



Higher Education Operating Budget Overview

Examining trends, revenues, and spending

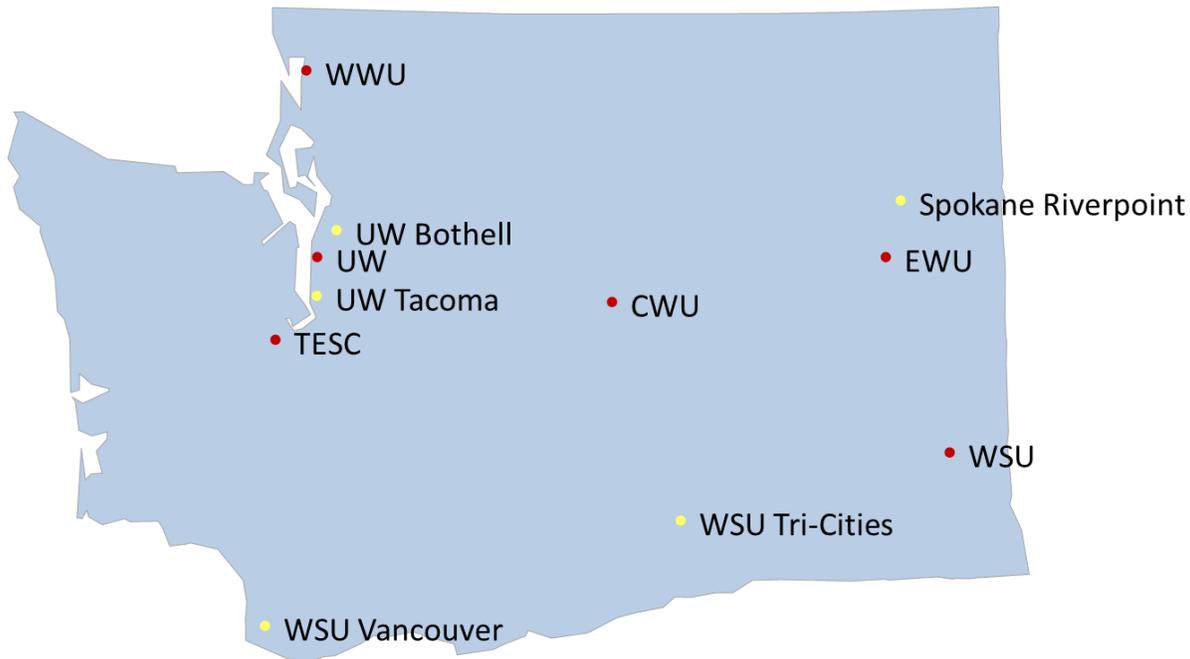


Presented by Senate Ways & Means Staff

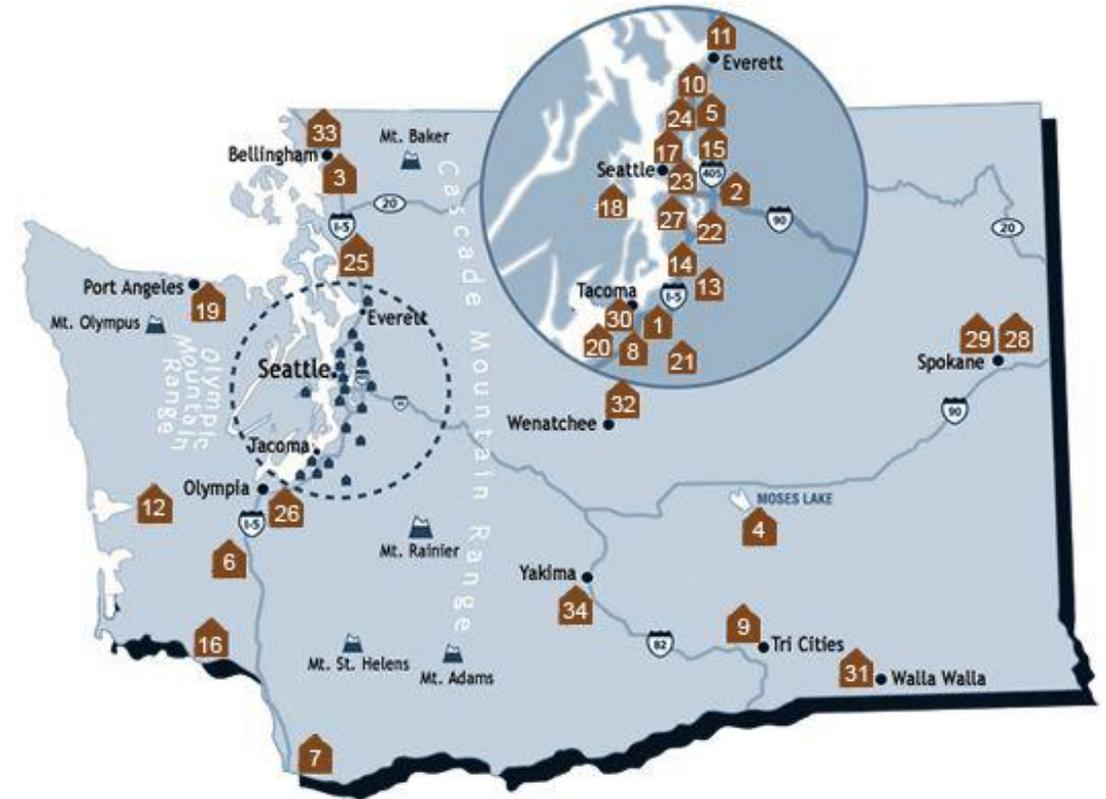
January 21, 2015

Washington's public colleges and universities by sector

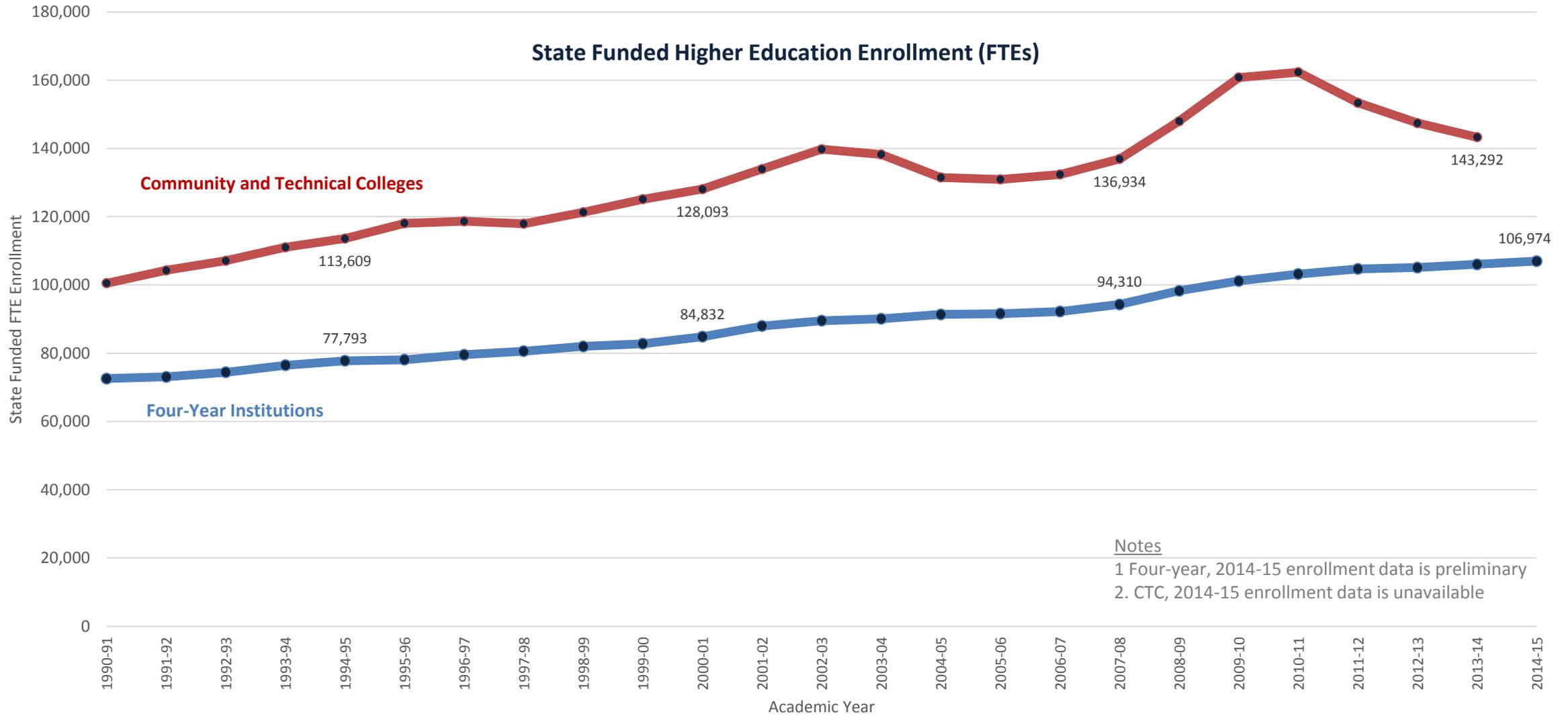
There are six public four-year universities and five extension campuses. In 2014-15 academic year, these schools served about 106,000 students (FTEs)



