



September 2009

DRAFT: Tuition Flexibility Study Engrossed Substitute House Bill 2344

Introduction

Engrossed Substitute House Bill 2344 (ESHB 2344) directed the Higher Education Coordinating Board (HECB) to evaluate “tuition flexibility options” for the state’s public baccalaureate institutions. This study, which began in May 2009, was conducted in collaboration with representatives of the public baccalaureate institutions, staff from the State Board for Community and Technical Colleges, the Council of Presidents, representatives of the Washington Student Association, and staff representatives from the Governor’s Office of Financial Management and state Legislature.

The study representatives reviewed the findings and recommendations of 15 prior tuition studies, evaluated the tuition alternatives outlined in the legislation, and have formulated a new state-level tuition policy to guide future tuition rate decisions.

Each tuition alternative was evaluated in terms of its administrative feasibility, effect on state financial aid programs, and impact on students of varying income levels. Importantly, the stakeholder group also evaluated each option in terms of its effect on student access, affordability, and alignment with the strategic master plan goals.

The sum of this work is captured in a working draft entitled, **Tuition Policy Report**, for HECB review and consideration before board action scheduled for November. The working draft contains a general review of public policy as it pertains to higher education and the responsibility of the state and private beneficiaries of a public higher education system. The draft includes a review of prior research related to tuition and its effect on access and affordability and an illustration examining the relationship between tuition levels, expected family contribution, and income levels of Washington families. Finally, preliminary recommendations from HECB staff as well as institutional and student assessments of each tuition alternative are presented for HECB consideration.



September 21, 2009

Working Draft: Tuition Policy Report

Engrossed Substitute House Bill 2344

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I. Policy Context

Engrossed Substitute House Bill 2344 (ESHB 2344) directs the Higher Education Coordinating Board (HECB) to evaluate “tuition flexibility options” for the state’s public baccalaureate institutions. This paper presents the findings and recommendations of the study, which was conducted in collaboration with representatives of the public baccalaureate institutions, staff from the State Board for Community and Technical Colleges, the Council of Presidents, representatives of the Washington Student Association, and staff representatives from the Governor’s Office of Financial Management and the Legislature.

This report proposes for HECB consideration a recommended tuition policy, at both a state and institutional level, for resident undergraduate students. Additionally, the paper presents an institutional and HECB staff assessment of the tuition alternatives as specified in ESHB 2344.

The paper also presents an important discussion of existing data concerning how tuition setting practices can influence student enrollment and, particularly, responds to ESHB 2344 by examining the high tuition model.

Underlying the entire paper is the statutory role of the HECB in representing the broad public interests in higher education beyond the interests of the institutions. With respect to the issue of tuition, this board responsibility means that the interests of students and their families is a central and fundamental priority. Additionally, the primary goals of access and affordability, as promulgated by the *2008 Strategic Master Plan for Higher Education*, are paramount to the formation of this tuition policy.

Summary of Washington Tuition Practices

Tuition policy has been a focal point for debate in higher education nationwide since the 1970s and many tuition setting options have been explored many times in our state and others.

Since 1990, the Higher Education Coordinating Board has produced 15 studies related to tuition policy and tuition setting practices.¹ These prior studies have demonstrated two important principles. First, increasing tuition and fees for students continues to outpace median family income and personal per capita income growth. Second, when state revenue declines, higher education appropriations decline in tandem and tuition and fees increase dramatically in an effort to offset non-tuition based revenue.

These prior reports discuss and emphasize the need to ensure access to higher education by determining a fair, predictable, and affordable tuition policy. Despite many efforts toward those

¹ The full detail of the HECB reports and briefs related to tuition and fees and tuition policy is presented in detailed fashion as Appendix 1 titled “Synopsis of Tuition Policy Work.”

goals, though, tuition setting practices have, since 1995, been established by the Legislature in the state budget and not by a state public higher education tuition policy. As a consequence, decisions about tuition levels have, in effect, been a result of the cyclical nature of state general fund revenue and not a long-term commitment to tuition policy goals.

Guiding Principles

1. Tuition and Accessibility

Ensuring access to college for all citizens, regardless of their income, is a primary principle of public higher education in the United States. This concept is a founding principle of our democracy. Specifically, public higher education was intended to be, and is, a vehicle for educating all citizens and not just the elite. The historical significance of an accessible higher education system resonates today as strongly as it did when Thomas Jefferson founded the first public university in Virginia.

"I know no safe depository of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education." Thomas Jefferson, 1820

Equitable access to public higher education is achieved through several avenues, but perhaps the most critical is tuition policy. Higher education has transformative power for all citizens of our state and, therefore, our state's social and economic status. This transformative power relies upon both an independent sector of higher education, and is also a responsibility of the public through state supported institutions. Equitable access to public higher education is a fundamental consideration in establishing public tuition policy. At the same time, public tuition policy should determine how the cost of higher education will be shared between the individuals that benefit and the state that supports it.²

2. Academic Quality and Funding

Since tuition provides a principal source of revenue to institutions, it plays an important role in an institution's ability to provide students with a quality academic experience. Specifically, academic quality requires, in large part, a sufficient amount of resources being available to, and optimally managed by an institution.

² This report will not offer lengthy analysis about each tuition policy's potential to affect the Guaranteed Education Tuition (GET) program, as the Office of the State Actuary is conducting an analysis of that program, with participation from HECB concurrently.

This above principle keenly illustrates therefore the importance of tuition to both an institution and to the student. Specifically, institutions need enough revenue to be held accountable for providing quality instruction, and students deserve a quality education from the tuition they pay.

II. HECB State Tuition Policy: Rationale and Framework

The term “*policy*” is used in many different contexts, often with different meaning. Often it is used to refer to a rule which prescribes desired behavior. Public policy is different, though, in that it represents a formal expression of shared values and goals, typically adopted by a governmental entity, to **guide** future decisions to achieve desired outcomes.

The central issue of public higher education tuition policy concerns the appropriate sharing of cost between the public and students. This policy question has endured since the creation of American public higher education. As Jefferson wrote:

“The expenses of the universities are defrayed partly by the public, and partly by the individuals profiting of them.” Thomas Jefferson, 1823

Accordingly, a state public higher education tuition policy should express as a goal the appropriate and desired share of costs between students and the public which will have the following desired outcomes:

- Supports existing state policy to raise the educational attainment level of Washington citizens, and to ensure access to students of all income levels.
- Results in stable and predictable levels of tuition for students, families, and institutions.

Components of Tuition Policy

Following from these desired outcomes, this paper proposes a state resident undergraduate tuition policy which establishes as goals:

1. At the state level, the appropriate share of public (state appropriated) revenue to institutions and of student tuition revenue to fund the cost of undergraduate education.
2. At an institutional governance level, the types of tuition rate setting alternatives available to institutions to realize the state-level tuition revenue goals.

As a policy goal, the share of costs will be normative in nature, reflecting a consensus on what the appropriate share or proportion of cost should be between students and the public, as Table 1 illustrates on the following page.

Table 1. Cost-sharing examples

State Share of the Cost (NGF-S Appropriations)	Student Share of the Cost (Tuition Revenue)
60%	40%
55%	45%
45%	55%

When looking at comparable institutions in the Global Challenge States (GCS), the average proportion of tuition revenue to total revenue in academic year 2006-07 was around 40 to 45 percent. Public institutions in Washington rely on tuition revenue more than peer institutions in the GCS do.

Table 2. Percent of tuition and fee revenue to total revenue (state support and tuition and fee revenue) by institution compared to the average percent in the Global Challenge States

2006-07	UW	WSU	CWU	EWU	TESC	WWU
Percent of T&F Revenue to Total Revenue (State Support + T&F)	51.4%	38.9%	47.5%	50.5%	51.5%	53.4%
GCS Average	40.4%	42.5%	44.2%	47.5%	35.6%	45.2%

More current data (FY2010) of the percent of tuition to total state and tuition revenue shows that tuition and fee revenue is proportionately greater at most institutions than the state appropriations share.

Table 3. Percent of tuition and fee revenue to total FY2010 revenue (state support and tuition and fee revenue) by institution for the current fiscal year

2009-10	UW	WSU	CWU	EWU	TESC	WWU
Percent of T&F Revenue to Total Revenue (State Support + T&F)	52.0%	47.4%*	50.2%	49.1%	51.5%	53.2%

*Calculation excludes appropriations to agricultural research and extension programs.

Determining the Basis of the Cost

ESHB 2344 calls for the issue of academic quality to be addressed in this study. As discussed earlier, academic quality requires, in large part, a sufficient amount of resources being available to, and optimally managed by an institution.

Accordingly, an objective assessment and hence understanding, of the relationship of tuition revenue to academic quality requires an empirical basis for determining and describing the amount of resources (both from tuition and state appropriations) needed by an institution to provide academic quality. Once established, this information, or *Cost Basis*, can then be used to determine, the amount of funds needed from both students and the public to provide a quality academic experience, per the policy of proportionate shares of cost between the public and students.

There are three ways to establish a cost basis.

