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ABSTRACT

This report examines the development of tuition rates and tuition policy in Washington State's public higher education system and provides comparisons to rates and policies in other states. It also explores philosophies regarding the determination of tuition rates, along with the range of potential policy options. The draft report is divided into six major sections. Part 1 looks at tuition rates for the past decade for undergraduates and graduates and compares Washington's current tuition rates with those in other states. Part 2 first examines three types of charges (operating, building, and services and activities fees) which comprise tuition and fees in Washington; discusses policy developments which resulted in the current tuition structure; reviews criteria used to determine actual tuition rates; and looks at tuition revenue control, including recent changes which allow Washington institutions to deposit tuition revenue in their own local accounts. Part 3 reviews economic influences which have contributed to increases in tuition. Part 4 compares tuition with other costs of attendance encountered by students and reviews programs which can provide student financial assistance. Part 5 examines various philosophies that have guided tuition development in Washington and elsewhere. Part 6 explores a range of policy options and highlights specific policies which may be of interest to the 1994 Washington Legislature. An appendix includes data on nonresident undergraduate and graduate tuition per academic year. (GLR)

TUITION IN WASHINGTON: A COMPREHENSIVE REVIEW

WASHINGTON STATE
HIGHER EDUCATION COORDINATING BOARD

DECEMBER 1993

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TUITION IN WASHINGTON:
A COMPREHENSIVE REVIEW

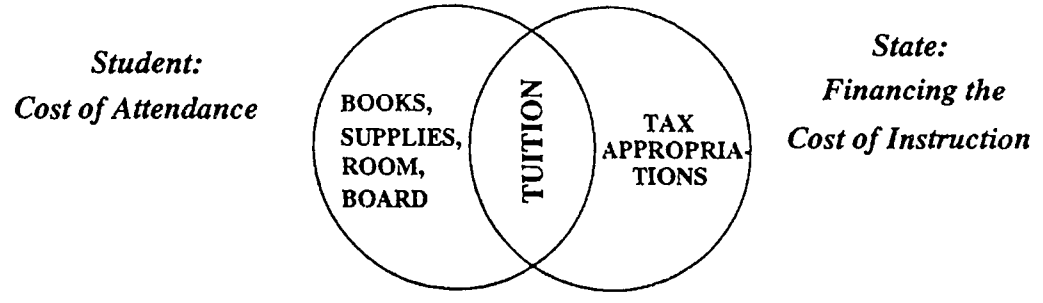
INTRODUCTION

Tuition: for a student or parent it is a major condition affecting college attendance. It's the most visible price tag -- often as important as admissions requirements or career objectives. From the perspective of many people, the cost of tuition -- along with room and board, books and supplies -- represents the only dollar figures associated with getting a college education. However, financing the operation of a public college or university always involves multiple funding sources, tuition being one of these, state appropriations another. Because some institutions have missions other than just education, i.e., research, other aspects of the institution may be funded by federal or corporate grants/contracts, private donations, or fees collected for various services. This paper, however, focuses on funding for the instructional mission of the institutions.

In Washington State, and nationally, tuition sparks ongoing discussion and debate. How much should the student pay? How much should the state pay? What is the "proper" share of costs for the student? As tuition rises, what should be the state's role in assisting those with inadequate resources?

The Washington Legislature has established in statute that tuition will be a percentage of the instructional cost at public colleges and universities. For a number of years the percentages were fixed at constant rates, although rates differed between undergraduate and graduate, and by type of institution. However, the 1993 Legislature increased the percentages for the current year and again for next year, leading to substantial increases in tuition. Even so, at Washington's public colleges/universities, state resident tuition provides less than half the cost of instruction; the other major source is state appropriations.

This paper examines tuition from the perspective of both students and the state. For students, tuition is a major component of their "cost of attendance;" the remainder of their cost of attendance includes room and board, books and supplies, and travel. For the state, tuition is a contributor to the funding of the "cost of instruction." Costs associated with instruction cover faculty salaries, libraries, other support services, and building maintenance. Tuition is the one overlapping component affecting both cost of attendance and cost of instruction, as illustrated below.



While the Legislature determines tuition rates, it cannot influence other attendance costs in the same way. The cost of purchasing supplies and books, travel, housing and food, for example, are determined by market influences. Because tuition is the major variable subject to review and change by the Legislature, it is important to examine the policies and philosophies that affect tuition levels in Washington.

Overview Of This Study

This report results from a recommendation of the Higher Education Coordinating Board's 1992 Update of the Master Plan for Higher Education subsequently adopted by the 1993 Legislature.[1] The legislation directs " ... the Higher Education Coordinating Board to undertake a comprehensive study of tuition and fee policies to be submitted to the 1994 Legislature."

This study examines the development of tuition rates and tuition policy in Washington's public higher education system and provides comparisons to rates and policies in other states. It also explores philosophies regarding the determination of tuition rates, along with the range of potential policy options. Throughout the report, narrative discussions and data tables refer to three types of public institutions: research universities, comprehensive institutions, and community colleges. Technical college tuition rates are not examined in this study since those rates are determined through a different process than that of the other institutions; technical college procedures are described briefly at the end of Part II (page 16).

This draft report is divided into six major sections covering various aspects of tuition.

- *Part I, Tuition History and Comparisons with Other States*, looks at tuition rates for the past decade for undergraduates and graduates, and compares Washington's current tuition rates with other states.

- *Part II, Procedures for Determining Tuition Rates,* examines the three types of charges (operating, building, and services and activities fees) which comprise "tuition and fees" in Washington; discusses policy developments which resulted in the current tuition structure; reviews criteria, i.e., the "cost of instruction," used to determine actual tuition rates; and looks at control of tuition revenue including recent changes which allow Washington institutions

[1]Substitute House Concurrent Resolution 4408.

to deposit tuition revenue in their own local accounts. Wherever possible, Washington practices are compared with other states.

- *Part III, Factors Affecting Tuition Increases,* reviews economic influences which have contributed to increases in tuition.

- *Part IV, Tuition Compared to Financial Resources of Students,* compares tuition with other costs of attendance encountered by students, and reviews programs which can provide financial assistance to students.

- *Part V, Tuition Philosophies,* examines various philosophies that have guided tuition development in Washington and elsewhere.

- *Part VI, Tuition Policy Alternatives*, explores a range of policy options, and highlights specific policies which may be of interest to the 1994 Legislature.

PART I. TUITION HISTORY AND COMPARISONS WITH OTHER STATES

Tuition Rates Over Time

The media have focused considerable attention on tuition increases over the past several years. At Washington's public institutions, tuition rates have more than doubled in the past decade. The following figures illustrate, for full-time undergraduate and graduate students who are residents of Washington, both the amounts and percentage increases between 1984-85 and those established for 1994-95. Figure 1 presents information for three types of public institutions: *Research* -- University of Washington and Washington State University; *Comprehensives* -- Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College; and the *Community Colleges*. Figure 2 covers graduate tuition at the research and comprehensive institutions.

Figure 1

Resident Undergraduate Tuition Per Academic Year

YEAR	*RESEARCH*	*COMPREHENSIVES*	*COMMUNITY COLLEGES*
1984-85	$ 1,308	$ 1,017	$ 581
1985-86	1,605	1,212	699
1986-87	1,605	1,212	699
1987-88	1,731	1,272	759
1988-89	1,797	1,317	780
1989-90	1,827	1,518	822
1990-91	1,953	1,611	867
1991-92	2,178	1,698	945
1992-93	2,253	1,785	999
1993-94	2,532	1,971	1,125
1994-95	2,907	2,256	1,296
Percent Increase			
1984-85 to 1994-95	**122.2%**	**121.8%**	**123.1%**
1992-93 to 1993-94	12.4%	10.4%	12.6%
1993-94 to 1994-95	14.8%	14.5%	15.2%

As shown, the ten-year increase for resident undergraduates has averaged about 8 percent per year, though the increases for the last two years are more substantial: the combined 1993-94 and 1994-95 increases will total 25 percent or more.

Figure 2

Resident Graduate Tuition Per Academic Year

YEAR	*RESEARCH*	*COMPREHENSIVES*
1984-85	1,890	1,428
1985-86	2,319	1,710
1986-87	2,319	1,710
1987-88	2,505	1,797
1988-89	2,601	1,863
1989-90	2,838	2,457
1990-91	3,033	2,604
1991-92	3,387	2,700
1992-93	3,537	2,844
1993-94	3,978	3,138
1994-95	4,566	3,600
Percent Increase		
1984-85 & 1994-95	**141.6%**	**152.1%**
1992-93 to 1993-94	12.5%	10.3%
1993-94 to 1994-95	14.8%	14.7%

For graduate students, tuition increases averaged 9.5 percent per year. Again, the combined increases for 1993-94 and 1994-95 are significant -- 25 percent for comprehensive institutions and 27 percent for research institutions.