There are 34 community and technical colleges. In 2013-14, the CTCs served approximately 143,000 students (FTEs)

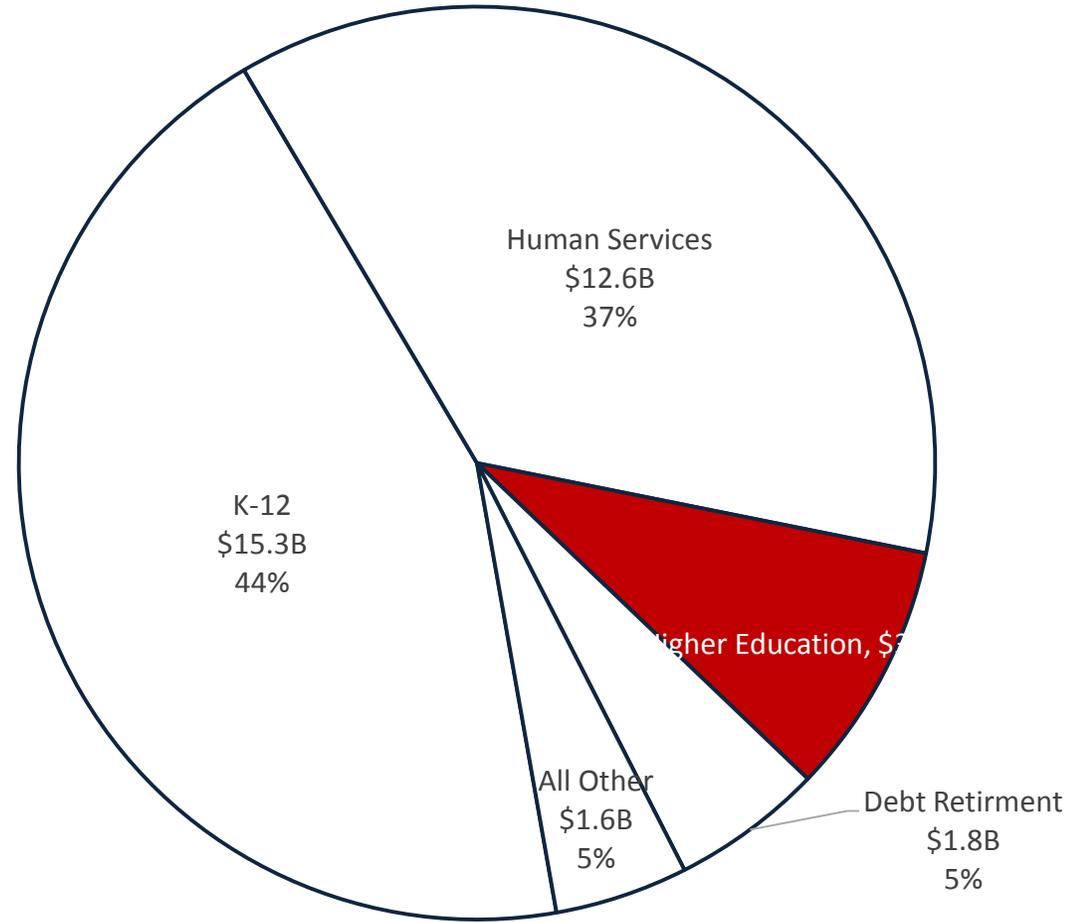


Both the four-year institutions and the Community and Technical Colleges (CTCs) enrollment grew about 1.6% annually from the 1990-91 academic year but the CTCs experienced much more variation



Higher Education makes up about 9% of the NGFS + Opportunity Pathways budget

2013-15 Enacted Budget (2014 Supplemental)
NGFS + Opportunity Pathways



However, higher education's operating finances are bigger than just NGFS. Higher education is estimated to receive ~\$6.0 billion in state funds and tuition for core academic operations* and is anticipated to spend ~\$5.9 billion or 98% of these revenues

**2013-15 Higher Education Operating Revenues and Expenditures
State Funds and Tuition**

\$ in millions

REVENUE

State Funds.....\$3,158

Tuition (AFRS 149).....\$2,888

TOTAL ESTIMATED.....\$6,047

EXPENDITURES

State Funds.....\$3,158

Tuition (AFRS 149).....\$2,763

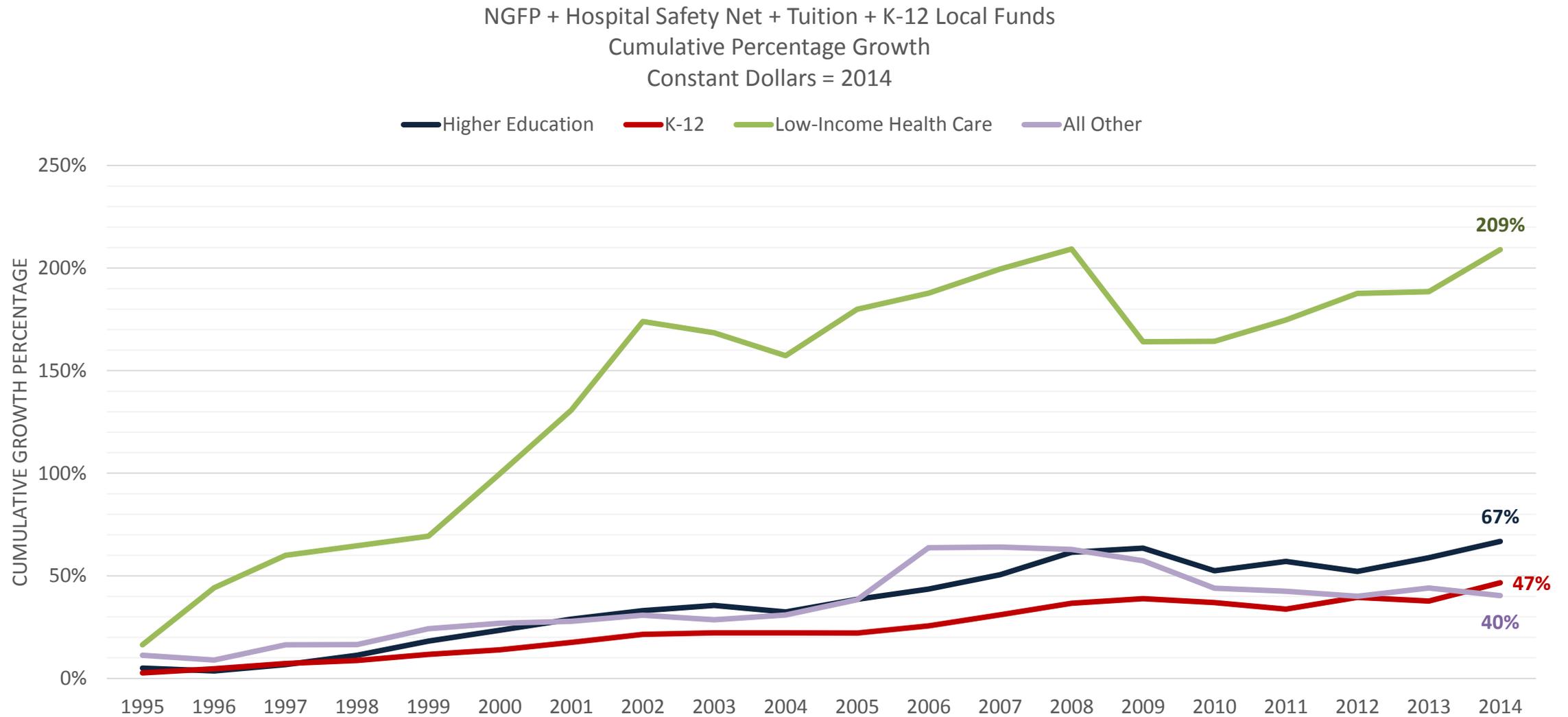
TOTAL ESTIMATED.....\$5,921

GFS Bond Retirement.....\$ 569

- Core academic operations are instruction, administrative, support and other services that are fundamental to degree attainment
- Higher Education share of bond retirement paid directly by the Treasurer and rather than appropriated to Higher Education.