- 1. Current Expenditure Based**

This methodology was previously used to determine tuition rates based on prior expenditures. This model works when the economy is stable, general fund growth is stable, and allows the state to moderately increase appropriations to institutions and, therefore, moderately increase tuition rates. However, because Washington's tax basis is based on sales tax receipts, it is an unstable source of revenue for the general fund when the economy is in decline. If expenditures were used as a basis for determining the cost of instruction and the state invested less in tuition, tuition could decrease in tandem when institutions needed the additional revenue. Likewise, if the state investment increased during good economic times, the student share would increase unnecessarily.

- 2. Comparative Based**

This methodology would use a set of peer or comparable institutions to determine an appropriate cost of undergraduate instruction. This cost would then be used as a basis for determining total tuition and state revenue needed per policy goals concerning the desired shares of cost between students and the public.

- 3. Cost Standard Based**

This approach would involve the development of a cost model which establishes appropriate "unit costs" for key cost areas (e.g., direct instruction, instructional support, student services, library resources, operations and maintenance, administrative overhead, and other indirect cost areas) as based upon performance and cost standards. While the development of the standards would use benchmark and best-practices data from other states, the model would reflect performance and quality goals unique to Washington State.

HECB Staff Assessment

Staff recommend that a comparative based approach be used as a starting point in determining an appropriate level of undergraduate instructional cost. Due to its prior usage and familiarity with state policy-makers, staff recommend that the comparable institutions of the Global Challenge States be used. This staff recommendation is predicated on a thorough review of key indicators of academic quality and productivity underlying the GCS cost of instruction levels.

III. Implications of Tuition Policy

ESHB 2344 calls for an examination of the interaction effects of high tuition, lower income student participation, and financial aid. The term “high tuition,” by itself has no implicit definition and, hence, no meaning. Clearly, “high tuition” is a relative concept, meaning tuition levels that are higher than something else, specifically other tuition levels.

When discussed in the context of public higher education, the “high tuition” concept is typically found to be a part of a state budgeting approach which would propose that higher tuition can, and should, be tied to lower state appropriations to institutions. This “higher tuition and less state appropriations model” frequently addresses the issue of affordability by linking “high financial aid” as a mitigating action.

This paper presents below a summary of the experiences of other states and institutions which implemented forms of the high tuition model. Specifically, this existing research provides objective information about the consequences of the “high tuition model” on lower income student participation and student debt impacts. The impact of student debt is very important since it demonstrates the limits of financial aid as high tuition mitigation on students and families who do not qualify for aid.

Following this discussion, the paper presents data concerning the interaction between family income levels, expected family contribution levels, and tuition levels.

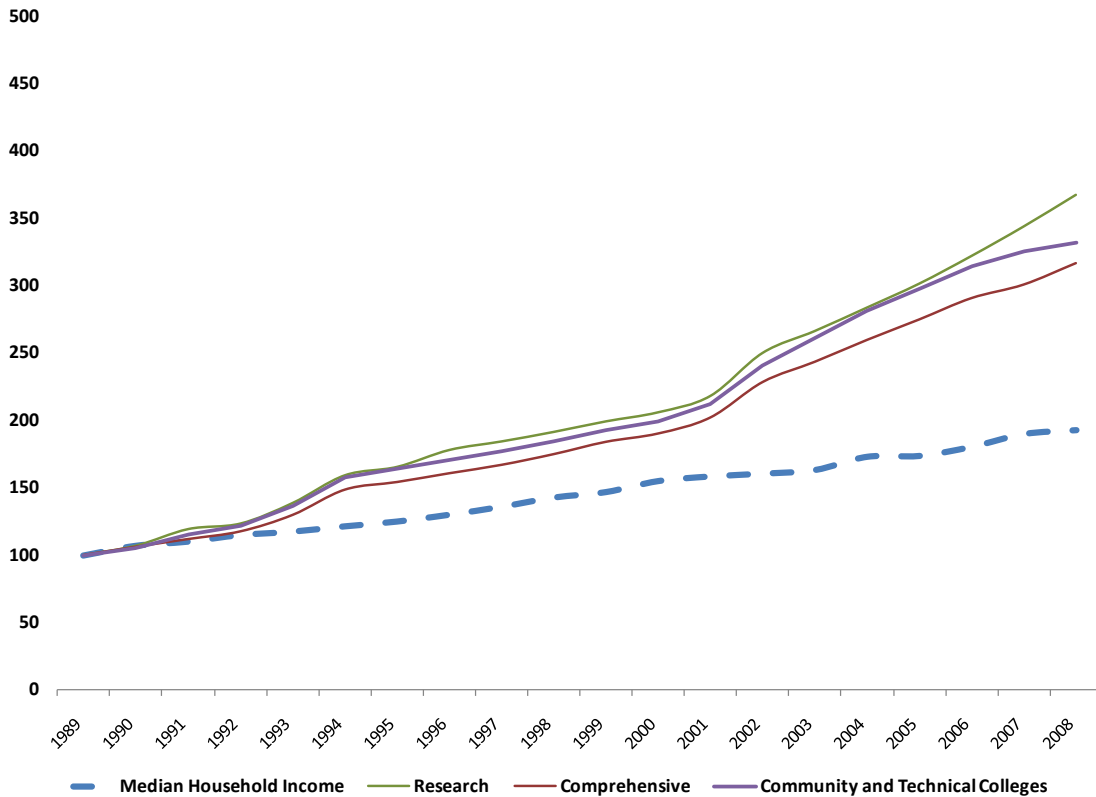
Prior Research

Tuition and fees in Washington are increasing rapidly for resident undergraduate students. The implications for this growth are important to consider because they directly relate to goals of affordability and access to higher education.

To substantiate the effect that tuition and fees has on families and individuals in Washington, the affordability of tuition and fee levels must be explored further. While there are a number of measures with which to examine how affordable tuition and fees are in Washington, affordability must be considered in a greater context including median family income, consumer debt, and rising costs of living.

These measures indicate that middle-income families and individuals cannot save as much for college, the dollars they earn buy less higher education than in the past, and that current wages are not sufficient for current tuition and fees (Heller, 1996; Perna & Li, 2006). Median family income is not keeping pace with rising tuition and fees for resident undergraduate students.

**Chart 1. Washington Median Household Income and Resident Undergraduate Tuition
1989-2008, Indexed, 1989=100**



Source: Office of Financial Management for MHI, Tuition from HECB Tuition Survey.

Median household income is outpaced by tuition and fees growth in each sector of higher education. In addition to income, it is important to highlight other components of an average family's cost of living, like health care and average consumer debt.

The Federal Reserve calculates that, in 2008, the ratio of debt payments to disposable personal income was a high 13.9 percent (compared to 11 percent in 1988 and 1998).³ This measure informs a discussion about the affordability of tuition and fees, because an average person in the United States expends at least 14 to 19 percent of disposable income towards fulfilling outstanding debt in addition to debt related to education expenses.

Apart from rising consumer debt, health care costs for families and individuals continues to grow exponentially and affects a family's or individual's ability to pay for college. In a Kaiser Foundation annual survey of family health care costs (2008), employees contributed nearly

³ Federal Reserve Economic Research and Data Services. Retrieved June 3, 2009, from <http://www.federalreserve.gov/releases/housedebt/default.htm>.

\$3,400 towards their health insurance (or 12 percent more than they did in 2007). Rising health care costs are part of the financial landscape within which Washington families and individuals will make decisions about college attendance and college choice.

Higher education is taking up a larger share of a family's and individual's income over time and making higher education increasingly less affordable (Heller, 1999). Simultaneously, families are coping with increasing health care costs and consumer debt.

When families cannot afford the cost of attendance, they often are forced to take out loans. The use of federal loans to fund higher education has increased from \$791 million to \$67 billion from 1970 to 2007 (Cunningham and Santiago, 2008).

In summary, the absence of tuition policy guiding the Legislature to a thoughtful and balanced share of higher education costs between students (tuition revenue) and the state (NGF-S appropriations) can lead to consistent percent increases to tuition without reflection on the implications to students or institutions.

Increasing access to higher education for students from low-income families and students of color is a priority of HECB's *2008 Strategic Master Plan for Higher Education*. Promoting access can be accomplished in a number of ways, but the literature presents tuition-setting policy as a key means for positively or negatively affecting college-going among low-income students.

Higher education literature presents a vast body of work on the relationship between tuition and enrollments. By and large, increasing tuition is believed to affect enrollments negatively (Leslie & Brinkman, 1987; Heller, 1996; Ehrenburg, 2006). While some efforts have been made to unpack the explanatory variables for slackening enrollment, the face value amount of tuition, the availability of financial aid, and the preparation of students in the K-12 sector are all believed to affect college going rates.

However, a more critical question is clear: Who is affected by increasing tuition? An implication of rising tuition is access of higher education to low-income students and students of color.

Research indicates that low-income students and high-income students react differently to tuition rates, known also as "sticker price," and to different types of financial aid (Heller, 1997; St. John, 2002). Overall, lower income students respond quickly and decisively to higher tuition rates. When tuition increases by \$1,000, lower income students are 16 to 19 percent more likely to drop out of college, regardless of financial aid (Paulsen & St. John, 2002).

Across all institution types and student income levels, tuition increases of \$100 result in a drop in enrollments of 1/2 to 1 percent and these data points were arrived at using information from the early 1980s, so the affect could be much greater today (Heller, 1997). Overall, the higher education literature asserts that the higher tuition prices climb, the more low-income and lower middle-income students perceive college as a hardship.