Figures 1 and 2 display rates for full-time resident students, undergraduate and graduate. Other related statutory provisions require a "pro rata" charge for part-time students (generally those enrolled for under 10 credit hours); a minimum charge for two

credit hours for students enrolled for one or two credit hours; and an operating fee surcharge for students enrolled for over 18 credit hours (except for vocational preparatory or first-professional programs).

The research institutions also charge a separate rate for students in three first professional fields: medicine, dentistry, and veterinary medicine. In 1984-85, the rate was $3,054 for residents; by 1994-95 the rate will be $7,458 -- an increase of 144 percent, similar to graduate rate increases.

For nonresident students, tuition has always been much higher -- nearly three times that charged to Washington residents. Like most states, nonresident tuition covers almost the full cost of instruction; the state does not subsidize nonresidents to the extent that it subsidizes residents. For example, 1994-95 undergraduate nonresident tuition at the research universities will be $8,199 compared to resident tuition of $2,907. A ten-year tabulation of nonresident rates and professional rates is displayed in Appendix A.

Comparisons With Other States

Comparisons with rates in other states provide another context for examining tuition. The Higher Education Coordinating Board conducts a yearly survey of tuition rates in all 50 states. The most recent complete survey data are for 1992-93. These annual surveys show that tuition in most states has been increasing steadily over the past few years -- i.e., Washington's tuition history mirrors to a great extent what has happened nationally. Washington's ranking among the states has remained fairly constant. When the 50 states are ranked from high to low on tuition charges, Washington rates range from the midpoint for resident undergraduates to higher rankings (i.e., charging higher than average tuition) for other student categories. The HECB annual report on tuition and fee rates contains tables ranking the states in the various student categories. The following summarizes Washington's status.

- Resident undergraduate tuition rates at all three types of institutions are near the midpoint in state rankings, and slightly below the national average for all three.

- Resident graduate tuition levels at both research and comprehensive institutions are above the midpoint as well as above the national average.

Figure 3

Washington 1992-93 Tuition Rankings
Compared To The 50 States
(1=highest)

	Research	*Comprehensives*	*Community Colleges*
Undergraduate			
Resident	25	26	29
Nonresident	28	15	13
Graduate			
Resident	18	12	
Nonresident	15	3	

Washington's tuition ranking can also be compared to peer institutions. As an example, resident undergraduate tuition at the University of Washington ranks #16 compared to 25 peer institutions, and Washington State University ranks #13 among 23 peers. For both, these rates are below the peer average. For undergraduate resident students at the comprehensive institutions and the community colleges, tuition rates are also below the peer averages. HECB's annual report on tuition and fee rates includes a set of tables with peer comparisons.[2]

Preliminary data for this academic year suggest that Washington has increased tuition rates more steeply than other states between 1992-93 and 1993-94. For example, the College Board survey reports an average increase of about 8 percent from the previous year for undergraduates at public four-year colleges and universities.[3] Washington rates increased 10.4 percent at the comprehensives and 12.4 percent at the research universities. It appears that while other states had substantial tuition increases starting in 1991-92, Washington is now "catching up" while other states have slowed somewhat. Nevertheless, tuition in most states continues to increase even if the pace has declined.

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[2]Higher Education Coordinating Board, 1992-93 Tuition and Fee Rates -- A National Comparison, January 1993.

[3]"Tuition for 1993-94 Climbs Sharply, Doubling or Tripling Pace of Inflation," The Chronicle of Higher Education, September 29, 1993.

PART II. PROCEDURES FOR DETERMINING TUITION RATES

Tuition Structure in Washington

Often the phrase "tuition and fees" is used to refer to charges imposed on students for attendance at a college or university. In Washington public institutions, "tuition and fees" are composed of three specific types of fees: operating fees, building fees, and services and activities fees. The "operating fee" is the largest part (between 75 and 90 percent) of the tuition charge; it is used primarily to fund instructional activities of the institution. The "building fee" is between 3 and 9 percent of the total amount, and is used for bond retirement and other building projects. The "services and activities fee" is also a small part (between 9 and 13 percent) of total "tuition and fees." It funds student activities and programs, including some bond repayment, which are not part of the instructional program.

The actual "tuition" portion, as referred to in statute, consists of operating fees and building fees. Services and activities fees are additional. In this report, the word "tuition" will usually refer to all three types of fees, but in calculations involving the "cost of instruction" (discussed in the next section), tuition specifically refers only to operating and building fees.

Authority for setting tuition and fees in Washington resides with the Legislature. The percent of the educational costs which will be covered by tuition is specified in the law. By statute the Legislature directs the Higher Education Coordinating Board to develop and perform a cost study every four years to determine undergraduate and graduate educational costs.[4] Using cost study data, the HECB transmits to the institutions the cost basis upon which tuition will be established; the HECB does this each even-numbered year.[5] The 1993 Legislature increased the portion of educational costs to be covered by tuition. This, rather than increases in the cost of education, was the main contributor to the substantial tuition increases for the current and next academic years.

Tuition as a Percent of the Cost of Instruction

After considerable study, the 1977 Legislature adopted policies that linked tuition to the cost of instruction and directed that a study be conducted every two years to ascertain such costs. State statute now requires a cost study every four years; the most recent study

[4]RCW 28B.15.070.

[5]RCW 28B.15.076.

was completed in 1989-90 and another study is being conducted this academic year (1993-94).

The cost study establishes an average instructional cost per full-time equivalent (FTE) student based on support made available by the Legislature. Instructional costs include the direct costs of faculty salaries and benefits, support personnel such as teaching assistants and clerical support, and supplies and equipment; also included are instruction-related costs such as admissions, registration and other services not financed by services and activities fees. Furthermore, a share of indirect costs is also incorporated including libraries, administration, and facilities operation and maintenance. Excluded are noninstructional expenditures such as public service, summer programs, auxiliary enterprises (e.g., dormitories), financial aid, etc., and expenditures from fund sources other than the state.

For each sector (research, comprehensives, and community colleges) average instructional cost per FTE is determined, and based on that, a ratio of **undergraduate** cost per FTE to average FTE cost is established, as well as the ratio of **graduate** to undergraduate cost per FTE. These ratios are the key elements produced by the cost study. They are applied to budgeted expenditures to determine tuition levels. This cost/tuition function is done on a two-year "lag" basis. The "lag" allows earlier publication of tuition rate increases, thus helping students prepare for needed financing.

The following is an example of an undergraduate rate calculation.

Example -- 1993-94 undergraduate resident tuition at research institutions:

The 1991-92 average instructional cost at the research universities was $7,894 per FTE. The undergraduate ratio of that overall average is 79.89% or $6,306. (Because of the two-year lag, this is the base for calculating tuition in 1993-94.) Tuition covers 36.3 percent of the cost of instruction for a resident undergraduate at the research institutions; therefore, the tuition charge is $2,289 in 1993-94. In addition the student pays the services and activities fee of $243, for a total tuition and fees charge of $2,532.

The remaining percentage of the cost of instruction is covered by state tax revenue. In this example, the state portion covers 63.7 percent of the cost of instruction or $4,017.

Historical Development of Tuition Cost-Sharing in Washington

Legislation in 1977 linking tuition to the cost of instruction directed that resident undergraduate tuition at the research universities (UW and WSU) be set at 25 percent of the cost of instruction -- i.e., the student's share was 25 percent. This was the basis for setting tuition levels (operating and building fees) at the other institutions as well as for graduate and professional rates and nonresident tuition. All of these rates reflected a percentage of the resident undergraduate rate at the research universities, as indicated in Figure 4. In 1981, the legislation was amended to define separately the percentage of cost of instruction for both undergraduate and graduate tuition at the research universities, comprehensives, and community colleges. These rates were essentially unchanged until the law was amended in 1993.

Figure 4 depicts the percentages for full-time students since 1977. These percentages control only the level of operating and building fees. Services and activities fees constitute an additional charge.