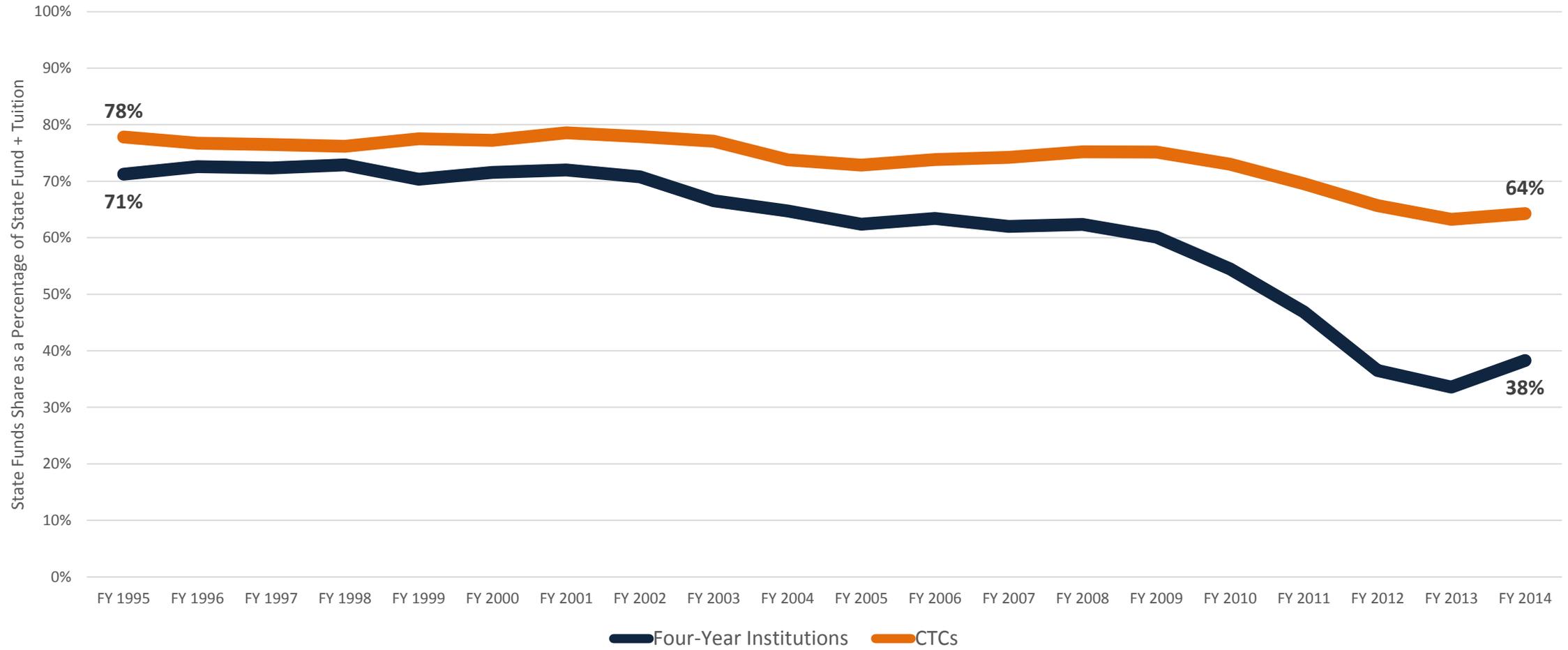
Source: AFRS. FY 2014 actual and FY 2015 estimated

Over the past 20 years after adjusting for inflation, higher education spending if you include tuition grew by 67 percent which is second to low-income health care



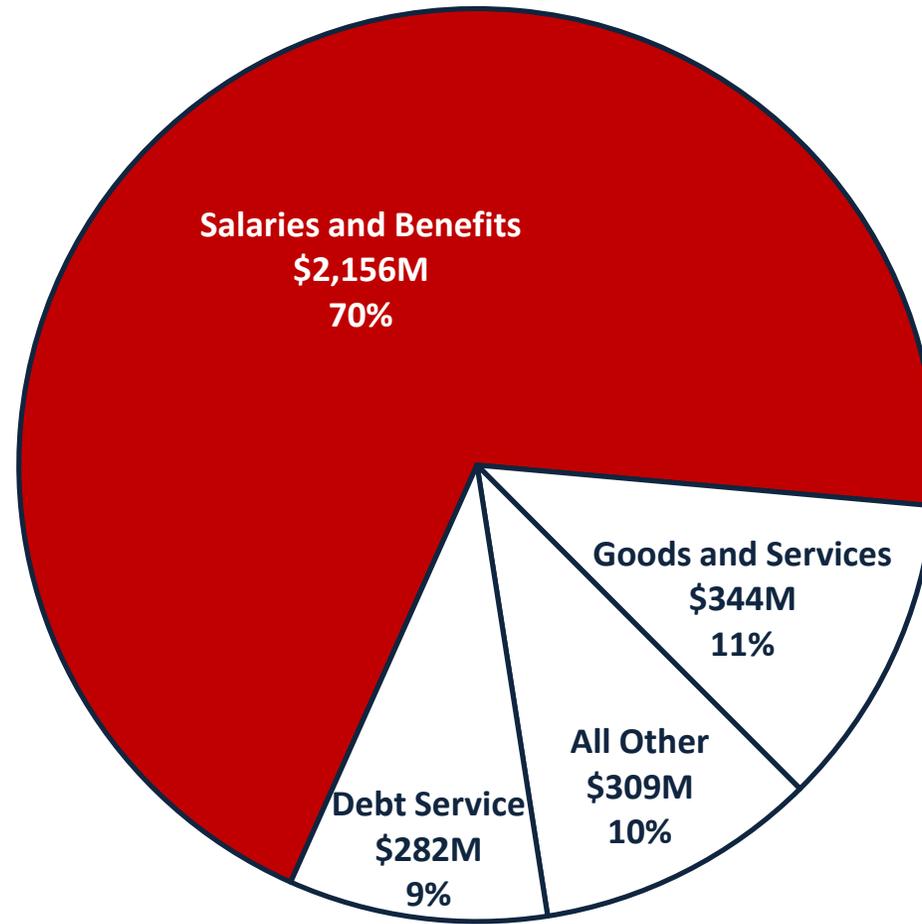
While higher education grew by approximately 2.6% annually, who paid for this growth has shifted from the state to the student in the four-year institutions while the CTCs have also seen their state share reduced

State Funds Share of Total Spending (State Funds + Tuition)
Constant Dollars



The majority of higher education spending is on salaries and benefits for its employees

FY 2014 Actual Spending By Object
NGFSP + Hospital Safety Net + Tuition



The Governor's budget provided higher education with about one-half of their requested amounts

2015-17 Operating Budget Budget Recommendation Summary Differences \$ in thousands

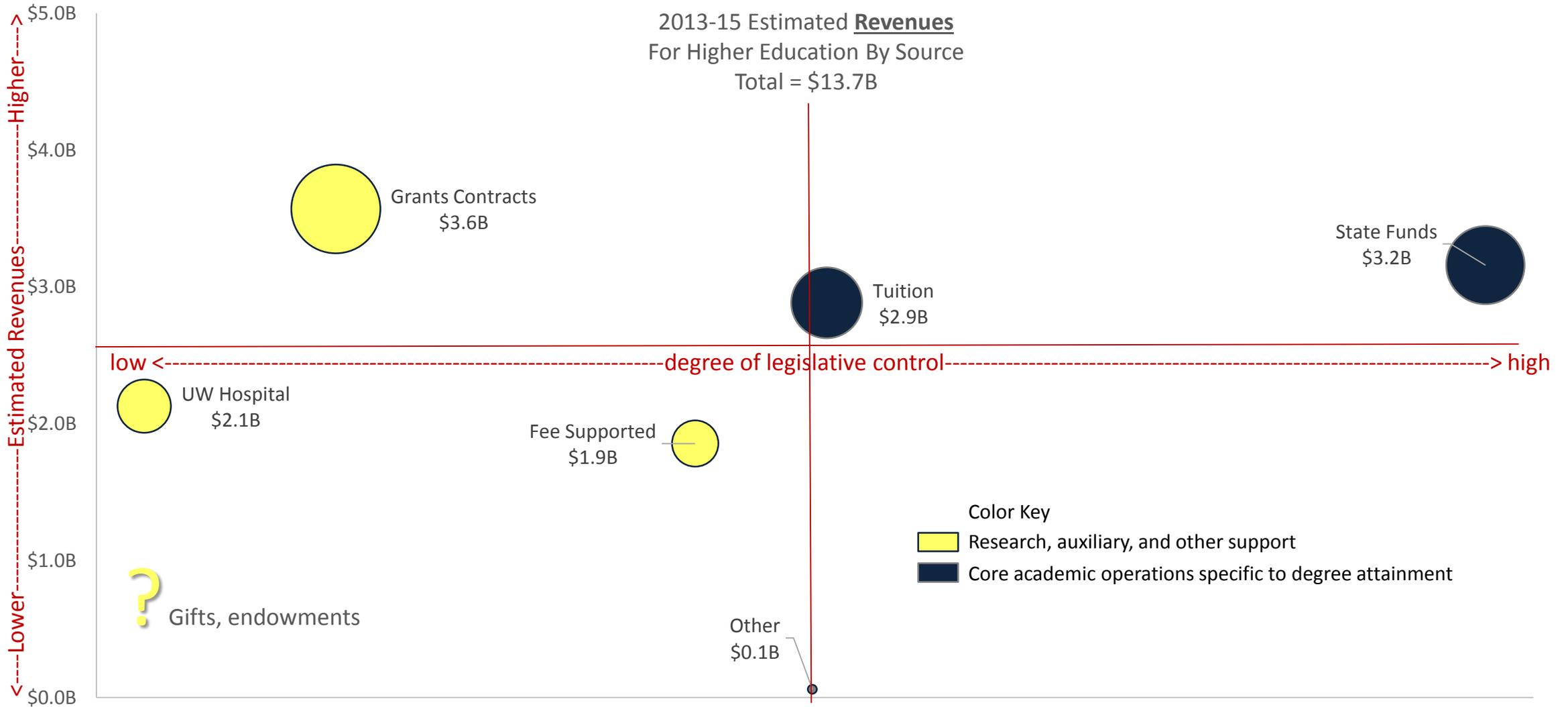
Programmatic Area	Governor	Agency	Difference
Financial Aid (Other)	104,946	72,367	32,579
Institution Support	56,280	267,309	-211,029
Compensation	82,663	172,548	-89,885
TOTAL	243,889	512,224	-268,335

