

---

# Special Report



Washington Research Council

May 17, 1997

## Defining the Challenge: A Closer Look at Higher Education

### Overview

If demography is destiny, this is the hour for higher education. As the children of the baby boomers — the “echo” — graduate from high school in record numbers, the state is entering a period in which the college-age population will be growing more rapidly than the general population. This will create pressures on our higher-education system that have not been present since the 1960s.

Washingtonians can be proud of the state’s system of higher education. Overall enrollment rates relative to population exceed the national norm, and the state ranks particularly high in enrollment rates at public colleges. Although some worry that the state lags in upper-division and graduate enrollments, the shortfall involves part-time students only. Our enrollment rates for full-time upper-division and graduate students are at the national norms.

State projections indicate that maintaining the current degree of access would require increasing full time equivalent enrollments by 53,000 in public colleges and 8,000 in private colleges between 1997 and 2010. The state Master Plan nonetheless calls for an 84,000 increase, well beyond that implied by simple demographics and not supported by other evidence. The state should careful lest overexpansion erodes the quality of our educational system.

The general tuition subsidy should be reduced and need-based aid increased. Currently, very few qualified undergraduate applicants cannot find a spot in the state’s system of higher education. The more pressing access issue is financial aid. Many of the students at our four-year institutions could afford to pay significantly higher tuition. The state should target state subsidies to those who most require financial assistance. Further, institutions should have the flexibility to set their own tuition rates in response to market demands.

The Washington Research Council believes that the state’s goals for higher education should be to protect and enhance the quality of our institutions, to assure student choice, and to preserve access. Achieving these goals in the coming years will require new financial strategies to allow the state to respond flexibly to enrollment demand and academic quality pressures.

## Higher Education Within Washington State

Washington State’s higher-education system, including both public and private institutions, enrolls more than 5 percent of the state’s population, nearly 300,000 students. The state itself operates 32 two-year colleges: 27 community colleges enrolled 143,264 students in fall 1995; five technical colleges enrolled 26,026. The state also operates six four-year colleges. Two of these, the University of Washington and Washington State University, are designated research universities, while the remaining four, Central Washington University, Eastern Washington University, Western Washington University, and the Evergreen State College, are regional institutions. The University of Washington offers upper-division classes at branch campuses in Bothell and Tacoma. Washington State University offers upper-division classes at branches in Spokane, Richland, and Vancouver. The four-year public colleges enrolled 85,529 students in fall 1995.

In reports submitted to the U.S. Department of Education through the State Higher Education Coordinating Board (“HEC Board”), the state recognized 23 private institutions. These institutions enrolled 37,093 students in fall 1995.

## The Boomers’ Babies Are Coming

The number of graduates from state high schools is a critical factor driving the demand for higher education. Traditionally, most college students are in their late teens or early twenties. Although increasing numbers of older students are enrolling in college, recent high school graduates still constitute a major share of the student body. In Fall 1996, 57 percent of all enrollees at our four-year public institutions were age 22 or younger, as

were 48 percent of the enrollees in academic courses in our community colleges.

FIGURE 1

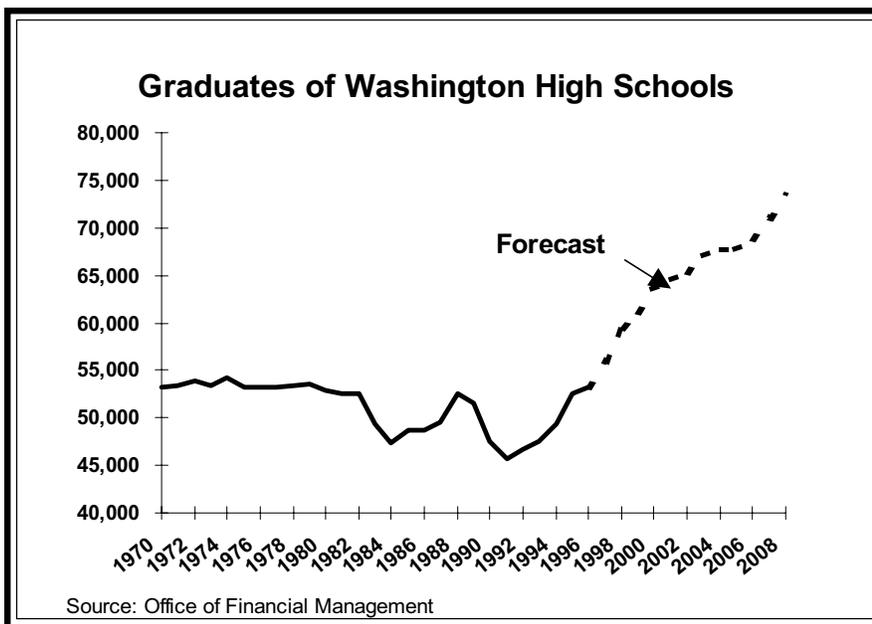


Figure 1 shows actual and projected annual high school graduates from 1970 through 2008. As the baby bust followed the baby boom, the number of graduating high school students declined relative to the overall population. This pattern is now changing, however, as the baby boom echo moves through the schools.

