

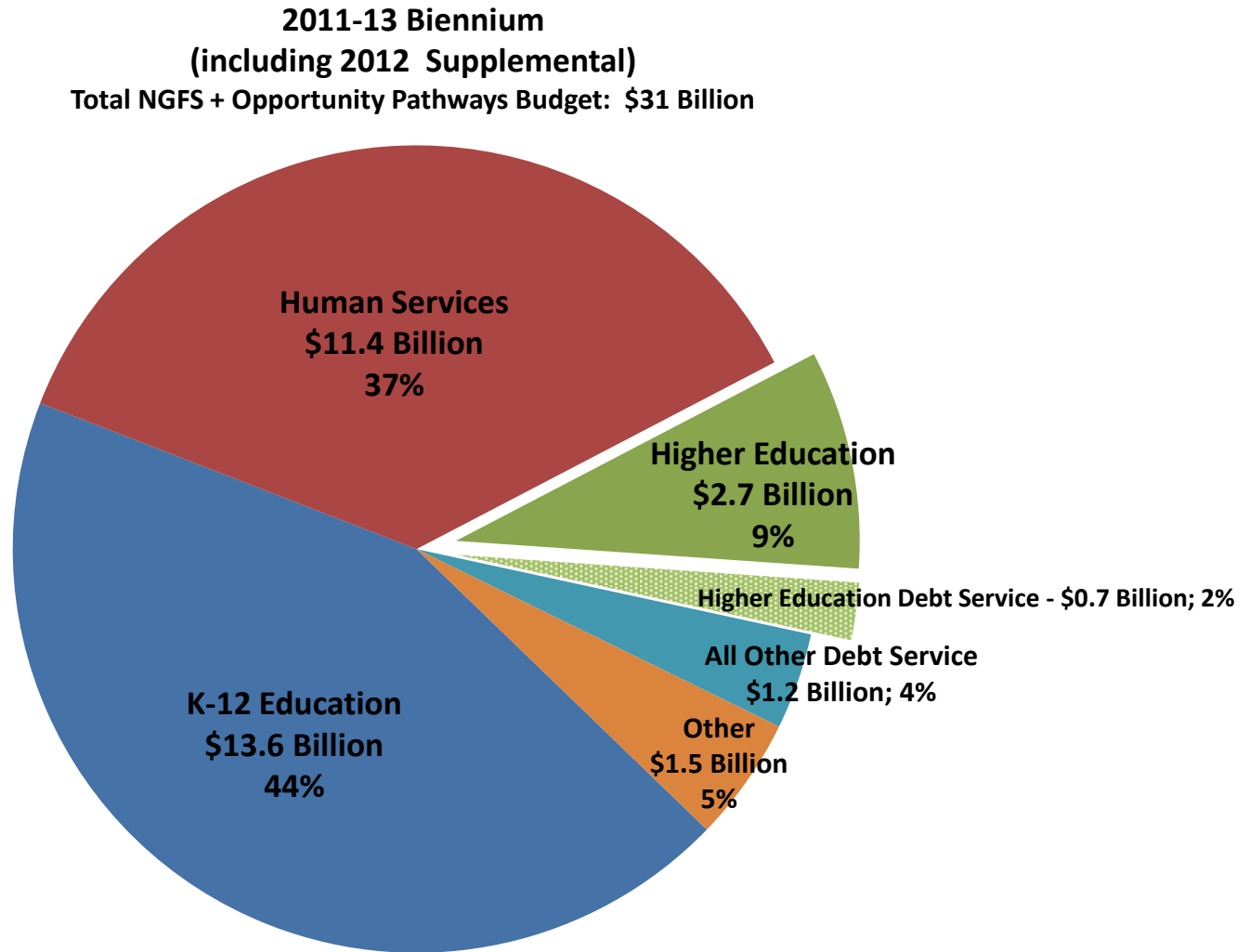
# Overview of Higher Education Operating Budget