Notes

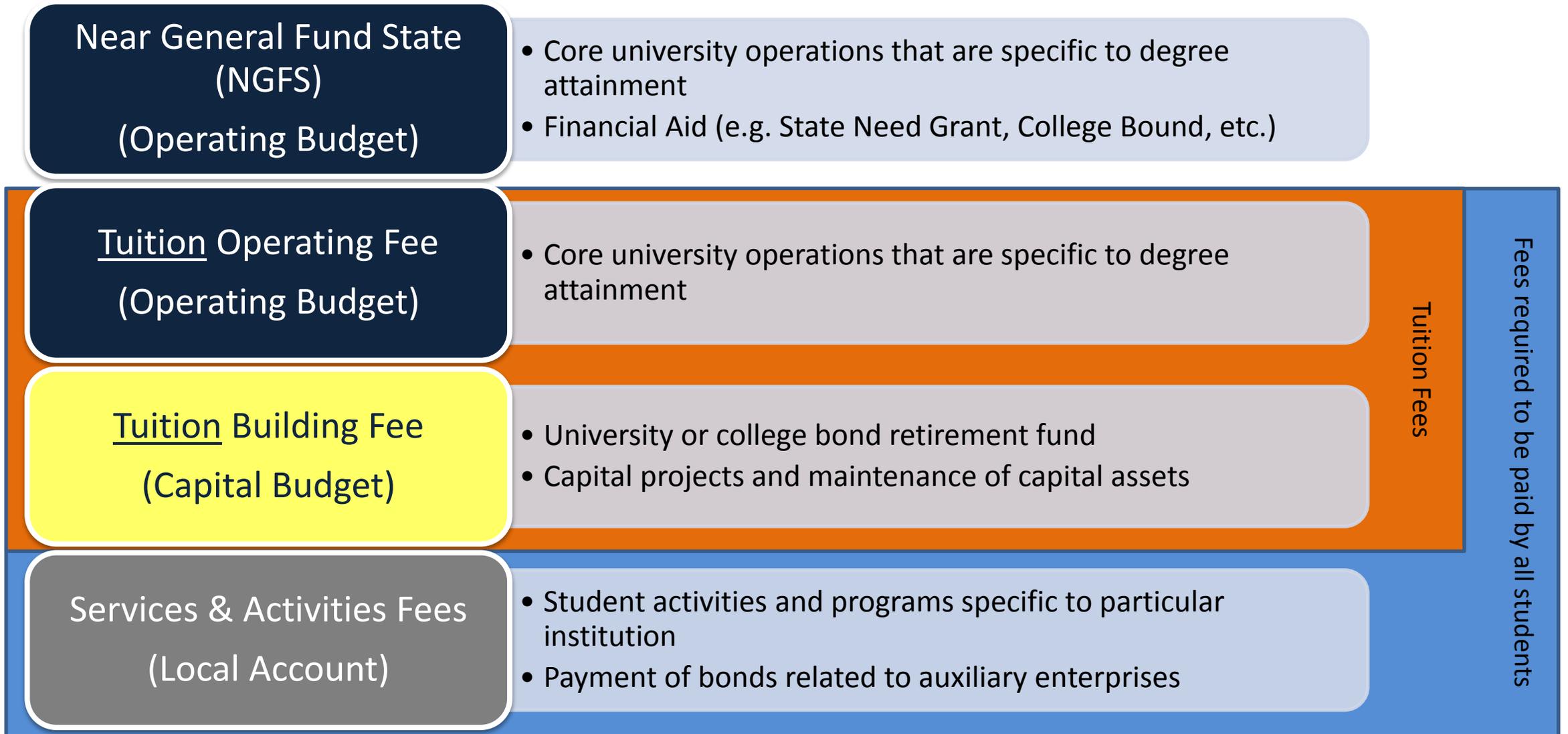
1. Financial Aid (Other) is Student Achievement Council + WorkForce Training Board
2. Includes Maintenance Level and Policy Level

Special Topic #1: Revenue and Tuition

Higher education receives revenue from a number of different sources for a number of different purposes – this section will focus mostly on the core academic operations

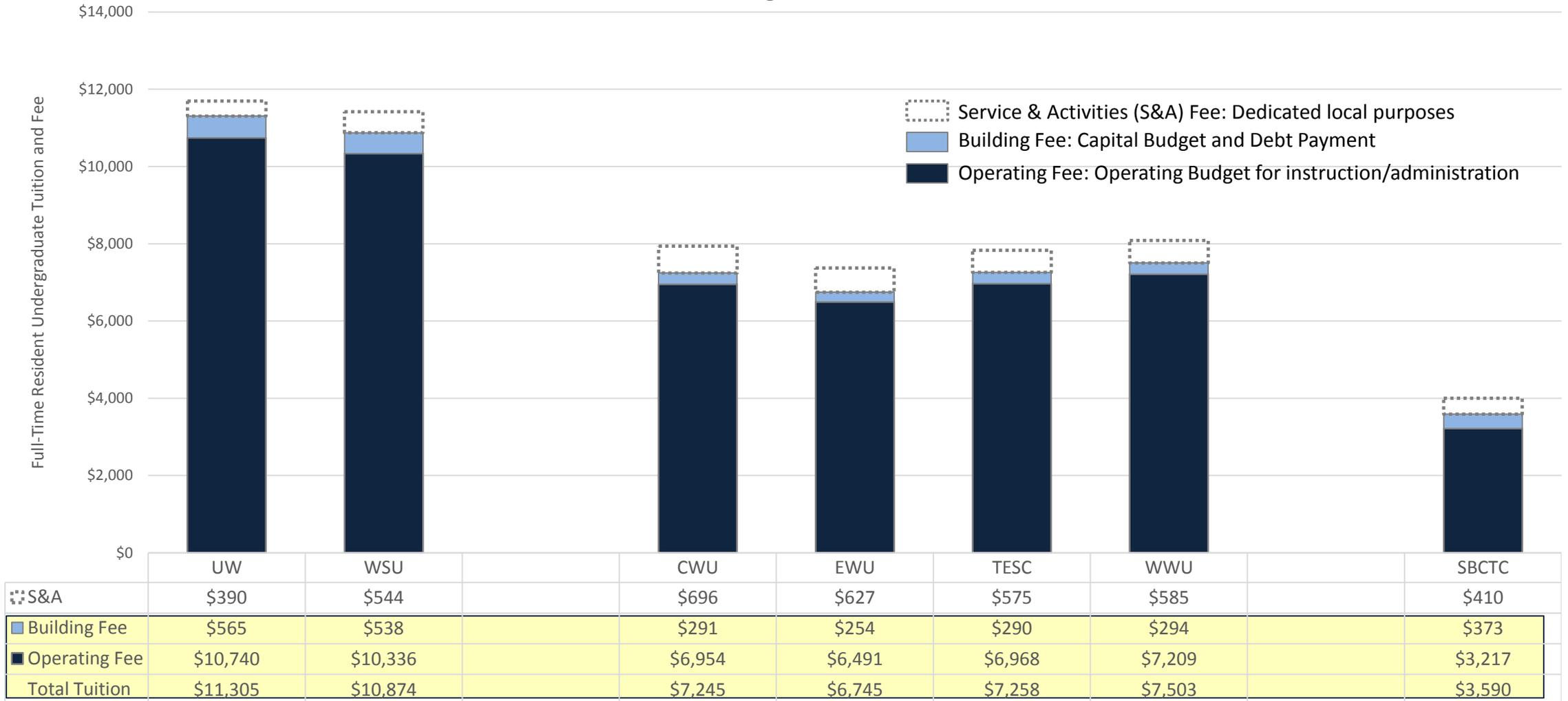


Core academic operations are primary funded through NGFS and through charges to students in the form of tuition and some of the required fees