From 1970 to 1996, the population of Washington State increased from 3,423,250 to 5,516,800, an average increase of about 1.86 percent per year. Over this period, the number graduating high school fluctuated around

50,000 per year. The 53,210 graduates of 1970 slightly exceeded the 53,170 of 1996. By the year 2008, the state’s population is projected to grow to 6,626,017, an average increase of 1.53 percent. The number graduating high school will grow more rapidly, exceeding 55,000 for the first time this year and climbing to over 73,000 for the 2007-08 school year.

Long-range forecasts of this sort are necessarily imprecise. Migration, which is difficult to predict, represents a large share of the state’s population growth. About one-third of the growth in the number of high school graduates forecast between 1996 and 2008 depends on future in-migration. With a strong economy, we could see larger graduating classes; with a weak economy, smaller. In any event, the state is entering a period in which the college-age population will be growing more rapidly than the general population. This will create pressures on our higher-education system that have not been present since the 1960s.

## Freshmen Enrollments

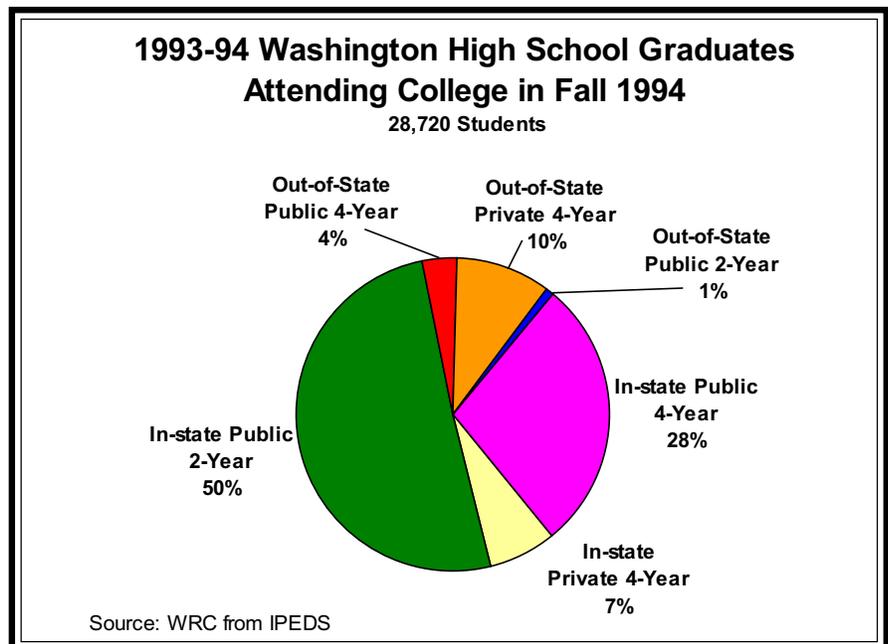
Policy makers and taxpayers alike recognize the importance of providing educational opportunities for long-term state residents. Significant numbers of students enroll in schools outside of their state of residence. The best available picture of the flow of students between states comes from the U.S. Department of Education’s Integrated Postsecondary Education Data System (“IPEDS”), which records the states of residence of freshmen students by educational institution.

In spring 1994, 49,408 students graduated from Washington high schools. The following fall, 28,720 Washington residents who had graduated from high school within the previous 12 months enrolled as new freshmen at higher-education institutions nationally. Figure 2 shows the distribution of these students. Eighty-six percent attended institutions within Washington, while 14 percent went to school out of state. Washington ranked 15th among the states in the share of its freshmen who stayed in the state.

One-half of the recent graduate freshmen were at in-state two-year public colleges. In-state four-year public colleges held the next largest share. Ten percent attended out-of-state four-year private colleges; 7 percent, in-state four-year private colleges. The remainder were at out-of-state public institutions.

In fall 1994, 28,969 recent high school graduates were enrolled as new freshmen at institutions within Washington. Figure 3 shows the breakdown of these students. Eighty-five percent were Washington residents; 15 percent were from out of state. Washington ranked 8th

FIGURE 2



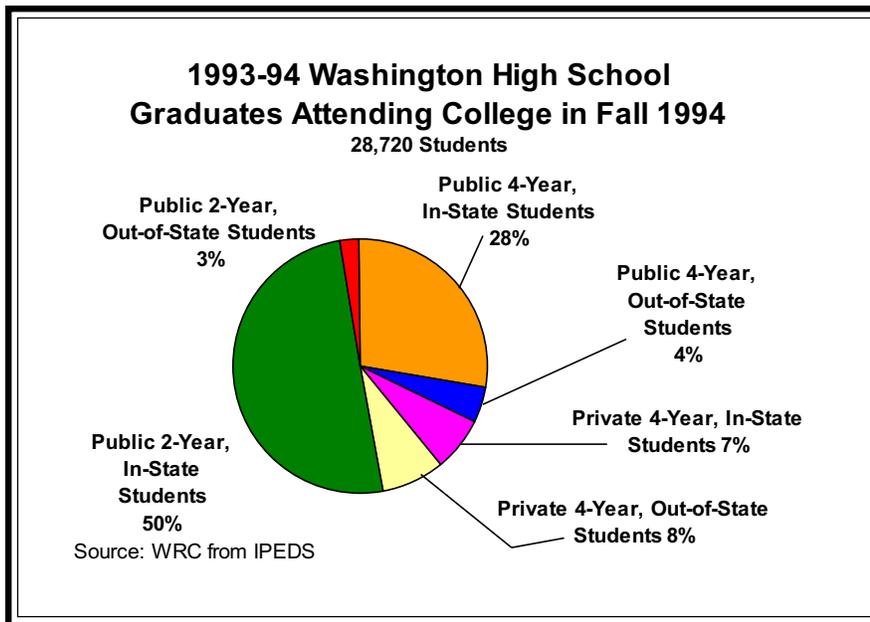


FIGURE 3

in the proportion of freshmen who were recent high school graduates from in the state. Two-year public colleges enrolled 53 percent of the freshmen; four-year public colleges, 32 percent; and four-year private colleges, 15 percent.

