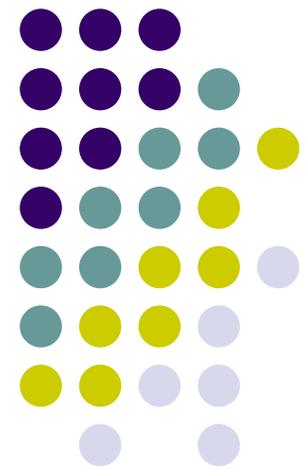


Higher Education Funding: The Relationship Between State Support, Tuition & Financial Aid

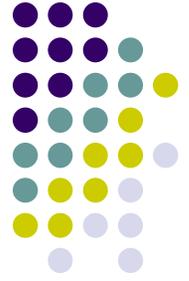
House Subcommittee on Education
Finance Structures

January 18, 2005

Barbara McLain & Susan Howson
Office of Program Research



Presentation Overview



- **State Support**

- How higher education institutions are funded
- Enrollment
- Cost of instruction and state support per student

- **Tuition**

- Relationship to state general fund and cost of instruction
- Current policy and historical tuition rates

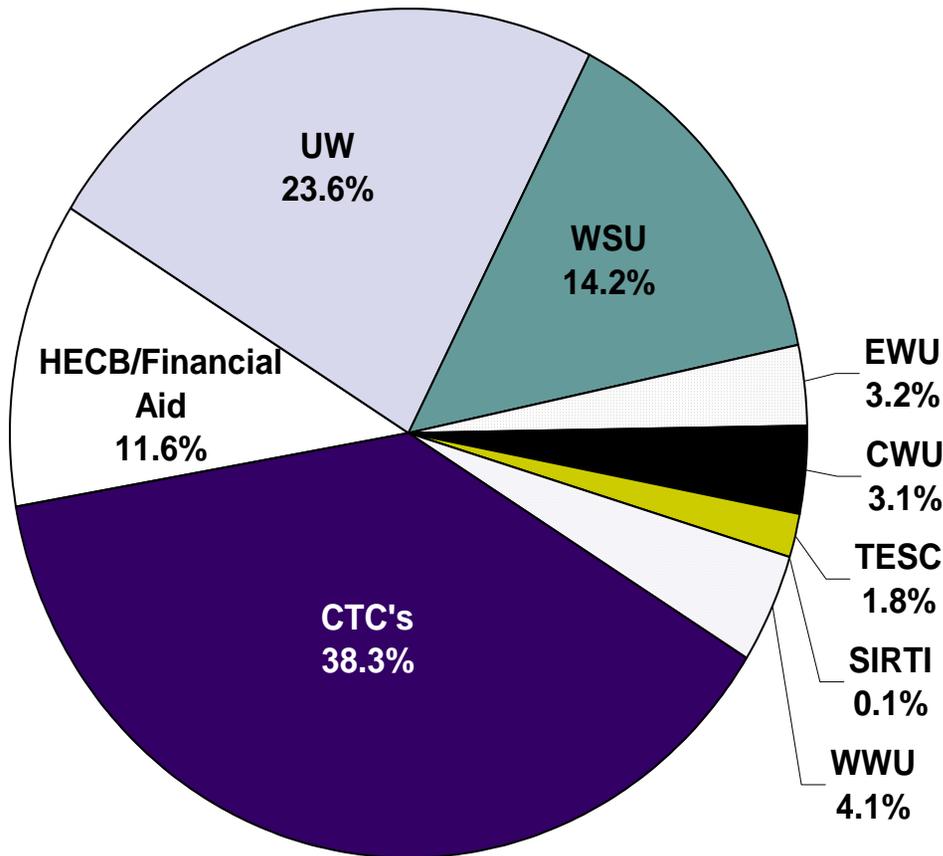
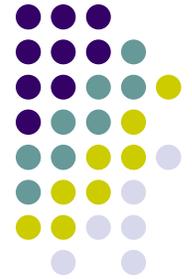
- **Financial Aid**

- State support for financial aid and students served
- Relationship to tuition

- **Other**

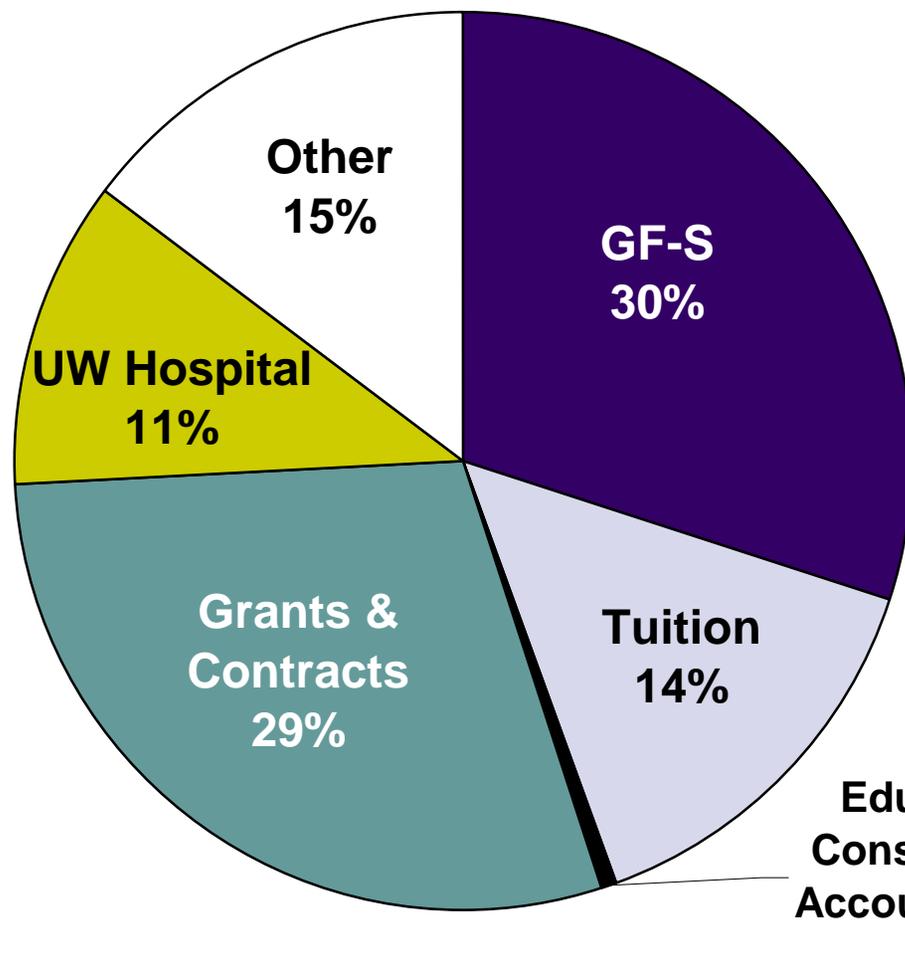
- Future enrollment demand
- Research

Higher Education received \$2.76 billion from the state general fund and Education Construction Account in 2003-05.



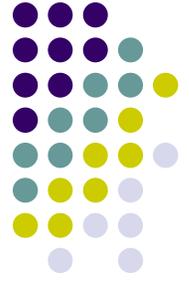
Higher Education GF-S & ECA 2003-05	
(Dollars in Millions)	
CTC's	\$ 1,053,401
UW	659,634
WSU	391,401
EWU	87,945
CWU	86,392
TESC	48,168
WWU	114,780
SIRTI	2,822
HECB/Financial Aid	313,867
Total Higher Education	\$ 2,758,410

Higher education institutions had a total budget from all fund sources of nearly \$3 billion in FY 2004.



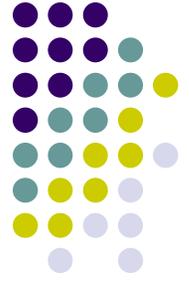
Institution Expenditures by Fund Source FY 2004	
General Fund-State	\$ 1,166,435
Grants and Contracts	1,122,925
Tuition	552,732
Other	564,608
UW Hospital	437,674
Ed Construction Acct	26,374
Total	\$ 2,995,400

\$in millions



For all institutions, state funds make up 44% of operating funds, but the proportion varies by institution.

Institution Expenditures FY 2004: Percent General Fund + ECA + Tuition	
UW	24%
WSU	59%
EWU	77%
CWU	66%
TESC	90%
WWU	77%
CTCs	73%



Higher education institutions are not funded through a formula. The Legislature makes incremental decisions to create a biennial budget.

Examples of Budget Decisions:

<p>Enrollment</p>	<ul style="list-style-type: none"> ● General enrollment ● High demand enrollment ● Junior-level transfer 	<ul style="list-style-type: none"> ● Worker retraining ● Veterinary students ● Engineering pipeline
<p>Salaries & Benefits</p>	<ul style="list-style-type: none"> ● Across-the-board ● Recruitment & retention 	<ul style="list-style-type: none"> ● Part-time faculty ● Health benefits
<p>Special Initiatives</p>	<ul style="list-style-type: none"> ● Wine Industry Education ● Engineering & Science Institute 	<ul style="list-style-type: none"> ● Proteomics research ● Advanced technology initiative
<p>Reductions</p>	<ul style="list-style-type: none"> ● Across-the-board 	<ul style="list-style-type: none"> ● Waive less tuition

Source: Legislative Budget Notes

The state assumes a “budgeted” level of enrollment, but does not limit an institution’s actual enrollment.

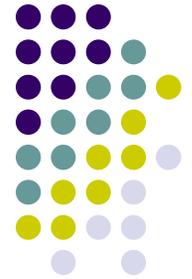


Projected Annual Average FTE Enrollments 2004-05		Budgeted Level 2004- 05	Projected Annual Average	Over Enrollment
University of Washington	Seattle	32,857	33,379	522
	Bothell	1,265	1,352	87
	Tacoma	1,544	1,666	122
	<i>Totals</i>	35,666	36,397	731
Washington State University	Pullman	17,370	17,946	576
	Spokane	1,110	1,152	42
	Tri-Cities	675	634	-41
	Vancouver	1,228	1,334	106
<i>Totals</i>	20,383	21,066	683	
Central Washington University		7,999	8,816	817
Eastern Washington University		8,269	9,222	953
The Evergreen State College		3,933	4,125	192
Western Washington University		11,389	11,627	238
Community and Technical Colleges		128,885	130,026	1,141
Total Higher Education		216,524	221,279	4,755

The cost of adding new enrollment has been based on a per-student “cost of instruction.”