“It is precisely those poor and working-class students who are aware of the problematic nature of college costs, those who self-identify and profess that they are financially at risk in the face of such costs and who intentionally select the colleges they attend according to the availability of financial aid and low tuition...” (Paulsen and St. John, 2002).

Regardless of aid in any form, research suggests that low-income students would rather attend low-cost institutions over high-cost institutions, even if high aid is available (Paulsen and St. John, 2002).

Although tuition assistance programs aim to assist extremely low-income resident students, many of these students will choose not to sit for entrance exams and submit applications, steps that are necessary to enroll in college, due to sticker shock from tuition costs (St. John, 2002). Far fewer middle and upper income students will fail to take required entrance exams and submit applications due to college costs than their low-income peers.

The high tuition scenario has been associated with a number of unintended negative consequences, primarily on the enrollment patterns of low-income students and students of color. Since this policy has been employed, the University of Michigan has experienced a 10 percent decrease in the number of students from households making between \$10,000 and \$74,999, and an 8 percent increase in the number of students from households making over \$200,000. Likewise, the entering freshman classes have become less ethnically and culturally diverse (Nishimura, 2009).

In summary, access to higher education is affected by increasing tuition and fee rates. In particular, rates affect low-income students and students of color most adversely.

Interaction between Family Income, Tuition Share, and Financial Aid

To examine and illustrate the interaction between varying tuition levels, family income, and financial need, data were gathered to address the following questions:

At varying levels of tuition, with a fixed, or constant amount of the cost of undergraduate instruction (state appropriations and tuition):

1. What are the differing amounts of the “cost of attendance” to a family/student (tuition, room and board, books, transportation costs, and mandatory fees)?
2. What income levels of a family of four with one student are needed to pay the differing costs of attendance?
3. How many families of four in Washington have family income that fall below these needed amounts?

To address these questions, the following data sources and assumptions were used:

- For this illustration, the cost of **instruction** for resident undergraduate students was based upon the University of Washington’s 2008-09 level of \$10,885.

- Cost of **attendance** includes fixed costs but would decrease should tuition decrease as the student share of the cost of instruction is adjusted.
- Family income information is based on a Washington-domiciled family of four with varying levels of annual income, assets of \$40,000, varying levels of taxes, but with one dependent student in college.
- Information related to income levels below Expected Family Contribution is derived from the American Community Survey. The analysis was completed for HECB by the Office of Financial Management.

Table 4. Interaction between cost of instruction, tuition rates and family income in the state of Washington for families of four – University of Washington example

2008-09 Cost of Instruction (State Support and Tuition Revenue) = \$10,885 ⁽¹⁾		Cost of Attendance at Varying Levels of Tuition ⁽²⁾	Family Income Levels		
Tuition and Fees in dollars as a part of the Cost of Instruction	Tuition and Fees as a Percent of the Cost of Instruction	Cost of Attendance as Tuition Increases	Family Income Needed to Pay Cost of Attendance	Families Below Income Level Required to Meet Expected Family Contribution ⁽³⁾	
				N = Number of Families	% of State Families of Four
\$2,177	20%	\$14,513	\$90,000	174,314	61%
\$2,721	25%	\$15,057	\$92,500	180,159	64%
\$3,810	35%	\$16,146	\$95,000	184,480	65%
\$4,354	40%	\$16,690	\$97,500	189,330	67%
\$4,898	45%	\$17,234	\$98,500	190,267	67%
\$5,443	50%	\$17,779	\$100,000	193,190	68%
\$5,987	55%	\$18,323	\$102,500	197,844	70%
\$6,531	60%	\$18,867	\$103,500	199,151	70%
\$7,075	65%	\$19,411	\$105,000	202,136	71%

(1). Cost of Instruction for resident undergraduates at the University of Washington derived from 2008-09 Disclosure Report.

(2). Based on the 2008-09 total academic year cost of attendance \$19,138 when tuition was \$6,250.

(3). Source: ACS PUMS 2005-2007. The ACS sample was 8,680 families of four with resident children under 25.

Using the ACS household weights, that translates into 283,704 families of four in WA.

Table 4 illustrates how the Cost of Attendance to a family changes as the share of tuition to the Cost of Instruction changes. In the table, tuition shares to the cost of instruction (\$10,885) are presented in categories ranging from 20 to 65 percent. Additionally, the table shows the family

income levels needed (per Peterson's Expected Family Contribution calculator) to afford the varying levels of the Cost of Attendance, and the proportion of Washington state families of four with incomes **below** the needed income level.

For example, if tuition is 40 percent of the Cost of Instruction then, the family income needed to pay the full Cost of Attendance is \$97,500. As shown in the table, about 67 percent of Washington families of four are **below this income level**.⁴

The implications of these data on the importance of financial aid as a means to achieve affordability and "level the playing field" are significant. For example, currently, the State Need Grant (SNG) program provides assistance to families making up to 70 percent of the current median family income. In 2008-09, the median income for a family of four was \$75,000. Therefore, SNG assistance was available only to families that made up to \$52,500.

In light of the above, it is clear that the current eligibility income level for state financial assistance is not sufficient for the majority of families to pay the Cost of Attendance. This finding reveals a significant obstacle in achieving state policy goals to raise the state's postsecondary educational attainment level. Put simply, state financial assistance being available only to families earning less than \$52,500 will not "level the playing field" for most Washington families.

⁴ It is important to note that these data do not reflect other sources of funds which some families receive or have to pay for college. For example, some families may have diligently saved for college costs over many years, or have invested in GET or other similar programs. Also, some families receive financial contributions from other family members, or other organizations.

IV. Tuition Alternatives Analysis: Institution and HECB Evaluation

Two major policy values will guide the assessment of these potential tuition alternatives:

1. **Higher education is a public good with a private benefit.** The burden and benefit of higher education must be shared by the public, as higher education benefits Washingtonians broadly, but also benefits the individuals specifically that experience it. The share of the cost born by each group is the qualitative judgment which must be made before establishing particular tuition policy alternatives.
2. **Tuition policy shifts must support the deep-rooted values of affordability and access.** This is promulgated by the *2008 Strategic Master Plan for Higher Education* approved by the HECB and agreed to by the public institutions, the 2008 Legislature and the State Board for Community and Technical Colleges.

“The ultimate reality for publicly supported colleges and universities is that they serve their states. The ultimate reality for state government is that they have to make explicit what they expect and how much they will pay to get it” (Leslie and Berdahl, 2008).

Arriving at a fair and balanced share of the cost for higher education for the citizens of our state and the students in higher education will be a critical process to towards supporting the strategic master plan goals of increasing degree attainment broadly and maintaining access for low-income students and students of color.

ESHB 2344 identified several tuition alternatives to be examined in collaboration with higher education institutions. The alternatives evaluated in this paper include:

- A. Institution based
 - i. Mission/role based
 - ii. Campus based
- B. Student choice based
 - i. Program based
 - ii. Student credit load based
 - iii. Upper/lower-division based
 - iv. Delivery method based (online delivery)
- C. Student/Family income based
- D. Market based
- E. Option to ‘encourage or facilitate co-enrollments’
- F. High Tuition, High Financial Aid

Alternatives Evaluation

Institution Based

1. Mission / Role Based

Summary of Option

Differentiating tuition by institutional mission would not be a big departure from the status quo. As early as 1977, a cost sharing model outlined the percentage of the cost of instruction (based on expenditures) that students were responsible for paying (suspended in 1995). Students have been paying more at research institutions than at comprehensive institutions since that time.

From 1975 to 1981, students at comprehensive and community and technical colleges were paying a percentage of the cost of instruction at research institutions. Students at the research institutions were paying a percentage of the cost of instruction at research institutions.

Table 5. 1977-1981 tuition was a percent of the cost of instruction at the research universities

	Percent of Cost at Research Universities
Research, Resident	25% of cost
Research, Nonresident	100% of cost
Comprehensive, Resident	80% of research cost
Comprehensive, Nonresident	80% of research cost
Community and Technical College, Resident	45% or 50% of research cost

While this policy ended in 1981, the tuition differentiation inherent in the policy was built into the base tuition rates and persisted.

Table 6 below illustrates that students are paying more tuition dollars at the two research institutions than students at the comprehensive colleges.

Table 6. 2009-10 Tuition and Fees by institution and sector average

Institution/Sector	Tuition and Fees
University of Washington	\$7,587
Washington State University	\$7,600
Research Sector Average	\$7,594
Central Washington University	\$5,589
Eastern Washington University	\$5,445
Western Washington University	\$5,472
The Evergreen State College	\$5,413
Comprehensive Sector Average	\$5,480
Community College Average	\$2,925

Institutional and Student Assessment

If this policy enabled institutions to set tuition rates based on their perceived role and not a sector rate, the policy would result in lower controversy than other alternatives. Institutions agreed that this alternative recognized the differential missions, quality, and competitiveness of Washington's institutions.

HECB Staff Assessment

Staff concurs with the institutional assessment and recommends the Board support this as a tuition alternative, because it supports the application of tuition rates across different institutions with varying tuition rate levels. Relative to the State Need Grant, this option would not affect the ability to equitably distribute aid statewide, the ability to predict the impact of changes in tuition on program costs, or the reporting requirements for institutions. This option also would allow the HECB to preserve current SNG policies and the decentralized administrative structure. Importantly, this alternative recognizes the diversity of Washington's mix of institutions.