Nationally, public-college enrollees are much more likely to attend school in their home states than are private-college enrollees. This undoubtedly reflects the subsidized tuition rates offered to in-state students by most public colleges. States with less-extensive public-college systems than Washington see greater proportions of their residents go to school out of state. Similarly, states with more-extensive private-college systems than Washington see greater proportions of enrollment from out-of-state students. Enrollments within states are not completely reliable indicators of the college attendance of state residents.

## Enrollments at Washington Colleges Compared to Other States

*Fall headcount enrollment* is the primary enrollment measure used by the U.S. Department of Education. To facilitate interstate comparisons, headcounts are commonly divided by measures of state population to calculate *participation rates*. Washington ranks low in interstate comparisons of participation rates for upper-division students (juniors and seniors) and graduate students. The HEC Board has set goals to significantly increase these enrollments.

Figure 4 presents the headcounts for Washington state colleges in fall 1994, as reflected by IPEDS, while Figure 5 presents the corresponding participation rates, together with the national participation rates and Washington's ranking among the 50 states.

Over 303,000 part-time and full-time students were enrolled in Washington colleges during the fall term of 1994. Twelve percent of the students were enrolled in private colleges, 59 percent in public two-year colleges, and 28 percent in public four-year institutions. Washington's overall participation rate for higher education was 7.62 percent, exceeding the national rate of 7.18 percent and ranking 20th among the 50 states. Our participation rate for private institutions was 0.95 percent, ranking us 31st nationally. Our participation rate for public institutions, 6.67 percent, ranked us 13th nationally and exceeded the national rate for public institutions by almost a full percentage point.

More than two-thirds of the public enrollment occurs at two-year institutions, and this reflects an explicit choice made by state policy makers. Figure 6 compares, for the 50 states, the shares of public higher-education headcounts in two-year colleges. Nationally, in 1994, 48.7 percent of public students attended two-year institutions. California had the highest share, at 70.1 percent, while Washington was second, at 68 percent. As noted above, one-half of the high school graduates who immediately continue their education enroll in the community colleges.

Washington ranks very high in national comparisons of participation rates for public two-year colleges but low in the participation rate for public four-year colleges, 4th and 48th, respectively. In part, this reflects the state's decision to channel many baccalaureate students through the two-year colleges. At four-year public institutions nationally, the number of lower-division students (freshmen and sophomores) exceeds the number of upper-division students (juniors and seniors). At Washington's four-year public institutions, however, the number of upper-division students significantly exceeds the number of lower-division students. But the low participation rate at public four-year colleges is not simply a matter of freshmen and sophomores being directed to the two-year colleges. Washington's participation rates for upper-division students at the four-year public institutions, 1.06 percent, is lower than the national average, 1.17 percent, and the state ranks only 42nd. These statistics, however, provide a misleading picture of Washington's position with respect to other states, as explained below.

At four-year private colleges nationally, lower-division enrollments are 29 percent greater than upper-division. For Washington's private four-year colleges, the pattern differs: enrollment in the upper divisions exceeds that in the lower divisions. This is surely also a consequence of the state's highly developed system of public two-year colleges. As a result, the state's private institutions rank much higher in upper-division participation rates than in lower-division rates, 27th versus 41st.

### Fall 1994 Higher Education Enrollments for Washington by Sector and Division

	Private		Public	
	Four Year	Two Year	Four Year	
Lower Division	12,667	180,395	28,674	
Upper Division			42,209	
Post Baccalaureate/ Graduate Division	838			248
Graduate and Professional Division			14,392	
Totals	37,782			85,523
Total Public			265,918	
Total Public and Private			303,700	

Source: OFM from IPEDS

FIGURE 4

### Fall 1994 Higher Education Participation Rates for Washington by Sector and Division

	Private			Public					
	Four Year			Two Year			Four Year		
	WA	U.S.	Rank	WA	U.S.	Rank	WA	U.S.	Rank
Lower Division	0.32%	0.60%	41st	4.53%	2.72%	4th	0.72%	1.19%	47th
Upper Division							1.06%	1.17%	42nd
Post Baccalaureate/ Graduate Division	0.02%	0.04%	25th				0.01%	0.11%	48th
Graduate and Professional Division	2.90%	3.90%	17th				0.36%	2.97%	45th
Four Year Totals	0.95%	1.49%	31st				2.15%	2.97%	48th
Total Public	6.67%	5.69%	13th						
Total Public and Private	7.62%	7.18%	20th						