Figure 4

Tuition (Operating and Building Fees) Percent of Cost of Instruction Over Time

	1977-78	1981-82	1993-94	1994-95 & after
UW/WSU (RESEARCH)				
Resident				
Undergrad	25.0%	33.3%	36.3%	41.1%
Grad & Law	115% of u/g	23.0%	25.2%	28.4%
MD/DDS/DVM	160% of u/g	167% of grad.	167% of grad.	167% of grad.
Nonresident				
Undergrad	100.0%	100.0%	109.3%	122.9%
Grad & Law	115% of nonres u/g	60.0%	65.6%	73.6%
MD/DDS/DVM	160% of nonres u/g	167% of nonres grad.	167% of nonres grad.	167% of nonres grad.
CWU/EWU/WWU/TESC (COMPREHENSIVES)				
Resident				
Undergrad	80% of UW/WSU res u/g	25.0%	27.7%	31.5%
Grad	80% of UW/WSU res grad.	23.0%	25.3%	28.6%
Nonresident				
Undergrad	80% of UW/WSU nonres u/g	100.0%	109.4%	123.0%
Grad	80% of UW/WSU nonres grad.	75.0%	82.0%	92.0%
COMMUNITY COLLEGES				
Resident				
Undergrad	45% of UW/WSU res u/g	23.0%	25.4%	28.8%
Nonresident				
Undergrad	50% of UW/WSU nonres u/g	100.0%	109.3%	122.7%

The largest share of tuition is designated as operating fees. For the past decade, the building fee portion of tuition has been specified in statute as a fixed dollar amount, while operating fees have increased. Legislative changes in 1993 which increased tuition's share of the cost of instruction also provided for future increases in the amount of tuition dedicated to building fees. Beginning in 1995-96, the building fee will be a percentage of total tuition fees, rather than a fixed amount, and will thereafter increase as costs increase. The rate of increase for services and activities fees is limited to the percentage increase in resident undergraduate tuition. An exception occurred in the 1993 legislative session. When tuition

percentages were increased, the Legislature specified the maximum dollar amounts that could be charged for services and activities fees in 1993-94 and 1994-95.

Figure 5 illustrates the historical relationship among the three types of fees for resident undergraduates.

Figure 5

Composition of Tuition and Fee Rates: Ten-Year Comparison
Resident Undergraduate

	Building*	Operating	Services & Activities	Total
Research				
1984-85	120.00	1,038.00	150.00	1,308.00
1994-95	120.00	2,538.00	249.00	2,907.00
Comprehensives				
1984-85	76.50	747.00	193.50	1,017.00
1994-95	76.50	1,890.00	289.50	2,256.00
Community Colleges				
1984-85	127.50	381.00	72.50	581.00
1994-95	127.50	1,038.00	130.50	1,296.00

* Beginning in 1995-96, the building fee will change from a fixed amount to a percentage of total tuition fees (operating and building combined). The amount will equal the percentage the building fee then represents of total tuition fees in 1994-95, rounded up to the nearest half percent.

Example calculation:

1994-95 research undergraduate tuition (building + operating) = $2,658
Building fee = $120
Percent of total = 120/2658 = 4.51% rounded to 5%
Therefore, building fees will be 5% of 1995-96 tuition fees

Control of Tuition and Fee Revenues

In addition to the setting of tuition and fee rates, the use and control of the revenue generated continues to attract a great deal of attention. Revenue from each of the three components of tuition and fees is treated differently. Services and activities fees are retained by the institution in a local institutional account to be used for non-instructional student services. Building fees are remitted to a dedicated account in the State General Fund for designated building projects and bond repayment. Operating fees are retained locally to help meet instruction costs.

Disposition of the operating fees, by far the largest proportion of tuition and fees, has been a subject of change in both the 1992 and 1993 legislative sessions in Washington. Prior to 1992, operating fees were deposited in the State General Fund as one of many revenue sources for the state. State appropriations for higher education were made without directly taking into account the amount of tuition collected. Financial support of public higher education, except for locally held student fees, came from the General Fund. The recent change in this policy came in 1992-93 when the Legislature directed that operating fees be deposited in the state treasury into a dedicated account for each institution. These funds could be used by the institution only after being appropriated by the Legislature. The next step occurred one year later when the 1993 Legislature directed that operating fees be retained by institutions and deposited into dedicated local accounts. The account earns interest, and the funds are available for use by the institution without legislative appropriation. The amount of tuition revenue that the institution is expected to collect is taken into account as part of the institution's budget.

Other 1993 legislative changes also impact tuition revenue: limits, or "lids", on enrollment have been removed; institutions may enroll above budgeted levels and retain the additional tuition -- although General Fund support for any over-enrollment will not be provided. Furthermore, a number of mandatory tuition waiver programs have been amended to allow institutional discretion. The state budget process incorporates an expected enrollment level and an expected proportion of waivers, but institutions make the final decisions. The removal of both enrollment "lids" and mandatory participation in most waivers, combined with local control of operating fee revenue, may affect public higher education significantly, but it is too soon to tell.

Washington's Tuition-Setting Procedures Compared to Alternative Approaches

Criteria for Determining Tuition Rates

In 1977, when the Washington Legislature specified tuition rates in statute as a percentage of the cost of education, an influential study of tuition rate policies had been published by the Carnegie Commission: Higher Education: Who Pays? Who Benefits? Who Should Pay? (June 1973) as well as a supplement entitled Tuition. The study found that, using a national average, tuition covered 24 percent of the cost of education at public higher education institutions; it recommended that this be increased to 33 percent within ten years. This approach is referred to as "cost-sharing:" the student contributes a portion of the cost, and the state provides the remainder. It assumes that the individual student benefits and that society benefits from having an educated and productive citizenry.

According to a study by the State Higher Education Executive Officers (SHEEO), Washington is among ten states which directly relate tuition to the cost of education, or more specifically, the cost of instruction. Another 27 states monitor and apply indirectly the cost of instruction in setting tuition.[6] Comparisons of tuition's share across states must be made with caution. States vary widely in how they derive the cost of instruction; no two states use the same set of factors to determine cost of instruction. For example, some states' calculations involve a capital or depreciation component while others do not. Overall, the SHEEO data show that for four-year institutions, tuition covers between 30 and 50 percent of the costs of instruction, and for two-year schools the range is between 15 and 30 percent.[7]

The state of Montana conducted a survey in fall 1992 of selected states (including Washington) which index tuition rates to the cost of instruction. The simple average of the eight states for undergraduate resident students was 28 percent at universities, 27 percent at comprehensives, and 27 percent at community colleges. In nearly all the states, the tuition share for nonresidents was 100 percent of costs. The Montana report notes that the established index is not always adhered to rigorously; some states have exceeded their index and some were planning to raise the percentage specified in their index.[8] This Montana study does not reflect changes made by states, including Washington, for the 1993-94 academic year.

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[6]State Higher Education Executive Officers (SHEEO), The Tuition Dilemma: State Policies and Practices in Pricing Public Higher Education (Draft Report), Denver, September 1993.

[7]Ibid., p. 27.

[8]Tuition Indexing in the United States, The University of Montana: January, 1993.

Another approach for setting tuition in Washington was offered in 1988 by the Higher Education Coordinating Board. The Board recommended basing Washington's tuition and fee rates on a defined relationship of educational costs per FTE *not to exceed the projected average of national peer groups*. This "market-driven" approach prompted concerns about the possibility of reduced revenues from tuition. Specifically, there was some concern associated with possibly reducing graduate tuition. Although a recommendation was revised to prohibit any reductions in tuition levels, the Legislature did not endorse this recommendation.

Several other methods are used by states to set tuition. In six states, tuition is indexed to that charged by peer institutions -- i.e., institutions in other states with similar missions, program offerings, size, etc. Many state policies take into account, formally or informally, external economic conditions. Twenty-five states consider the Consumer Price Index (CPI) when determining tuition increases, but only two actually index tuition to the CPI. Another 20 states take into account the Higher Education Price Index (HEPI), but only three states index tuition rates to HEPI. And 21 states consider indicators of personal or disposable income when setting tuition.[9]

Authority for Establishing Tuition Rates

The direct involvement of a state legislature in setting tuition occurs in Washington and in 12 other states according to the SHEEO study.[10] However, most other state legislatures also have some level of influence. According to the study, legislatures often "play a significant role" in tuition decisions. There may be a legislative "intent" expressed regarding tuition, or legislatures may exercise indirect control through the appropriations process.

In at least 30 states, institutions and/or multi-institution governing boards have authority to set tuition rates. Nevertheless, the SHEEO study points out that this seemingly autonomous tuition-setting authority is still limited by other forces. Illinois offers an example of the interaction among various entities: multi-institution governing boards determine tuition rates -- under policy guidelines established by the state coordinating board. However, the legislature must appropriate tuition revenues, as well as state general fund support, prior to expenditure.[11]

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[9]SHEEO, The Tuition Dilemma.

