

**Education Finance Structures Subcommittee
February 17, 2005**

DISCUSSION: INCOME-BASED TUITION

Background:

Some legislators and other individuals have expressed interest in varying the tuition charged at public colleges and universities based on student or family income. Although the financial aid system has the effect of reducing the overall cost of attendance for students based on income, tuition rates do not vary on this basis. There is a perception that some students and families have a greater ability to pay and may not require as large of a taxpayer subsidy to attend a public higher education institution.

Data Limitations:

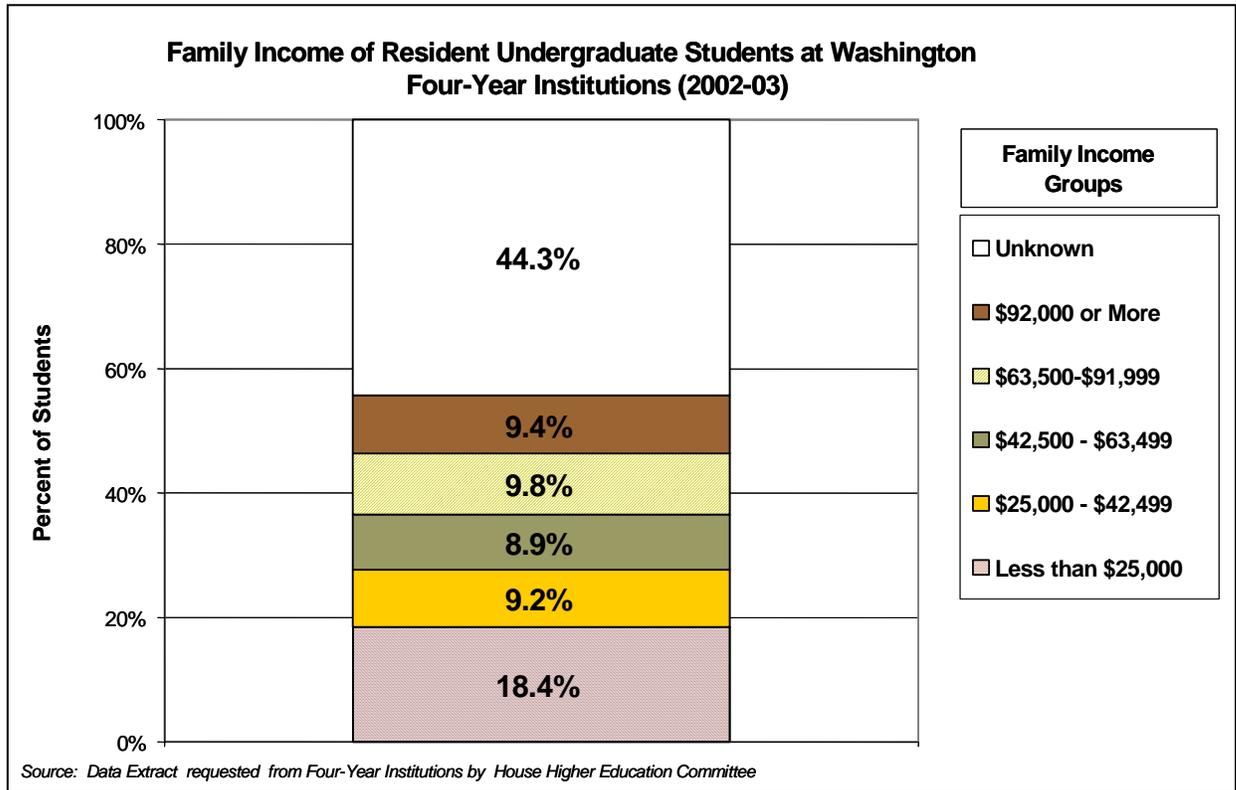
Comprehensive data is not available at the state level, or to a certain extent at the institution level, to calculate the full impact of a tuition policy based on income.