Source: OFM from IPEDS

FIGURE 5

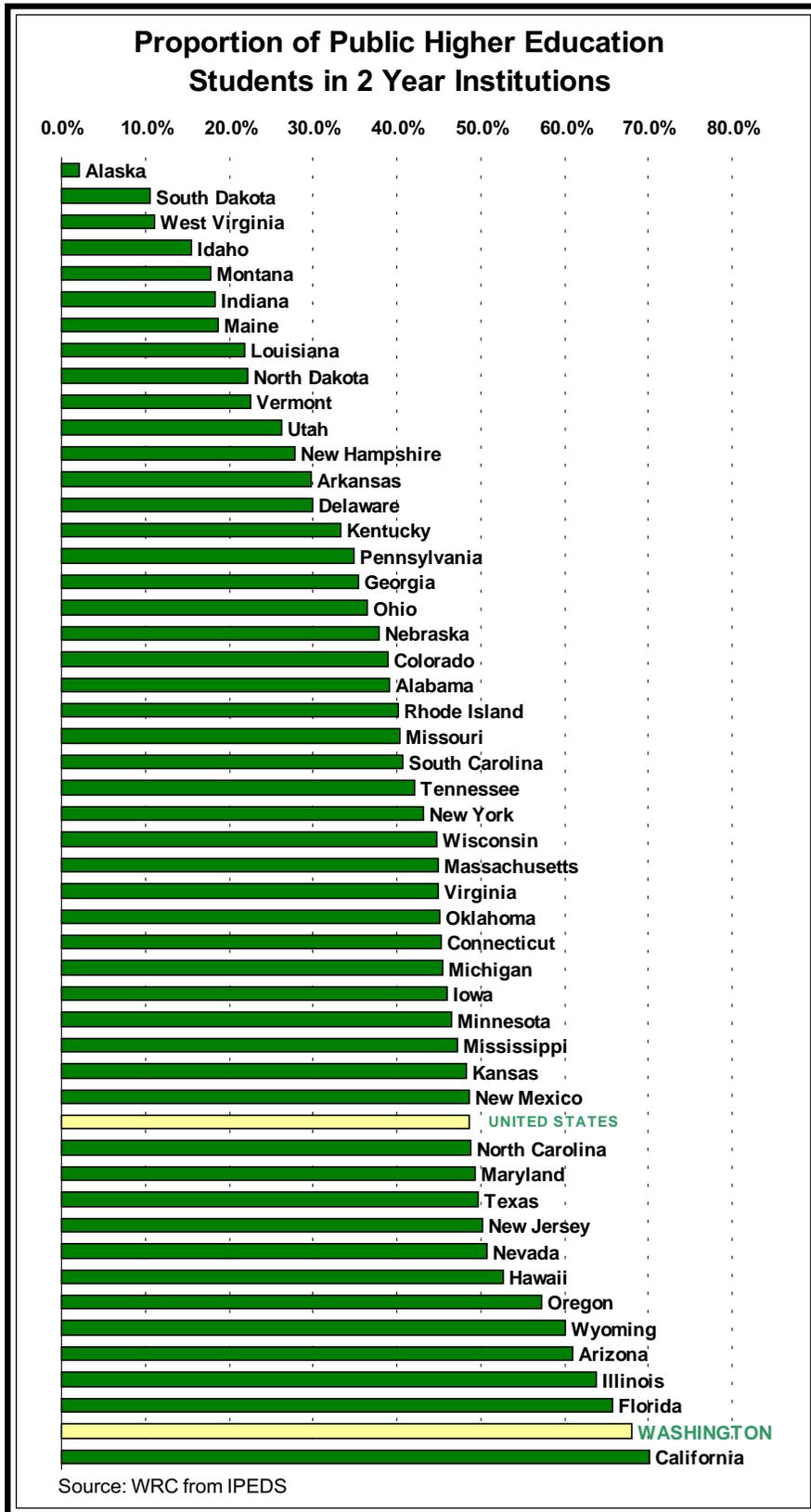


FIGURE 6

Post baccalaureate/graduate participation ranks 48th at our public institutions and 25th at our private. Graduate and professional participation ranks 45th at our public institutions and 17th at our private.

The state's current Master Plan for Higher Education, adopted by the HEC Board in 1996, finds a challenge in the low ranking of our upper-division and graduate/professional participation rates and sets a goal of significantly increasing these participations while holding lower-division participation rates at the current level through 2010. Accomplishing this goal will require an expansion in capacity at our public institutions beyond that needed to handle the baby boom echo.

But the state's positions with respect to upper-division and graduate enrollments may not be as grim as the headcount participation rates suggest. For example, in 1993-1994 four-year public colleges in Washington awarded 4.1 baccalaureate degrees for each 1,000 residents age 17 and older; the national figure was 4.0. We ranked 30th among the 50 states in the rate at which we granted baccalaureates, and most states with large populations ranked below us. Since the student's reward at the end of a successful upper-division course of study is a baccalaureate degree, it is anomalous that our ranking in baccalaureates is so much higher than that for upper-division participation.

In large part, this divergence can be explained by a shortcoming of the headcount enrollment measures. These headcounts weigh full-time and part-time students equally, and they exceed the full-time equivalent ("FTE")

enrollments that drive institutional budgets and degree completions. The fall 1994 headcount for the two-year public colleges was 180,395, while FTE enrollment was only 111,035 for the year. Headcount for the four-year public colleges was 85,523, compared with 76,457 FTEs.