[10]Ibid.

[11]Ibid, p. 48.

Control of Tuition Revenue

Washington's latest changes, which allow institutions to retain tuition revenue in a local account, conform with policies in the majority of other states. According to the SHEEO study, the method formerly used by Washington of depositing tuition revenue in the state general fund is replicated in only three other states.[12] Three-fourths of the states use Washington's current approach of allowing institutions (or multi-institution governing boards) to retain revenue locally. Eight states use the method of depositing tuition revenue in a separate state account which must then be appropriated.

Tuition at Washington's Technical Colleges

The merger of technical and community colleges occurred in 1991; both are now the responsibility of the State Board for Community and Technical Colleges (SBCTC). Tuition-setting procedures, however, differ between the two types of schools. Following the merger, a SBCTC task force reviewed the tuition process. The task force recommended and the SBCTC affirmed maintaining tuition responsibility for the technical colleges at the local level. Technical colleges (and the Seattle Vocational Institute) set tuition and retain it in a local account. The task force found that this method provides significant flexibility and allows the colleges to make decisions based on local needs.

Each technical college sets tuition locally, based on program costs and market influences. Tuition rates are generally comparable across the technical colleges for similar programs, and also comparable to rates at community colleges.

[12]Ibid., p. 48.

PART III. FACTORS AFFECTING TUITION INCREASES

The preceding sections discussed increases in tuition over the past decade, and policies and practices which govern tuition. That tuition is increasing, both in Washington and elsewhere, is clear. It may be helpful to examine some of the economic and political factors related to this steady increase.

The cost of everything, including tuition, is rising, and inflation is often the prime factor. But is inflation the only cause of tuition increases? The rate of inflation can be tracked through various indicators, and the changes in inflation can be compared to the rate of increase in tuition. Figure 6 compares yearly tuition increases with the Higher Education Price Index (HEPI) and the Implicit Price Deflator (IPD). The IPD is used by the Office of Financial Management in the development of agency budgets and is commonly used as a measure of consumer price inflation. HEPI, developed by the Research Associates of Washington, is recognized as an indicator of higher education cost increases.

Figure 6

Yearly Increases in IPD and HEPI Compared to Tuition
Resident Undergraduate Tuition: Percent Increases

	IPD	HEPI	*Research*	*Comprehensives*	*Community Colleges*
1984-85	3.4	5.5	0.0	0.0	0.0
1985-86	2.9	4.6	22.7	19.2	20.3
1986-87	3.3	4.1	0.0	0.0	0.0
1987-88	4.3	4.6	7.9	5.0	8.6
1988-89	4.7	5.8	3.8	3.5	2.8
1989-90	4.7	5.8	1.7	15.3	5.4
1990-91	5.3	5.3	6.9	6.1	5.5
1991-92	3.4	3.2	11.5	5.4	9.0
1992-93	2.8	3.4	3.4	5.1	5.7
1993-94	2.9	3.2*	12.4	10.4	12.6
1994-95	2.8	3.2*	14.8	14.5	15.2
10-Yr.Total	**40.5**	**48.7**	**85.1**	**84.5**	**85.1**

Sources: IPD -- Forecast Council, State of Washington, September 1993.
HEPI -- Research Associates of Washington, 1993.

* Staff projection.

Clearly, there has been significant inflation affecting costs associated with higher education. However, increases in tuition beyond inflation rates prior to 1993-94 mainly reflect efforts to increase quality in Washington postsecondary education. Increased appropriations for instruction raised the cost per FTE, and, even though the percentage of cost covered by tuition remained stable (until 1993-94), tuition dollar amounts increased because of the overall increase in the cost of instruction. Recent increases primarily result from 1993 legislation which increased the percentage of costs covered by tuition.

Washington's General Fund covers expenditures for a wide array of government services, and the proportion of funding provided to higher education has decreased in comparison to other areas. For example, corrections has received an increase in fiscal year 1994 of 28 percent, medicaid 15.6 percent, and public K-12 schools 4.5 percent, while higher education has been cut by .2 percent.[13] Furthermore, when tax revenues to support state government become scarce, lawmakers tend to look for other funding sources. For higher education, an obvious source is tuition. In Washington, the General Fund and tuition comprise virtually all of the state operating budget for higher education. Although the budget for public higher education institutions shows a slight increase overall compared to the prior biennium, there has been a remarkable shift in the makeup of the funding sources. In the 1993-95 budget, the General Fund contribution decreased by 3.5 percent, while the amount collected from tuition increased by 34.7 percent. This increase is consistent with the rise in the percentage of the cost of instruction covered by tuition (as discussed above).

Washington's shift toward greater reliance on tuition revenue is similar to developments in other states. Results from a national survey by the American Association of State Colleges and Universities noted that: "The substantial increases in tuition and fee charges for the past two years, and overall for the past decade, indicate a continuing shift in the burden of payment for public education to students and parents."[14] Extra tuition dollars are not buying more education, but are replacing tax support.

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[13]State Policy Reports, Vol. 11, Issue 15, August 1993.

[14]American Association of State Colleges and Universities, "Annual Survey of Student Charges at Public, Four-Year Institutions," Special Report, November 20, 1992.

PART IV. TUITION COMPARED TO FINANCIAL RESOURCES OF STUDENTS

Because tuition, as well as other costs, has risen, increasing numbers of students are experiencing difficulty in finding resources to cover costs. This section examines increased costs to students, and discusses programs which provide financial assistance.

Increase in Cost of Attendance

Student "costs of attendance" have increased in all aspects -- room, board, books, supplies (which often include computers), transportation, and, of course, tuition. In addition, many students have dependents to support or other obligations. Depending on a student's situation, college may not be affordable without financial assistance for some or even all of the cost of attendance. The need for assistance is often crystallized around the cost of tuition. Tuition is the visible price, the "sticker price," that can be a major contributor to decisions regarding college attendance. For example, Alexander Astin, who annually surveys college freshmen, found in 1991 that "Twenty-seven percent of the students surveyed said they had selected their colleges because of low tuition. In 1990, 23 percent of the freshmen reported doing so. The proportion of students who [chose] college based on offers of financial aid also increased -- to 28 percent, up from 25 percent in 1990."[15]

To a large extent, market influences determine most college expenses, except tuition. There is some variation across institutions in expenses for room and board; however, this variation is mainly attributable to geographic location (affecting transportation expenses) and choice of living arrangements (living at home, living in a campus residence hall, or in an off-campus apartment, for example) rather than to institutional policies. For the purposes of this study, it is assumed that room, board, supplies, etc. need to be purchased no matter where a student enrolls and that costs are comparable across the country. Tuition, therefore, is the main factor accounting for wide discrepancies in the cost of attendance among institutions and between different levels of study -- e.g., undergraduate compared to graduate.

Tuition rates in the past decade have increased more than other aspects of the cost of attendance. Between 1984-85 and what is projected for 1994-95, the overall cost of attendance for undergraduates at the state's two research universities grows by 64 percent. However, tuition increases when examined separately will experience an increase of 122 percent. Although college attendance is dependent on somehow covering all the costs, the

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[15]"This Year's College Freshmen: Attitudes and Characteristics," The Chronicle of Higher Education, January 22, 1992.

resources needed by students to cover tuition has become a much greater factor than in the past.[16]

Affordability and Access

Tuition affordability can be gauged by various comparisons. The SHEEO study used national data to compare average tuition to average per capita personal income.[17] For the nation in 1980-81, average tuition as a percent of per capita personal income at public research universities, comprehensive institutions, and community colleges was 9.7, 8.1, and 4.8 percent respectively. By 1992-93, the percentages had climbed to 13.7 percent for research, 11.1 percent for comprehensives, and 6.0 percent for community colleges.

Other national data suggest that family income levels are above average for those attending public universities. In 1990, for example, approximately half of the first-time, full-time freshmen enrolling at selective-admissions public universities in all states had family incomes above $60,000. First-time enrollment at public two-year colleges, however, was predominantly from family incomes below the median of $35,000. Furthermore, over half of baccalaureate degrees were earned by those from families in the top income quartile.[18]

In Washington, the Office of Financial Management (OFM), using data from an independent survey, reported that the average family income of entering freshmen at the University of Washington and Western Washington University was $66,155 in 1989. That same year, the average family household income in Washington was $36,795. OFM also reported that students from lower income families in Washington are more like to attend community colleges than four-year institutions.[19]

Increases in poverty in this state have critical portents relative to these enrollment trends. Washington's poverty rate increased faster than the national average between 1980 and 1990 with a significant segment of the state's population reporting incomes below the poverty rate. Furthermore, a higher percentage of persons of color report incomes below

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[16]Higher Education Coordinating Board, A Commitment to Opportunity: Considerations for the 1990s -- Student Financial Aid Policy Study, March 1993.

