

Higher Education Cost and Efficiency

The Public Interest in Higher Education

The growth and vitality of Washington's economy can be enhanced by developing skilled workers at all levels—professional degrees, undergraduate degrees, associates degrees, and vocational training. The public also is well-served when a cycle of poverty is broken by the opportunities that higher education provides. In some fields of service the public has an interest in a qualified workforce which justifies targeted subsidies for these “high demand” education programs. The public also has an understandable desire for low-cost tuition and an abundant opportunity to receive postsecondary education.

The public investment in higher education is tempered by two factors. First, private institutions as well as public institutions provide higher education, so the supply of higher education services is not entirely dependent upon state action. Second, the individual and employing firm both receive significant economic benefit from the college degree, so the responsibility to pay for it is not an automatic state obligation.

Cost

Public institutions of higher education have two primary sources of revenue to pay for providing student instruction: state support and tuition. In the 2006-07 academic year, tuition paid by resident undergraduate students covers about 53 percent of reported instructional costs incurred for that individual student at the research institutions (UW and WSU), 41 percent of the cost at the comprehensive institutions and about 38 percent of the costs at the community and technical colleges.

For fiscal year 2008, higher education institutions will receive about \$730 million from nonappropriated tuition and other operating fees, while they receive \$1.8 billion in appropriated state funds for a total budgeted enrollment of 229,608. For fiscal year 2003-04, higher education institutions collected \$553 million in tuition and fees and received \$1.3 billion in appropriations from state funds.

In 2003, the Legislature passed SB 5448, which for six years (2003-04 through 2008-09) authorizes the institutions' governing boards to reduce or increase tuition for all students other than resident undergraduates. The Legislature retained tuition authority for resident undergraduates during this time period. The tuition rates are set in the biennial operating budget act.

While tuition has increased at a rate higher than the state per-student subsidy to institutions for higher education, the state funds per FTE enrollment and financial assistance have also increased dramatically (see Financial Aid issue paper). State provision for student financial aid has risen from \$146.6 million in fiscal 2004 to an estimated \$238.8 million in fiscal 2009, a 63 percent increase over just a few years.

Accountability for Efficiency

Mere spending on higher education is not the point, and lawmakers have attempted to focus spending and expectations in ways that will provide the best result for the large investment made. By improving the effectiveness of higher education spending, the state can assure that the goals of the public subsidy are met and serve more citizens in a high-quality way. Areas of interest for accountability include efficient degree completion, degrees in subjects of “high demand” for the community and thus for job placement, and participation and job placement for low-income citizens.

In recent years the Legislature has attempted to address efficiency in degree attainment through legislation. SB 5135, passed in 2003, directed each Washington baccalaureate institution and the State Board for Community and Technical Colleges to develop policies to ensure undergraduate students complete their degrees in a timely manner. The institutions may assess a tuition surcharge for continued enrollment if it is determined that students are not progressing as expected. HB 2382 passed in 2004 and required a number of steps to facilitate smoother transfers of credits for transfer students.

In 2004, the legislature modified the duties and functions of the Higher Education Coordinating Board (HEC Board) in HB 3103. The legislation empowered the HEC Board with stronger planning, coordinating, and accountability functions. This legislation called for the establishment of performance measures for higher education efficiency and effectiveness, and for reports based upon institutions' improvement in these measures. Likewise, the HEC Board was assigned responsibility for devising protocols for measuring the cost of instruction and the cost of producing degrees in specified fields.

The 2005-07 budget added language to call for institutional growth in the following performance measures:

- Proportion of students who graduate within 125 percent of credits required
- Proportion of degrees awarded to Pell grant recipients
- Freshman retention
- National ranking for federal research grants
- Job placement or graduate school acceptance rates
- Number of accredited programs

In 2008 the Legislature adopted HB 2641 authorizing a pilot program permitting 'performance agreements' between the state and all four-year institutions. This legislation is an additional attempt to focus institutions on meeting the public interest in higher education with greater accountability for results.