Figure 7, presents participation rates in the four-year colleges, calculated separately for full-time and part-time students. As the breakdown reveals, low participation rates for part-time students account for Washington's low overall upper-division and graduate participation rates. Our participation rate for full-time upper-division students virtually equals the national rate, and we rank 33rd among the states. This is consistent with our rankings on baccalaureates awarded. And it makes sense that the number of degrees would be more closely related to full-time enrollments.

Our full-time participation rate in graduate and professional programs at four-year public institutions is above the national average, and we rank 28th among the states. In part-time participation, we rank last among the states.

Overall, the IPEDS data show that 84.5 percent of public four-year college students in Washington were enrolled full-time. This is higher than the percentage for any other state.

Fall 1994 Four-Year Public Participation Rates						
	Full-Time			Part-Time		
	WA	U.S.	Rank	WA	U.S.	Rank
Lower Division	0.66%	0.92%	43rd	0.12%	0.31%	50th
Upper Division	0.88%	0.88%	33rd	0.18%	0.29%	46th
Post Baccalaureate/ Graduate Division Graduate and	0.003%	0.02%	45th	0.003%	0.09%	48th
Professional Division	0.27%	0.26%	28th	0.09%	0.24%	50th
Totals	1.81%	2.08%	42nd	0.33%	0.90%	50th

Source: WRC from IPEDS

FIGURE 7

## Enrollment Pressure: The Demand for Access

What is the nature of the demand for higher education? Demand is an economic concept, measuring the quantities that buyers want at given prices. The price of higher education to the student (or the student's family) is the tuition charged, net of financial aid. Institutions do not, however, accept every willing applicant. Thus, the demand for higher education by qualified applicants depends on tuition and financial-aid policies, as well as admission standards.

The demand for education should be influenced by the educational requirements imposed in the labor market. The Labor Market and Economic Analysis branch of the State Employment Security Department ("LMEA") has forecast the new jobs that will be created in the state through the year 2010. The educational requirements of these jobs are shown in Figure 8. LMEA projects that 16 percent of job openings will require a baccalaureate or graduate degree, while a further 30 percent will require at least some postsecondary education. Over one-half of the projected new jobs will require no more than a high school education.

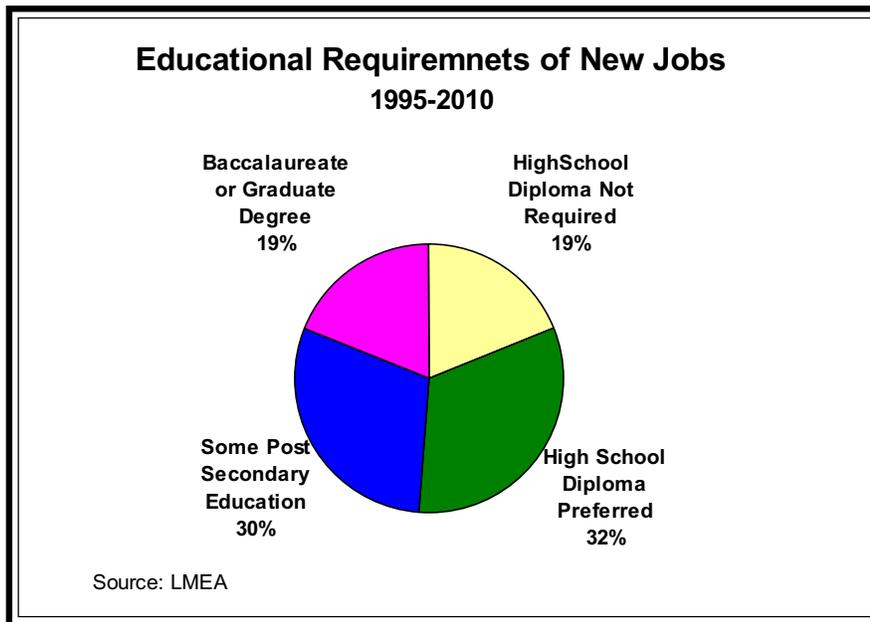


FIGURE 8

The demand will also depend on state demographics. Because the desire to attend college varies with age, the growth in the total number of state residents is not a reliable indicator of the change in the demand. Over the next 12 years, the number of students graduating from high school will be growing more rapidly than the total population, and this will be reflected in a growing demand for higher education. But not all of the demand for higher education comes from recent high school graduates. In February, the Office of Financial Management (“OFM”) published long-range projections of public-college enrollments, based on the assumption that age-specific participation rates in future years would equal those of 1995 and 1996. OFM’s most recent

projections indicate that maintaining current age-specific participation rates would increase FTE enrollments by 53,000 in public institutions between 1997 and 2010. This represents an increase in demand of 28 percent by the year 2010, and this is significantly less than the 38 percent growth in high school graduates projected over the 1996-2008 period.

The state higher-education master plan contains an aggressive goal of increasing upper-division and graduate and professional participation rates by 2010. Unfortunately, the enrollment increase needed to meet this goal is sometimes misdescribed as the increase in demand that will occur between now and 2010. For example, the report submitted to the HEC Board by the 1996 Student Financial Aid Policy Advisory Committee included the statement: “**Demographics** show that the state of Washington must provide **enrollment** access for more than 84,000 additional students by the year 2010.” (Emphasis in the original.) The 84,000 increase is an explicit policy objective well beyond the increase implied by simple demographics.