- Cost study conducted by HECB every four years.
- Identifies direct and indirect expenditures related to *instruction*, not including research, public service, or other programs.
- Reflects expenditures from a combination of state general fund and tuition.
- Broken down by lower and upper division and graduate programs, as well as various academic disciplines.

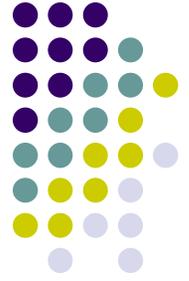


Average costs of instruction mask differences between costs of lower versus upper division.

2004-05 Average Per-Student Cost of Instruction: State General Fund + Tuition	Lower Division	Upper Division	Undergrad Average
Research Institutions	\$6,285	\$12,394	\$8,912
Comprehensive Institutions*	\$6,263	\$9,917	\$7,966
Branch Campuses	NA	\$13,560	\$13,560
Community & Technical Colleges	\$5,542	NA	\$5,542

**Calculation does not include Evergreen.*

Although not used in budgeting, “state support per student” is another funding indicator.



$$\frac{\text{Total State General Fund Appropriation}}{\text{Budgeted FTE Students}} = \text{State Support Per Student}$$

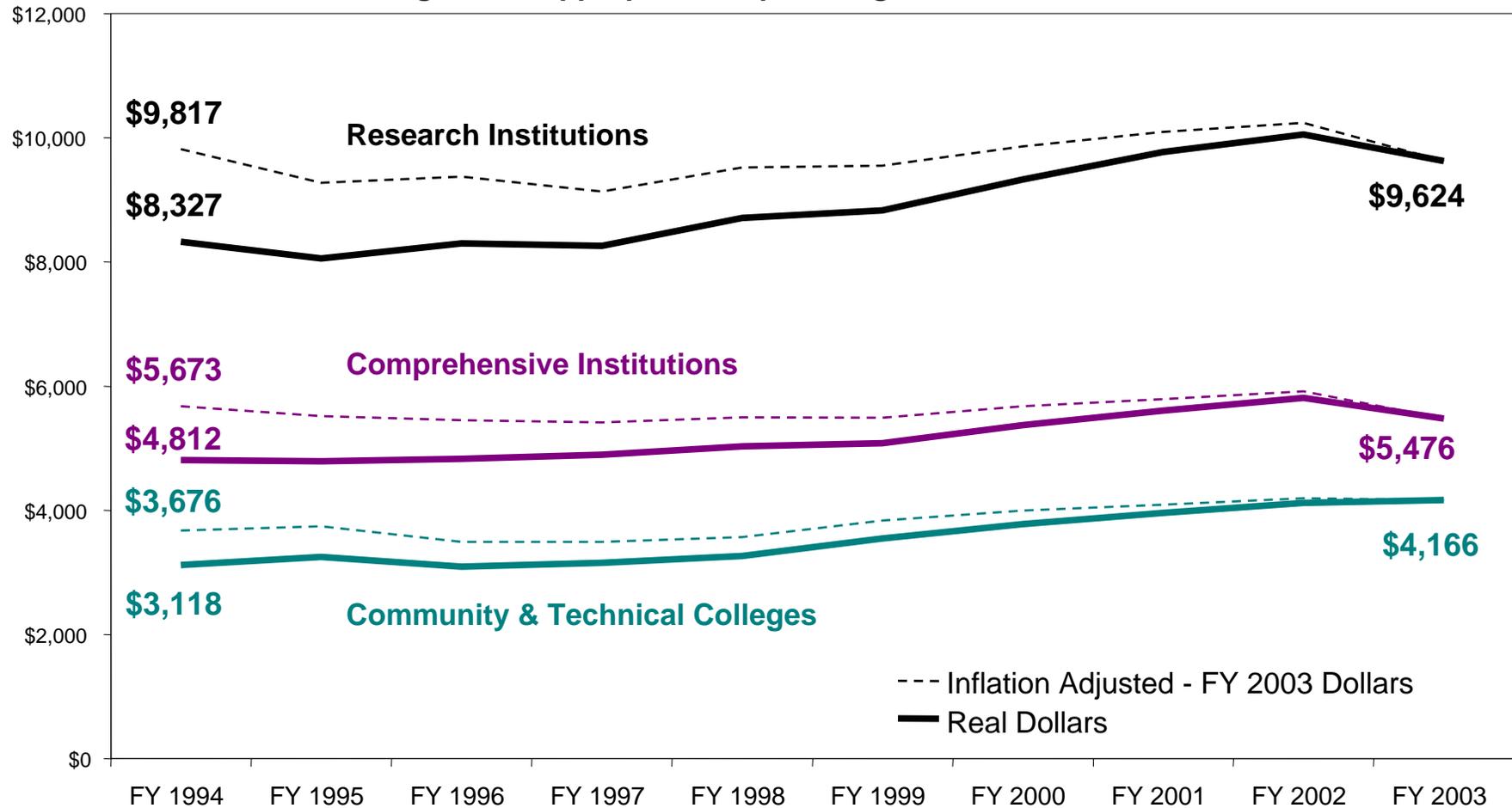
**Example: State Support Per Student
University of Washington FY 2003**

$$\frac{\$333,762,000}{35,146} = \$9,496$$

State support per student is a benchmark that can be used to make comparisons or measure trends over time.

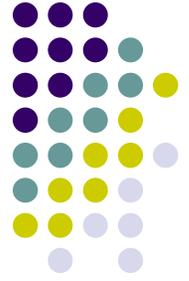


State Support Per Student
Average GF-S Appropriations per Budgeted FTE Student



Source: LEAP Office, Adjusted using Implicit Price Deflator (IPD).

Tuition is considered a state fund, even though it is no longer appropriated by the Legislature.



- Since 1994, tuition revenue has been collected and kept by each institution.
- The Legislature does not direct how it is spent.
- Tuition does not have to be spent in the same year it is collected.
- However, the Legislature continues to consider how much tuition revenue will be generated when making decisions about state funding levels.

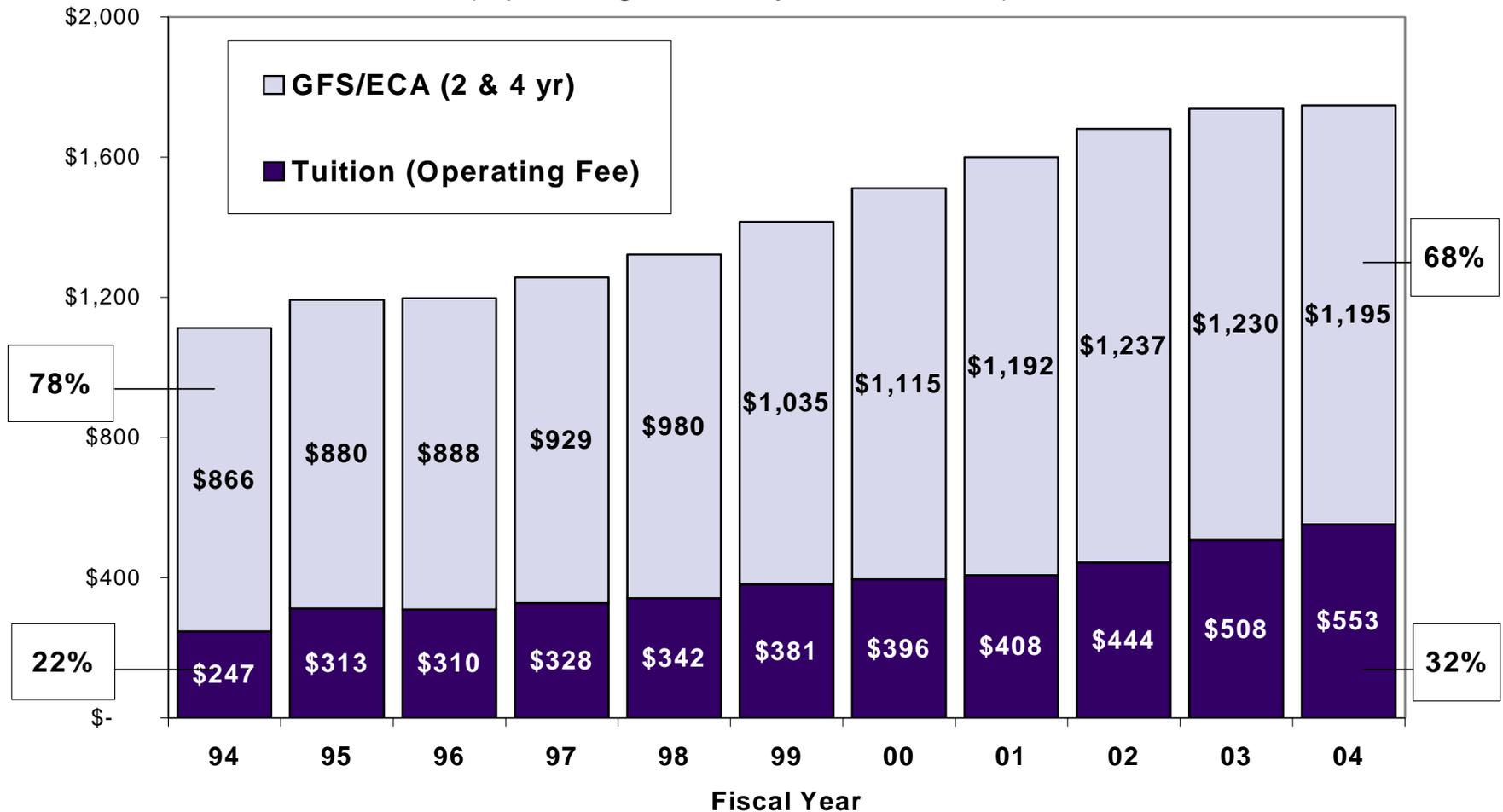
Tuition Expenditures FY 2004	
UW	\$178,506
WSU	85,745
EWU	26,257
CWU	26,517
TESC	13,274
WWU	38,443
CTC	183,990
TOTAL	\$552,732

Source: LEAP Expenditure Data

Tuition represents a larger proportion of institution budgets compared to ten years ago.