Staff Presentation to the  
Ways & Means Committee  
January 21, 2013

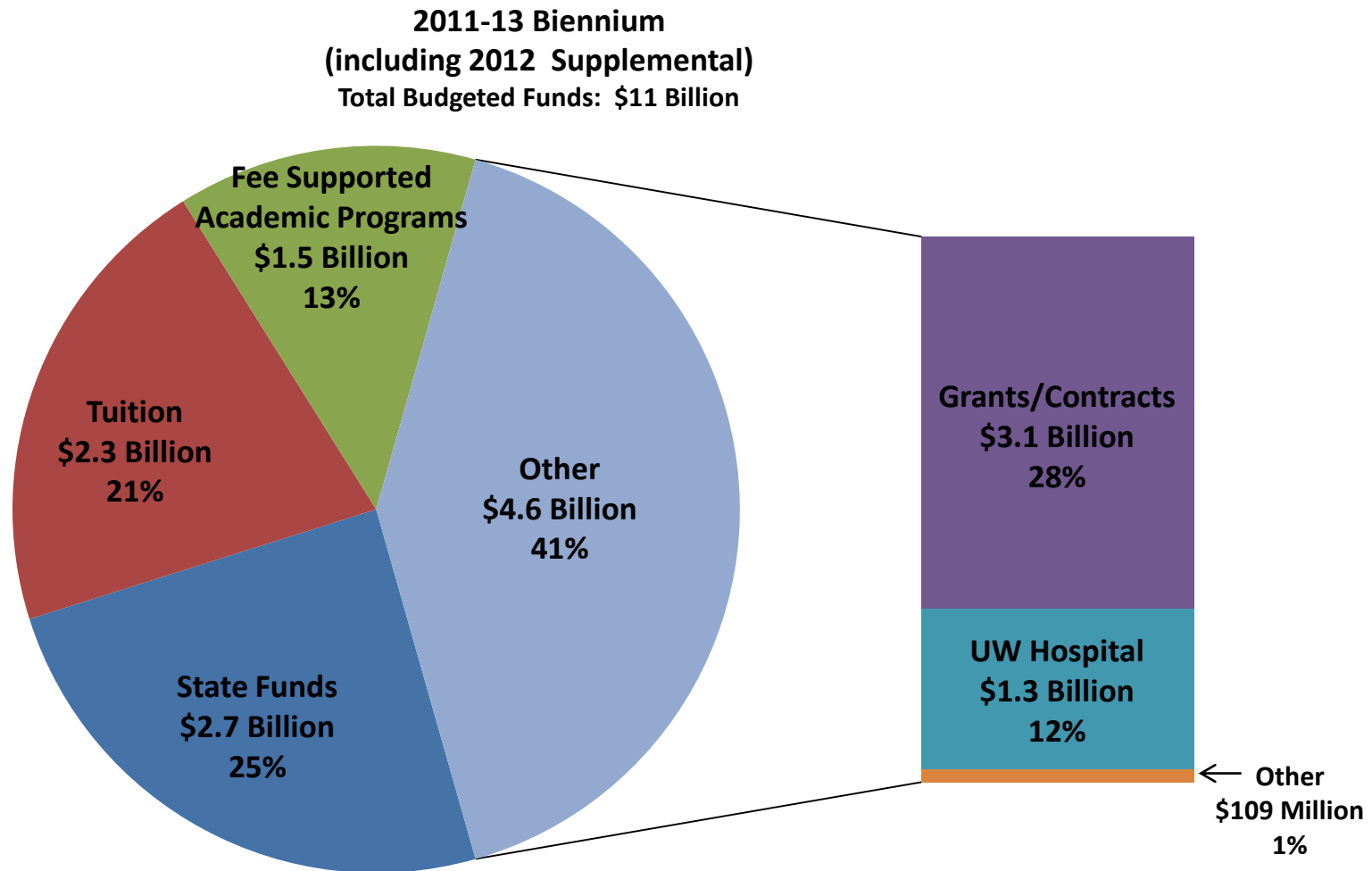
Maria Hovde, Fiscal Analyst  
Senate Ways & Means Committee

# Operating Budget Overview

# Higher education represents 9% of the 2011-13 Near General Fund + Opportunity Pathways budget (which increases to 11% if you include higher education's portion of debt service).