Admissions standards are used by colleges to ration demand; thus, the standards that institutions apply indicate the demand that they face. Figure 9 shows the high school grade points for freshmen entering the six State-operated four-year schools in 1996. With the state’s extensive system of two-year colleges, the four-year schools should be getting the cream of the state’s college-bound high school graduates. The University of Washington is a highly selective institution, with 70 percent of incoming freshmen at a GPA of 3.5 or above and only 3 percent below 3.0. Western Washington University appears to be the second most selective, with 53 percent over 3.5 and 9 percent below 3.0. The other four-year institutions, however, enrolled considerable numbers with high school grade points below 3.0.

The Applications Match Study, which OFM has prepared annually since 1987, provides additional useful information regarding demand. This study combines data on applications to the state’s four-year public colleges with data on registrations at these colleges, the two-year public colleges, and

the four-year private colleges within the state. With this matched data, it is possible to see whether an applicant who is rejected at one of the four-year institutions is offered admission by an alternative four-year public college or whether that applicant eventually enrolled in a two-year college or a private college within the state.

OFM's February 1997 report completely analyzes of the applications for the academic year 1994-95, including admissions and registrations during 1995-96. It's apparent that demand is unevenly expressed among the state's public institutions. Perhaps more important, it's clear that the access problem, contrary to public perception, is not primarily affecting high school graduates seeking admission to four-year schools. Among the key findings reported by OFM:

Post baccalaureate applicants, graduate and other, mainly to the University of Washington account [for] over 60 percent of the total unserved applicants for 1994-95.

Transfer applicants and returning student applicants, mainly to the University of Washington and to Western Washington University, account for the next largest share, 25 percent, of the total 1994-95 waiting line and over 60 percent of the undergraduate waiting line.

Of a reported total of 1,972 unserved individuals in the 1994-95 academic year, only 168 were qualified graduates of Washington high schools seeking freshman admission. Of the 269 seeking to transfer from a two-year college, only 6 had applied to more than one four-year institution.

Budgeted FTEs at the four-year colleges were 75,726 for fiscal year 1995. The actual count was 77,391 FTEs. By the current fiscal year, budgeted FTEs had increased to 80,409. And as was reported earlier this year, enrollments at Washington State University and Eastern Washington University are below budget by nearly 4 percent and by more than 11 percent, respectively.

Though not all get into their first-choice school, most qualified undergraduate applicants find a spot in the state's system of higher education. In this sense, there is little unmet demand, although, undoubtedly, well-qualified unserved individuals would want to attend the public four-year colleges were financial aid packages more generous. Satisfying this hidden demand, however, is more a matter of restructuring financial aid policy than of expanding institutional capacity.

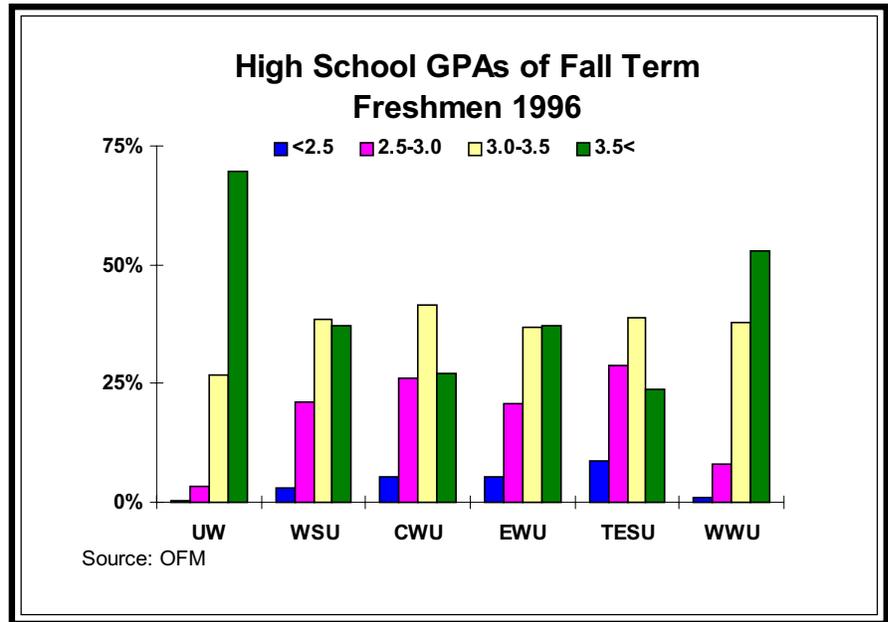


FIGURE 9

## Capacity: The Supply Dimension

Institutional capacity represents another access consideration — the “supply” side of the equation. What does it cost to increase enrollment? Capacity addition ought to represent a response to demand, and demand is unevenly distributed. Simply increasing the size of the physical plant, with the expectation that supply will stimulate demand, could represent a costly policy decision with unsatisfactory results. As the Applications Match Study points out, we have yet to experience large numbers of unserved applicants.

A major consideration in capacity enhancement is preservation of quality. Increasing class sizes, making greater use of less-qualified teaching assistants, or reducing admissions standards may detract from the excellent reputation currently enjoyed by the state system, particularly by its major research institutions.

The State’s Master Plan suggests that significant enrollment growth can be accommodated within the existing physical capacity of the main campuses. The plan also recommends further expansion of the branch campus system, although enrollment demand at the branch campuses remains unproved in these early years.