[17]SHEEO, The Tuition Dilemma, p. 9.

[18]Thomas P. Wallace, "Public Higher Education Finance: The Dinosaur Age Persists," Change, July/August 1993.

[19]Office of Financial Management, memorandum to The Honorable Ken Jacobsen, April 15, 1993.

poverty level than does the white population.[20] Therefore, the prospect of increasing tuition prompts concerns about reducing access to higher education for low income students, particularly students of color.

Programs to Assist with Cost of Attendance

Tuition, often viewed as the "sticker price" for college attendance, can translate to "sticker shock." It's the price tag attached to enrolling, and it is the same price for everyone. "Tuition is the most visible college price, and it is the one that is most inescapable. College tuitions are conspicuous, and students are unusually conscious of them."[21] Less visible are programs which can help with the costs. In Washington, there are programs at public and private institutions which help to reduce the sticker price, or at least postpone payment to a later time (such as after graduation) through loans. However, financial aid programs may not reach every student who needs assistance, and often the assistance does not cover the entire amount of an individual's need. ("Need" is calculated as the cost of attendance minus the student/family contribution.)

In general, three types of financial aid are available to students: grants, work study, and loans. These aid programs are provided by the federal government, by state funding, and a small proportion from institutions. Because the state has an interest in promoting equitable access to higher education, it has developed programs to assist financially needy students. Although over three-fourths of total financial aid is provided by the federal government, the state of Washington has augmented available aid with two major programs: State Need Grants and State Work Study. The most recent legislative session yielded a substantial increase in State Need Grant funding: an increase of $53 million, which is 125 percent more than was available the previous biennium.

During 1991-92 in Washington, approximately 72,000 students, over 40 percent of those enrolled at both public and private institutions, received some form of need-based financial aid from all sources (federal, state, etc.) Funding for that year totaled $396 million; state aid accounted for $40 million of this total. Data are not available for this current academic year, but increases in State Need Grant funding along with changes in federal programs indicate the amount of financial aid used in Washington will undoubtedly increase.

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[20]Higher Education Coordinating Board, A Commitment to Opportunity: 1992 Update of the Master Plan for Higher Education, March 1993, p. 16.

[21]Larry L. Leslie & Paul T. Brinkman, "Student Price Response in Higher Education -- The Student Demand Studies," Journal of Higher Education, March/April 1987, p. 196.

For a number of years, state statutes have established an intent, but not a rigid requirement, that tuition increases be linked to additional financial aid.[22] Specifically, financial aid increases should equal at least 24 percent of increases in revenue received from tuition increases. This percentage was established in 1977, but the HECB and others have supported efforts to increase the financial aid intent from 24 to 40 percent because of larger numbers of students needing assistance. During the 1993 legislative session, even with substantial increases in tuition, increases in financial aid exceeded the 40 percent guideline. The HECB Student Financial Aid Division recently completed an in-depth study of financial aid. Those interested in this issue are referred to the document, "A Commitment to Opportunity: Considerations for the 1990s -- Student Financial Aid Policy Study," March 1993.

[22]RCW 28B.15.065.

PART V. TUITION PHILOSOPHIES

Philosophies about who should pay for higher education provide a guide for decisions about levels of tuition and levels of state funding.

Tuition Philosophies: Who Should Pay, Who Benefits?

For decades, debate has persisted around the question of who should pay for college costs -- the state or the individual. A tuition study conducted in Washington in 1971 contained a philosophical discussion on this question. Two extremes of the argument suggest that (1) the state pay all of the costs because of the general benefits of an educated citizenry in a democracy, or (2) the individual pay 100 percent of costs because, to an overwhelming degree, the individual reaps the direct benefits of a better-paying job, greater personal satisfaction, realization of career goals, and so forth.

It is interesting to note that the first alternative has long been applied to pre-college education: financing of the **public** schools in this country is totally the responsibility of the state. For instruction beyond high school, however, the philosophy concerning who should pay changes. The 1971 tuition study notes:

> The extension of this philosophy into post high school education is not as clear-cut however. Following graduation from high school the individual has the opportunity to pursue a number of alternative courses: he may enter the job market; he may seek some short-term vocational training; or he may desire additional education for a variety of reasons related to career objectives and personal development. Therefore, while the State still maintains an interest in improving the educational levels of its citizens, the specific benefits to the individual tend to increase as he progresses through a program of post high school education.[23]

This post high school philosophy appeared in a document over 20 years ago, and no doubt the philosophy has been operative for a much longer period. A question can be raised about whether this philosophy is adequate for the economic realities of the nineties. How easy is it for a high school graduate to enter the job market and expect to earn a living wage? Is some amount of post high school education essential to be viable in this society? Statistics show that the rate of poverty is inversely proportional to the level of education. For the population holding only a high school diploma, the rate of poverty is 19 percent -- nearly 1/5

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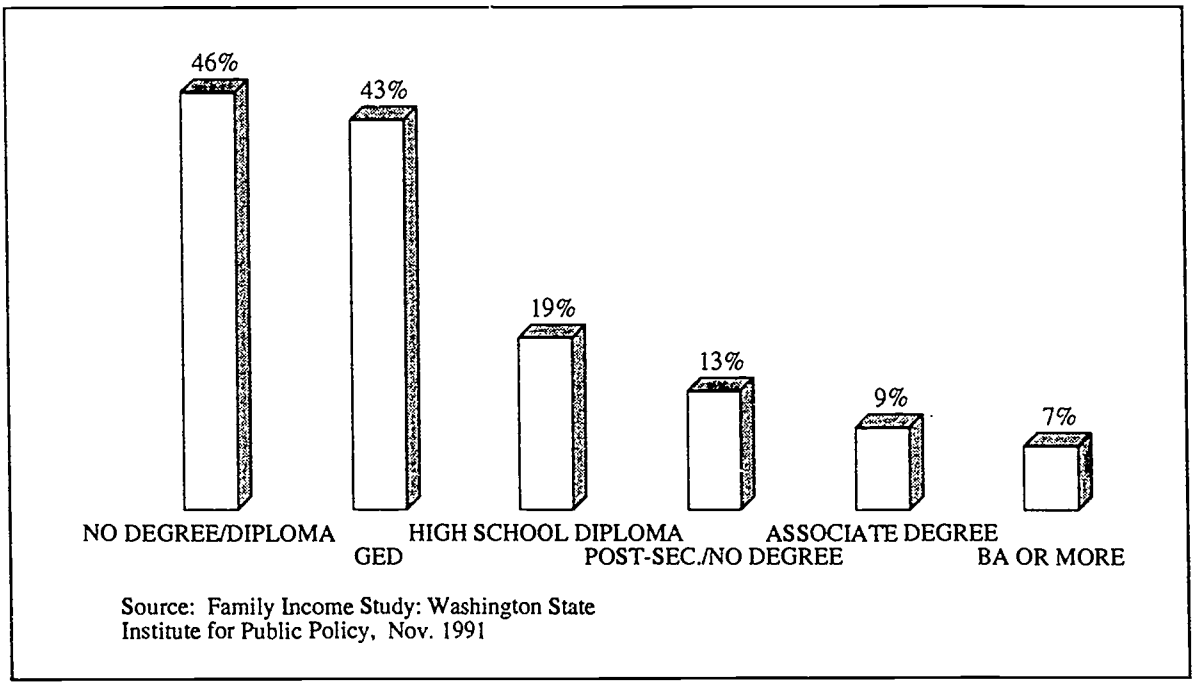
[23]Council on Higher Education, Tuition and Fee Policies for Public Higher Education, January 1971, p. 6.

of that segment of the population. As the amount of education increases, the poverty rate declines, and for those with less than high school, the rate dramatically increases, as illustrated below:

Figure 7

Washington Poverty Rates by Education Levels
1989-90



Source: Family Income Study: Washington State Institute for Public Policy, Nov. 1991

The benefit to the individual of increasing levels of education is obvious -- a higher standard of living and all that represents. There are, of course, benefits to the state of an educated population, but these benefits are not as easy to measure. Certainly society draws upon its educated and skilled workers to supply services, staff industry and make policy. Furthermore, the state collects taxes from these workers. The higher the salary, the more the individual contributes to the state treasury. The question is: does the state put more resources into an individual for his/her college education than it reaps in future benefits?