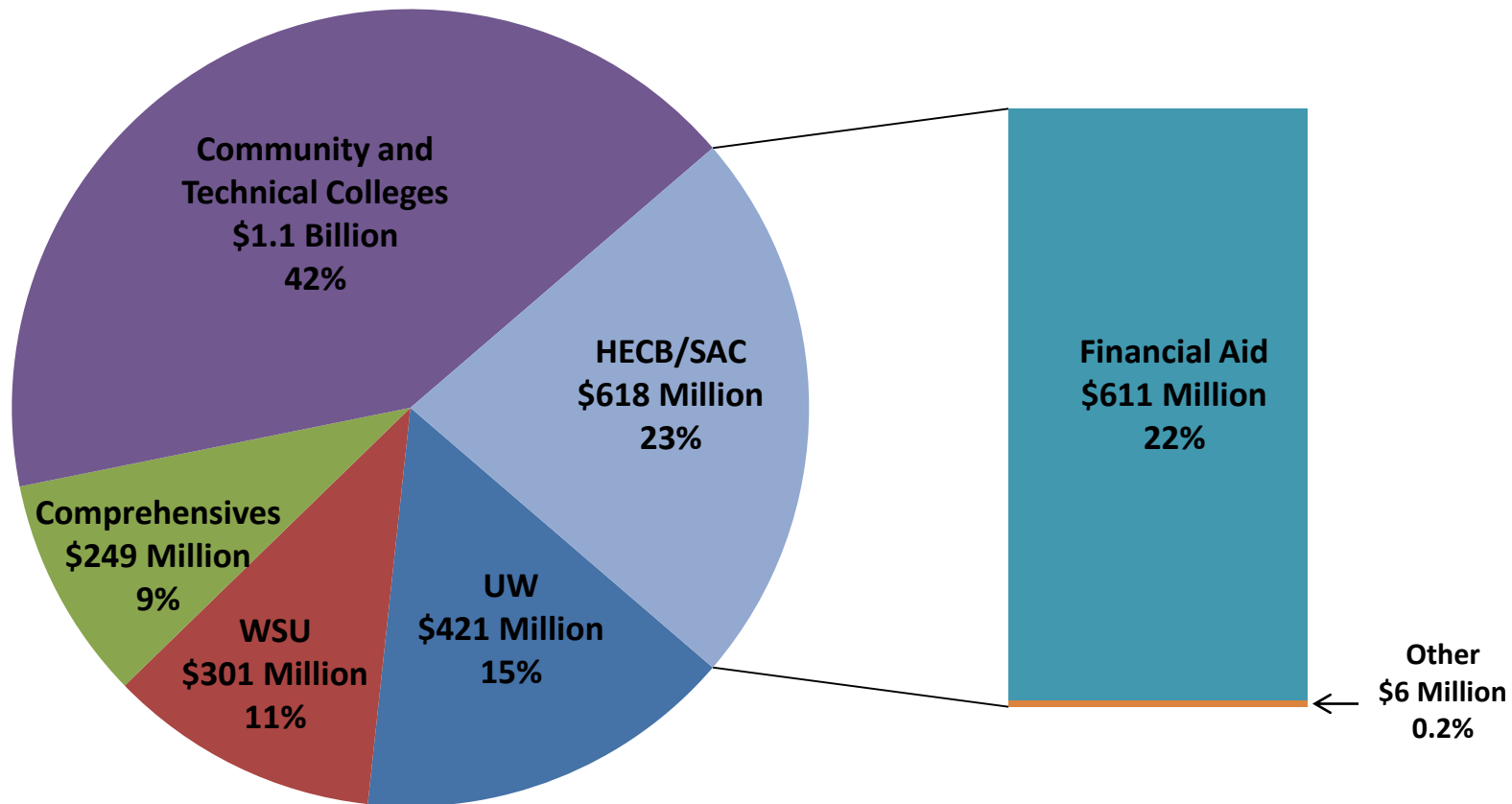


**The total higher education budget totals \$11.1 billion. Core academic functions account for 46% of this budget (increasing to 59% when including self-sufficient programs of study).**



# During the 2011-13 biennium, a total of \$2.7 billion in state funds was appropriated for higher education.

2011-13 Biennium  
(including 2012 Supplemental)



State Funds = Near General Fund State + Opportunity Pathways Account

# Overall, a total of \$648 million will be spent on various financial aid programs throughout the higher education system in the 2011-13 biennium.

(Includes previous GET investments for the College Bound Program and the Opportunity Grant Program administered by the SBCTC.)