2. Campus Based

Summary of Option

Another way of differentiating tuition for resident undergraduate students in Washington would be to charge different tuition amounts depending on the campus location. While the legislation requiring this study is silent on the structure and nature of this alternative,

institutions with multiple branches could differentiate tuition among campus locations. The alternative could allow institutions to raise or lower rates by campus.

Institutional and Student Assessment

This alternative was generally thought to be feasible from an administrative standpoint by some institutions. Some of the comprehensive institutions have different fees at the university center locations than at the main campus but by and large, the operating portion of tuition is consistent across campus locations. There were no real concerns about the policy from the research institutions, with the exception that the option would not necessarily influence enrollments substantially at the branch campuses as the policy may intend.

HECB Staff Assessment

The medium to high administrative feasibility of this alternative was recognized by staff review. The option was thought to have some potential influence over participation rates at branch campuses, particularly if the branch campuses continue to expand degree offerings. Whether rates were increased or decreased (relative to the home campus rate), this alternative could have the affect of influencing perception in the general marketplace about the value of an educational experience at branch campuses. Relative to the SNG program, this option would not affect the ability to equitably distribute aid statewide or the ability to predict the impact of changes in tuition on program cost. This option also would allow the HECB to preserve current SNG policies and the decentralized administrative structure. However, this option would require moderate changes to the reporting requirements for institutions in the State Need Grant program. We recommend that the board support this as a tuition alternative.

Student Choice Based

3. Program Based

Summary of Option

In this case, program costs or program demand could be used to arrive at a different tuition rate.

Institutions outside of Washington using this method include the University of Wisconsin Madison and Milwaukee, the University of British Columbia, and the entire Colorado higher education system and this list is not exhaustive. At the University of Colorado Boulder, four different rates govern tuition for undergraduate students. Rates are more costly for programs like engineering and business. This is also true for the University of Colorado at Colorado Springs and Colorado State University, each of which advertise six different tuition rates for undergraduate students. In addition, Iowa State University differentiates tuition for engineering students in the upper-division level and University of Kansas and University of Illinois Champaign both differentiate by program. In these states and others, higher education

administrators believe that the higher cost of faculty in certain departments necessitates that higher tuition be charged to students in those departments (Redden, 2007).

While these public institutions differentiate by discipline for resident undergraduates, institutions in Washington only differentiate tuition by program at the graduate level. At the University of Washington in particular, a wide array of tuition charges are in place for various graduate and professional programs.

While each public institution in the state has the authority to set graduate tuition, the University of Washington and Washington State University offer many different tuition levels for their graduate programs. This authority has been extended via Senate Bill 5734 through 2013.

The HECB's *2005-06 Education Cost Study* (published in 2007) illustrates the inherent cost differential in delivering certain programs. Table 7 below shows the cost of instruction for social science programs at each institution to illustrate how costs differ among institutions. The Evergreen State College (TESC) offers customized majors within the College of Arts and Letters and only one cost of instruction is calculated for that institution. A new articulation of the cost study will be published in 2011 for the 2009-10 academic year.

Table 7. Approximate total cost per average full time equivalent undergraduate student by institution in 2005-06 for general social science degree

Institution	Discipline Area	Total Cost per Student
University of Washington Seattle	Social Sciences	\$6,916
Washington State Univ. Pullman	Social Sciences	\$5,261
Central Washington University	Social Sciences	\$6,576
Eastern Washington University	Social Sciences	\$7,091
The Evergreen State College	Arts and Letters	\$11,021
Western Washington University	Social Sciences	\$6,135

Source: 2005-06 Higher Education Coordinating Board Cost Study.

Across institutions, social science degrees cost different amounts to deliver. Calculated in the costs of these programs are the salaries and benefits of faculty and some administration, the salaries and benefits of some support staff for faculty, and supplies and equipment related to instruction. Costs differ between institutions for a variety of reasons, including differences in class size, the newness of a program (related start-up costs), and the variable salaries of faculty and personnel involved in instruction.

Institutional and Student Assessment

This alternative was viewed by some as equitable, but has the potential to disturb enrollments in certain high-demand programs, and in high cost programs like music, art, and drama. In addition, the option could disrupt enrollment of low-income students into the programs that they desired to pursue. By and large, institution feedback was mixed, as some institutions believed that the option would limit student choice of majors and force early declaration of majors. Some institutions felt that this alternative would harm the liberal arts missions of many of our institutions, as students would not be exposed to as many fields of study as they determined their major. One institution felt that in the absence of consistent state funding, the institution might need the option to differentiate tuition by program. In some cases, the alternative was considered an administrative challenge, as students change majors constantly and would need financial aid repackaging should they transition in and out of programs with different rates.

HECB Staff Assessment

Staff recommends that the board not support this tuition alternative. This option would limit the HECB's ability to equitably distribute SNG funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, this option would require substantial changes to the reporting requirements for participating institutions and may affect the HECB's ability to adhere to current program policies. HECB staff concurs with the institutional assessment that this alternative would be an administrative challenge for institutions as well as students and families.

4. Student credit load

Summary of Option

Students would be charged tuition on a per credit basis up to full-time credit thresholds. For purposes of this study, we assume that this alternative would change the full-time threshold policy currently in place and charge students per credit tuition at every credit increase. Currently, students meet full-time thresholds between 10 to 18 credits, which is meant to encourage faster time to degree. If the current policy was institutionalized further, students could be charged additional tuition on a per credit basis at every credit increase.

Institutional and Student Assessment

While institutions thought that this alternative had a potential positive effect of equalizing the cost of degrees between full-time and part-time students, the potential negative consequences outweighed any benefits. Specifically, per credit tuition could discourage students from taking a full-time credit load and result in a slower time to degree, the predictability of total tuition charges would be in flux as students add and drop courses, and the administration of the option would require enhancements to course management and financial aid systems and could impair institutions' ability to award State Need Grants as the quarterly (or semester) amounts would vary from student to student.

HECB Staff Assessment

Staff concurs with the institutional assessment and recommend that the board not pursue this as a tuition alternative. This option would limit the HECB's ability to equitably distribute State Need Grant funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, this option would require substantial changes to the reporting requirements for participating institutions and may affect the HECB's ability to adhere to current program policies.

5. Undergraduate Level Based (lower/upper-division)***Summary of Option***

Adopting different rates for upper-division courses than lower-division courses is another option for tuition rate changes. In this case, students taking lower-division courses at an institution would pay less tuition than students enrolled in upper-division courses. The only working example of this form of differentiated tuition in Washington is based on upper- or lower-division coursework at the community colleges that offer applied baccalaureate programs. Students enrolled in applied baccalaureate programs at community colleges in Washington pay a heightened tuition rate for upper-division coursework.

This type of differentiated tuition model uses both credit hours and upper- versus lower-division course levels to charge higher tuition. All seven Washington community college applied baccalaureate programs have adopted similar policies. However, public four-year institutions in the state do not raise tuition once students reach the upper-division, as the community colleges do for applied baccalaureates. Institutions in other states, such as Michigan State University and Arizona State University, do, however, raise tuition once students reach upper-division level.

Institutional and Student Assessment

This alternative would be a reflection that upper-division courses are more expensive for institutions to deliver and could have the positive effect of encouraging institutions to offer more upper-division course options. This option also could have the positive affect of enabling institutions to accept more community college transfer students with associate degrees. This option was considered a more predictable one from a student's perspective, as increases in tuition would be applied broadly during the last two years of college.

However, there were broad concerns about the administrative feasibility of this alternative, given that students often take a mix of upper- and lower-division courses depending on course requirements and student interest. Financial aid packaging could be substantially more difficult. Other negative consequences could include students maximizing lower-division courses to save tuition dollars, an increase in students dropping out of college once they reached upper-division course levels, and a lack of available private and public financial aid at the upper-division level.

HECB Staff Assessment

While some institutions in other states have enacted similar tuition rate changes, the resounding concerns about student retention at the upper-division level and the potential difficulties for students, institutions, and state financial aid officials to plan for increased tuition rates overwhelm any potential positive effects. This option would limit the HECB's ability to equitably distribute SNG funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, this option would require substantial changes to the reporting requirements for participating institutions and may affect HECB's ability to adhere to current program policies. Staff recommends that the board not pursue this as a proposed tuition alternative.

6. Delivery Method Based (online delivery)

Summary of Option

A differentiated tuition model based on delivery method could allow institutions to charge different rates to students enrolled in online programs. Washington institutions that offer online degree programs charge the same tuition rates for full-time students enrolled in online courses as it is for students enrolled in courses on a campus, but these students do not typically pay the same fees as students taking their coursework on a campus. Additionally, not all institutions offer complete baccalaureate degrees online and students taking courses towards a certificate or masters program pay tuition on a per credit basis.

If the policy was institutionalized further, students could be charged different rates if their coursework occurred primarily at a distance. While this policy would be institutionalized to encourage place-bound, online learners, a great proportion of online learning at the four-year baccalaureate level is from students enrolled at existing campuses.