Physical capacity is available on the campuses of independent colleges and universities. Currently, the independent colleges and universities have 2,000 FTE slots available. In 10 years, they will be able to accommodate an additional 8,000 FTEs. A student-aid policy that recognizes the capacity available in the private colleges would enable more students to receive an in-state education without committing the State to a costly capital expansion program. Further, this approach will expand access without diluting quality.

## Financial Aid

The demand for higher education depends on the costs of education to students and their parents. The State and the institutions of higher education use two levers to influence these costs: general tuition levels and financial aid. The current state strategy to provide access to higher education emphasizes low tuition levels, rather than need-based financial aid.

Low tuition subsidizes all students, regardless of financial status. It both limits the resources available to the institutions and increases the pressure on the state general fund. Need-based financial aid, on the other hand, targets assistance to those who can least afford higher education. It can be used to enable participation in either public or independent colleges. With a policy allowing public colleges to set their own tuition rates, need-based financial aid can preserve access while better allocating demand across institutions.

Tuition rates at Washington’s public colleges are subsidized by taxpayers. General fund appropriations to state-operated colleges and universities for 1996-97 totaled \$926 million, more than 10 times the amount of financial aid provided students through need-based grants.

Many of the students at our four-year institutions could afford to pay significantly higher tuition. The Cooperative Institutional Research Program

(“CIRP”), sponsored by the American Council on Education, annually surveys college freshmen. Respondents are asked to estimate their family income. Results for Washington’s four-year public institutions are shown in Figure 10. (The numbers for the University of Washington are from the institution’s own income survey.) The median reported family incomes range from \$46,700 at Eastern Washington University to \$63,500 at Western Washington University. The share of students reporting family incomes below \$30,000 ranges from 29 percent at Eastern Washington to 12 percent at Western Washington.

Further information on the income of students’ families is available from a recent study conducted by the Department of Revenue for the HEC Board. Social Security numbers for incoming freshmen for fall 1993 were matched with 1994 federal tax returns for Washington state residents to find those cases in which students were claimed as dependents. Figure 10 shows the median family incomes by institution for students who were claimed as dependents. These students represented about three-quarters of resident freshmen at state-operated four-year institutions in fall 1993. Among these students, the median family income was \$67,508. The statewide median household income was \$33,533 in 1994. Washington State had the highest median family income; Eastern Washington, the lowest.

The median incomes found in the HEC Board study exceed those from the CIRP surveys by a comfortable margin, but that is to be expected because the former study only measures income for students who receive support from their families. Similarly, freshmen at the four-year colleges, as a group, probably come from wealthier families than do upper classmen. A number of students of limited means spend their freshman and sophomore years at community colleges to save money. Indeed, the HEC Board reports that students applying for financial aid at the community colleges are more needy than those applying at the four-year colleges.

For 1996-97, tuition and fees for full-time resident undergraduates are about \$3,250 at the University of Washington and Washington State, about \$2,430 at the regional universities, and about \$1,400 at the community colleges. Tuition levels are currently set by the Legislature and are significantly below the actual cost of instruction. The HEC Board estimates that for the academic year 1994-95, tuition covered 29 percent of the estimated cost of instruction at community colleges, 33 percent at the regional universities, and 29 percent at the research universities. And these costs of instruction exclude capital charges.

The HEC Board estimates that financial aid available for students in Washington totaled \$857 million in 1996-97. The majority of this aid, \$650

	CIRP Survey of Freshmen Fall 1996		HEC Board Study of Dependent Freshmen
	Median Family Income	Percent Below \$30,000	Median Family Income <sup>3</sup>
University of Washington	\$ 60,251 <sup>1</sup>	18%	\$68,765
Washington State University	\$ 59,920	15%	\$69,900
Central Washington University	\$ 56,440	18%	\$64,611
Eastern Washington University	\$ 46,700 <sup>2</sup>	29%	\$59,533
The Evergreen State College	\$ 58,250	21%	\$69,488
Western Washington University	\$ 63,500	12%	\$68,264

<sup>1</sup> Data from UW survey of student income.  
<sup>2</sup> 1992 data, Adjusted to 1996 prices using IPD index from Washington Economic Forecast  
 Source: Institutional Reports and HEC Board

FIGURE 10

**State Programs For Student Financial Aid 1996-97**  
**\$113,418,928**

<b>Grants</b>	<b>\$ 90,099,304</b>	<b>Work</b>	<b>\$21,123,250</b>
Washington State Need Grant	57,153,852	State Work Study	14,100,000
Washington Scholars (Merit)	878,402	Employer Match	5,555,723
Need-based Tuition & Fee Waivers	13,214,782	3½ Fund - Work Study	1,467,527
3½ Fund - Grants	11,886,968		
Workforce Training Fund	5,602,300	<b>Loans</b>	<b>\$2,196,374</b>
Educational Opportunity Grant	1,000,000	Health Professionals	875,600
Other	363,000	3½ Fund - Work Study	1,320,774

Source: HEC Board

million, was provided by the federal government. Of this total, \$113 million came in the form of grants, while \$16 million came as work-study wages. Student loans, at nearly \$525 million, represented by far the largest share of federal aid.

State financial-aid programs totaled \$113 million, as detailed in Figure 11. Some of these programs were funded directly by the Legislature. Other programs were funded by the public colleges themselves, from institutional sources. The State-funded financial-aid programs are targeted, for the most part, at needy students.