- The Higher Education Coordinating Board (HECB) can access federal financial aid records for all students who applied to a Washington institution, but this data does not indicate where or whether the student enrolled. The HECB also has data on students receiving need-based aid.
- The public four-year institutions have income data on the 56 percent of resident undergraduate students who *applied* for need-based aid, but no data on the remainder. Less data is available about community and technical college students, in part because relatively few receive traditional financial aid.

Proposal for Discussion:

- Direct one research university and one regional university to develop an income-based tuition approach and estimate its impact.
- At a minimum, institutions should analyze the impacts on tuition revenue, institutional aid requirements, financial aid administration, and the effect on students and their families of different income levels. Other potential issues should also be raised and analyzed, such as the impact on the GET program or reciprocity agreements.
- The income-based tuition approach should meet the following objectives:
 - Result in an overall increase in tuition revenue for the institution.
 - Rely on a “tuition discounting” method where the increased listed tuition prices are discounted based on income using institutional aid or tuition waivers.
 - Maintain current tuition as the minimum tuition on which state financial aid is based.
 - Permit increased prices up to peer average tuition.
- Institutions report their findings to the Legislature by September 2005.

Reference Information:



**Tuition & Fees:
Washington Compared to Peer Institutions (2004-05)**

	Washington	Peer Average	Difference
UW	\$5,181	\$6,547	26.4%
WSU	\$5,154	\$5,952	15.5%
Regionals	\$3,947	\$4,545	15.2%
CCs	\$2,313	\$2,324	0.5%

HECB Tuition & Fee Report 2003-04

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DISCUSSION SUMMARY: HIGHER EDUCATION ACCESS

Background:

There are approximately 221,000 full-time equivalent (FTE) students enrolled in public institutions of higher education for the 2004-05 academic year. About 130,000 are enrolled in community and technical colleges and 91,000 in one of the six four-year institutions or branch campuses. Actual enrollment is currently greater than the enrollment assumed in the operating budget by 4,755 FTE students.

The Office of Financial Management projects that to keep pace with the demographics of the state's population and the current rates of participation in public higher education, 22,500 FTE students would have to be added above current budgeted levels by the 2009-10 academic year.

Proposal Discussed:

Outline a two-biennium plan based on adding 22,500 funded enrollment slots in higher education by 2009-10, including proposed approaches to address per-student cost, tuition, and financial aid.

A. Enrollment

Additional funded enrollment slots would be added during the two-biennium period following current participation rates between two and four-year institutions. This would require an additional 18,800 funded FTEs in 2005-07 and 2007-09. The following principles would be used to allocate enrollment among institutions:

- 1) "Buy" current over-enrollment.
- 2) Assume UW Bothell, UW Tacoma, WSU Vancouver, and WSU Tri-Cities admit freshmen students beginning Fall 2006.
- 3) Expand baccalaureate programs, based on analysis of regional demand, institution growth plans, current rates of attendance for transfer students in community and technical colleges, and distribution of enrollment increases among institutions.
- 4) Fill regional service gaps, particularly in Northwest Washington, by allocating funding to the State Board for Community and Technical Colleges to contract with regional universities for upper division enrollment using the university center model.
- 5) Initiate a small pilot project for applied baccalaureate degrees offered by community and technical colleges.
- 6) Increase enrollment in graduate programs.
- 7) Maintain current participation in workforce training and basic skills programs at community and technical colleges.

Following the seven principles for allocating additional enrollment should make progress in addressing some regional gaps in access to higher education, such as in Southwest and Northwest Washington. By focusing additional baccalaureate enrollment in the four-year institutions on upper-division students, capacity for transfer students should be improved.

However, the proposal is still based on current rates of participation in higher education. Some believe current participation in higher education should be increased and focused on baccalaureate enrollment so that the state could improve its rankings relative to other states in upper division enrollment and baccalaureate degree production. Others point to changing demographics in the state's population and unmet demand by employers for trained workers with less than a bachelor's degree. Increasing the capacity in workforce training and basic skills beyond current enrollment trends is not reflected in the proposal.

B. Per-Student Funding

The per-student cost of adding FTE enrollment could be based on the current cost of instruction, as calculated by the Higher Education Coordinating Board.