An example of students enrolled in 100 percent online baccalaureate degrees programs and pay less tuition than students enrolled in 100 percent on-campus programs is Pennsylvania State University and its Penn State World Campus. Full-time (12 or more credits), online students enrolled in bachelors programs through Penn State World Campus paid \$5,504 per semester in 2008-09 for the first 59 credits of the program and \$5,957 after the 59 credit threshold.⁵ Students at Penn State's University Park campus paid \$6,507 per semester in 2008-09 as lower-division students and more than that for certain upper-division programs.⁶ Penn State charges undergraduate students enrolled in business, science, engineering, and nursing programs higher tuition rates.

⁵ For more information on Penn State's World Campus tuition and fee rates, reference <http://www.worldcampus.psu.edu/TuitionTable.shtml>.

⁶ For more information on Penn State's tuition and fee rates, reference <http://tuition.psu.edu/Rates2008-09/UniversityPark.asp>.

Institutional and Student Assessment

This option was recognized as one that would have the potential to influence additional place-bound, distance learners and nontraditional students to begin and complete their degrees. However, if the option resulted in online learners paying less tuition than their campus-based colleagues, the lower tuition revenue may be a disincentive for institutions to develop and offer online programs. Also, the option was considered by some institutions to have low administrative feasibility where on-campus students supplement their course schedules by enrolling in online courses.

HECB Staff Assessment

The administration of this alternative could be difficult for institutions and the revenue generation capacity is unknown. However, this policy could have the positive effect of encouraging place-bound, nontraditional students to complete (or enroll) their degrees. Staff believes that this alternative should be evaluated further prior to its use.

Student/Family Income Based

7. Student/Family Income Based

Summary of Option

Tuition would be linked to some type of financial index, such as adjusted gross income. Washington lawmakers and institution representatives have considered installing an income-based tuition policy for the state previously. An income-based graduated tuition policy has been presented and considered by recent legislatures, the HECB, and past and current college presidents in Washington.

Miami University (Ohio) was identified as the only institution which has assumed a graduated tuition policy structure. The university is a public university, but commonly considered an elite institution, with 15,000 undergraduates, approximately one-third of which are nonresidents. Additionally, their applicants typically apply early and include a relatively small percentage of low-income students. All applicants are advised to budget the full amount of tuition (\$11,443 in 2008-09) and encouraged to complete the FAFSA. Completing the FAFSA results in an expected family contribution dollar amount based on income and assets and a variety of other variables of both the student and the parent(s).

For the 2008-09 academic year, this income-sensitive tuition model is based on a scale of tuition from a low of \$8,693 to a high of \$11,443. For Ohio residents, \$11,443 is the maximum cost. As confirmed by the institution's website, nearly 60 percent of entering Ohio students in 2008-09 received a Miami Grant, with amounts ranging from \$1,000 to \$2,750.⁷

⁷ Undergraduate Admission Tuition and Fees. Retrieved January 12, 2009, from <http://www.miami.muohio.edu/admission/fees/finaid/>

Initially, the institution advised student applicants and incoming freshman to budget for \$22,000 in tuition and fees, which represented the full cost of instruction at the time. However, in 2005, the school saw a 13 percent decline in its in-state enrollment (with an 8 percent overall reduction of resident plus nonresident students). Instead of charging the full cost of instruction, the institution now manages the range from year to year and publishes the grant levels available to low-income, resident students (Miami Ohio communication to HECB, December 30, 2008).

Institutional and Student Assessment

The resounding feedback from institutions regarding income-based tuition rate setting was negative from an administrative and enrollment management standpoint as well as a student perspective. There was widespread recognition that high-tuition models (absent high financial aid) are correlated with high dropout rates in lower- and middle-income populations and that applications to and enrollments in institutions with this model could slow as a result. Middle-income students often do not have additional funds to pay the higher tuition and do not qualify for most [current] student assistance programs, thus they could end up with high levels of student loan debt if their needs are not considered in this model.

Additionally, this option has the potential to lead to income stratification across sectors and institutions. Finally, a realization that high income students may more readily choose to go to private or out-of-state institutions rather than pay higher in-state tuition was apparent.

HECB Staff Assessment

HECB staff believes, and existing research shows, that students from low-income backgrounds and students of color often avoid attending institutions with high tuition. Additionally, the administrative burden of this option on students, families, and institutions is problematic and its administrative feasibility is questionable. This option would limit the HECB's ability to equitably distribute SNG funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, this option would require substantial changes to the reporting requirements for participating institutions and may affect HECB's ability to adhere to current program policies. Staff recommends that the Board not pursue this as a potential tuition alternative.

8. Market Based

Summary of Option

The alternative would assume that the number of student applications as a percentage of the number of available freshman spots at an institution would be an indication of the institution's demand. Institutions that could demonstrate greater student demand (in the form of applications compared to freshman capacity) could charge more tuition and, theoretically, offer more institutional aid. Institutions would be free to set their own rates based on market research and experience and could employ a business model that functioned similar to the marketplace.

A literature review did not produce examples of an institution-level or state-level tuition policy related to, or contingent upon, demand in the form of applications versus open slots for freshmen.

Institutional and Student Assessment

This option generated both pros and cons within and between the research and comprehensive institutions. Some institutions were concerned that this alternative was not in the student's best interest. Other institutions indicated that this alternative was a feasible mitigation to declining state subsidy. Student representatives expressed significant concerns over the implications of this option on student and family affordability and access.

HECB Staff Assessment

This policy is not consistent with the fundamental goals of public education. Namely, that public education exists apart from the marketplace as a vehicle to carry-out and enhance democracy and public welfare. If tuition rises substantially, students from low- and middle-income backgrounds could experience sticker shock and self-select out of those institutions, despite the financial aid that may be available to them. This option would limit the HECB's ability to equitably distribute SNG funds statewide as well as the ability to reliably predict the impact of tuition changes on program costs. In addition, this option would require substantial changes to the reporting requirements for participating institutions and may affect HECB's ability to adhere to current program policies. Staff recommends that the Board not pursue this as a potential tuition alternative.

9. Option to 'Encourage or Facilitate Co-enrollments'

Summary of Option

This option was included in the original legislation of ESHB 2344. The legislation does not identify what the intent is, but it is believed to have been included to allow students, at no extra charge, to get any class they need from other institutions if the class was unavailable or full at their "home" institution. The primary goal of this option was to accelerate time to degree.

Apart from examples of co-located institutions (i.e., a university center), it is difficult to find examples of co-enrollments at the public baccalaureate level. This is likely due to the fact that this policy would be an immensely challenging endeavor administratively.

Institutional and Student Assessment

From an administrative standpoint, this option would be immensely difficult. Aligning or agreeing upon tuition rates and dealing with extraneous fees (that are institution specific) would be a difficult administrative undertaking. Further, departments may not agree on course content for similar courses and, therefore, could reject course equivalencies for major-specific courses). Even if system-wide course articulation was established to initiate this

option, the articulation agreements would be difficult to change and institutional flexibility in course design and delivery would be lost.

HECB Staff Assessment

Students could benefit from this option if they could take core, general education requirements at other state institutions, including community colleges, when those courses are full on their own campuses. There is a potential effect to quicken time to degree. Further, university departments could engage more across campuses and best practices for course planning, content, and pedagogy could be shared. However, the tremendous administrative undertaking that would be required of institutions and the maintenance of articulation agreements may not justify the process. This is not a tuition alternative but, rather, it is an institution-level arrangement concerning cost recovery.

10. High Tuition, High Financial Aid

Summary of Option:

The high tuition, high financial aid concept proposes increasing tuition as a means to cover an institution's costs as a result of declining state appropriations. Under this model, it is crucial that financial aid is increased so that the economic profile of an institution's student mix is not disrupted. This model can be implemented across a spectrum or in increments, but in its purest form, tuition is set at or closer to the actual cost of instruction at an institution. Students and families who are able to afford the tuition based on existing federal calculations pay a higher rate of tuition. Existing state operating funds dedicated to higher education are shifted to a much increased commitment to financial aid to ensure that access for low and middle income students remains strong. This alters the role of the state from an actor that provides a higher education subsidy for all students in the state, regardless of their ability to pay, to an actor that utilizes public dollars to subsidize the purchase of a full-priced education for those students who cannot afford it. It removes what may be considered an unnecessary subsidy for wealthy families attending public colleges and universities. Ultimately, this model shifts more of the cost burden for higher education onto higher income families, who no longer receive state subsidy.

Institutional and Student Assessment:

Student representatives as well as some of the baccalaureate institutions are opposed and do not support, this model. The University of Washington strongly advocates for this approach and Western Washington University appears to support this proposal, at least in concept.

Appendix 3 of this report provides unedited written comments from the University of Washington explaining the rationale for their support of this model.

HECB Staff Assessment

Staff understand that those who advocate the high tuition model may do so for two different reasons.

First, some may advocate for high tuition at public institutions, not as a way to compensate for declining state appropriations but, rather, as a way to lower state appropriations to the public institutions. This type of proposal would rely on the promise of available student financial aid to mitigate the effect of high tuition on “lower” income students and families.

Staff believes that the above intent and rationale for “high tuition” at public institutions has two central flaws. First, this concept conflicts with the underlying values of American public higher education which hold that public institutions are **public institutions** and benefit not just those who attend but society itself. Therefore, as discussed earlier, the cost of public institutions should be shared between the public and those who attend in a manner reflecting the public as the “owner” and principal “shareholder” of the enterprise.

