



PB 97:4
April 7, 1997

Higher Education II: Paying for College

Our 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.

The current state strategy to provide access to higher education emphasizes low tuition levels rather than need-based financial aid.

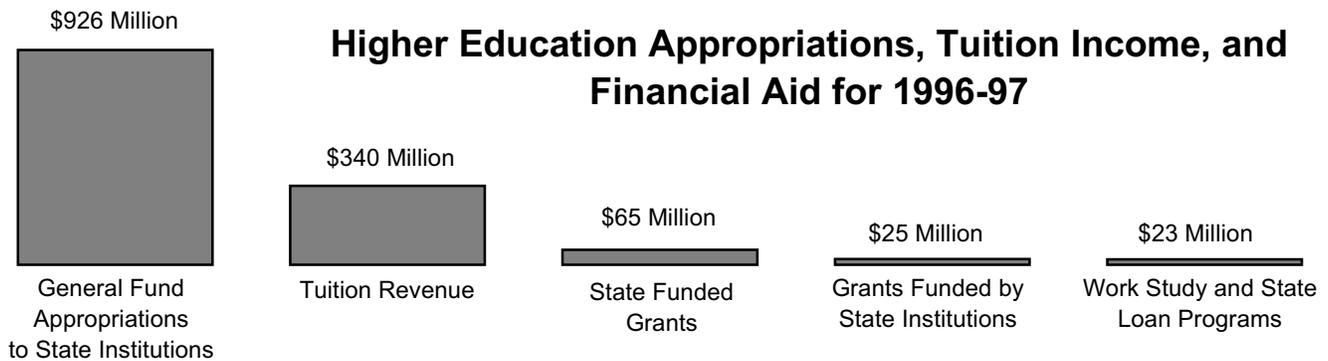
- Low tuition subsidizes all students, regardless of financial status. It both limits the resources available to the institutions and increases the pressure on the state general fund.
- Need-based financial aid targets assistance to those who can least afford higher education. It can be used to enable participation in either public or independent colleges. With a policy allowing public colleges to set their own tuition rates, it can preserve access while better allocating demand across institutions.
- Low tuition represents a form of financial aid, subsidized by institutional support from the state budget. 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 4-year institutions could afford to pay significantly higher tuition.

- About three-quarters of fall 1993 resident freshmen at state-operated 4-year institutions received support from their families. Among these students, the median family income was \$67,508, or 53% higher than the statewide median of \$43,982. While these students may not be typical of the entire student population, they are representative of a substantial fraction of the undergraduates at our state-operated 4-year institutions.
- For 1996-97, tuition and fees for full-time resident undergraduates are about \$3,250 at UW and WSU; 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.

- Tuition is directly set by legislatures in only 10 other states.
- Tuition covered 29% of the estimated cost of instruction at community colleges, 33% at the regional universities, and 29% at the research universities in 1994-95. This excludes capital cost.



The state-funded financial aid programs are targeted, for the most part, at needy students.

- The State Need Grant program, administered by the Higher Education Coordinating (HEC) Board, is the largest program, providing \$57 million in assistance in 1996-97. The average grant was \$1,300. A detailed analysis of the data for 1994-95 showed:
 - 20% of grant recipients were below the age of 21, while 61% were age 24 or older;
 - 80% were independent of their parents.
- Work Study, another HEC Board program, provided \$21 million to students, with \$14 million from state funds, \$1 million from institutional funds, and \$6 million from private employers.
- Individual public institutions awarded \$13 million in tuition waivers and \$12 million in grants from institutional funds.

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 general tuition subsidy should be reduced, and institutions should have the flexibility to set their own tuition rates in response to market demands.
- The amount of need-based financial aid should be increased.

This Policy Brief summarizes findings from a forthcoming Washington Research Council Special Report on higher education. Call us for a copy of the full report — no charge to Washington Research Council members.

Data Sources:

HEC Board, *Income Patterns Among College Freshmen*, January 1997.

HEC Board, *Student Financial Aid in Washington State: An Overview*, January 1997.

1996 Student Financial Aid Policy Advisory Committee, *Report and Recommendations*, HEC Board, July 1996.

Office of Financial Management estimates of 1996-97 general fund appropriations and tuition revenue.