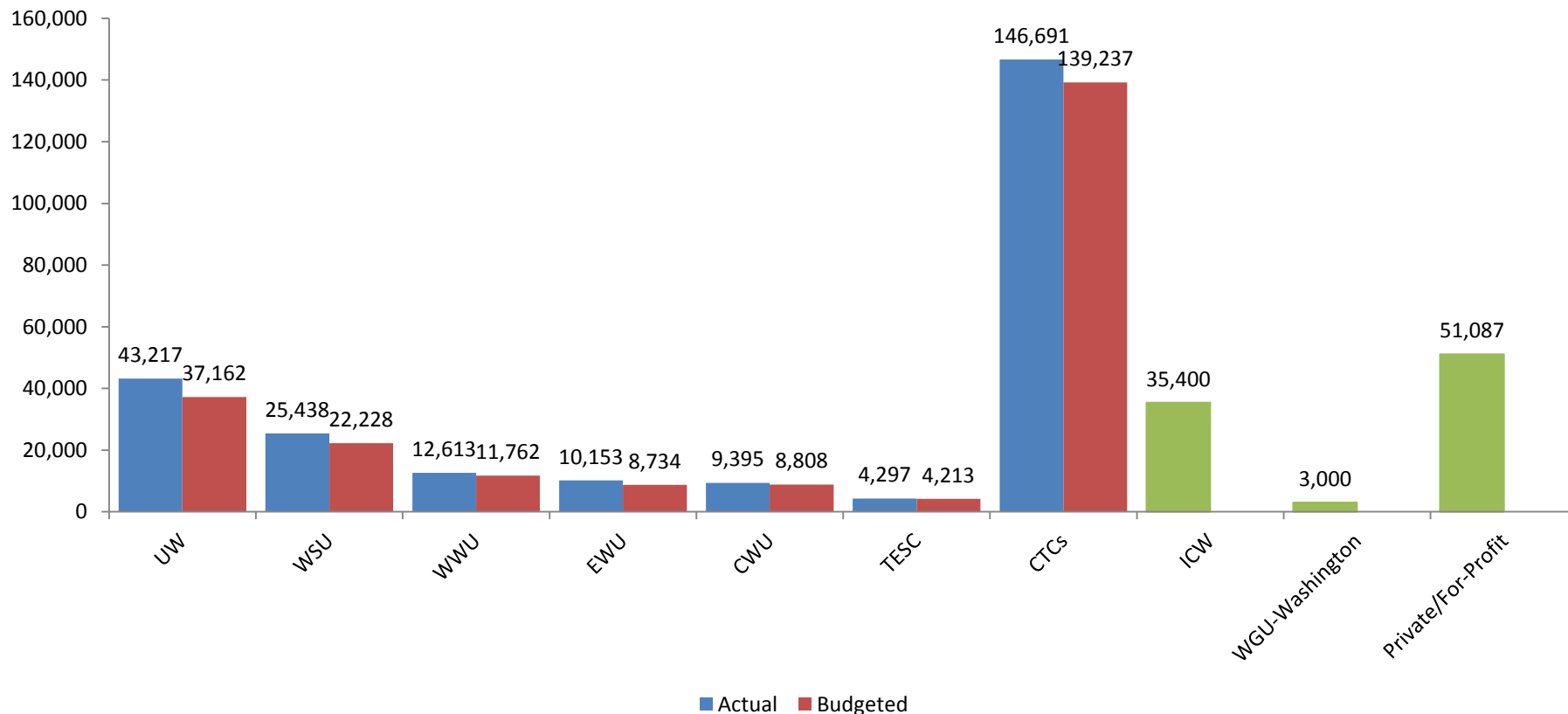
Program	2011-13 Budget (\$ in Millions)	Program	2011-13 Budget (\$ in Millions)
State Need Grant	\$570.25	Future Teachers*	Not funded
Less than ½ time SNG	\$1.00	Health Professionals*	\$1.06
State Work Study	\$15.68	WICHE*	\$0.37
SWS Math/Science	Not funded	CAMP	\$0.05
College Bound	\$12.54	Foster Care Endowment	Not funded
Opportunity Scholarship	\$5.00	Passport - Foster Youth	\$4.88
GET Ready for Math/Science	Not funded	Community Scholarship Matching Grant	Not funded
Washington Scholars*	\$3.88	GEAR Up	\$2.50
WAVE*	\$1.77	Child Care Grants	\$0.15
Aerospace Loans	\$1.50	Leadership 1000	\$2.00
Opportunity Grant	\$25.00	WA Promise Scholarship	Not funded

\* Programs were suspended to new entrants in the 2011-13 budget. Funding is for existing student recipients.

Programs in red are administered by the College Success Foundation. Programs in green are administered by the SBCTC. All other programs are administered by the HECB.

**More than 250,000 FTE students are participating in the public higher education system in the fall of academic year 2012-13 (representing 8.5% over-enrollment), with 58% enrolled at the community and technical colleges. The non-public institutions of higher education also play a role in Washington's postsecondary education efforts.**

**Academic Year 2012-13 Fall Enrollment**  
Public Institutions = 251,804 Actual; 232,144 Budgeted



Independent Colleges of Washington (ICW) = Seattle Pacific University, Seattle University, University of Puget Sound, Pacific Lutheran University, Saint Martin's University, Heritage University, Walla Wall University, Whitworth University, Gonzaga University, and Whitman College

Enrollment numbers for private/for-profit are not reported regularly and, as a result, this is a rough estimate provided by the HECB/SAC.