Additionally, the proposal for high tuition as a way to lower state support to institutions relies on the assumption and promise that (increased) state financial aid will be available to lower income families and students. This promise ignores the evidence that affordability is no longer a problem just of “lower income” families. Rather, as shown earlier in this report, affordability is a problem for middle-income families who do not currently qualify for state financial aid.

Secondly, others advocate for high tuition for a different reason. Specifically, in Washington some, not all, of the public baccalaureate institutions propose the high tuition model as a means to mitigate declining state support to the public institutions. Staff believes that a thoughtful understanding and analysis of this position is warranted, but **within the context of an appreciation of the institutions, commitment and interests to protect institutional quality.**

Staff offer the following:

- State appropriations to the public institutions of higher education and to the state financial aid program come from the State General Fund.
- The State General Fund receives money (revenue) primarily from the state sale tax and the real estate excise tax.
- In times of economic decline, state sales tax and real estate excise tax contributions (revenue) to the State General Fund decrease.
- This decrease in contributions to the State General Fund results from people having less money for discretionary spending on products subject to state sales tax or the real estate excise tax.
- Reductions in State General Fund revenue have consistently resulted in reduced general fund appropriations to the public institutions of higher education, either as a percent of the state’s total general fund budget, or in absolute dollars.

- During periods of economic recessions, reductions in State General Fund appropriations to higher education have consistently been accompanied by increases in student tuition (see Appendix 4).
- Therefore, during periods of economic recession, tuition has been increased to those students and families who, as a result of an economic recession, have (1) fewer dollars to contribute to the State General Fund, but are then (2) expected to pay more tuition because of the decrease in revenue to the State General Fund.
- Relying on state financial aid to hold students and families “harmless” to higher tuition, imposed as a result of State General Fund budget reductions, requires an increase in state appropriations for student financial aid. These appropriations come substantially from the State General Fund, the same fund whose lack of revenue leads to increased tuition.

Some public institutions can avoid this “*Catch-22*” by having access to large amounts of private funds which, in part, can be used to offset the gap between public financial aid and higher tuition costs. However, many of Washington’s public baccalaureate institutions do not have this amount of private resources available to them.

In summary, earlier this paper provided a definition of public policy. Specifically, that *public policy* represents a formal expression of shared values and goals, typically adopted by a governmental entity, to **guide** future decisions to achieve desired outcomes. As discussed above, those who advocate for the “High Tuition, High Aid” model do so for **two very different public policy goals**. Specifically, some advocate for this model as a means to achieve the goal or outcome of less state spending on higher education. This policy goal is often part of a broader goal of reducing the size and cost of government.

Others advocate for the “High Tuition, High Aid” model to achieve the goal or outcome of sustaining institutional quality and excellence.

While it clearly conflicts with the central underlying and guiding values of public higher education, staff recognizes that those who advocate for “High Tuition, High Aid” as one means to reduce state spending have a different policy agenda, which is not concerned with the purpose and values of public high education.

The same cannot be said for public institutions whose goal is to sustain the academic quality of their institution. Unfortunately, staff feels that the means of attaining this goal, through higher tuition, has long-term detrimental policy implications in sustaining the **public** as the principal “shareholder” of public higher education.

Summary and Findings

The legislation authorizing this report called for each tuition alternative to be evaluated in terms of its administrative feasibility, interactions with and implications for financial aid programs, and impacts on students of different income levels. While each alternative was weighed against these terms, the most critical consideration from the HECB's perspective was each alternative's potential impact on students and families.

Of the nine alternatives considered, only the mission-based and campus-based alternatives are felt to be supportive of the strategic master plan goals of raising attainment while increasing participation of low-income students and administratively viable. Most importantly, these alternatives seem to be in the best interest of resident undergraduate students in our state.

These two alternatives, while listed separately in the study directive, can and should be considered as one alternative; specifically, "Campus, Role and Mission Based Tuition."

Additional findings and analysis are forthcoming.

V. Summary of (draft proposed) Tuition Policy Recommendations

The Higher Education Coordinating Board finds that a state tuition policy is needed that will provide students, their families, and public institutions with stable and predictable tuition and support the *2008 Strategic Master Plan for Higher Education* goals of increasing educational attainment by ensuring equitable access and affordability. Further, the board finds that the central component of a state tuition policy is the articulation of the appropriate share of higher education costs between the public and those who attend the public universities and colleges.

Therefore, the board hereby adopts the following core principles of a state tuition policy for consideration of the Governor and Legislature.

1. As a policy goal, the state should establish the following public and student shares of undergraduate instructional costs:
 - a) Total resident undergraduate tuition revenue at each public university and college should not be greater than 45% of undergraduate instructional costs.
 - b) Total state appropriations to each public university and college, net of financial aid, should be at least 55% of undergraduate instructional costs.
2. The Board recommend to the Governor and Legislature that the public baccalaureate institutions be authorized to determine specific resident undergraduate tuition rates on a campus role and mission basis.
3. The Board recommend to the Governor and Legislature that a comparative based approach be used in determining an appropriate level of undergraduate instructional cost. This recommendation is predicated on a thorough review of key indicators of academic quality and productivity underlying the GCS cost of instruction levels be conducted by HECEB staff, COP, the public baccalaureate institutions, and Legislative and OFM staff.

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Appendix I: Synopsis of Prior Tuition Policy Work June 2009

October 1990	<p><i>Tuition and Fee Briefing Paper for the 1991-93 Biennium</i></p> <p>In anticipation of the 1991-93 biennium, HECB staff drafted an initial tuition policy brief to aid the board in developing and adopting a new tuition policy. At that time, tuition was tied to the cost of instruction (calculated via the Education Cost Study). The primary research question proposed by the briefing paper prompted an inquiry into the relative cost of higher education in Washington to peer institutions outside of the state. A peer comparison was provided and the Board adopted a resolution for the 1991-93 biennium to hold tuition policy to the current structure.</p> <p>Board action: Resolution 90-33 recommended continuation of current tuition and fees structure.</p> <p>Board action: Resolution 90-34 accepted the 1989-90 Education Cost Study for submittal to the Legislature.</p> <p>Legislative action: Tuition was based on a percentage of the cost of instruction by sector.</p>
December 1991	<p><i>Briefing Paper: Higher Education Finance Issues</i></p> <p>This finance paper was prompted by the need to assess how declining state revenues would impact higher education and how to make thoughtful policy decisions about tuition to avoid long-term damage to its funding. The paper deemed that higher education was a public good in need of predictable, consistent public funds. The paper noted that current state funding did not adequately support anticipated and growing enrollments, quality programs, and peer funding levels.</p> <p>Board action: This briefing paper was delivered to the board as an information item only.</p> <p>Legislative action: Tuition was based on a percentage of the cost of instruction by sector.</p>
December 1992	<p><i>Tuition and Fee Policies</i></p> <p>This analysis was conducted in response to a December 1991 request by the HECB to analyze tuition and fee policy shifts. Various policies were examined including pegging tuition to growth in per capita personal income (PCPI) and continuing current policy, which used a factor of the cost of instruction to set tuition. The report reiterated HECB principles for tuition policy including balance (between the share of state support and student resources), fairness, and predictability.</p> <p>Board action: Resolution 92-39 recommended continuation of current tuition and fees structure.</p> <p>Legislative action: Tuition was based on a percentage of the cost of instruction by sector.</p>

**Appendix I: Synopsis of Prior Tuition Policy Work
(continued)**

December 1993 *Tuition in Washington: A Comprehensive Review*

This report found that in the preceding twenty years, tuition was increasing rapidly and that extra tuition dollars were not buying more education, they were replacing state tax support. Various tuition policy options were examined including high tuition, high aid and linking tuition to program costs, family income, credit load, and even charging students extra tuition for classes that did not count towards degree requirements. Recurring concerns about affordability and access were brought to bear in the report as well as a recommendation to keep tuition levels equitable and predictable.

Legislative action: 2ESSB 5982 established local, institution-level control for tuition operating fees and interest.

Legislative action: ESSB 5781 passed in an effort to preserve access to higher education. The bill was designed to retain 1993 participation rate levels by sector and incrementally add appropriations to reach HECB participation goals by 2010.

December 1994 *Tuition and Funding Policy Brief for the 1995-97 Biennium*

The 1994 brief on tuition and funding recommended a bilateral approach to funding higher education in Washington. First, that annual inflation increases be met with a minimum annual 3 percent tuition increase across all institutions. That increase plus an optional 3 percent annual increase was considered a stable, predictable funding level. Second, institutions could increase tuition an additional 2 percent per year depending on institutional priorities and needs.

Board action: Resolution 94-36 recommended consistent inflationary tuition increases, with an option for institutions to raise tuition an additional five percent (maximum of 8 percent).

Legislative action: ESHB 1603 (originally legislation from 1993) gave local control of tuition revenue to institutions effective 1995, along with a ceiling increase for tuition and fees. “It is the intent of the legislature to address higher education funding through a cooperative bipartisan effort that includes the legislative and executive branches of government, parents, students, educators, and concerned citizens. This effort will begin in 1995, with the results providing the basis for discussion during the 1996 legislative session for future decisions and final legislative action in 1997. The purpose of this act is to provide tuition increases for public institutions of higher education as a transition measure until final action is taken in 1997.”