Higher Education Institution Expenditures: GFS, ECA & Tuition
(Operating Fee Only; \$ in millions)

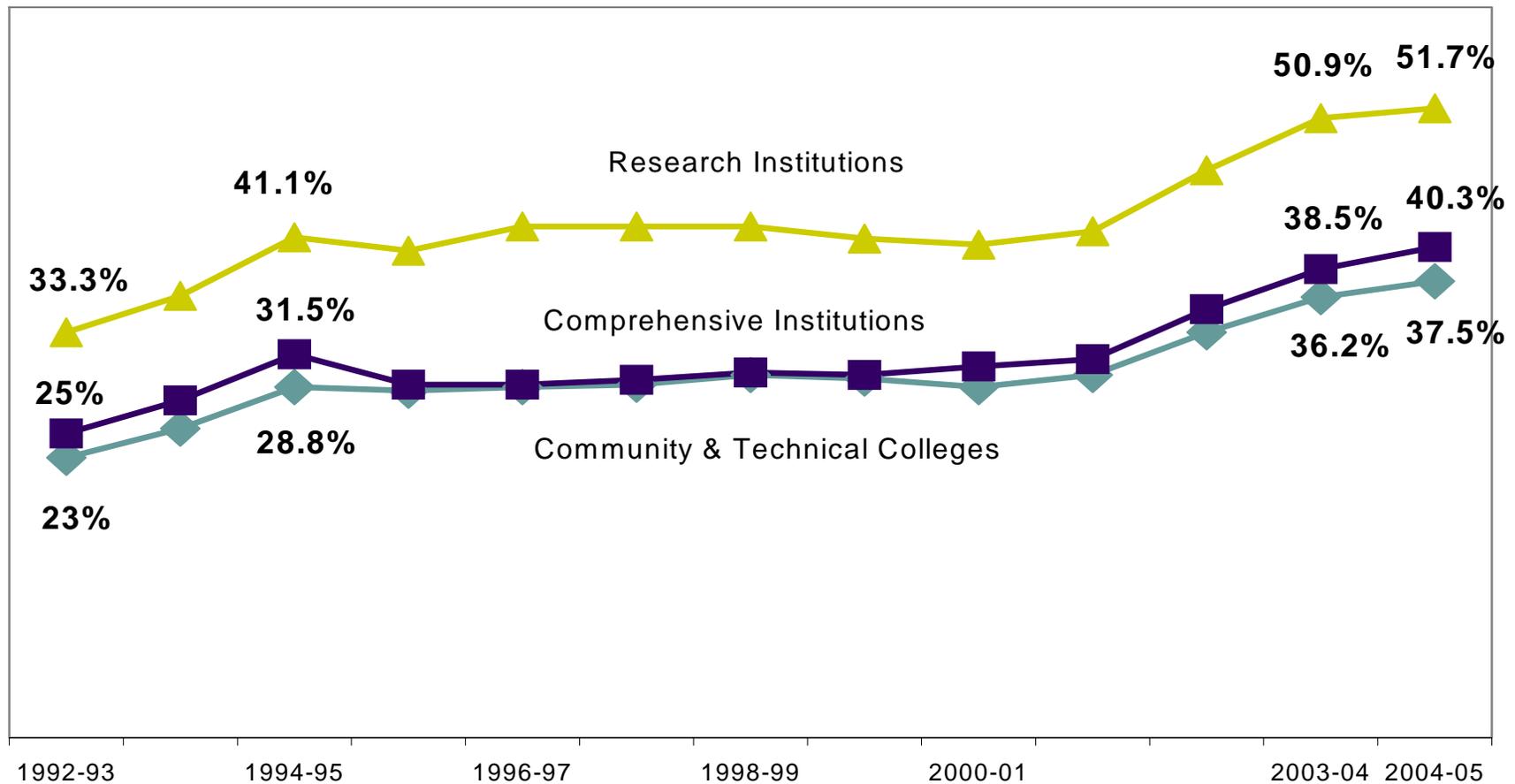


Source: LEAP Expenditure Data

An increasing share of the per-student cost of instruction comes from tuition rather than state general funds.

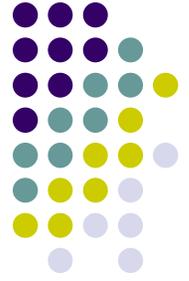


Tuition's Share of the Cost of Instruction
(Operating + Building Fee Per Full-Time Resident Undergraduate Student)



Source: HECB. Operating funds from ECA included with GFS.

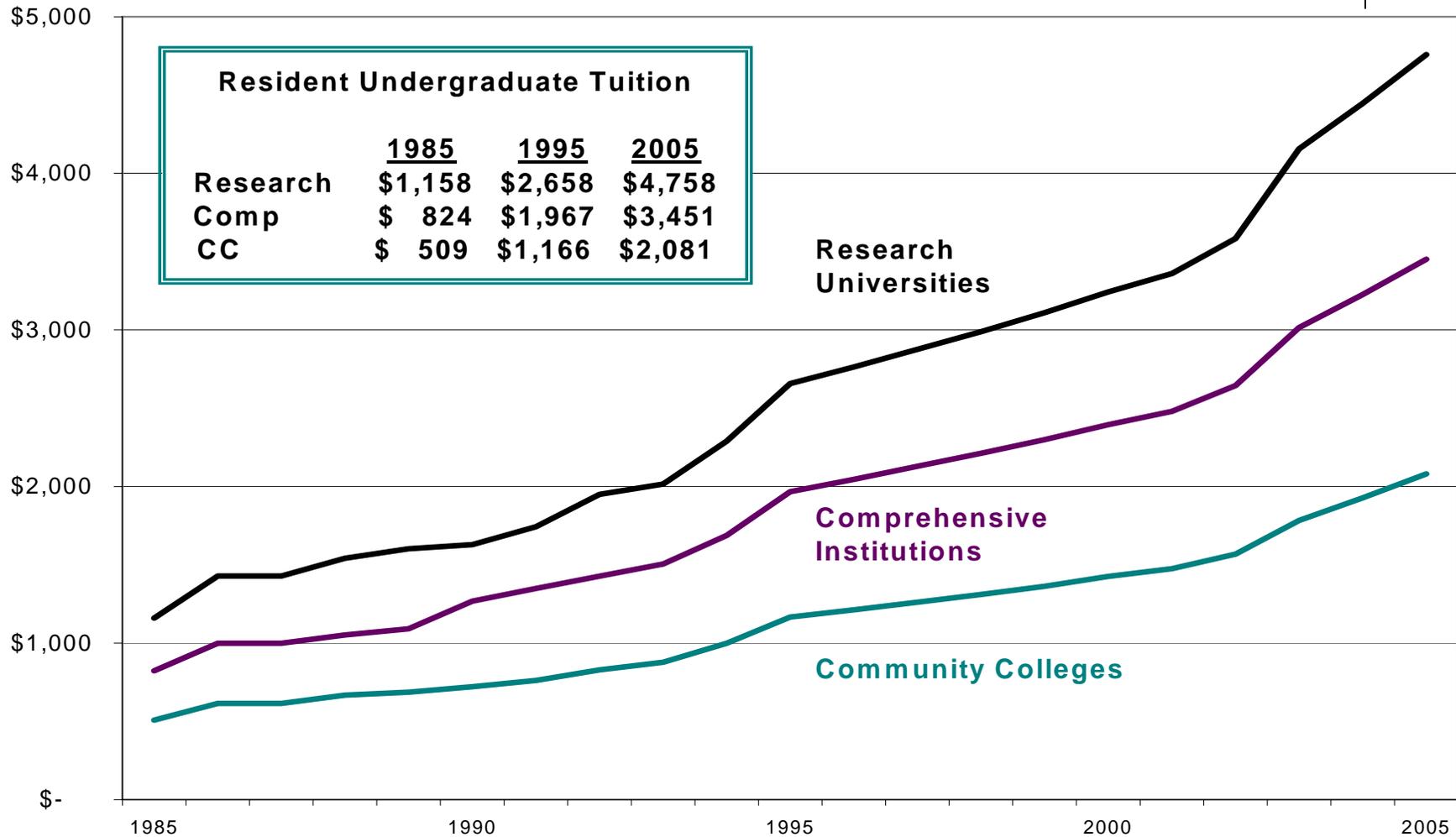
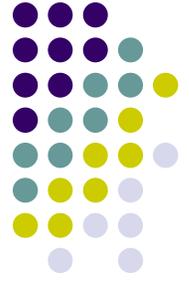
Current Tuition Policy



- Since 1995, the state's tuition policy has been:

The Legislature sets tuition as part of the overall budget for higher education, balancing tuition costs for students and families, institutional operating revenues generated by tuition, state appropriations to support institutions, and state funding for financial aid.
- Until 2008-09:
 - The Legislature retains authority to set tuition for resident undergraduate students, in the biennial operating budget.
 - Institution governing boards have authority to set tuition for non-resident and graduate students.

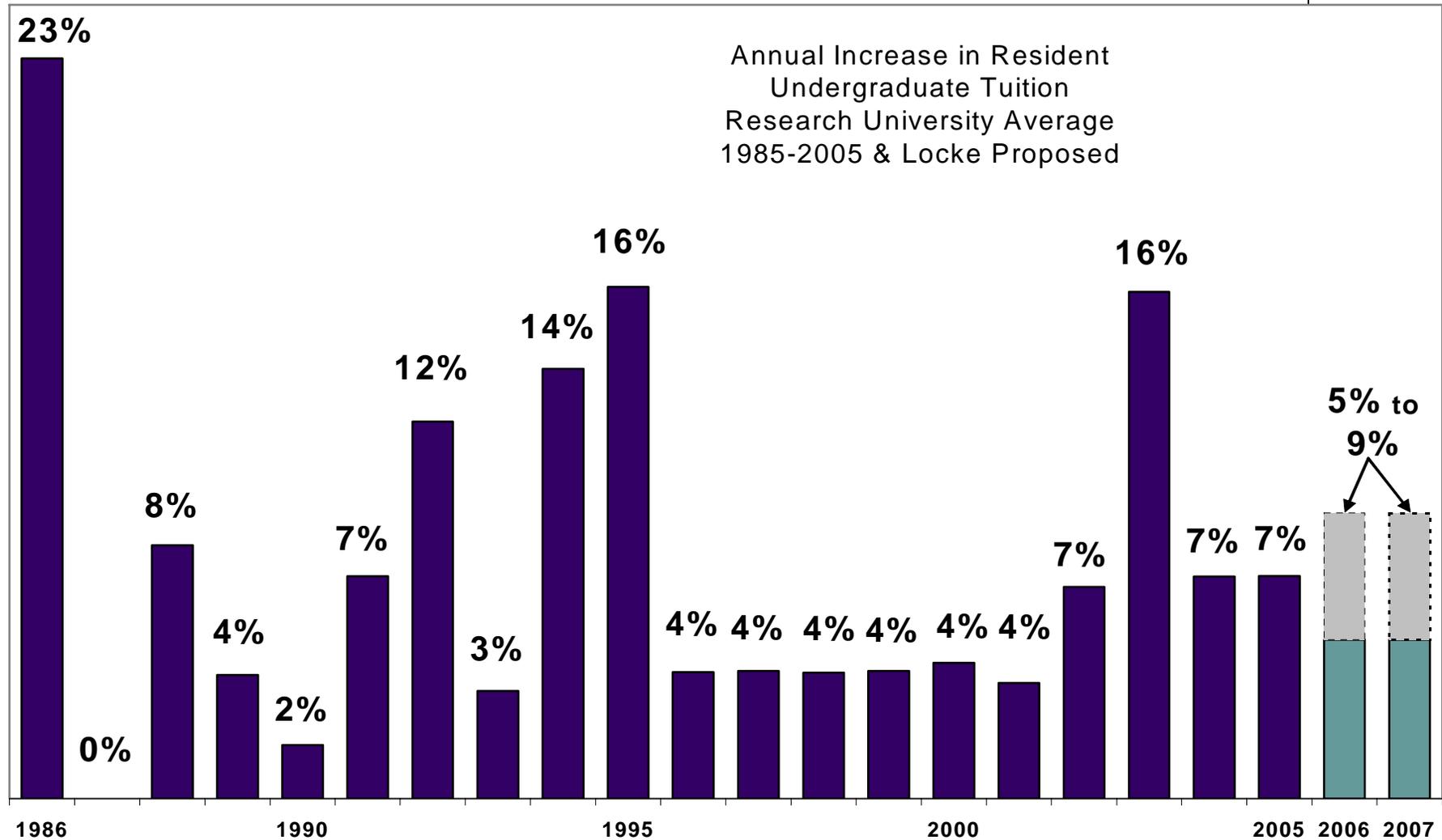
Tuition costs more than four times as much as 20 years ago.



