,911	2,460,196	639,344	2,685,517	10.6%	9.2%	Seattle: 739; Bothell: 241; Tacoma: 324
Washington State University	341,019	737,935	376,090	772,849	10.3%	4.7%	Pullman: 377; Spokane: 159; Vancouver: 119
Eastern Washington University	78,776	143,269	83,663	148,917	6.2%	3.9%	0
Central Washington University	75,993	140,422	84,142	151,030	10.7%	7.6%	421
The Evergreen State College	41,009	72,639	44,537	78,202	8.6%	7.7%	137
Spokane Intercollegiate Research and Technical Institute		3,771		4,759	0.0%	26.2%	
Joint Center for Higher Education	1,510	6,142			-100.0%	-100.0%	
Western Washington University	96,773	190,320	111,248	217,922	15.0%	14.5%	423
Community and Technical College System	802,200	1,338,471	928,606	1,479,555	15.8%	10.5%	5,145
Higher Ed Total	2,208,618	5,300,497	2,506,005	5,787,326	13.5%	9.2%	9,785

The Washington's Promise Scholarship Program

The Washington's Promise Scholarships are Gov. Locke's response to the 2020 Commission's recommendation that all those who graduate from high school under the toughened graduation requirements of the state's K-12 reforms receive a scholarship sufficient to pay for two years of post-secondary education.

Promise Scholarship recipients would need to meet both means and merit tests. The means test would limit Promise Scholarships to students whose families earn no more than 135 percent of median state income (a cutoff of \$69,000 for a family of four in 1999). The merit test would require that scholarship recipients pass the 10th grade certificate of mastery exams established under the state's new K-12 reforms. Since the exams are not yet fully implemented, 1999-02 graduates would be subject to an alternate merit test, limiting Promise Scholarships to those who are in the top 15 percent of their classes. It is estimated that 1,800 1999 graduates would qualify for Promise Scholarships under the class-rank test and 3,550 2003 graduates would qualify under the certificate of mastery test. The Promise Scholarship would initially be worth \$3,000, roughly equal to tuition for two years at a community college. The money could be used at any public or private college in the state.

The Research Council's report *State's College Financial Aid Program Gets a Failing Grade* (March 1998) faulted the state's financial aid system for its bias against students under the age of 24. An expansion of financial aid targeted at the recent high school graduates and awarded by criteria that balance need and merit could significantly strengthen the state system. However, Gov. Locke's proposal may be too costly in the longer term. Beginning in 2006, the certificate of mastery will be a requirement for graduation from high school. A much larger number of students will eventually qualify for the Promise Scholarships than are projected for the upcoming biennium. The key issue for the Legislature is how best to target the state's spending on education. Can the commitment represented by the Promise Scholarships be met without compromising the quality of our higher education institutions? Should the entitlement to a free education be extended through the first two years of college at a time when many question the adequacy of K-12 funding?