**Appendix I: Synopsis of Prior Tuition Policy Work
(continued)**

January 1995

Tuition in Washington: A Comprehensive Review

From 1984-85 to 1994-95 the overall cost of attendance for undergraduates at the research institutions grew 64 percent. In that same period of time, tuition at the research level grew 122 percent. This review considered tuition policy options including high tuition, high aid and linking tuition to program costs, family income, credit load, and even charging students extra tuition for classes that do not count towards degree requirements. Continued concerns about affordability and access were a critical theme of this report.

Legislative action: ESSB 5325 in its original form (Rinehart, D-Seattle) sought to ensure predictability and affordability of tuition in Washington by linking tuition increases to average per capita income increases. Tuition policy would have been increased as a percent outlined by statute, rather than the HECB's Education Cost Study. After the first engrossed version of the bill, the legislation outlined a four percent annual increase to tuition and no longer included language to link tuition increases to average per capita income increases. The policy was supposed to be revisited in 1997.

September 1996

An Overview of Tuition in Washington

This report contends that in 1992-93 and 1993-94, Washington institutions relied on tuition and fee revenue more than most states to balance shortfalls in state funding. Several tuition policy options were analyzed including cost sharing models (between state funding and student tuition), indexing tuition to PCPI or median family income (MFI), as well as differentiating the cost of programs or upper- or lower-division coursework.

Board action: Resolution 96-45 recommended an agency bill to study model tuition programs.

Legislative action: Senate Bill 6314 (Rinehart, D-Seattle) outlined that tuition increases be indexed to personal per capita income with a corresponding increase in state general fund dollars as tuition gradually increased. This legislation did not progress through the Senate Rules Committee.

Appendix I: Synopsis of Prior Tuition Policy Work
(continued)

<p>January 1997</p>	<p><i>Washington State Tuition and Fee Policies</i></p> <p>This brief document outlined recent and historical policy related to tuition. The document calls attention to the prior two years of four percent annual tuition increases and notes that Washington resident undergraduate tuition and fee rates are growing faster than peer rates (HECB "24" peers). No resounding recommendation was made, although the report notes that the legislature would be making a more pronounced, long-term tuition policy decision during the coming session.</p> <p>Legislative action: Senate Bill 5833 addressed the predictability and stability of tuition policy and would have frozen tuition and fees at a consistent rate for students until they reached 180 credits. This legislation did not progress through the Higher Education Committee.</p> <p>Legislative action: E2SSB 5927 provided a four percent annual tuition increase for the 1997-99 biennium for institutions and froze tuition increases after 1999 (specified that new tuition rates could be specified in the budget). This was an important moment for tuition policy in Washington, as the 1997 legislature was supposed to determine a long-term policy for tuition in the state, as outlined in legislation from 1995.</p>
<p>October 1998</p> <p>Winter 1999</p>	<p><i>An Overview of Tuition in Washington: 1998 Update</i></p> <p>This overview is a holistic look at tuition policy developments in the state including tuition policy history, peer group differences, and tuition growth compared to PCPI, MFI and inflation growth. In addition, the overview suggests tuition policy alternatives like indexing tuition to MFI or PCPI, charging tuition based on credit load, and sharing costs based on information from the Cost Study (which would have reinstalled prior tuition policy).</p> <p>Board action: Operating budget request submitted to OFM suggested a tuition policy linking tuition increases to the three year average increase of per capita income based on findings of the September 1996 Overview of Tuition in Washington document.</p> <p>Board action: Operating budget request submitted to OFM suggested a tuition policy linking tuition increases to the three year average increase of per capita income based on findings of the September 1996 Overview of Tuition in Washington document.</p> <p>Legislative action: Senate Bill 5699 provided limited tuition setting authority (up to 20 percent for public four-year institutions and up to 5 percent for community and technical colleges) to institutions. This legislation did not progress through the Higher Education Committee.</p>

**Appendix I: Synopsis of Prior Tuition Policy Work
(continued)**

Winter 1999	<p><i>An Overview of Tuition in Washington: 1998 Update (continued)</i></p> <p>Legislative action: Substitute Senate Bill 5592 (Companion bill HB 1528) provided limited tuition setting authority (up to 6.75 percent at UW and WSU and up to 2 percent per year for every other institutions) after the 1999-2000 academic year. Any additional tuition increases after 1999-2000 were supposed to be tied to the average increase of per capita income in the state. Instead, tuition was decided upon in the operating budget and allowed to increase up to 4.6% in 1999-2000 and 3.6% in 2000-2001.</p>
October 1999	<p><i>Statewide Strategic Master Plan Goals</i></p> <p>The 2000 Statewide Strategic Master Plan called for increased predictability in the way in which tuition was charged at public institutions. The plan called for tuition increases to be equivalent to increases in median family income in the state.</p>
December 2001	<p><i>Higher Education Coordinating Board Legislative Priorities</i></p> <p>As a follow-up to the statewide strategic master plan, HECB called for tuition to increase equivalent to the projected increase in per capita personal income (per capita income was forecast to increase by 4.7 percent in 2001-02 and 3.8 percent the following year).</p>
January 2002	<p><i>Washington Tuition and Fees</i></p> <p>The 2001-02 articulation of the Washington Tuition and Fees report found that tuition and fees in Washington was swiftly outpacing PCPI as well as inflation. Additionally, the legislatively mandated tuition percent increase ceilings were being maximized by institutions annually. In other words, most institutions found just cause to increase tuition to the full extent allowable each year.</p> <p>Board action: Resolution 02-01 called for institutions to receive tuition setting authority, given decreasing state funding to higher education and increasing enrollments. The board recognized that the tuition policy was a departure from the current tuition policy, but that tuition authority should be accompanied by increased state funding, financial aid and institution aid.</p> <p>Legislative action: SB 6739 called for tuition to be indexed against median family income to ensure predictability of tuition growth and affordability for Washington families. The legislation did not progress past the Higher Education Committee.</p>

**Appendix I: Synopsis of Prior Tuition Policy Work
(continued)**

March 2002	<i>Washington Tuition and Fees (continued)</i> Legislative action: ESSB 5770 would have given local tuition setting authority to the boards of institutions and the State Board for Community and Technical Colleges. This legislation was not signed by the Governor. Instead, institutions received double digit percent increases for tuition in the operating budget.
January 2003	<i>Washington Tuition and Fees</i> The 2002-03 version of Washington Tuition and Fees archives the steepest tuition increases in recent memory. Double digit tuition increases occurred in every sector of Washington higher education. Notably, tuition increased 16 percent at WSU and 14.6 percent at UW (the 8th highest research institution tuition increase in the nation at the time). The average tuition increase for comprehensive institutions was 13 percent, the 12th highest tuition increase in the nation for the comprehensive sector. The community college sector tuition rate grew by 13.7 percent, the 5th highest tuition increase in the nation for the community college sector. The report laid the groundwork for heightened concerns regarding access and affordability. Legislative action: "The legislature recognizes the importance of keeping the public commitment to public higher education and will continue searching for policies that halt the trend for the growth in tuition revenue to outpace the revenue provided by the state. The legislature believes that a well-educated citizenry is essential to both the private and the public good." Legislative action: Effective July 2003, ESSB 5448 gave institutions tuition setting authority for all students other than resident undergraduates.
January 2004	<i>Washington Tuition and Fees</i> The 2003-04 articulation of the Washington Tuition and Fees report found that tuition and fees increases in Washington were less than the year previous, or 7 percent for the research and comprehensive sector, but 8.1 percent for the community and technical college sector. However, the report notes that the previous year's steep increases were carried forward in the base. Additionally, the report notes that Washington institutions were becoming increasing more expensive relative to WICHE peer institutions. The 2004 Strategic Master Plan called for tuition authority to be limited to seven percent annually over four years. Legislative action: Tuition increases for resident undergraduate students were held to 7 percent annually.

**Appendix I: Synopsis of Prior Tuition Policy Work
(continued)**

February 2005

Washington Tuition and Fees

The 2004-05 articulation of the Washington Tuition and Fees report found that tuition and fees increases in Washington were less than the year previous, or 7 percent for the research and comprehensive sector, but 8.1 percent for the community and technical college sector. The report notes that tuition and fees increased 78 percent at the UW since 1994-95 while PCPI grew 51 percent.

Legislative action: Tuition increases for resident undergraduate students were held to 7 percent for research, 6 percent for comprehensive and 5 percent for community and technical colleges through the biennium.

March 2006

Washington Learns: Tuition Policy Options

In response to the legislation that created Washington Learns, tuition policy was examined to better fulfill the goals of predictability, affordability, accountability, clarity and quality. The Washington Learns higher education advisory committee examined tuition policies including high tuition, high aid, linking tuition to the cost of instruction, differentiating tuition rates by credit hour, upper and lower division, by major, by type of institution, by inflation index, by institution campus and by student income level. Don Heller presented to the advisory committee and it eventually decided to sustain current policy, maintaining a 7 percent tuition increase ceiling by legislative mandate.

May 2007

Washington Tuition and Fees

The 2006-07 version of the Washington Tuition and Fees report found that tuition and fees increased 6.8 percent for the research sector and 5.8 percent for the comprehensive and community and technical college sectors. The report notes that tuition and fees increased 81 percent at the UW since 1996-97 while PCPI grew 49 percent.

Legislative action: SB 6133 introduced a tuition policy which would have frozen tuition rates for undergraduate students during their tenure as undergraduate students, with annual adjustments to tuition for inflation only. This legislation did not progress through the Higher Education Committee.