Source: HECB Tuition & Fee Report 2003-04, updated

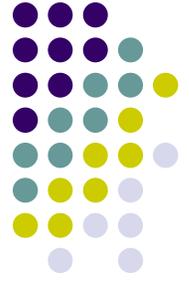


On an annual basis, tuition increases have varied. The twenty-year average is 7%.



Source: HECB Tuition & Fee Report 2003-04; Locke Proposed Budget 2005-07

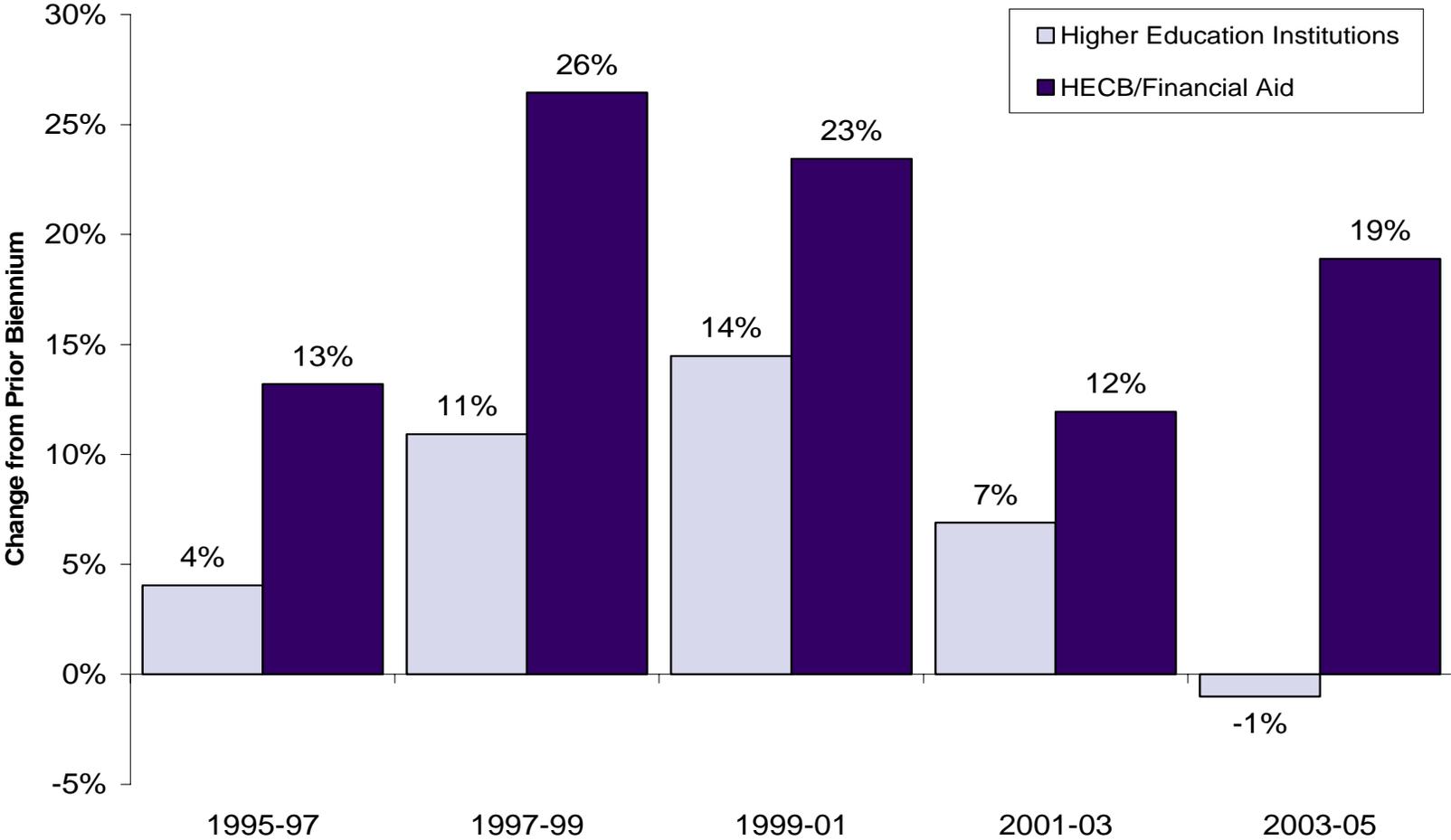
State support for higher education also includes state funds for financial aid programs.



Program Name	2005 GF-S Appropriation	Estimated # of Recipients
State Need Grant	\$ 124,901	55,500
State Work Study	17,048	8,000
Promise Scholarship	8,390	7,500
Health Professional Program	3,100	85
Educational Opportunity Grant	2,867	1,145
WA Scholars Program	2,155	461
WA Award for Vocational Excellence	845	276
Future Teachers	430	60
WICHE	273	14
WA Center Scholarships	60	15
Total	\$ 160,069	73,056

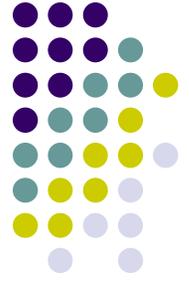


On a percentage basis, funding for financial aid has increased more than funding for higher education institutions.



Source: LEAP Expenditure Data

State Need Grant is not an entitlement, but the program attempts to serve all eligible students.



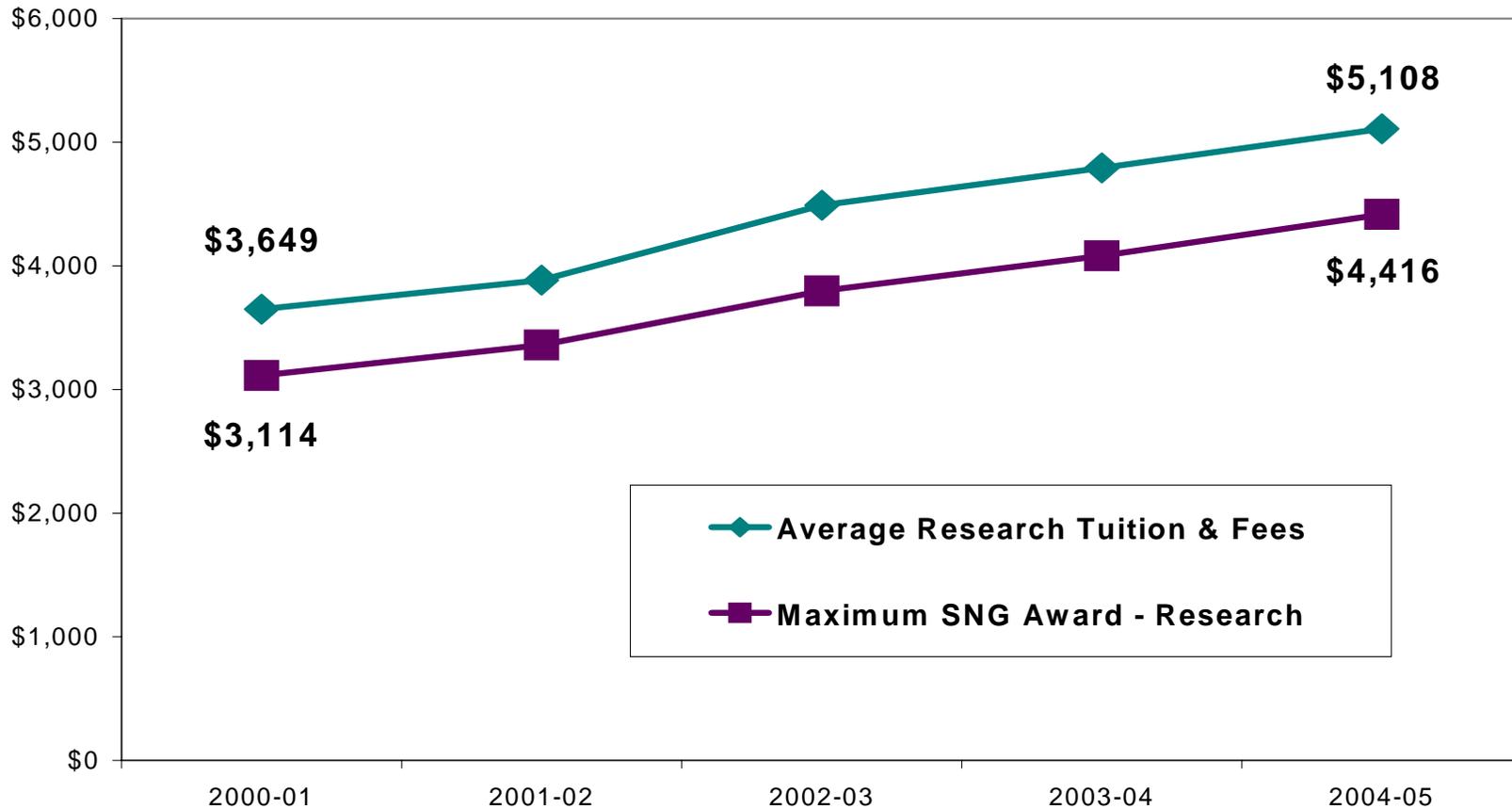
State Need Grant Parameters

- 55% of State Median Family Income
(\$36,500 for family of 4)
- Attend half-time or more in degree or certificate program
- Award amount based on tuition and student need
- Estimated 6,100 unserved students.