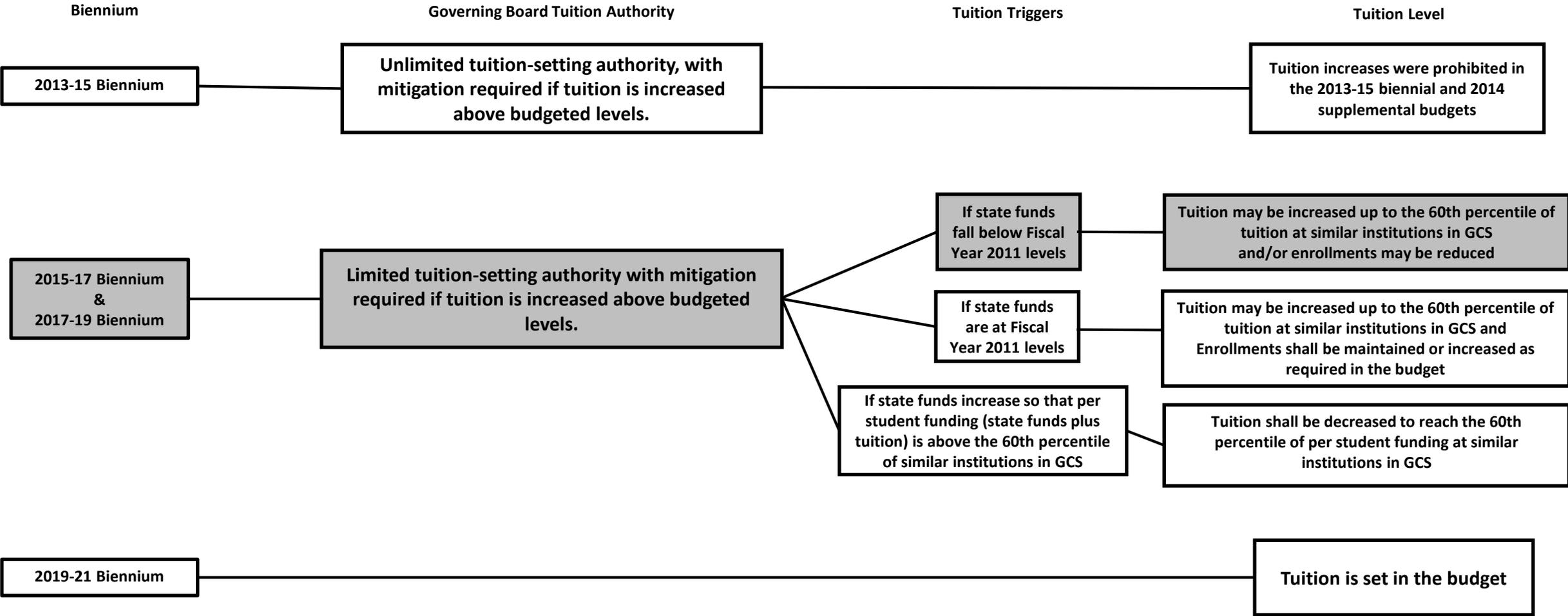


For the past two years, the governing boards for each institution have been prohibited from increasing resident undergraduate tuition (but not S&A fees). The prohibition does not apply to nonresident or graduate students.

2014-15 Resident Undergraduate Tuition and Fees



After this academic year, tuition setting authority for resident undergraduate tuition reverts to the four-year institutions with limitations (legislature retains CTCs tuition authority)



Q: Do the institutions have room to increase tuition or tuition and fees?

A: It depends

RCW 28B.15.067 (4)(d) “The amount of **tuition** set by the governing board for an institution under this subsection (4) may not exceed the sixtieth percentile of the **resident undergraduate tuition** of similar public institutions of higher education in the global challenge states.”

Does the statute refer to tuition or to tuition and fees?

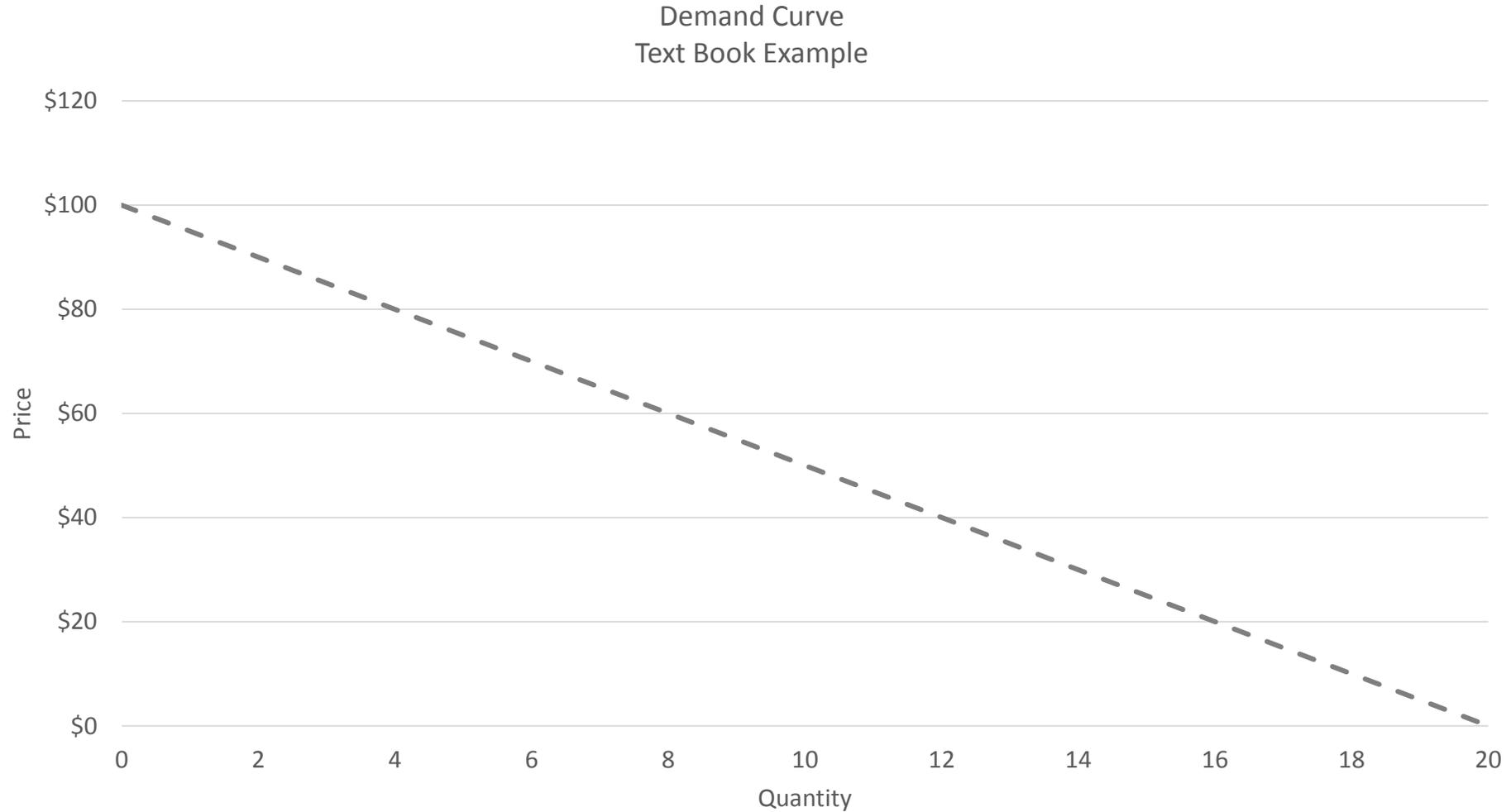
If tuition only – schools cannot raise tuition

2013-14 Academic Year Comparison				
Institution	Tuition	60 th Percentile	Difference	Percent Over
UW	\$11,305	\$10,702	\$603	6%
WSU	\$10,874	\$8,997	\$1,877	21%
CWU	\$7,941	\$5,534	\$2,407	43%
EWU	\$7,372	\$5,585	\$1,787	32%
WWU	\$8,022	\$5,660	\$2,362	42%
TESC	\$7,812	\$5,472	\$2,340	43%

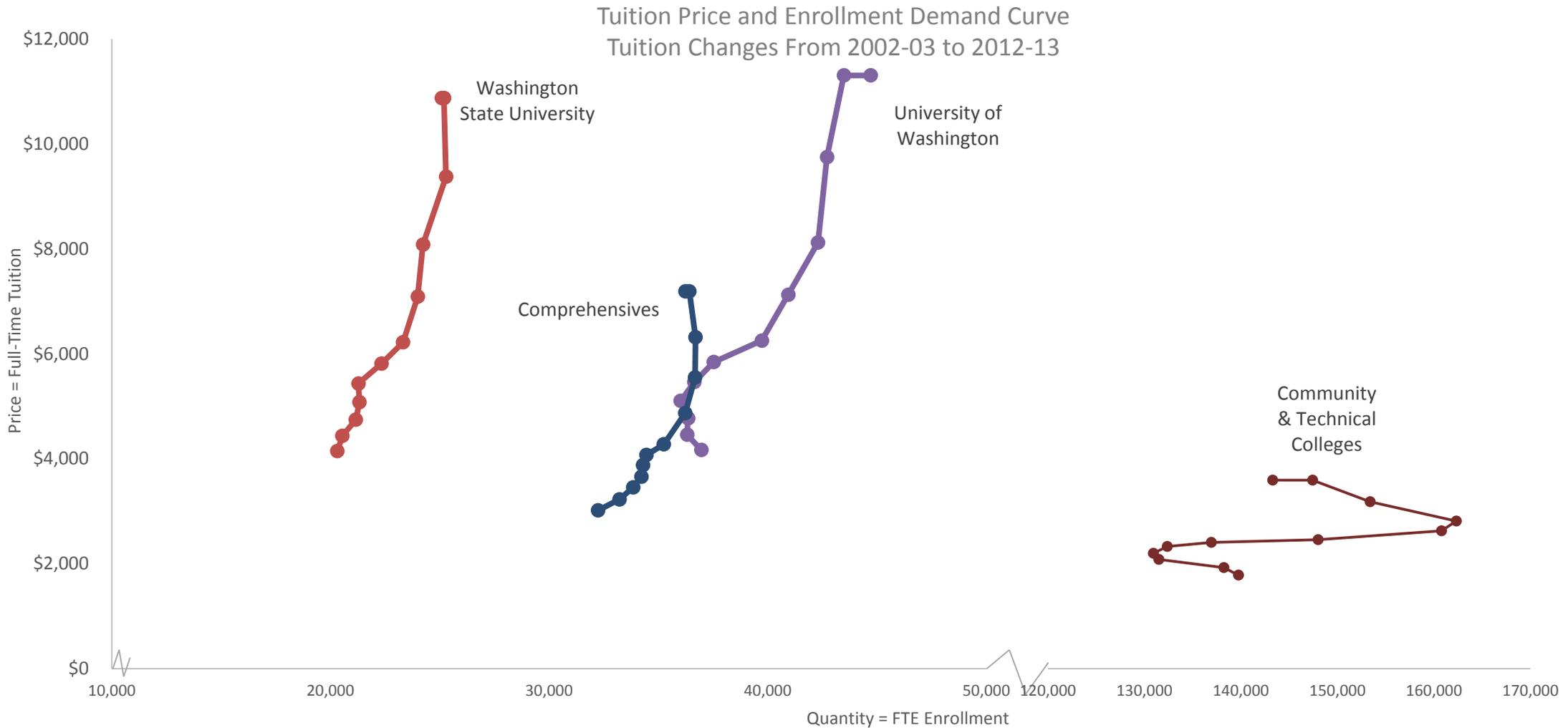
If tuition and fees – schools have room to increase tuition & fees