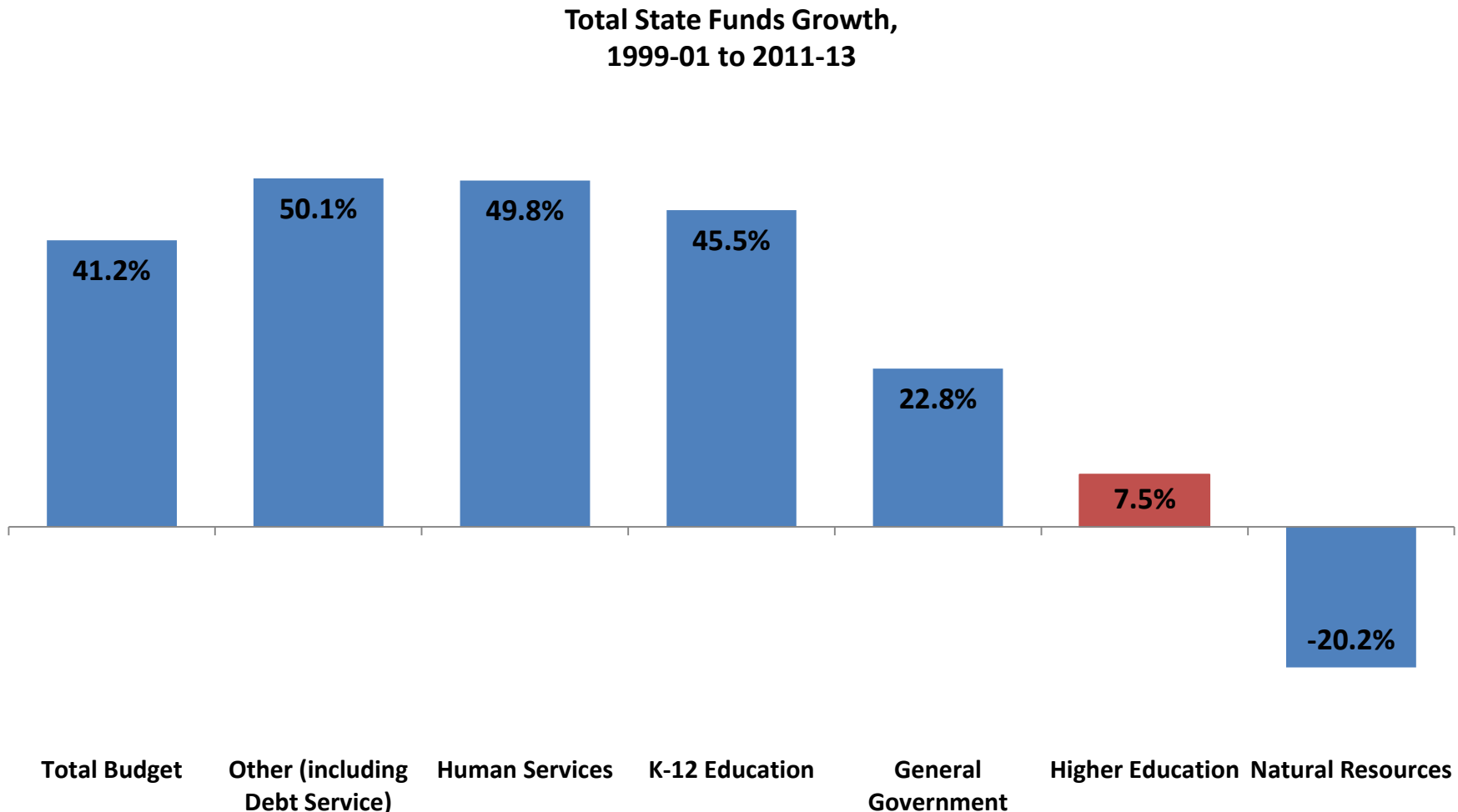
# State support, tuition, and financial aid are interconnected levers that drive the higher education budgets

- The three primary funding levers are interconnected
  - State Appropriations
  - Tuition
  - Financial Aid
- Tuition impacts Financial Aid
  - Practice has been to increase State Need Grant, State Work Study, Washington Award for Vocational Excellence and Washington Scholars to fully offset impact of tuition increases. This would also occur in College Bound.
- State Appropriations + Tuition
  - Together make up 46% of the total higher education budget (59% when including self-sufficient programs of study) and pays for the core academic functions, including the cost of instruction, state sponsored research, and public service activities