Studies have shown that the state may receive more than it costs -- that higher education is an investment with a significant rate of return. However, it is difficult to calculate the magnitude of the rate of return. Two recent studies examined the projected return on a state's investment in higher education. One study concluded the following: for the University of Massachusetts at Boston, the total state subsidy for students entering in 1991 will be $34.1 million, and the increase in revenue from that class is expected to be

$53.6 million. This represents almost a 1.6 to 1 direct monetary return. The author of the study notes that, "....given the robust results for the University of Massachusetts at Boston, it is reasonable to believe that over all.....public higher education is an extraordinary investment for state government."[24] Certainly much would depend upon a state's tax structure as well, but the concept continues to lend support for public backing of higher education. Equally supportive is that those with higher education levels draw much less from various state social services (public assistance, juvenile rehabilitation, health, corrections, etc.), thereby saving public expenditures.

Another study conducted at Washington State University examined a potential return on investment to this state from its support of public four-year institutions. The study concludes that a significant amount of tax revenue has been lost to the state because of enrollment levels below the national average.[25] The unrealized revenue was calculated to be over 2½ times the cost that would have been incurred to increase enrollment to the national average.

Washington's Tuition Philosophy

Like most states, Washington's tuition philosophy embraces neither of the extremes described above (no tuition or tuition that covers 100% of cost). Because both the state and the individual benefit from participation in higher education, a philosophy of cost sharing has been adopted wherein the state provides part of the cost of instruction while students contribute a share of the cost through tuition.

Tuition policy in Washington defines the distribution of costs between students and the state. It also affects student choice among institutions and the mix of students at each institution. In Briefing Paper: Higher Education Finance Issues, HECB, December 1991, a proposition was advanced that tuition policy should be evaluated on the basis of:

> **Balance** -- Washington's current tuition policy creates a balanced system that defines the relationship between funding support provided by the state and that required of the student. The state's policy also balances relationships among public institutions, among levels of students (including undergraduates, graduates, and professionals), and between residents and nonresident students.

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[24]Barry Bluestone, "States May Be Making a Healthy Profit on Their Public Colleges and Universities," The Chronicle of Higher Education, October 6, 1993.

[25]Mark Wagner, James Rimpau, Geoff Gamble (Washington State University), "Higher Education, Personal Income and State Revenue," June 15, 1993.

Fairness (Equity) -- The HECB consistently has advocated for sufficient state financial aid to ensure that all educationally qualified students are assured access to higher education regardless of individual economic means. Current policy recognizes the link between increased tuition rates and increased need for student financial aid.

Predictability -- The Legislature created a system for setting tuition rates which ties increases in rates to increases in the cost of education. For the past decade, the state has avoided determining rate increases solely on the basis of state revenue fluctuations. This has created a system of predictable changes, which can be maintained as long as the amount of change is tied to an objective measure (such as the cost of education or peer relationships).

Are these guidelines still valid for evaluating tuition policy? It seems that the element of "predictability" has been compromised with the recent and somewhat unforeseen increases in tuition. Future tuition policy, however, may still benefit from applying these criteria.

PART VI. TUITION POLICY ALTERNATIVES

Tuition Levels

Even though a state has adopted a cost-sharing philosophy, the exact distribution of costs can vary tremendously depending on policies regarding tuition's "share." The two extremes described in Part V suggest two models. A *low tuition* model sets tuition rates at a relatively low amount and therefore provides generous public support to all students who enroll. Because tuition is low, there is a greatly reduced need for the state to provide financial aid; however, the state also supports high-income students at the same level as low-income students. This approach presumably requires high levels of public endorsement for higher education. Some states have changed this traditional low-tuition policy when state resources have been stretched to cover a wider array of other public policy needs.

A *high tuition* model, on the other hand, sets tuition at a high rate for all who enroll. Acknowledging that high tuition costs are above the means of low-income (or even middle income) students, this model -- at least theoretically -- is accompanied by high levels of financial aid. The model assumes that those with adequate resources pay full tuition; low income students are provided with financial aid. The revenue generated from those paying full tuition can help offset the costs of necessary levels of financial aid.

The "high tuition/high financial aid" philosophy has been espoused by a number of states recently, and Washington's latest tuition increases along with the increase in State Need Grant were a step in this direction. Other states have not adhered to the model as carefully. Eleven states raised tuition in 1991-92 while cutting student aid programs at the same time. Massachusetts is the extreme example: tuition was raised by 26 percent and state student aid was cut by 48 percent.[26]

The "high tuition/high aid" model has another rough spot: public opinion polls and other research have found that the tuition "sticker price" can discourage economically disadvantaged students from applying to college -- even when there are guarantees of financial aid.[27] "If a high tuition approach is adopted, appropriate and timely information is needed to get the word out to low-income students."[28]

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[26]Higher Education Coordinating Board, A Commitment to Opportunity: Considerations for the 1990s -- Student Financial Aid Policy Study, March 1993, p. 19.

[27]Western Interstate Commission on Higher Education (WICHE), Confronting the Tuition Spiral: Sourcebook, September 19, 1993, p. 30.

[28]Ibid.

Between *low* and *high* tuition there is a wide range of tuition possibilities followed by most states, including Washington. For example, in 1992-93 the highest undergraduate tuition at a research university in the United States was $6,166 in Vermont, while the lowest was $1,249 in North Carolina. Washington charged $2,253; this was the median point of tuition charges in the 50 states, and was somewhat below the national average of $2,627.

Cost Sharing

Tuition is only one part of the funding package which finances the cost of instruction in Washington's public higher education institutions. Appropriated state tax revenues contribute the largest portion of the cost of instruction. The major concern of this study is the "proper" balance between student and state funding. Also examined is the relationship between various institutional sectors and levels of enrollment.

The state of Washington has reviewed tuition levels and tuition-setting policies at various times in the past. A "market-driven" approach linking tuition levels in Washington to *national peer averages* was proposed in 1988. Although this approach is one way to determine tuition's share, it was not adopted by the Legislature. The current method uses *cost-sharing based on the cost of instruction* wherein tuition shares part of the cost of instruction and state tax revenue provides the remainder.

Policies on tuition's appropriate share may vary, depending on type of institution, or type of student -- for example, universities compared to community colleges, undergraduates compared to graduates. Therefore, different cost-sharing policies may be feasible for different parts of the higher education system. The following examines cost-sharing policies used in Washington and other states, and also looks at suggestions for new policies.

Washington's Current Situation: Tuition Differentials by Sector and Type of Student

For over a decade, community college tuition was fixed at 23 percent of the cost of instruction (going to 28.8 percent by 1994-95). This relatively low percentage reflected the state's interest in postsecondary access for everyone, even if financial resources or admissions criteria prevented enrollment at a four-year institution.

Tuition percentages for undergraduates vary at the four-year level where rates are lower at comprehensive institutions than at research institutions. The rationale seems to follow historical precedent that access to a four-year college experience should be fostered, even if students are unable to gain entrance to a research university. For over ten years,

tuition at research universities was 33.33 percent and 25 percent of cost at comprehensive institutions; these percentages will increase to 41.1 and 31.5 percent respectively by 1994-95.

Graduate tuition in dollar amounts is greater than that charged to undergraduates; however, graduate tuition is assessed at a lower percentage of cost than for undergraduates. The higher cost of instruction at the graduate level leads to these higher dollar amounts. For a decade, the same percentage, 23 percent, was used for graduate tuition at both research and comprehensive institutions. By 1994-95, the percentages will differ, but only slightly: 28.4 percent for research, and 28.6 percent for comprehensive. Furthermore, even though percentages are nearly equal, tuition charges will differ because the average cost of instruction at the research universities is higher than at the comprehensive institutions.

The rationale for lower tuition percentages applied to graduate compared to undergraduate tuition probably involves a concern about shortages in Washington of people trained at the graduate level. The objective of a low tuition rate is as an incentive to foster graduate enrollments. Shortages in various graduate fields were confirmed in the Graduate Education Study -- Final Report and Recommendations conducted by the HECB (September 1991).