2013-14 Academic Year Comparison				
Institution	Tuition & Fees	60 th Percentile	Difference	Percent Increase
UW	\$12,397	\$13,817	(\$1,420)	11%
WSU	\$12,300	\$12,764	(\$464)	4%
CWU	\$7,941	\$8,979	(\$1,038)	13%
EWU	\$7,372	\$8,979	(\$1,607)	21%
WWU	\$8,863	\$8,981	(\$118)	14%
TESC	\$8,035	\$9,103	(\$1,068)	13%

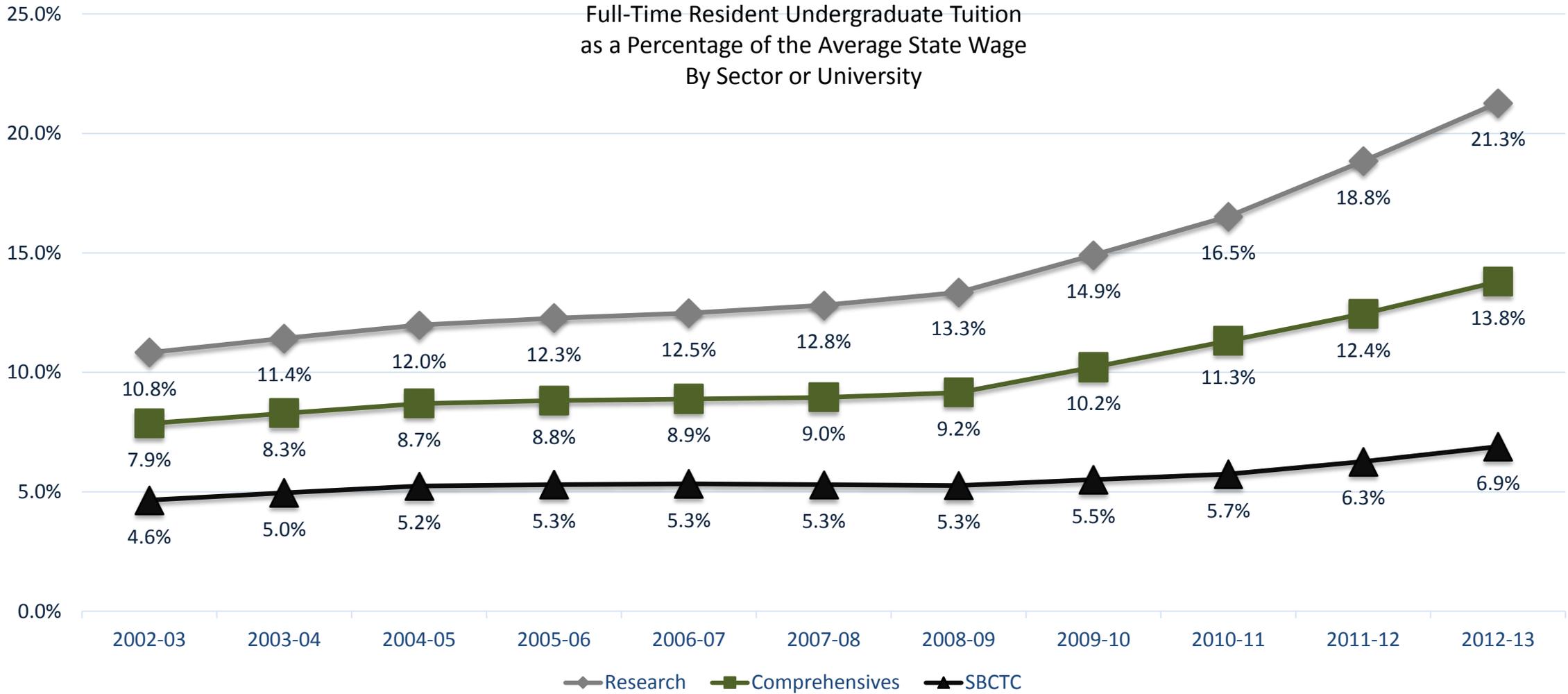
But how much can each institution increase tuition without losing student enrollment? This is an area for further research but at least initially we can see how price and quantity change



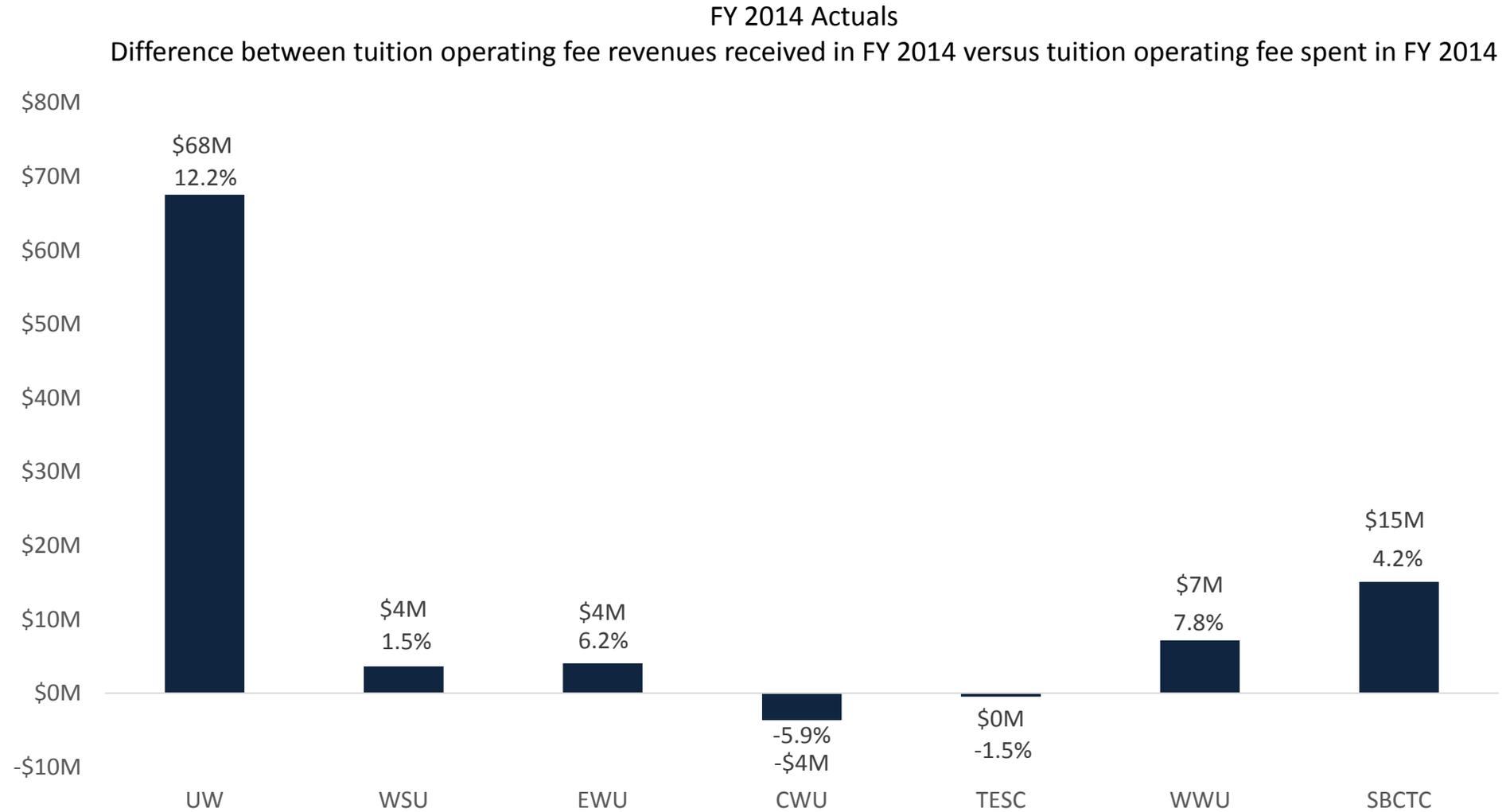
For four-year institutions, it appears that increases in tuition have had almost no effect on enrollment levels while the CTCs may be more sensitive to price and other factors. Each institution is different and further research is needed