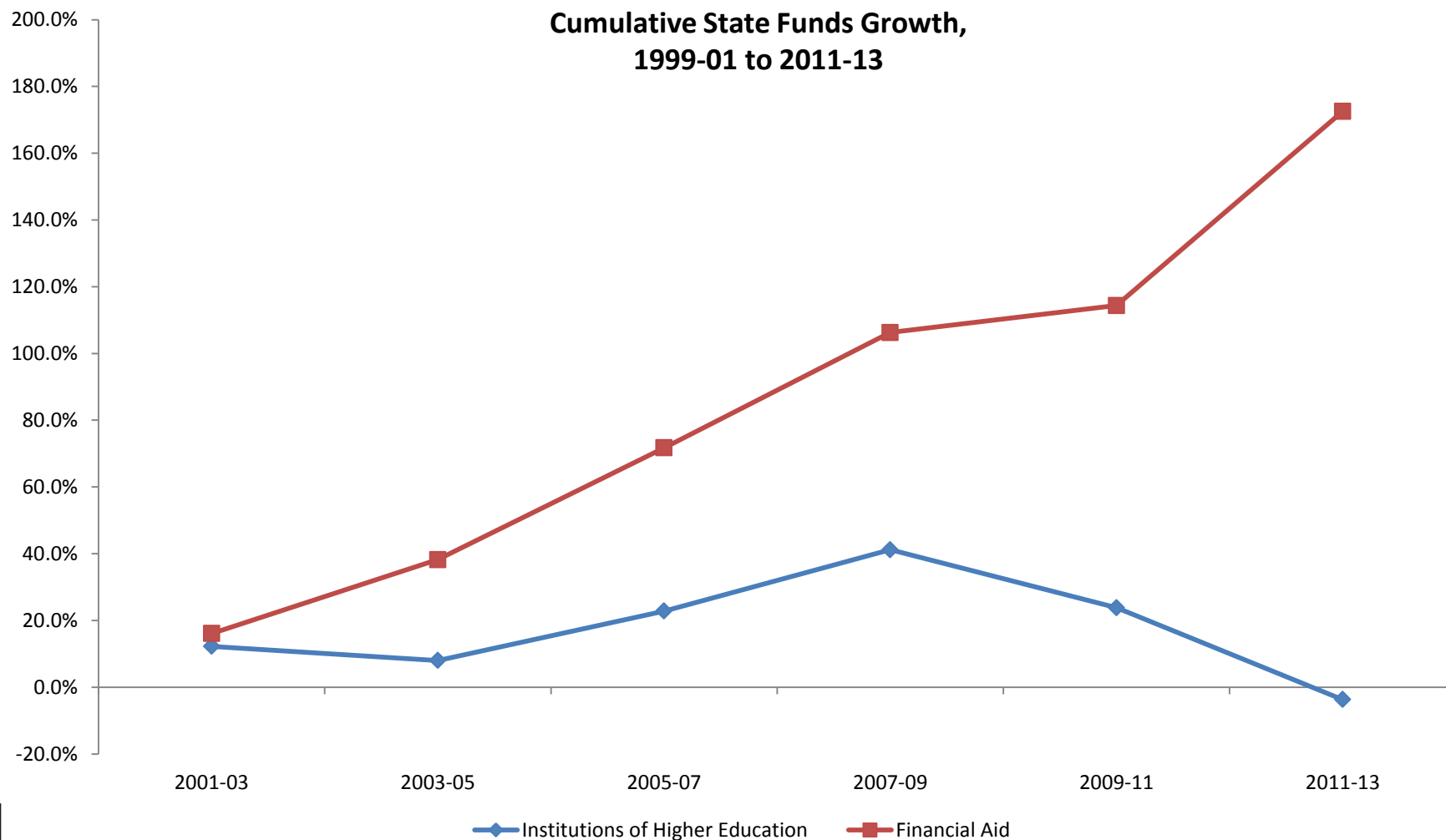


# Funding Trends

# Although state spending for higher education has increased over the last 12 years, it has grown much slower than other sectors of state government.