The Legislature has increased funding for State Need Grant to hold recipients “harmless” from tuition increases.



Relationship Between Tuition and State Need Grant:
Public Research Institutions



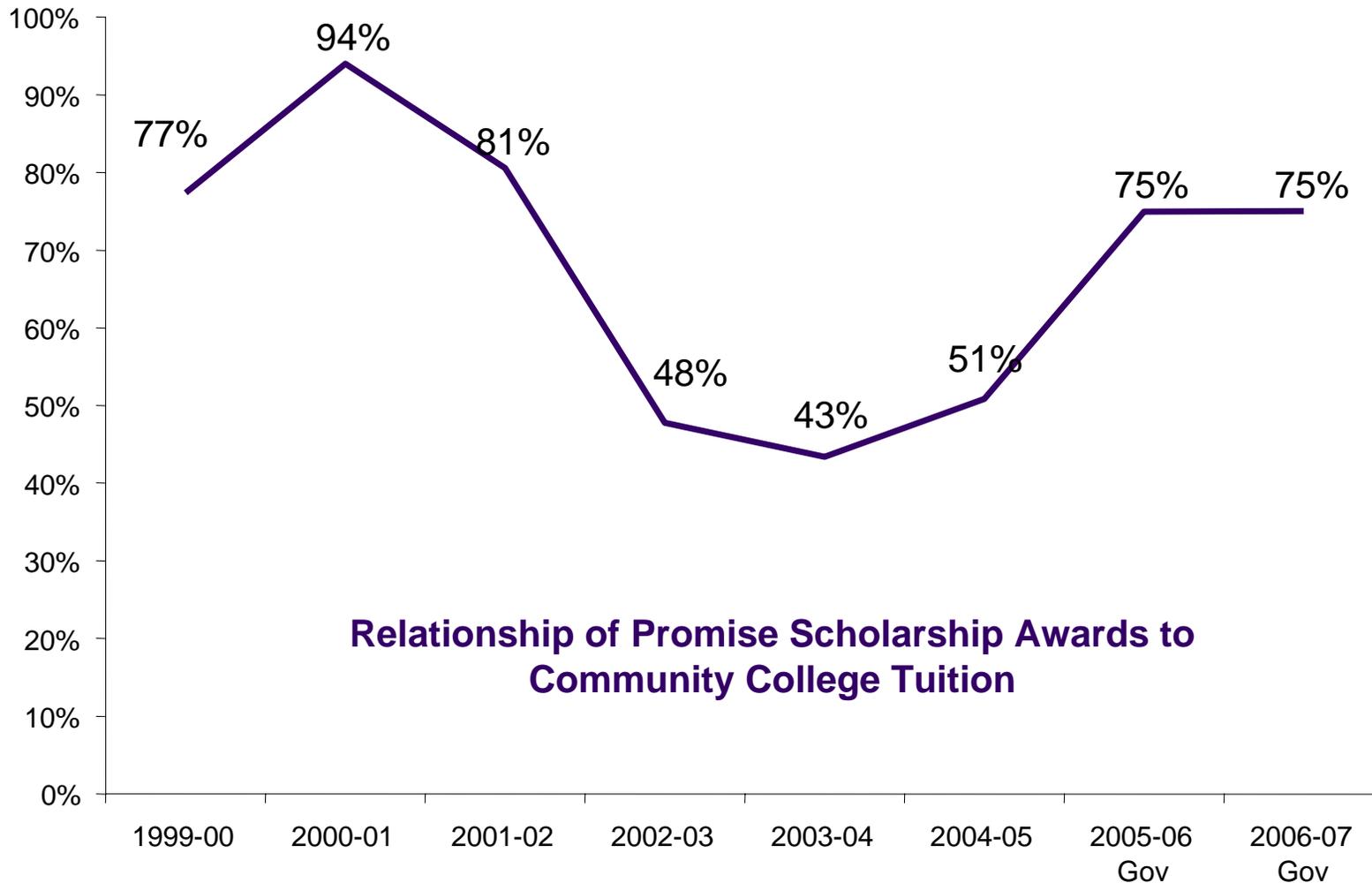
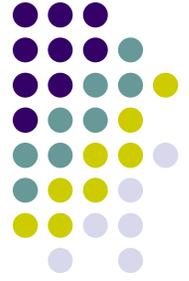
The Promise Scholarship is based on both need and merit.



Promise Scholarship Parameters

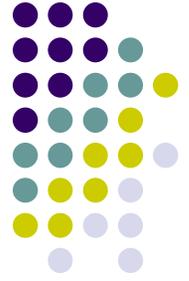
- Top 15% of high school graduating class AND
- 135% of State Median Family Income (\$89,600 for family of 4)
- Maximum award = community college tuition
- Actual award based on funds provided and number of eligible students

For every year to date, actual Promise Scholarship awards have been less than the maximum.

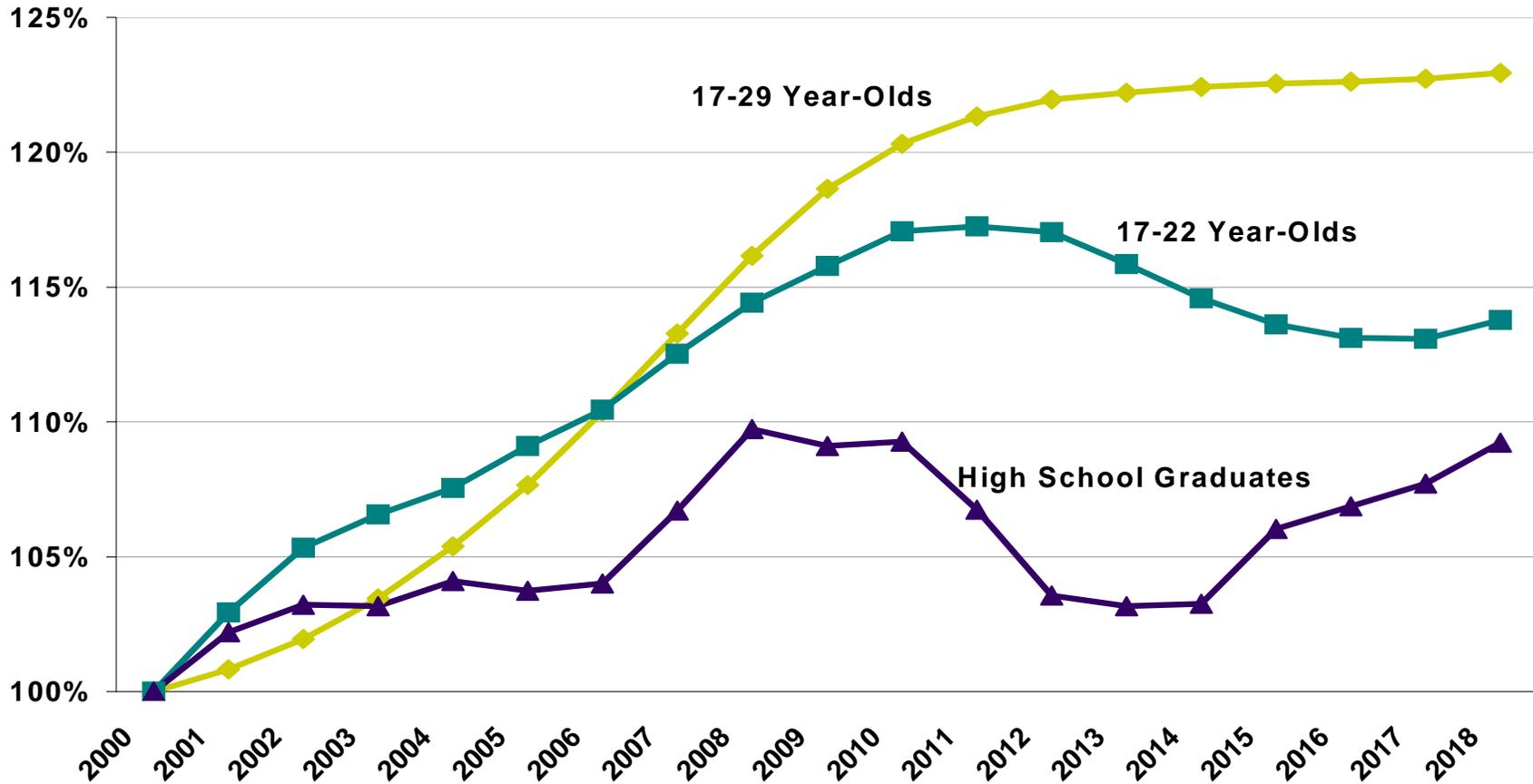


Source: HECB

The rate of growth in the number of high school graduates peaks in 2008, but growth in the college-age population continues.

