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Policy Brief

# Tuition: Will Students Take a Hike?

Proposals to allow the state's public colleges and universities to set their own tuition rates are now before the legislature.

In October, the governor's 2020 Commission on the Future of Post-Secondary Education recommended that the legislature grant tuition setting authority to the governing boards of the state's public four-year institutions of higher education and to the State Board for Community and Technical Colleges. Echoing the Research Councils 1997 Special Report, *Defining the Challenge: A Closer Look at Higher Education*, the 2020 Commission argued that the institutions need to respond to market conditions. The schools should be allowed to set tuition rates that reflect the costs and values of programs.

The tuition proposals of the governor, the Higher Education Coordinating Board (HECB), and the University of Washington (UW) are described below, as is the state's tuition prepayment program, whose solvency could be threatened by the UW proposal.

## Gov. Locke

Gov. Locke proposes giving the power to set tuition rates to the boards of the individual four-year institutions and to the State Board for Community and Technical Colleges. Currently, the legislature sets tuition rates. A 1998 study by legislative staff found that Washington is unusual in this regard. Legislatures set four-year tuition rates in only eight states, and two-year rates in only six.

The governor wants tuition policy to balance two goals, flexibility for the institutions and predictability for families. His proposal would cap the maximum annual increase in resident undergraduate tuition at 5 percent. A 20 percent cap would apply to annual increases for professional, graduate, and out-of-state undergraduate students. However, institutions could lower tuition rates if they choose. They also would have the flexibility to vary tuition rates among programs and to adjust prices for courses at off-hours.

At each institution, student tuition now goes into a local account, from which the school can draw money for designated uses without legislative appropriation. Gov. Locke would require that a portion of the money generated by tuition increases be allocated to financial aid to help needy students. Institutions could use the rest to improve educational quality.

One of the governor's concerns is that current salary levels are compromising the quality of the faculty at the schools. His proposed budget for the 1999-2001 biennium provides $59 million from the general fund for an average 2 percent increase in higher-education salaries. Also, the governor would provide $4 million from the general fund for special salary increases to recruit and retain outstanding faculty at the four-year institutions, and $9.4 million to address compensation inequities at the community and technical colleges. Schools could use money from tuition increases to further improve faculty pay. The UW estimates the governor's proposal would allow an additional 1 percent average increase in faculty salary for the 1999-2001 biennium.

## HECB

The HECB addressed tuition policy in its operating-budget recommendations for the 1999-2001 biennium. The HECB policy would shift tuition setting to a two-stage process. First, a formula would determine a basic system-wide increase equal to the forecast three-year average rate of growth of per capita personal income for the state. The basic increase would be 4.0 percent for the 1999-2000 school year and 3.2 percent for 2000-2001. Next, the institutions would

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decide whether to increase tuition by an additional 2 percent per year or to decrease tuition. The 2 percent limit would apply to all students — resident and nonresident, undergraduate, graduate and professional.

Institutions would be required to devote a portion of any optional tuition increase to financial aid.

To keep higher education affordable, the HECB wants to constrain future increases in tuition. It recommends tying changes in tuition to changes in per capita personal income because the latter provides a rough measure of changes in the ability of students to pay tuition.

## UW

In many details, the UW's tuition proposal matches the governor's proposal: Institutions would set tuition rates. They could decrease rates. Annual increases in tuition for graduate, professional, and non-resident undergraduate students would be capped at 20 percent. Annual resident undergraduate increases would be capped at 5 percent at all schools — except for the UW.

The key difference between the UW and Locke proposals is that the UW would increase its own resident undergraduate tuition rate by much more than 5 percent in each of the next two years. The school would use the money to boost faculty salaries.

For the 1997-1998 academic year, the $63,124 average faculty salary at UW was 14.3 percent below the $72,179 average of faculty salaries at eight-peer schools. The UW believes its current salary makes it less effective in competing for faculty.

The HECB annual tuition survey shows that for the 1998-1999 academic year, tuition and fees for a resident undergraduate at UW were $543, or 15.6 percent, below the average for comparable schools.

UW would raise its quarterly resident undergraduate tuition in six $50-steps over the next two years. This would amount to a $300 tuition increase for students enrolling in the Fall, Winter, and Spring Quarters of the 1999-2000 academic year, and a further $450 increase for the full 2000-2001 academic year. (Were quarterly tuition for the 2001-2002 school year not increased from the Spring 2001 level, annual tuition for 2001-2002 would be $150 more than 2000-2001.) A portion of the additional tuition would be directed towards financial aid. The tuition increase would allow an additional 2 percent-per-year increase in average faculty salaries for 2000-2001 and 2001-2002. A further 1.5 percent increase in faculty salaries would be possible for 2002-2003.

## The Guaranteed Education Tuition Program

The 1997 legislature established the Washington Advanced College Tuition Payment Program, now known as the Guaranteed Education Tuition (GET) program. Through GET students and their families can lock in current tuition rates. The program limits the ability of the state to raise revenue by increasing tuition rates.

Under the program, students and their families buy "GET units" they can use to pay tuition and fees at state colleges and universities. The redemption value of a GET unit is indexed to equal 1 percent of the annual tuition and fees for a resident undergraduate at the UW. The price of a GET unit is now $35. In June the price will adjust to reflect any changes in UW tuition.

As tuition rises at the UW, the state's obligation under GET rises. The state will ultimately need to make up any shortfall in the GET Program Account from the General Fund. The office of the governor has stated that a growth rate in tuition at the UW averaging more than 6.75 percent per year would threaten the solvency of the program.

## Discussion

In 1997, the Research Council wrote that "institutions should have the flexibility to set their own tuition rates in response to market demands." The 2020 Commission has made the same recommendation.

The governor's tuition proposal gives the institutions a great deal of flexibility with respect to graduate, professional, and non-resident undergraduate tuition rates. The five-percent cap on increases is resident undergraduate tuition rates is a bit tight, however. In comparison, the HECB proposal provides less flexibility to raise graduate, professional and non-resident undergraduate tuition. The HECB, however, would allow a bit greater increase for resident undergraduates than would the governor.

The UW's proposal would realign its resident undergraduate tuition rate relative to the other state schools and to its national peers. This would have financial consequences for the GET program. If such a realignment is to be made, it should be made soon, while GET is young.