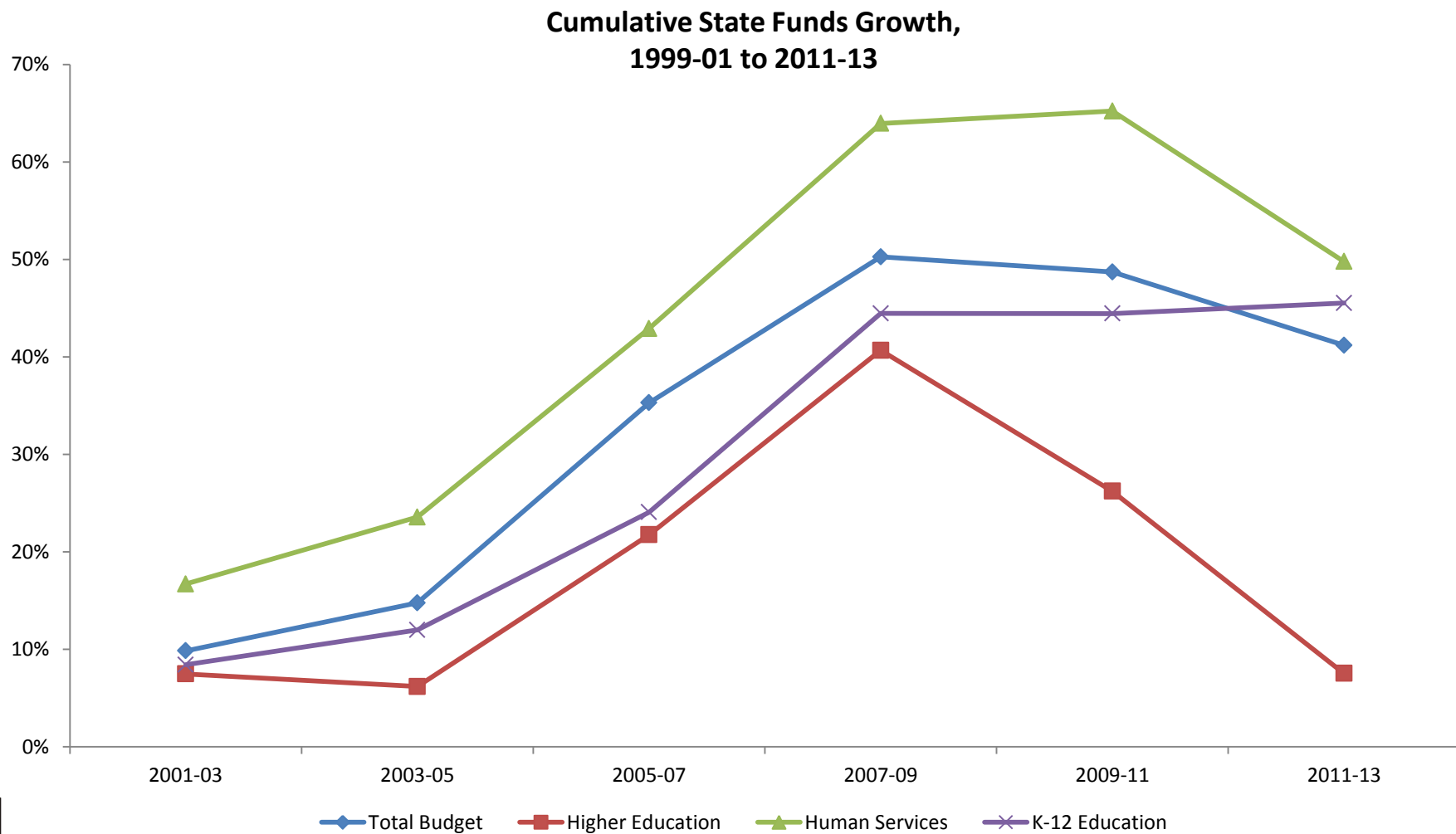


**The growth in state spending for higher education is largely due to investments in financial aid programs. Financial aid now accounts for 22% of the state funds spent in higher education, compared to 8% during the 1999-01 biennium.**



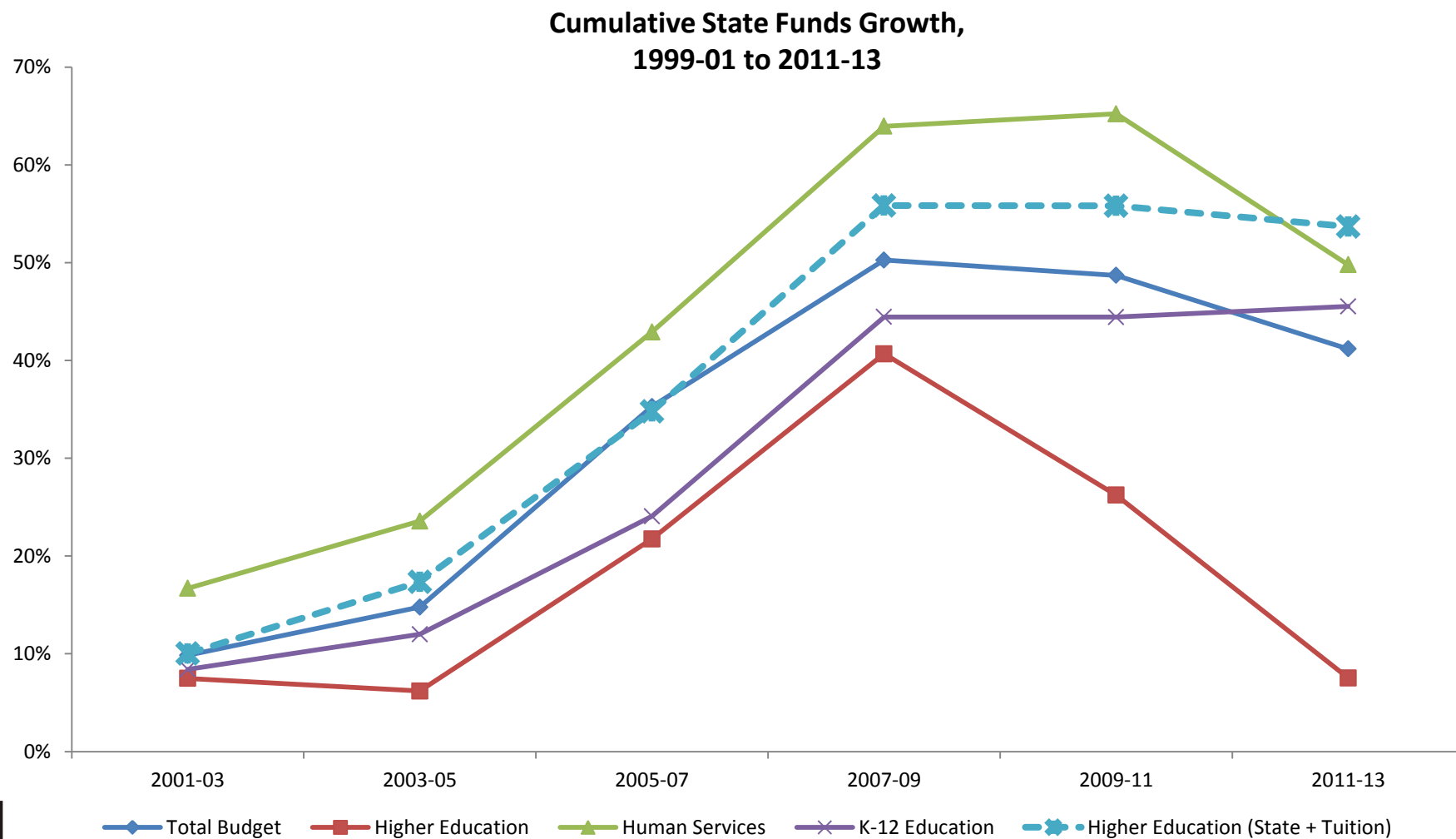
State Funds = Near General Fund State + Federal ARRA + Opportunity Pathways Account + Opportunity Express Account

# The slow rate of growth is due to the successive declines in state funding in the 2009-11 and 2011-13 biennial budgets.