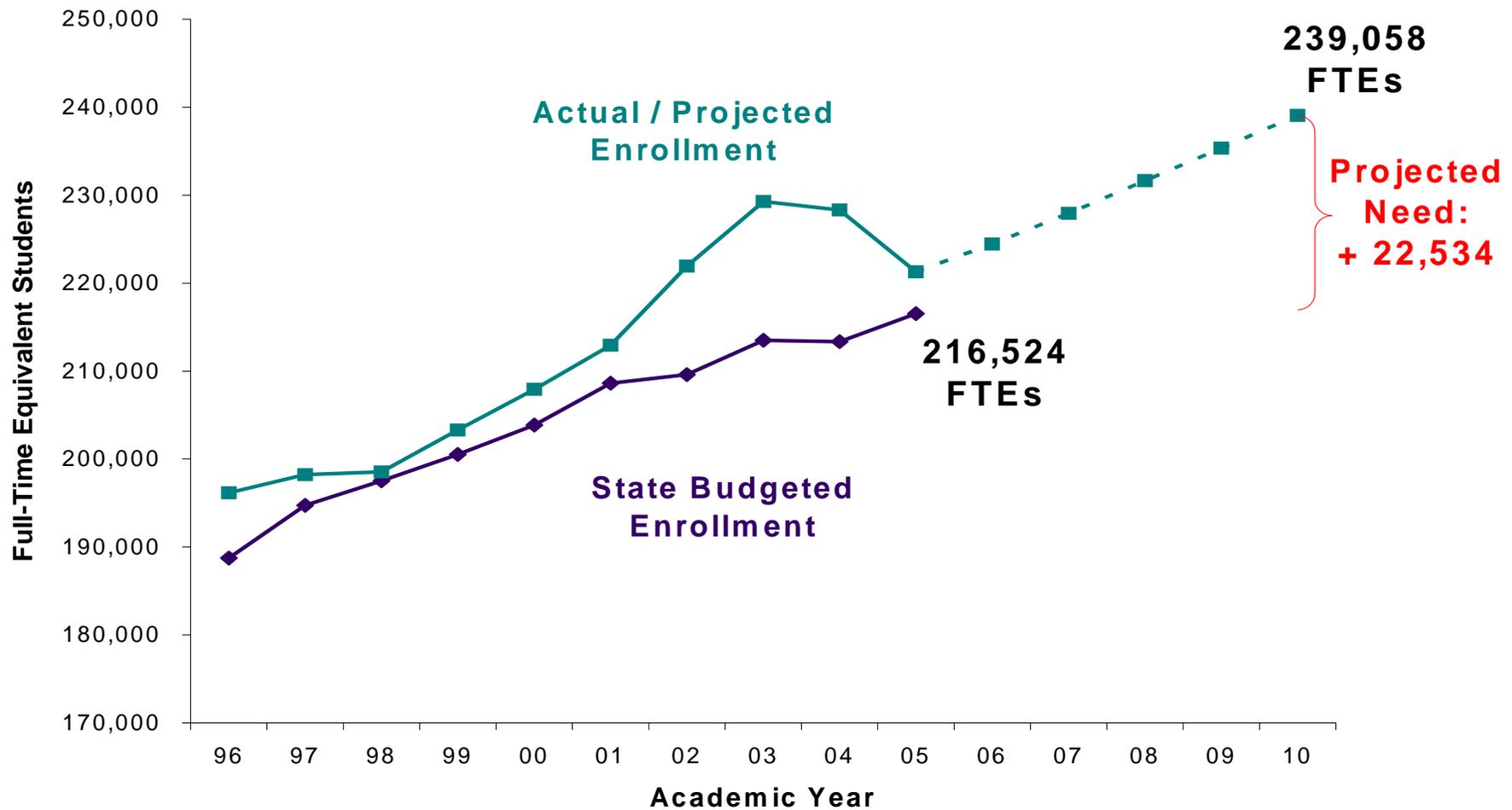


High School Graduation and Population Age Cohort Forecasts



Source: OFM Chart by HECB, October 2004

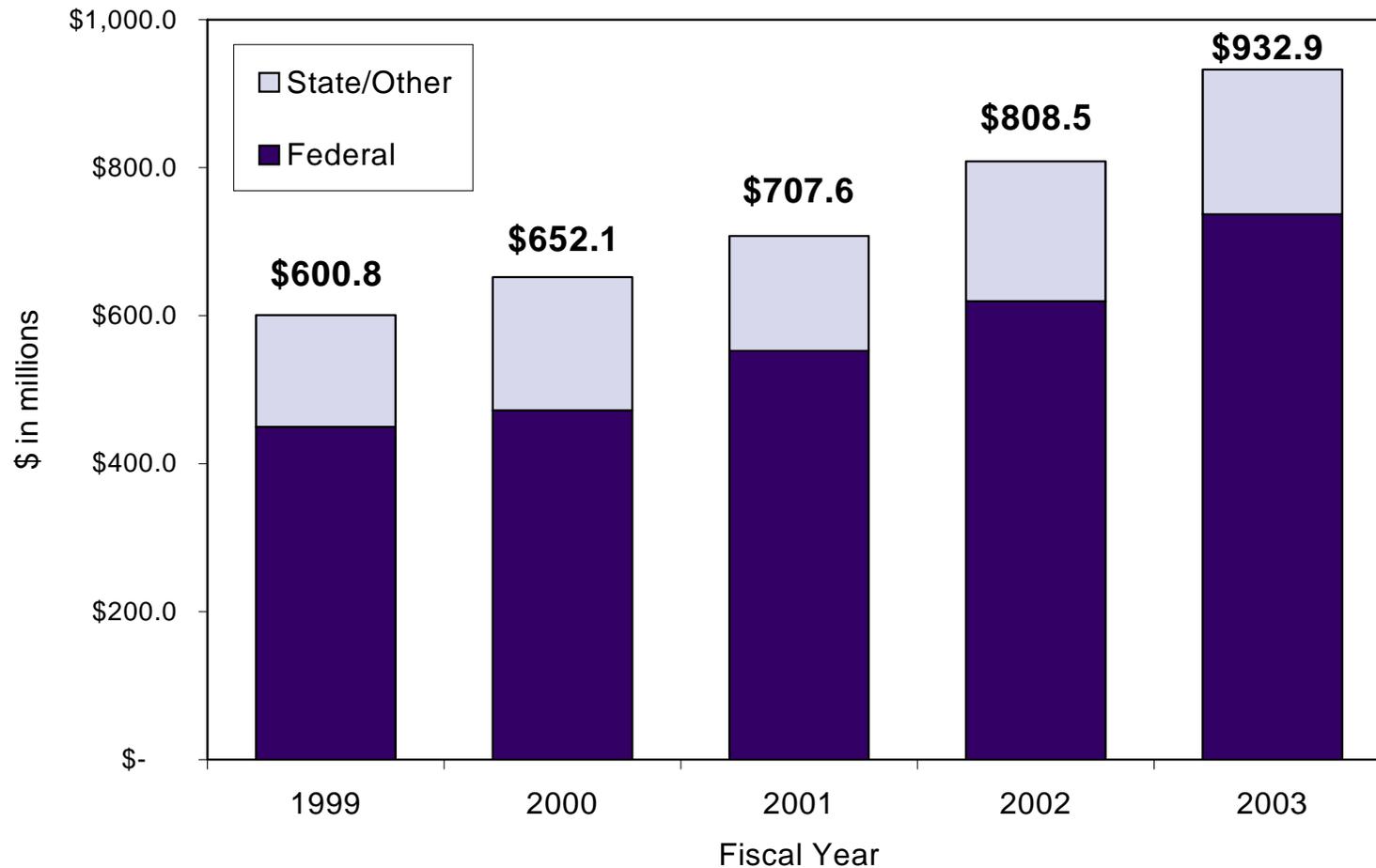
By 2010, 22,500 additional state-funded enrollment slots will be needed to allow the same proportion of the state's population to enroll in higher education.



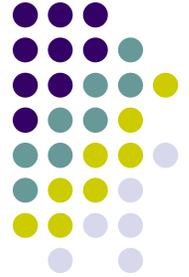
For FY 2003, the UW spent more than \$930 million on research. 79% was federally-funded.



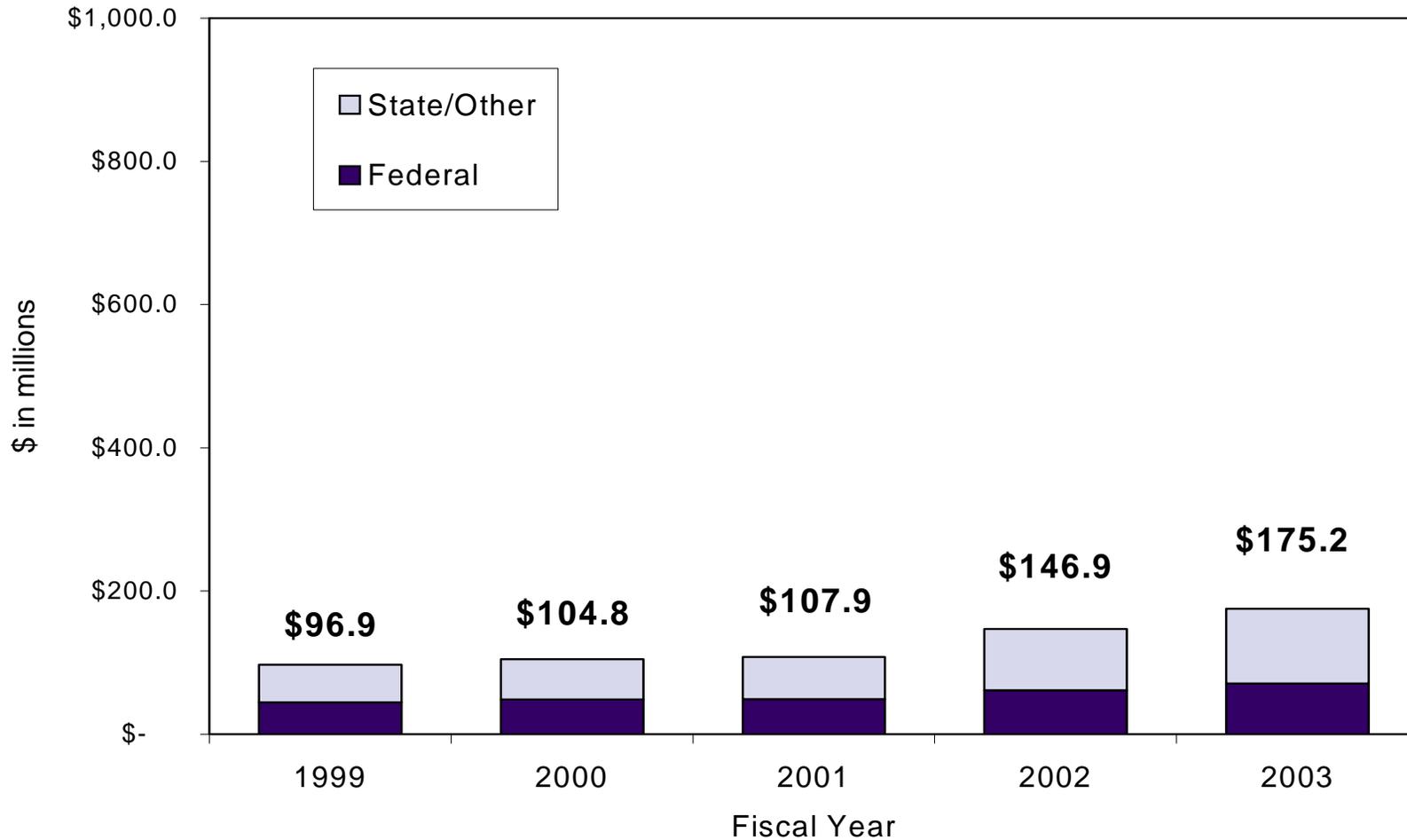
University of Washington Research Expenditures



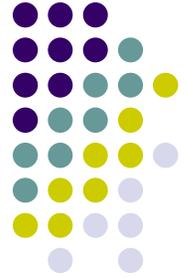
40% of research at WSU was federally-funded in FY 2003.