What are students willing to pay in tuition? Four-year student enrollment continues to grow even though resident undergraduate tuition requires a larger proportion of the average wage to cover costs



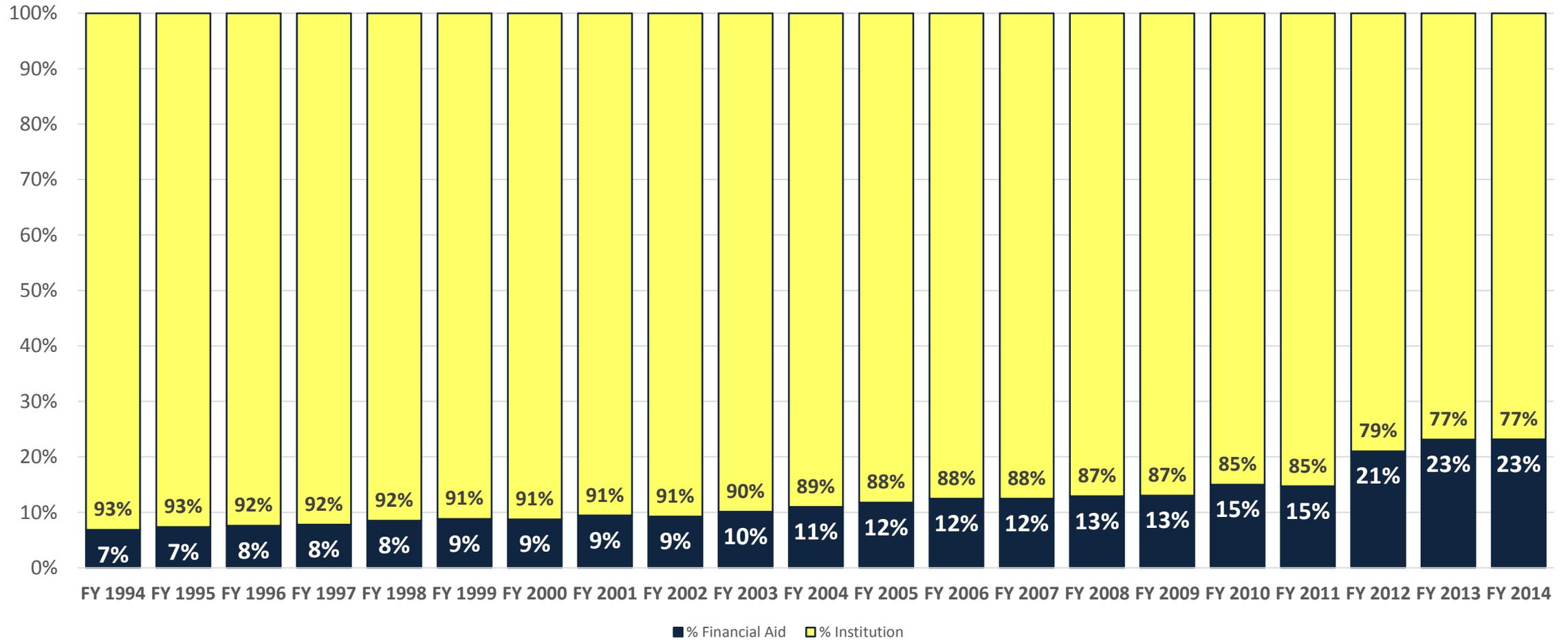
What do tuition and enrollment levels mean for actual revenue collection and spending? For FY 2014, the difference between tuition operating fees collected and spent, varies between colleges



Special Topic #2: Financial Aid

While the state funds share has decreased relative to tuition, financial aid is commanding a greater share of the state funds that are appropriated for higher education

Institutional and Financial Share of State Funds
2014 Constant Dollars



While there are other state subsidized financial aid programs, these three programs have been emphasized given their role in the Governor's budget and in previous budgets

Program:

Individual
Eligibility Criteria
Maximum Grant
Award

State
FY 2015 Est. number
of participants
Estimate 2015-17
NGFS Spending

College Bound

0% to 65% MFI*
\$4,467 to \$11,904
(dependent on
institution attending)

~11,700
\$74M

State Need Grant (SNG)

0% to 70% MFI
\$2,823 to \$10,868
(dependent on
institution attending)

~71,200
\$616M

Opportunity Scholarship

0% to 125% MFI
\$1,000 to \$7,500
(dependent on class
standing)

~4,600
Revenue: \$66M
Spend: \$17M

- MFI =Median Family Income
- Opportunity Scholarship is spending to date from the initial program. Revenue includes private donations

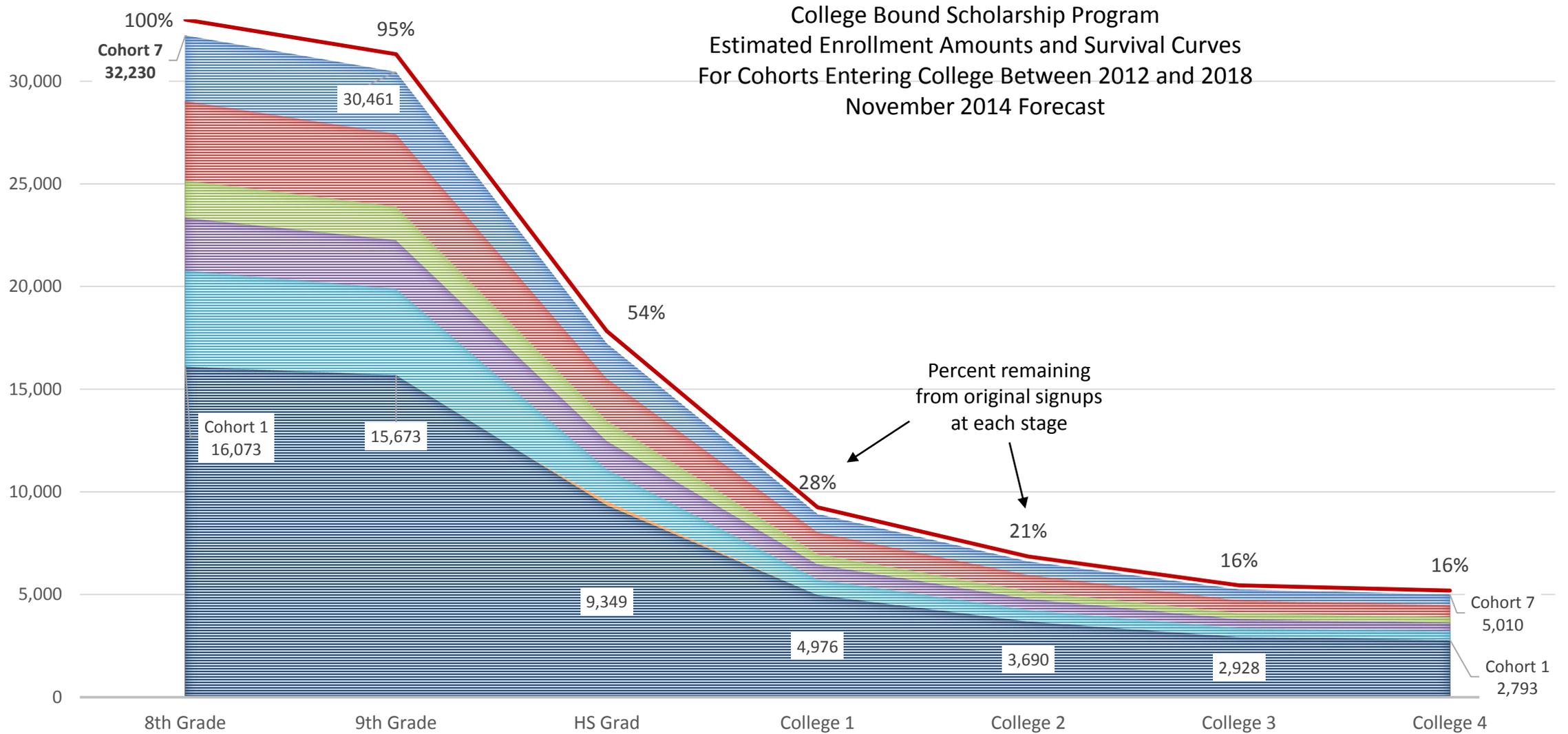
The College Bound Scholarship costs will continue to grow as enrollment increases. To date, only 3 cohorts are in college and the program is not fully ramped up

College Bound Scholarship					
	FY 15	FY 16	FY 17	FY 18	FY 19
Number of Students ¹	11,666	15,524	16,935	19,125	21,372
Est. Expenditures ²	\$27.8M	\$35.4M	\$38.6M	\$43.6M	\$48.7M
Cost Per Student	\$2,381	\$2,281	\$2,280	\$2,281	\$2,278