First professional tuition for three fields (medicine, dentistry, and veterinary medicine) has been maintained at 167 percent of graduate tuition rates since 1982. Tuition in these fields, though very high cost, is not directly based on cost of instruction. The rationale for the current rate (167 percent) reflects an understanding of the very high costs for these programs, but also reflects the state's interest in not pricing potential students out of these fields. In other words, the state has decided to keep professional tuition relatively low because it is in the interest of the state to provide more extensive support to training needed professionals in these fields.

Separate costs of instruction for each of the first professional programs are not currently available. However, the cost study being conducted during 1993-94 for the first time seeks to delineate costs separately in the areas of medicine, dentistry and veterinary medicine, as well as other professional fields. This information will provide a basis for future examination of first professional tuition rates and tuition-setting policy.

Tuition increases by the 1993 Legislature maintained the relative differentials among types of institutions and levels of student enrollment. Tuition was raised in all areas, but the relationships were maintained: community college tuition is lower than undergraduate tuition at the four-year institutions; graduate tuition is still higher than that charged to undergraduates, while professional tuition carries the highest charge.

Cost Sharing "Across the Board"

The prior discussion covered current tuition based on varying percentages of cost sharing. This can be compared to a hypothetical scenario with a uniform percentage applied "across-the-board." In this case, every student in any sector of public higher education would be assessed the same share of the cost of instruction. Using the percentage suggested by the Carnegie Commission Report of June 1973, this would be 33.33 percent.[29] The rationale for this percentage appears to have resulted from the general tuition "picture" in the country at that time when tuition was about 24 percent of the cost. The Carnegie Commission suggested a gradual increase, assuming that a fair balance between student and state would be achieved with 1/3 and 2/3 shares, respectively. The Carnegie Report also recommended a greater federal contribution and heightened levels of financial aid to low-income students.

The cost of instruction, as determined by the state's cost study, is not uniform among institutions in Washington; therefore, actual tuition amounts would also vary even if 33.33 percent were applied uniformly across the board. Figure 8 illustrates the average cost of instruction in 1994-95, and the resulting operating fees as currently configured -- compared to "across the board" cost sharing at 33.33 percent.

Figure 8

Cost Basis For 1994-95 Resident Tuition
Actual Operating Fees Compared to 33.33% "Across-the-Board"

	Cost of Instruction	Operating Fees	
		1994-95 Actual	Based on 33.33%
Research			
Undergrad	$ 6,469	$ 2,538	$ 2,036
Graduate	15,199	4,197	4,946
Comprehensive			
Undergrad	6,247	1,890	2,006
Graduate	11,572	3,234	3,781
Community Colleges	4,044	1,038	1,221

[29]Carnegie Commission, Higher Education: Who Pays? Who Benefits? Who Should Pay? June 1973.

Clearly, community college tuition would still carry the lowest charge because of the low cost of instruction. Interestingly, the undergraduate costs of instruction at the research and comprehensive institutions are nearly identical; therefore, tuition would differ by only a few dollars. Graduate level tuition would remain substantially more at the research institutions compared to the comprehensive institutions reflecting the higher costs incurred at research institutions to provide doctoral level degrees.

Tuition Differentials for Nonresidents in Washington

For over a decade, all undergraduate nonresidents were charged 100 percent of the cost of instruction. The state did not contribute to the cost of instruction for nonresidents. The rationale revolved around tax contributions: nonresidents paid a higher rate than residents because residents are expected to have been taxed by virtue of living in the state, while nonresidents have not made this prior contribution. The 1993 legislative session increased nonresident undergraduate tuition rates up to 123 percent of the cost of instruction effective 1994-95.

Nonresident graduate students, on the other hand, although charged at a higher rate than residents, have always been charged less than 100 percent of the cost of instruction. The rationale appears to reflect the state's interest in attracting highly qualified graduate students into Washington, and may also relate to perceived state shortages of people with graduate degrees in certain fields.

Tuition Differentials Based on Student Credit Load

Full-time tuition. Throughout this report, tuition rates have been reported for full-time students. Tuition rates commonly reported in Washington and elsewhere almost always refer to a full-time student. The definition of "full-time" may vary across states, but in Washington, those taking between 10 and 18 credits are generally considered full-time. This results in a "plateau" effect: the same tuition is charged to those taking 10 credits as is charged to those taking 18 credits. The rationale appears to involve the state's interest in encouraging students to take a full load -- thus progressing toward a degree in a timely fashion and creating space for others who want a postsecondary education.

Part-time tuition. Part-time tuition rates are a common practice. In Washington, part-time students (generally those enrolled for under 10 credit hours) are "charged tuition and services and activities fees proportionate to full-time student rates established for residents and nonresidents" (RCW 28B.15.100).

Excess credit surcharge. In Washington, an extra fee is levied for carrying an excessive number of credits in one term. With a few exceptions, those enrolled for more than 18 credit hours must pay a surcharge in Washington.

Tuition charge per credit hour. Rather than charging on a full-time/part-time basis, it has been suggested that all tuition be charged on a per-credit basis. This practice would eliminate the "plateau" effect, but other impacts could be envisioned. Would a significant number of students extend their college experience by attending part-time since there would be no tuition penalty for doing so? The effect might be to increase time to graduation and reduce "slots" for new student enrollment. On the other hand, would this policy be more fair to students, especially those with other obligations who cannot enroll for the maximum number of credits?

Tuition Differentials Based on Accumulated Credits

Tuition surcharge for work towards a comparable second degree. In California, a duplicate degree tuition provision has been initiated: higher tuition rates are charged to students working toward a degree at the same or lower level as a degree they already hold. "For example, starting in January 1993, a student seeking a second bachelor's or a second master's degree at California State University paid $150 per credit unit up to a maximum of $4,500 annually, as compared with the 'regular' fee rate of $44 per credit unit."[30] Concerns about administering this type of differential focus on determining who has a degree already, whether or not the degree already held is comparable to the new degree being sought, whether or not it is relevant to consider degrees earned in another state or a private institution, and so forth.

Tuition surcharge for credits beyond degree requirements. Washington and some other states have examined the possibility of requiring students to pay 100 percent of the cost of instruction if they have acquired an excessive number of credits beyond the number needed to obtain their degree. In support of this surcharge, arguments have been made that the state should not subsidize students who spend too much time in school, especially if access to public higher education is limited.[31] This surcharge, too, raises administrative concerns, such as how to count students who take extra coursework for a second major; whether transfer courses count from private or out-of-state institutions; or whether coursework taken years ago counts.

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[30]WICHE, Sourcebook, p. 31.

[31]Ibid.

Tuition Differentials Based on Cost of Coursework

Washington already imposes tuition differentials based on cost: tuition for graduates is higher than for undergraduates because cost of instruction is higher at the graduate level. Similarly, first-professional tuition is higher than graduate levels. These cost differentials can serve one or more purposes. A higher tuition charge for a high-cost program could be used to recover more of the cost through tuition. On the other hand, a low tuition for a high-cost program might serve as an incentive to increase enrollment in a field with a shortage of trained personnel. The following describes other possibilities for cost-based tuition differentials.

Tuition differential between upper and lower division. Some states have established differential tuition for upper and lower division undergraduate students -- again based on higher costs associated with most upper division coursework.[32] According to an Iowa State Board of Regents survey (September 1993), ten states have at least one institution charging different rates for lower and upper division students.

This approach has not been used in Washington, and presumably more administrative details would be required to implement another differential pricing schedule. However, the cost study collects information on costs -- separated by lower and upper division. In setting tuition, this information is averaged to obtain an undergraduate cost of instruction. Washington enrollment goals, as outlined in Design for the 21st Century, specifically target increased enrollments at the upper division and graduate levels.[33] Therefore, tuition differentials resulting in higher rates for upper division students might act as a disincentive to attaining state enrollment goals.

Tuition differentials based on program costs. An even finer disaggregation is possible by imposing different tuition rates within the various categories of study. In Washington, all undergraduate students are charged the same rates (differing only by type of institution and residency status). However, institutions in several other states charge differential undergraduate program rates, often in engineering, nursing, pharmacy, architecture and art.[34] Differential pricing for a substantial number of undergraduate programs prompts policy questions. For example, will students opt for the lower priced coursework and create a state shortage of trained professionals in high cost areas? Will lower income students be forced into less expensive programs? Will extra expenses be

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[32]Ibid.

[33]Higher Education Coordinating Board, Design for the 21st Century: Expanding Higher Education Opportunity in Washington, July 1, 1990.

[34]Iowa State Board of Regents, "Survey of States on Tuition Policies," September 1993.

incurred because of more complicated accounting procedures for differential tuition billing? Will students "shop" institutions based on tuition rates for the same program?