Legislative action: Tuition increases for resident undergraduate students were held to 7 percent for research, 5 percent for comprehensive and 2 percent for community and technical colleges through the biennium.

Appendix I: Synopsis of Prior Tuition Policy Work
(continued)

February 2009

Differentiated Tuition Policies: An Examination of Graduated Income-Based Tuition Policy

This white paper examined both graduated and differentiated tuition policies, defined various types of tuition policies, and provided examples of cases where such policies were in place. This report was completed in anticipation of a legislatively mandated tuition policy study and was meant to inform Board members about various tuition policy options.

Board action: HECB decided on two principles for tuition policy should large increases occur. First, that any increases beyond 7 percent be treated as a surcharge, and not as permanent policy and second, tuition increases should include a sunset clause.

Legislative action: 2SHB 1235 (Companion bill SB 5734) allowed institutions to continue to set tuition rates for students other than resident undergraduates for four more years.

Legislative action: ESHB 2344 required the HECB, with the input and assistance of higher education stakeholders, to review a number of alternative tuition policy options in order to arrive at a suggested recommendation for tuition policy.

Legislative action: Tuition increases were outlined in the omnibus appropriations act and four-year institutions were given authority to raise tuition up to 14 percent per year for resident undergraduates through 2010-11. Community and technical colleges were allowed to raise tuition no more than 7 percent per year through 2010-11.

Appendix 2: Legislation Requiring Tuition Policy Work

Excerpt from Engrossed Substitute House Bill 2344 (as passed by the Legislature April 26, 2009)

NEW SECTION. Sec. 2. A new section is added to chapter 28B.15 RCW to read as follows:

- (1) The higher education coordinating board, in coordination with higher education stakeholders, shall review options and make recommendation on a tuition policy that allows flexibility, accessibility, and differentiation among Washington's various public baccalaureate tuition rates. Recommendations shall support the implementation of the strategic master plan for higher education including consideration of policies that address student access, equity, and academic quality.
- (2) The board shall examine policies that couple higher tuition with higher institutional need-based financial aid; differential tuition rates based on family income; differential tuition rates based on institutional mission, campus, credit hours, academic program, and delivery method; and policies that encourage collaboration and coordination among institutions of higher education that facilitate coenrollment among multiple institutions, including enrollment in online learning courses.
- (3) Each option shall be assessed in terms of administrative feasibility, interactions with and implications for state and federal financial aid tuition programs, and impacts on students of different income levels.
- (4) The board shall report its findings and recommendations to the governor and to the appropriate committees of the legislature by November 1, 2009.

Appendix 3: University of Washington Submission for High Tuition, High Financial Aid Alternative

High Tuition, High Financial Aid

Summary of Option:

A higher tuition/higher financial aid model is another model to consider. As tuition is increased to cover an institution's costs, financial aid is increased even more so that the economic profile of the student body is not disrupted. This model can be implemented across a spectrum or in increments, but in its purest form, tuition is set at or closer to the actual cost of instruction at an institution. Students and families who are able to afford the tuition based on existing federal calculations pay a higher rate of tuition. Existing state operating funds dedicated to higher education are shifted to a much increased commitment to financial aid to ensure that access for low- and middle-income students remains strong. This alters the role of the state from an actor that provides a higher education subsidy for all students in the state, regardless of their ability to pay, to an actor that utilizes public dollars to subsidize the purchase of a full-priced education for those students who cannot afford it. It removes what may be considered an unnecessary subsidy for wealthy families attending public colleges and universities. Ultimately, this model shifts more of the cost burden for higher education onto higher income families who are no longer receiving an automatic state subsidy.

Institutional and Student Assessment:

All students enrolled in Washington's public institutions of higher education pay less than the actual cost of their attendance and instruction. The distribution of the true cost of education between the state and families has been a topic of much debate and has changed over time, most recently with losses in state operating funds pushing more of the burden to Washington's students and their families. Tuition and fee revenue now makes up over 50 percent of the core education budget for most of Washington's institutions. Proponents of a pure high tuition/high aid model argue that providing a state subsidy for the higher education of every state citizen is inefficient and unnecessary in a world where much of the benefit of higher education accrues to the individual student over his or her lifetime. It may also be inequitable as it leads to a reality where many public dollars are being spent to benefit middle- and upper-income families, diminishing the amount of financial aid dollars available to low-income students and families and thereby decreasing their access to higher education and social mobility.

Research and experience relating to this model in its most extreme form has raised some serious concerns for students and families. Because students and families may pay more attention to the 'sticker price' of tuition than the availability of financial aid, higher tuition may decrease the likelihood that they apply and attend college as they may become discouraged. This is especially a concern for low-income and minority students. If this model were adopted, this potential effect would need to be aggressively addressed and combated to preserve access and diversity. Additionally, for this model to work, increased state and institutional commitments to financial aid must be codified. If financial aid becomes a discretionary expense that is curtailed in a bad economy, this, coupled with the now high tuition rate, could prove devastating to access and diversity. Lastly, increased

financial aid, particularly for low-income students, must not rely heavily on loans. Increased student debt burden could also have deleterious effects for student access.

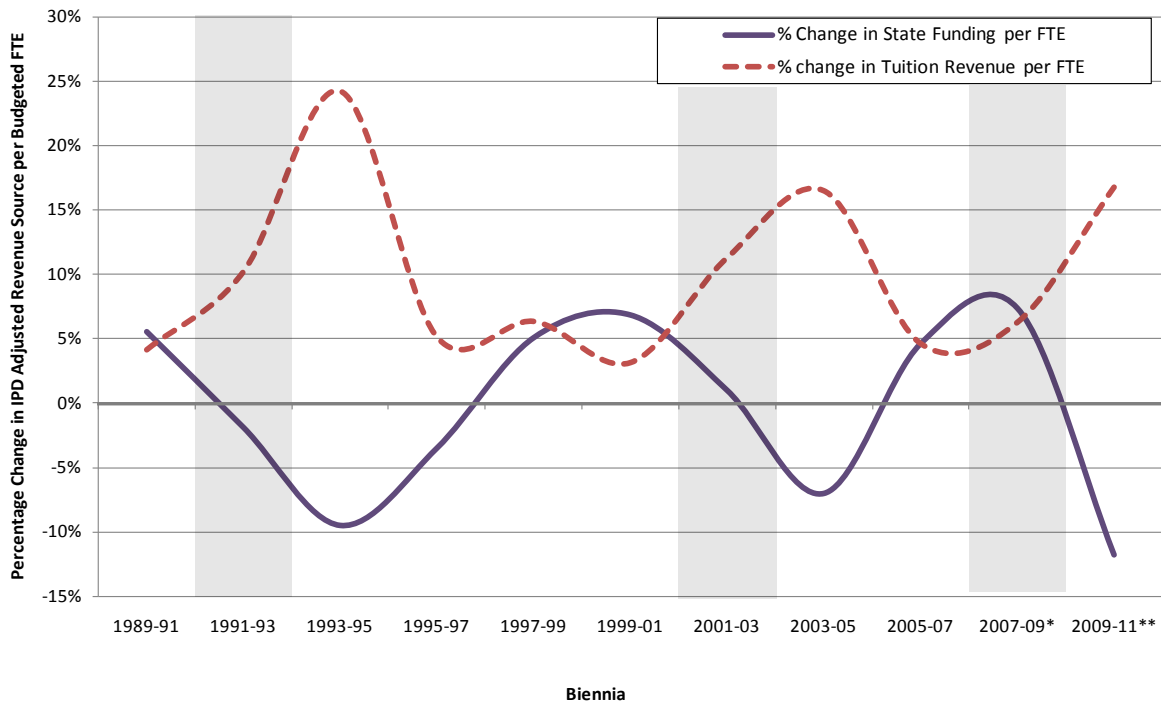
This model also raises concerns for middle- and high-income students and their families. Middle-income students and their families might be squeezed by this model because they do not qualify for much financial aid. A successful implementation of this policy would need to target this impact on middle-income families. Additionally, fairness concerns about high-income students subsidizing low-income students must be addressed, as must be the concern that high quality students from middle- and high-income families will go out of state or to a private institution when faced with so much less of a discrepancy in cost between the public and out of state and/or private options. An institutional merit aid program similar to many private institutions may help to combat this, as would the fact that, even when priced on actual cost, public university tuition will still be much lower than the alternatives.

Many of the above concerns dissipate as you consider partial implementation of this model, which leaves in place a general state subsidy, but reassesses the portion of the costs carried by the state and the portion carried by the student and family, and sets tuition and financial aid accordingly.

Appendix 4: State General Fund Appropriations to Higher Education consistently are accompanied by Increases in Student Tuition

Percentage change in IPD Adjusted State Biennial Funding for Higher Education in Washington Per Budgeted FTE as Compared to Percentage change in IPD Adjusted Tuition Revenue per FTE

Average Biennial Budgeted FTE Student Enrollment, Near General Fund-State, Biennia with Recessions are Shaded



Notes:

*2007-09 Funding Reflects Appropriation Levels from 2009 Supplemental 2007-09 Operating Budget.

**2009-11 Funding and FTE Levels Reflect Appropriation Levels from 2009-11 Operating Budget as Passed Legislature.