Washington State University Research Expenditures



Appendices



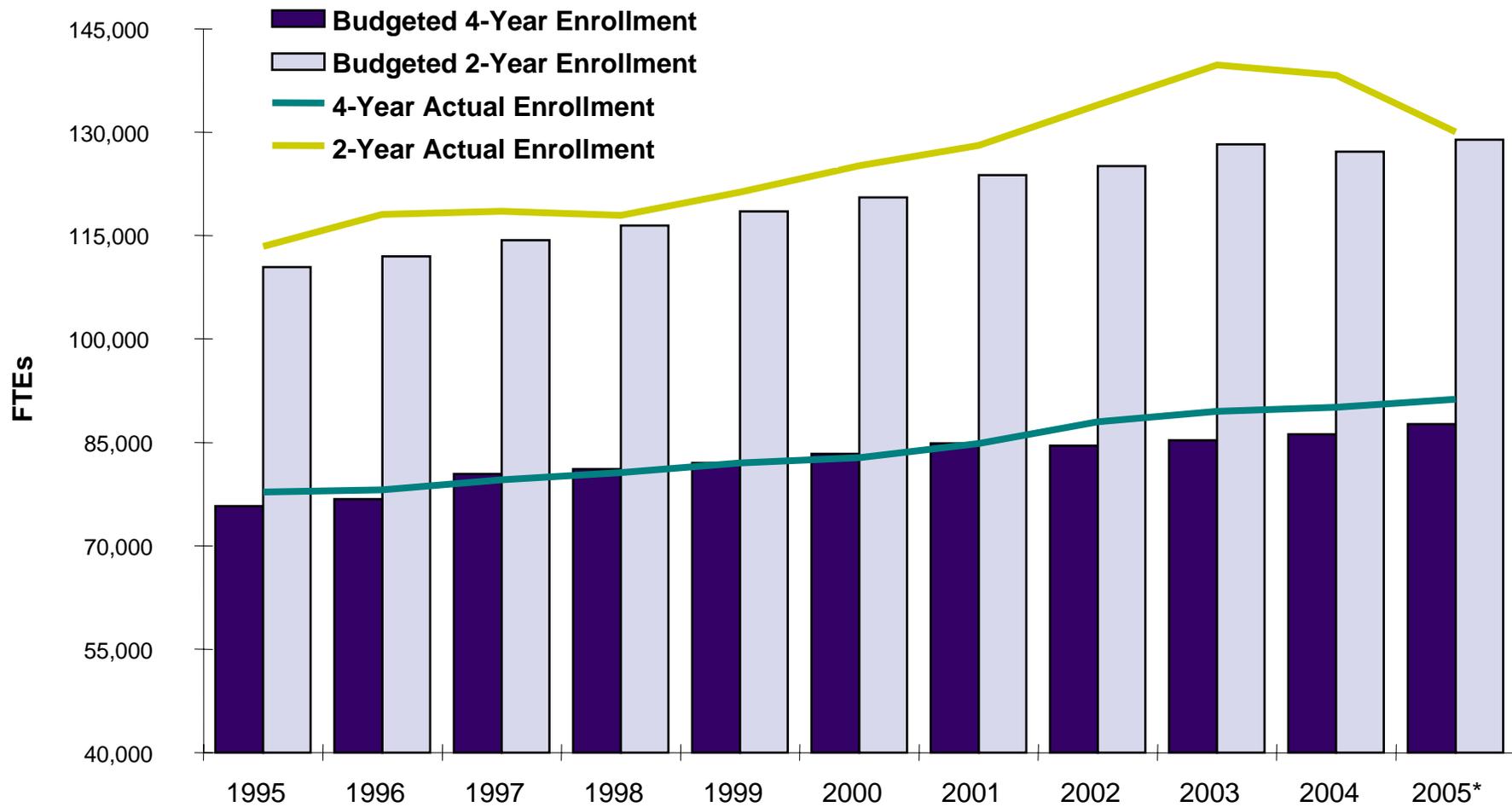
- High demand enrollments
- History of budgeted versus actual enrollments
- History of tuition policy
- 2004-05 Tuition Rates
 - Undergraduate
 - Graduate
- Components of tuition & fees
- 2004-05 cost of attendance
- Tuition comparisons to other states and institutions
- History of State Need Grant: funding & students served
- Running Start

The Legislature began focusing on high demand enrollment in FY 2001.



Fiscal Year	Approach	Dollars (millions)	FTE
FY 2001	HECB distributes for 2-yr and 4-yr institutions	\$4.65	543
FY 2002 and FY 2003	No funding provided. Each institution directed to “give priority to high demand fields.”		
FY 2004 and FY 2005	HECB distributes for 4-yrs SBCTC distributes for 2-yrs	\$8.17 \$12.60	526 1,119
FY 2005 (supplemental)	HECB distributes for 4-yrs SBCTC distributes for 2-yrs	\$3.56 \$2.40	328 241

In recent years, there has been more of a difference between “budgeted” and “actual” enrollments.



* 2005 actual enrollment based on OFM projection using Fall 2004 Quarter/Semester data -January 2005

Source: OFM Budget Driver Report, January 2005



Before 1995, the state's tuition policy was to set tuition as a percent of the cost of instruction.

Before 1995:

- 1977-1980:** Research tuition set at 25% of instructional cost.
Other institution sectors pro-rated.
- 1981-1992:** Research: 33.3%
Regional: 25.0%
CCs: 23.0%
- 1993-1994:** Annual increase in tuition's share of instructional cost.

Since 1995:

- 1995-1998:** Tuition rates set in statute.
- 1999-2001:** Maximum increase set in operating budget. Institution flexibility to adopt any increase up to maximum.
- 2002-2009:** Resident undergraduate increase set in operating budget. Institution authority to set nonresident and graduate tuition.

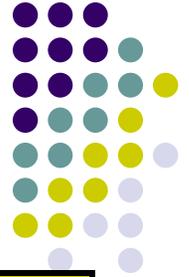
Undergraduate Tuition 2004-05 (Operating & Building Fee Only)



	Resident	Non-Resident
University of Washington	\$4,770	\$17,400
Washington State University	\$4,745	\$13,163
Central Washington University	\$3,466	\$11,016
Eastern Washington University	\$3,405	\$12,888
Western Washington University	\$3,465	\$12,852
The Evergreen State College	\$3,468	\$14,083
Community Colleges	\$2,081	\$7,289

Graduate Tuition 2004-05

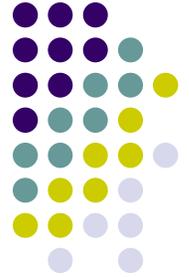
(Operating & Building Fee Only)



University of Washington	Resident	Non-Resident
Post Baccalaureate/Non-Matriculated-Grad Courses Only	\$7,600	\$17,800
Graduate – Tier I	\$7,100	\$17,300
Tier II	\$7,350	\$17,550
Tier III	\$7,600	\$17,800
Business Masters – Seattle	\$12,100	\$21,000
Tacoma	\$11,000	\$20,000
Nursing – Continuing/Incoming	\$7,100/\$7,800	\$17,300/\$17,400
Bothell/Tacoma	\$7,350	\$17,550
Pharm D – (Varies by Class)	\$7,350- \$9,700	\$17,300-\$19,200
Law	\$13,000	\$19,300
Medical/Dental	\$12,800	\$31,000

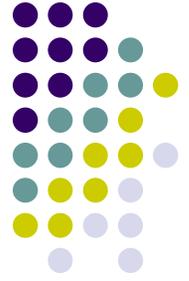
Graduate Tuition 2004-05

(Operating & Building Fee Only)



Washington State University	Resident	Non-Resident
Graduate	\$5,995	\$15,189
Distance Degree – Undergraduate	--	\$7,117
Graduate	--	\$8,993
Nursing	\$7,020	\$17,423
Pharm D – (Varies by Class)	\$7,221- \$9,673	\$16,769-\$19,125
Veterinary Medicine	\$12,245	\$30,803
Law	\$13,000	\$19,300
Medical/Dental	\$12,800	\$31,000

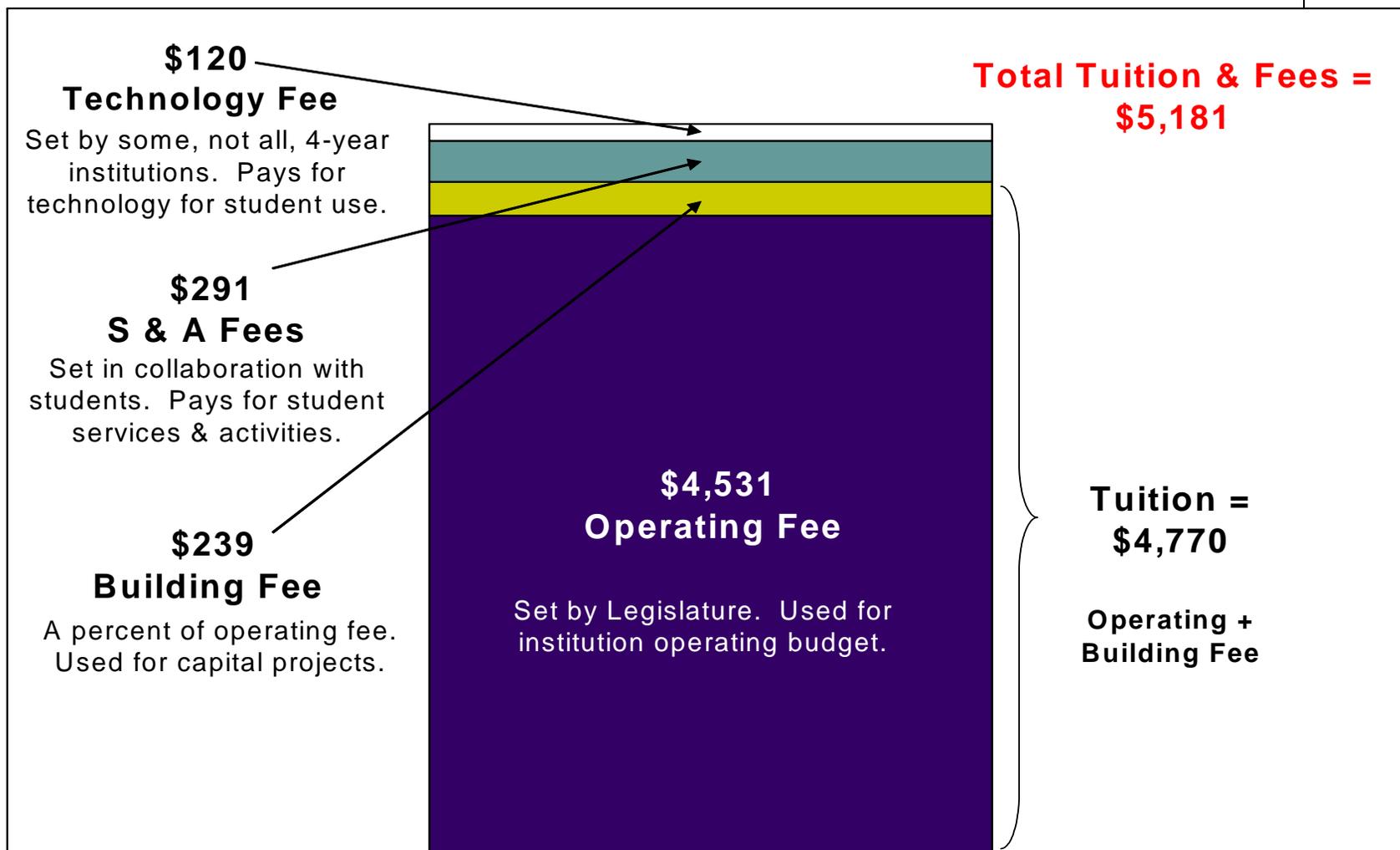
Graduate Tuition 2004-05 (Operating & Building Fee Only)