Graduate level tuition is already set at a higher rate than for undergraduates because of the higher program costs. Differential tuition within the graduate level could also be examined.

Of particular interest in Washington are the different first-professional rates. Washington has a higher rate for three first-professional fields -- medicine, dentistry, and veterinary medicine -- and it is the same rate for each of these. Other first-professional fields, law and pharmacy (Pharm. D.), carry the same tuition rates as those for graduate programs. Recent information from several states -- collected through an informal HECB survey -- shows generally that states which also have these same three fields charge different rates among the three. Medicine usually has the highest rate; dentistry somewhat lower; and veterinary medicine is the same or less than dentistry. In addition to these three fields, the survey asked about pharmacy and law which carry regular graduate rates in Washington. Pharmacy (Pharm. D.) exhibited consistently lower tuition rates than rates for dentistry or medicine. Tuition for law students was nearly always higher than for pharmacy in states which have both fields. As mentioned above, the cost study currently being conducted by the HECB will ask for a delineation of costs at the professional level.

Supplementary fees. In one sense, every institution in Washington and across the country defrays the extra costs for the more expensive courses, or costs for other services, through various supplementary or auxiliary "fees." Though not labeled "tuition," a variety of these extra fees is encountered by students. Some charges or fees are attached to classes where extra supplies or special equipment are required -- such as art classes or science laboratories. Some fees cover administrative activity. As an example, Eastern Washington University has compiled a list of various fees which are probably similar to other institutions' charges. At EWU, over 300 courses require mandatory fees, usually between $10 and $20. In addition to course fees, a number of other service charges may be assessed, such as application-for-admission fee, late registration fee, diploma fee, etc.[35]

Tuition Offset with Financial Aid -- Based on Student's Ability to Pay

Current financial aid system in Washington. In Washington, financial aid is provided by federal and state programs. State programs, mainly State Need Grant, support students based on the entire cost of attendance. "Need" is calculated as the cost of attendance

[35]Eastern Washington University, Office of the Executive Vice President, Memorandum to EWU President Mark Drummond, May 17, 1993.

(tuition, room, board, books, supplies) minus the student/family contribution. For many students, family contributions and various grants do not cover all of the cost of attendance, and they supplement these sources with loans.

Tuition combined with financial aid guarantees. It has been proposed that a tuition "sticker price" be closely tied to guaranteed levels of financial aid, with the aid level dependent upon the student's income or expected family contribution. Although there would still be an official tuition charge, information would be provided simultaneously on the amount of financial aid that a student could expect. This approach embodies the "high tuition/high aid" concept: students paying the full tuition price would pay a greater share of their instructional costs. Students above a designated income threshold would pay full tuition; as income dropped below the threshold, more aid in the form of grants would become available. (Thomas P. Wallace, "Public Higher Education Finance," Change, July/August 1993).

Tuition-Setting Authority in the State of Washington

Because of the importance attached to the rates of tuition charged to students, policy considerations also involve an examination of where authority resides, or should reside, to set these rates. Different entities -- legislature, governing or coordinating board, institutions -- have constituencies and interests which would affect decisions each might make regarding tuition. Should a state-level entity have the responsibility since higher education is a priority and interest of the general public? Should institutions set the rates because they are the main beneficiaries of tuition revenue?

Current and Emergent Issues: Anticipating the 1994 Legislative Session

It is likely that tuition will be a topic of consideration in the 1994 Legislature. Although the focus of concern could involve any of the various policy issues and alternatives described in this paper, at least two topics are expected to be discussed by legislators.

Tuition-Setting Authority:

Should tuition continue to be set by the Legislature based on the cost of instruction, or should institutions assume this responsibility?

Historically, tuition has been set at the state level (i.e., by the Legislature) in Washington. This reflects the state's interest in aligning tuition consistently across institutions, and in making tuition consistent with state goals and objectives rather

than unique to a particular institution. Furthermore, since the state is responsible for the budgets of the institutions, setting tuition allows predictable calculations for the revenue that will be collected as part of the operating budget. It also facilitates planning and subsequent appropriations of desirable levels of financial aid.

If state institutions (other than technical colleges which already have that responsibility) could set tuition levels, it would increase their administrative flexibility and better allow them to react to changing and local needs.

Levels of Tuition:

The state raised tuition significantly this biennium. Is it in the interest of the state and its citizens to continue to raise tuition? Should tuition be targeted at a "moderate" level or a "low" level? Should the state adopt a "high tuition" policy coupled with "high financial aid?"

Arguments have been advanced proclaiming the rationality of all of these approaches. The "high tuition/high aid" approach has been espoused by several states, but, as discussed in Part VI, 11 states have recently raised tuition while concurrently reducing financial aid. One researcher, Mike Lopez, has noted that "High-tuition-high-aid models are seductive in their seeming logic and rationality ... they are financially viable only under a restricted set of circumstances -- when significantly more high-income students than low-income students attend an institution." Lopez also notes that legislatures are tempted to raid the financial-aid fund when the economy deteriorates.[36]

Responses to both these issues will be shaped, at least in part, by decisions made regarding the impact of Initiative 601 on all "fees," including tuition. The Initiative, passed in November, appears to limit all fee increases to a "fiscal growth factor" calculated at the average rate of inflation and population growth for the previous three years. Debate exists over whether the Initiative extends to tuition rates. If it does, tuition could not be raised without legislative approval.

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[36]Mike Lopez, "High Tuition, High Aid Won't Work," The Chronicle of Higher Education, April 7, 1993.

Summary

This paper, "Tuition in Washington: A Comprehensive Review," presents an examination of tuition in Washington's public higher education institutions. Levels of tuition, procedures for determining tuition, historical trends and comparisons with other states have been explored. This study is intended as background information for the Higher Education Coordinating Board, and for others concerned with tuition policy in Washington.

APPENDIX A

NONRESIDENT UNDERGRADUATE TUITION PER ACADEMIC YEAR

YEAR	*RESEARCH*	*COMPREHENSIVES*	*COMMUNITY COLLEGES*
1984-85	$ 3,624	$ 3,486	$ 2,285
1985-86	4,461	4,206	2,754
1986-87	4,461	4,206	2,754
1987-88	4,809	4,425	2,985
1988-89	4,998	4,584	3,075
1989-90	5,082	5,325	3,234
1990-91	5,433	5,649	3,402
1991-92	6,075	5,970	3,717
1992-93	6,345	6,297	3,939
1993-94	7,134	6,948	4,425
1994-95	8,199	7,974	5,094
Percent Increase			
1984-85 to 1994-95	**126.2%**	**128.7%**	**122.9%**
1992-93 to 1993-94	12.4%	10.3%	12.3%
1993-94 to 1994-95	14.9%	14.8%	15.1%

NONRESIDENT GRADUATE TUITION PER ACADEMIC YEAR

YEAR	*RESEARCH*	*COMPREHENSIVES*
1984-85	$ 4,692	$ 4,218
1985-86	5,755	5,094
1986-87	5,755	5,094
1987-88	6,228	5,361
1988-89	6,474	5,553
1989-90	7,083	7,440
1990-91	7,578	7,899
1991-92	8,472	8,187
1992-93	8,850	8,640
1993-94	9,963	9,537
1994-95	11,436	10,935
Percent Increase		
1984-85 & 1994-95	**143.7%**	**159.2%**
1992-93 to 1993-94	12.6%	10.4%
1993-94 to 1994-95	14.8%	14.7%

RESIDENT FIRST PROFESSIONAL TUITION PER ACADEMIC YEAR

YEAR	*RESEARCH*
1984-85	$ 3,054
1985-86	3,753
1986-87	3,753
1987-88	4,056
1988-89	4,215
1989-90	4,605
1990-91	4,926
1991-92	5,505
1992-93	5,748
1993-94	6,480
1994-95	7,458
Percent Increase	
1984-85 & 1994-95	**144.2%**
1992-93 to 1993-94	12.7%
1993-94 to 1994-95	15.1%

NONRESIDENT FIRST PROFESSIONAL TUITION PER ACADEMIC YEAR

YEAR	*RESEARCH*
1984-85	$ 7,734
1985-86	9,525
1986-87	9,525
1987-88	10,275
1988-89	10,680
1989-90	11,694
1990-91	12,513
1991-92	13,995
1992-93	14,619
1993-94	16,476
1994-95	18,933
Percent Increase	
1984-85 & 1994-95	**144.8%**
1992-93 to 1993-94	12.7%
1993-94 to 1994-95	14.9%