Alternatively, a higher per-student cost could be used based on per-student funding at peer institutions in other states. If a higher per-student cost is used, the Legislature could specify in a budget proviso an expected outcome in terms of increased enrollment in high demand/high cost degree programs.

C. Tuition

Tuition rates would be increased by between 5 and 7 percent per year over the two-biennium period. Additional tuition revenue would not be treated as a fund source used to supplant general fund-state support of higher education. The tuition paid by students represents their contribution toward the total cost of their education.

The original proposal estimated a 5 percent tuition increase. Some observed that Washington's tuition rates are lower than national averages and lower than peer institutions in other states, which could justify a higher increase. Others suggested that policymakers should examine an income-based tuition approach to reflect that some families are more able to shoulder a greater tuition charge than others.

D. Financial Aid

No change would be made to eligibility criteria for the State Need Grant program, but additional funding would be provided to cover the cost of holding recipients harmless from tuition increases and to cover increased numbers of eligible students.

Enrollment Allocations & Cost Estimates

Enrollment Allocation Principle	2005-07	2007-09
1) Buy Current Over-Enrollment	4,800	0
Four-Years	3,660	
Two-Years	1,140	
2) Add Lower Division at Branch Campuses	660	810
Four-Years		
3) Increase Baccalaureate Capacity	3,280	3,100
Four-Years	1,830	1,320
Two-Years	1,450	1,780
4) Upper Division in Underserved Areas	240	240
Four-Years		
5) Pilot Applied Baccalaureate Degrees	50	100
Two-Years		
6) Increase Graduate Enrollment	340	230
Four-Years		
7) Maintain Workforce Training and Basic Skills	2,230	2,730
Two-Years		
Total Additional Enrollment	11,600	7,210
 Four-Years	6,730	2,600
 Two-Years	4,870	4,610

Estimated Enrollment Costs - GFS	Cost of Instruction		Peer Funding	
	2005-07	2007-09	2005-07	2007-09
+11,600 FTE	\$88	\$122	\$119	\$164
+7,210 FTE	0	62	0	82
Total Enrollment	\$88	\$184	\$119	\$246

Estimated Tuition	2005-07	2007-09
Due to New Enrollment (Current Rates)		
+11,600 FTE	\$50	\$67
+7,210 FTE	0	27
Due to Tuition Increase (Option 1)		
5% Annual Increase	\$90	\$125
5% Annual Increase	0	95
Due to Tuition Increase (Option 2)		
7% Annual Increase	\$126	\$169
7% Annual Increase	0	95
Total Tuition: 5% Increase	\$140	\$314
Total Tuition: 7% Increase	\$176	\$407

Estimated Financial Aid Costs-GFS	2005-07	2007-09
Due to New Enrollment (Current Rates)		
+11,600 FTE	\$14	\$19
+7,210 FTE	0	8
Due to Tuition Increase (Option 1)		
5% Annual Increase	\$19	\$28
5% Annual Increase	0	22
Due to Tuition Increase (Option 2)		
7% Annual Increase	\$29	\$39
7% Annual Increase	0	34
Total Financial Aid: 5% Tuition	\$33	\$77
Total Financial Aid: 7% Tuition	\$43	\$100

Two-Biennium Total Option 1 (5% Tuition Increase)	Cost of Instruction		Peer Funding	
General-Fund State				
Enrollment	\$88	\$184	\$119	\$246
Financial Aid	33	77	33	77
Total General-Fund State	\$121	\$261	\$152	\$323
Two-Biennium Total		\$382		\$475
Tuition	\$140	\$314	\$140	\$314
Two-Biennium Total		\$454		\$454

Two-Biennium Total Option 2 (7% Tuition Increase)	Cost of Instruction		Peer Funding	
General-Fund State				
Enrollment	\$88	\$184	\$119	\$246
Financial Aid	43	100	43	100
Total General-Fund State	\$131	\$284	\$162	\$346
Two-Biennium Total		\$415		\$508
Tuition	\$176	\$407	\$176	\$407
Two-Biennium Total		\$583		\$583