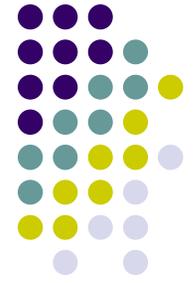
Comprehensive Institutions	Resident	Non-Resident
Central Washington University	\$5,079	\$11,459
Eastern Washington University	\$5,373	\$16,692
The Evergreen State College	\$6,069	\$19,506
Western Washington University	\$4,893	\$15,736

Components of Total Tuition & Fees

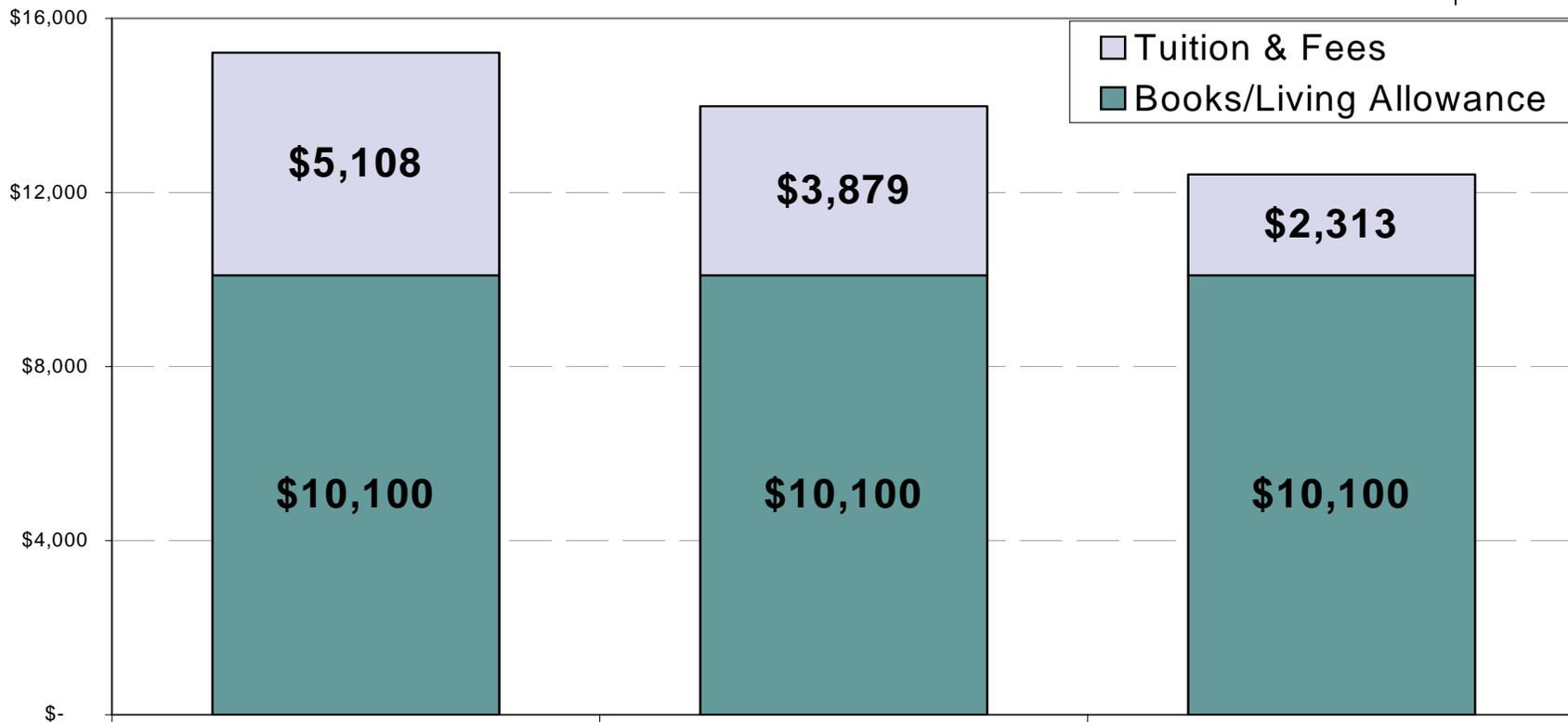
Resident Undergraduate Tuition & Fees: UW 2004-05



Tuition and fees represent the smallest portion of the expected costs of attending college.



Cost of Attendance - Student Living Away From Home (2004-05)



Tuition's Share of Cost of Attendance:

34%

28%

19%



Washington's tuition is lower than national averages and peer institutions, but higher than other Western states.

2003-04 Resident Undergraduate Tuition & Fees

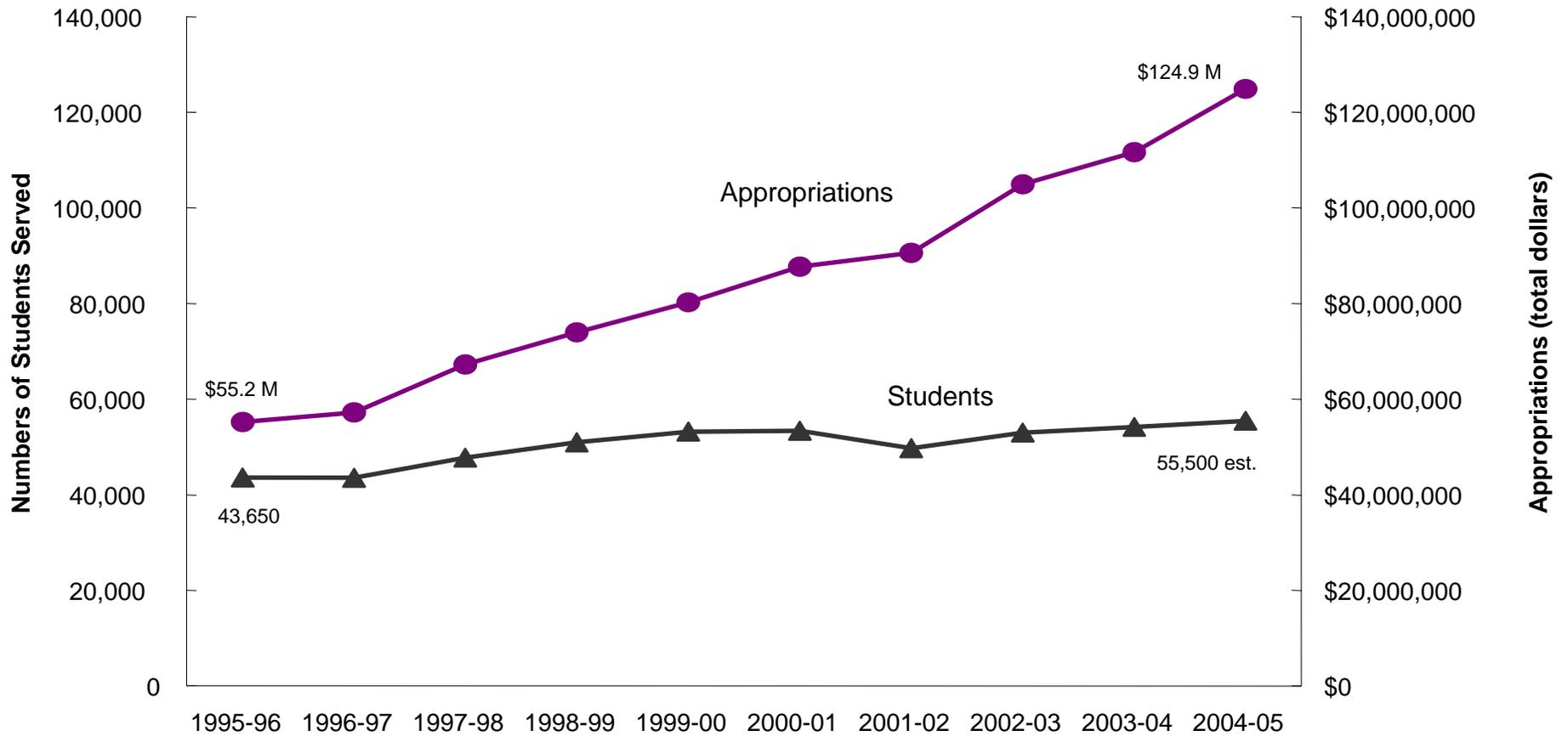
	UW	WSU	Regionals	TESC	CCs
Compared To:					
NATIONAL AVG	-6.8%	-7.3%	-11.3%	-12.4%	-0.6%
PEERS	-17.4%	-10.4%	-11.3%	-27.9%	-0.6%
WICHE STATES	+24.3%	+23.6%	+11.1%	+9.7%	+19.4%

Source: HECB Tuition and Fee Report 2003-04

Funding for State Need Grant has increased 126% over the last ten years.



**State Need Grant:
Total Appropriations and Students Served**



Source: HECB January 2005

State funds also support Running Start students dually enrolled in high school and college.



Running Start 2003-04