Notes

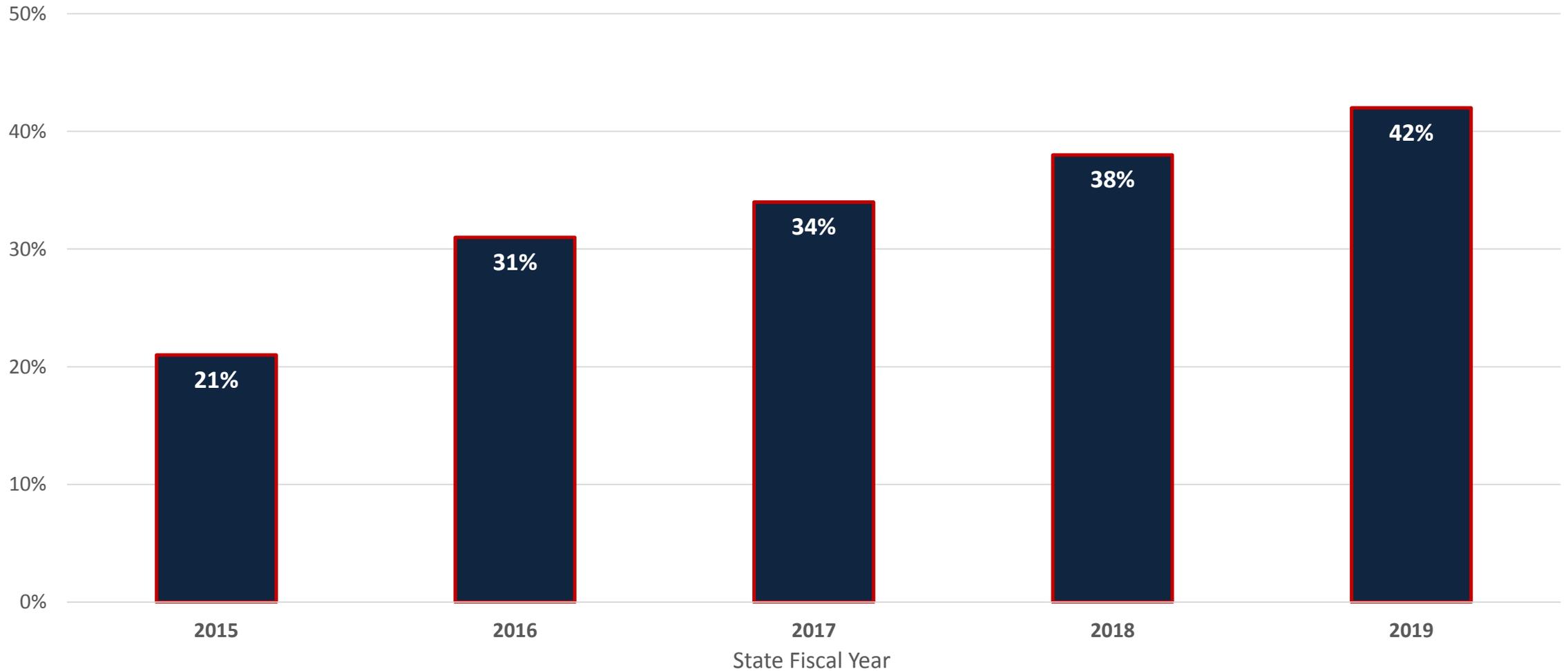
1. November 2014 forecast discounted by the number of students discounted by average percent of students who are eligible but do not receive a scholarship
2. Expenditures are not inflated for potential tuition increases

The College Bound Scholarship program enrollment starts in 8th grade with a pledge – of those who sign the pledge roughly 16% are estimated to use four years of scholarship awards



The 2013-15 the legislature required, through proviso, that College Bound students be prioritized within the State Need Grant program. Assuming there are no new dollars provided for the SNG, more of SNG will go toward College Bound rather than other students

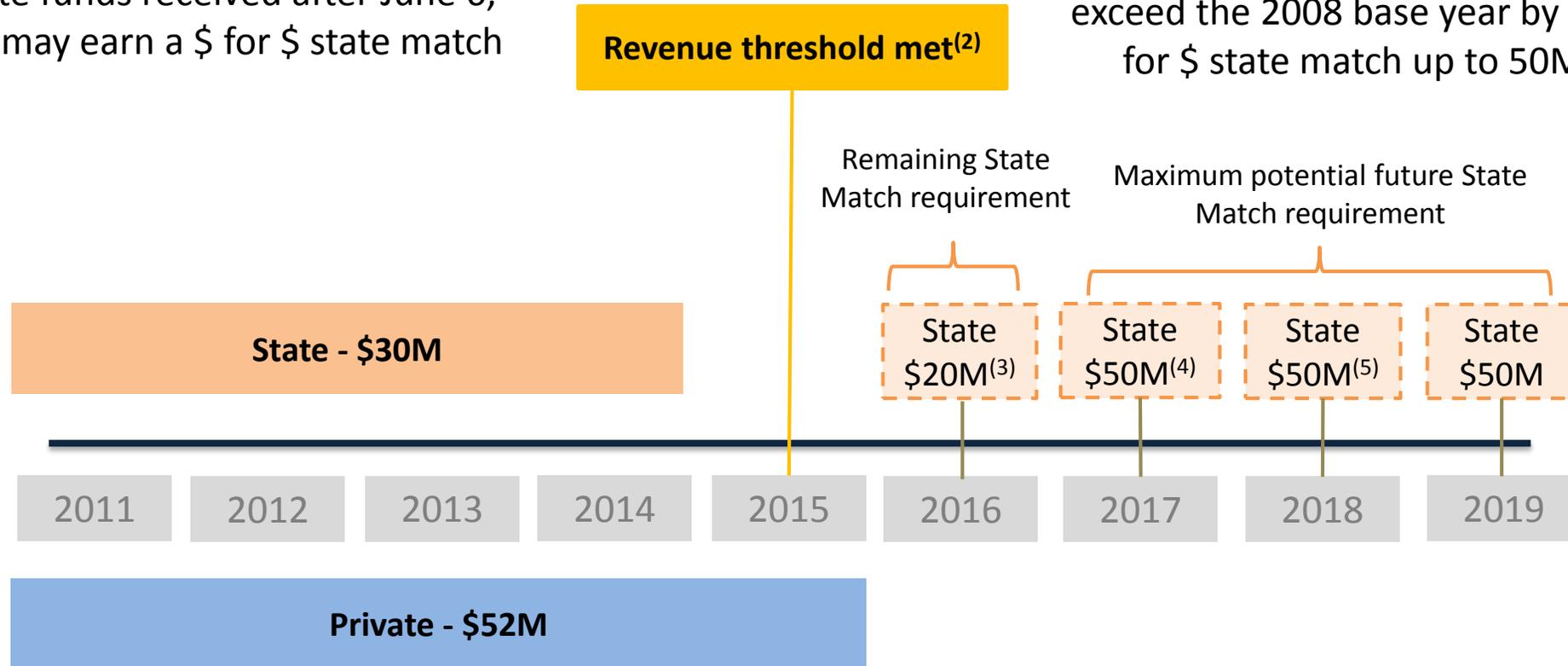
Percentage of State Need Grant Dedicated to College Bound Students



The Opportunity Scholarship estimated state dollar match requirement for 2015-17 is \$70M but the Governor added \$100M

Private funds received after June 6, 2011 may earn a \$ for \$ state match

Private funds received after revenues⁽¹⁾ exceed the 2008 base year by 10% earn a \$ for \$ state match up to 50M per year



(1) Revenue is defined as: state retail sales and use tax, state business and occupation tax, and state public utility tax.

(2) Based on the November forecast, the revenue threshold will be met in FY 15. In FY 16 the state will transfer the remaining difference between state contributions and all private funds received beginning in FY 11 through FY 15 (\$30M state - \$47M private = \$(17)M).

(3) Private donors are expected to contribute a total of \$52M between FY 11 through FY 15. To date the state has contributed \$30M. An additional \$17M of state funds will be transferred in FY 16 to bring the state total to \$47M.

(4) State match is based on the amount of private funds received in the preceding fiscal year. For example, private funds committed in FY 16 will be matched by the state in FY 17. Private donors have pledged to contribute \$5M in FY 16.

(5) \$50M is the maximum amount the state would be required to match. Actual match requirements will depend on actual private contributions in the preceding fiscal year.

In conclusion, here are some potential questions to consider as you craft your 2015-17 budget

State Funds & Tuition

- What is the appropriate level of state support of higher education institutions? Does this vary by institution?
- Who should set tuition in the 2015-17 biennium and to what level should tuition be set?
- Are there market forces that should be considered when setting tuition?

Financial Aid

- Based on your policy perspectives, do you want to increase funding financial aid programs (e.g additional dollars to Opportunity Scholarship similar to the Governor, State Need Grant, or something else)?
- Does the Legislature want to continue prioritizing College Bound within the State Need Grant program? Should any other populations be prioritized?

Financial Accounting (Audit)

- How does the legislature want to address financial reporting by higher education institutions?

Questions?

OFM's published per student funding published in July 2014 using 2011-12 academic years

Institution	\$ per FTE	60th Percentile	Difference
University of Washington	\$17,201	\$23,778	(\$6,578)
Washington State University	\$14,839	\$21,658	(\$6,818)
Central Washington University	\$9,823	\$13,726	(\$3,903)
Eastern Washington University	\$10,031	\$13,446	(\$3,415)
Western Washington University	\$10,198	\$13,248	(\$3,050)
The Evergreen State College	\$11,172	\$13,262	(\$2,090)
Community & Technical Colleges	\$6,067	\$7,400	(\$1,333)

NGFS Only

NGFP
Cumulative Percentage Growth
Constant Dollars = 2014