**FIGURE 11**

The State Need Grant program, administered by the HEC Board, is the largest program, providing \$57 million in assistance in 1996-97. The average grant was \$1,300. This program serves Washington residents who attend institutions within the state.

A detailed analysis of the data for 1994-95 shows that 43,267 students received need grants. Fifty-eight percent of need grant funds went to students in the community and technical colleges, 31 percent to students attending four-year public institutions, 10 percent to students in the four-year independent institutions, and 1 percent to students in private vocational schools.

During 1996, the HEC Board's Student Financial-aid Advisory Committee reviewed the State's financial-aid policies and programs. The Committee identified a major issue in the way that the HEC Board allocates need grants among students: Students who are deemed to be financially independent of their parents receive a disproportional share of the need grants. As the Committee notes, the "formula used to determine threshold eligibility for assistance [under federal financial-aid programs] expects that independent students without children can use much more of their income for college costs than parents with dependent children, at the same income level." The formula used for state aid, however, does not make this distinction. As a result, 80 percent of those receiving need grants were financially independent of their parents. The Committee was particularly concerned about those students who became independent simply because they had reached the age at which they could no longer be claimed as dependents for federal tax purposes by their parents, 24. The median age of the receiving need grants was 25. Only 20 percent of grant recipients were below the age of 21.

Work study is the state's second major needs-based financial-aid program. This program provided \$21 million to an estimated 8,950 students in 1996-97. Of this total, \$14 million represents general fund appropriations to the HEC Board, \$6 million represents matching funds from private employers, and \$1 million came from institutional funds. The income cut-offs for eligibility for work study are less severe than those for need grants.

As a result, dependent students are a higher proportion of those on work study than is the case with need grants. Similarly, students under the age of 21 make up a larger proportion of work-study students.

Individual public institutions awarded \$13 million in tuition waivers and \$12 million in grants from institutional funds.

One other program of note is the Educational Opportunity Grant, which is awarded to needy upper-division students who are “placebound,” those who are unable to relocate to the main campus of a four-year public college because of family or employment commitments, health, financial constraints, etc.

To preserve access, allocate demand efficiently, and provide increased revenue for the colleges, it will be necessary to adjust the balance between tuition and financial aid. The goal should be to target state subsidies to those who most require financial assistance. The general tuition subsidy should be reduced, and institutions should have the flexibility to set their own tuition rates in response to market demands. At the same time, the amount of need-based financial aid should be increased.

## Discussion

In the coming years, the baby boom echo will increase the pressure on the state to provide access to higher education. Simply holding participation rates constant will require capacity expansion of about 53,000 FTEs in our public colleges and 8,000 FTEs in our private colleges by 2010. Periods of expansion of the sort that the State faces provide opportunities to reshape educational systems. At the same time, the lack of slack raises the cost of bad allocation decisions. For these reasons, now is a good time for state policy makers to carefully reexamine the State’s system of higher education.

The Master Plan’s goal of 84,100 new FTEs by 2010 seems unreasonably ambitious. Current demand and historical participation rates suggest a number closer to 61,000. Meeting even this goal will strain the State.

In addition, the Master Plan suggests that the state faces a particular need to expand upper-division and graduate enrollments. This state’s low ranking in upper-division and graduate enrollments is an artifact of weighing part-time and full-time enrollments equally. Ultimately, however, decisions on the shape of Washington’s educational system should not be made simply by imitating what has been done in other states. These decisions should be grounded in a firm understanding of the demands for different types of education, both by students and by the labor market.

The state accommodates an extraordinarily number of students through the network of community colleges, providing some with job skills and preparing others for transfer to four-year institutions. Still, questions remain about how well the community colleges serve those students whose ultimate goal is a baccalaureate degree. State policy channels a large number of such students through the community colleges. Low-income students in particular are encouraged to follow this route.

Overall participation levels and graduation rates suggest that higher education is performing slightly better than the national average. To the

extent that there is an access problem today, it seems to be more an issue of affordability than of capacity. The state should carefully examine the balance between low tuition rates and need-based financial aid.

## Sources:

- 1996 Student Financial Aid Policy Advisory Committee, *Report and Recommendations*, HEC Board, Olympia, July 1996.
- State of Washington Employment Security Department Labor Market and Economic Analysis Branch, *Washington State Labor Market & Economic Report 1996*, via internet <http://www.wa.gov/esd/lmea/pubs/reports/96artoc.htm>.
- State of Washington Higher Education Coordinating Board, *The Challenge for Higher Education, 1996 State of Washington Master Plan for Higher Education*, Olympia, 1996.
- \_\_\_\_\_, *Income Patterns Among College Freshmen*, Olympia, January 1997.
- \_\_\_\_\_, *Student Financial Aid in Washington State: An Overview*, Olympia, January 1997.
- State of Washington Office of Financial Management Forecasting Division, "Applications Match Study 1994-95 Follow-Up and Fall 1995 — A Perspective on Unmet Demand," Chapter 5, in *Higher Education Enrollment Statistics and Projections, 1997-99 Biennium*, Olympia, February 1997.
- \_\_\_\_\_, *Higher Education Enrollment Statistics and Projections, 1997-99 Biennium*, Olympia, February 1997.
- U.S. Department of Education, National Center for Educational Statistics, *Integrated Postsecondary Educational Data System 1994 (IPEDS94 DISC)*, Washington, D.C., 1997.