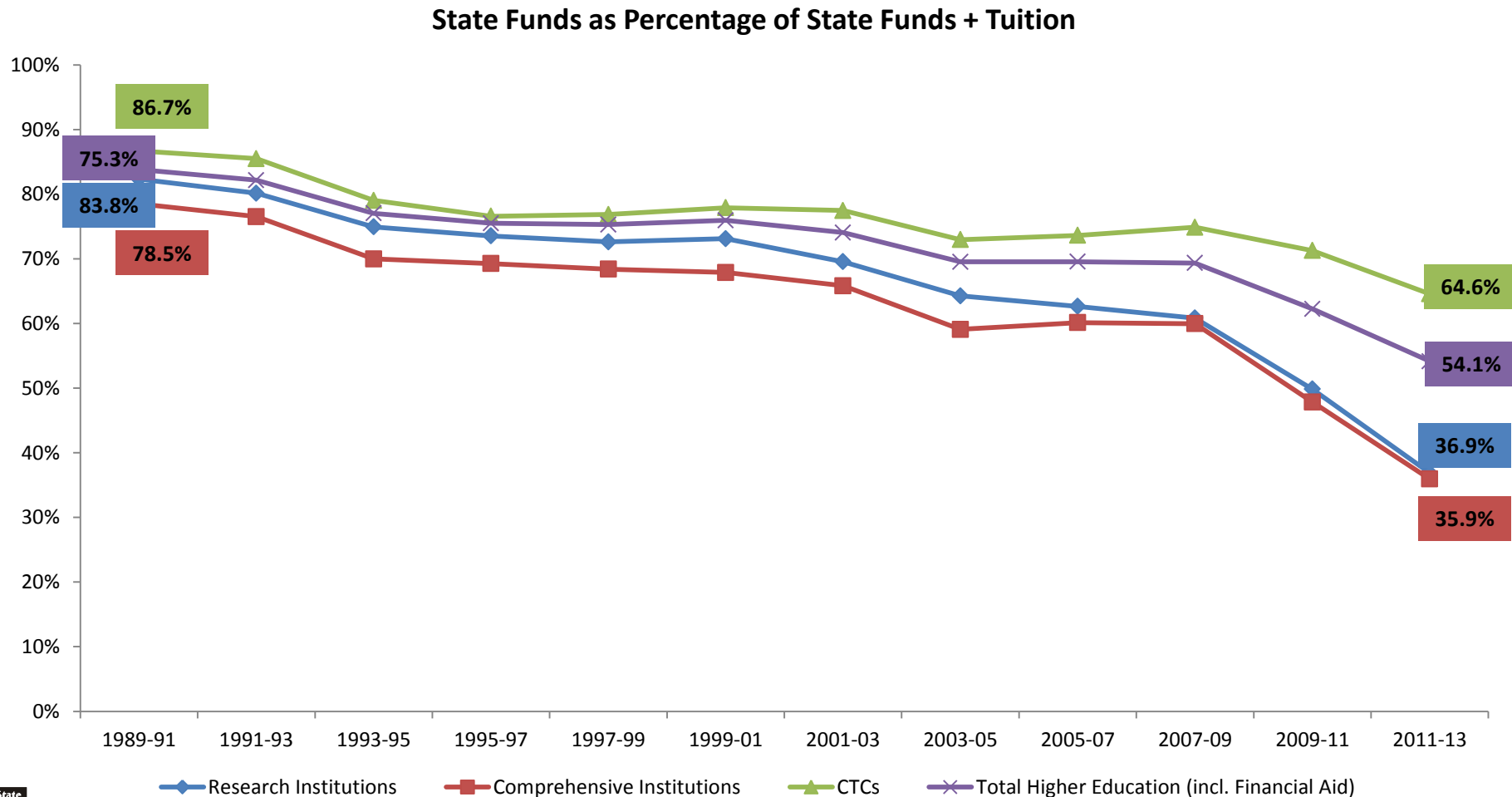
State Funds = Near General Fund State + Federal ARRA + Opportunity Pathways Account + Opportunity Express Account

**However, the growth in overall funding of core academic functions (state funds + tuition) is similar to the growth in total state spending and is due to the shifting of costs from the state to students.**



State Funds = Near General Fund State + Federal ARRA + Opportunity Pathways Account + Opportunity Express Account

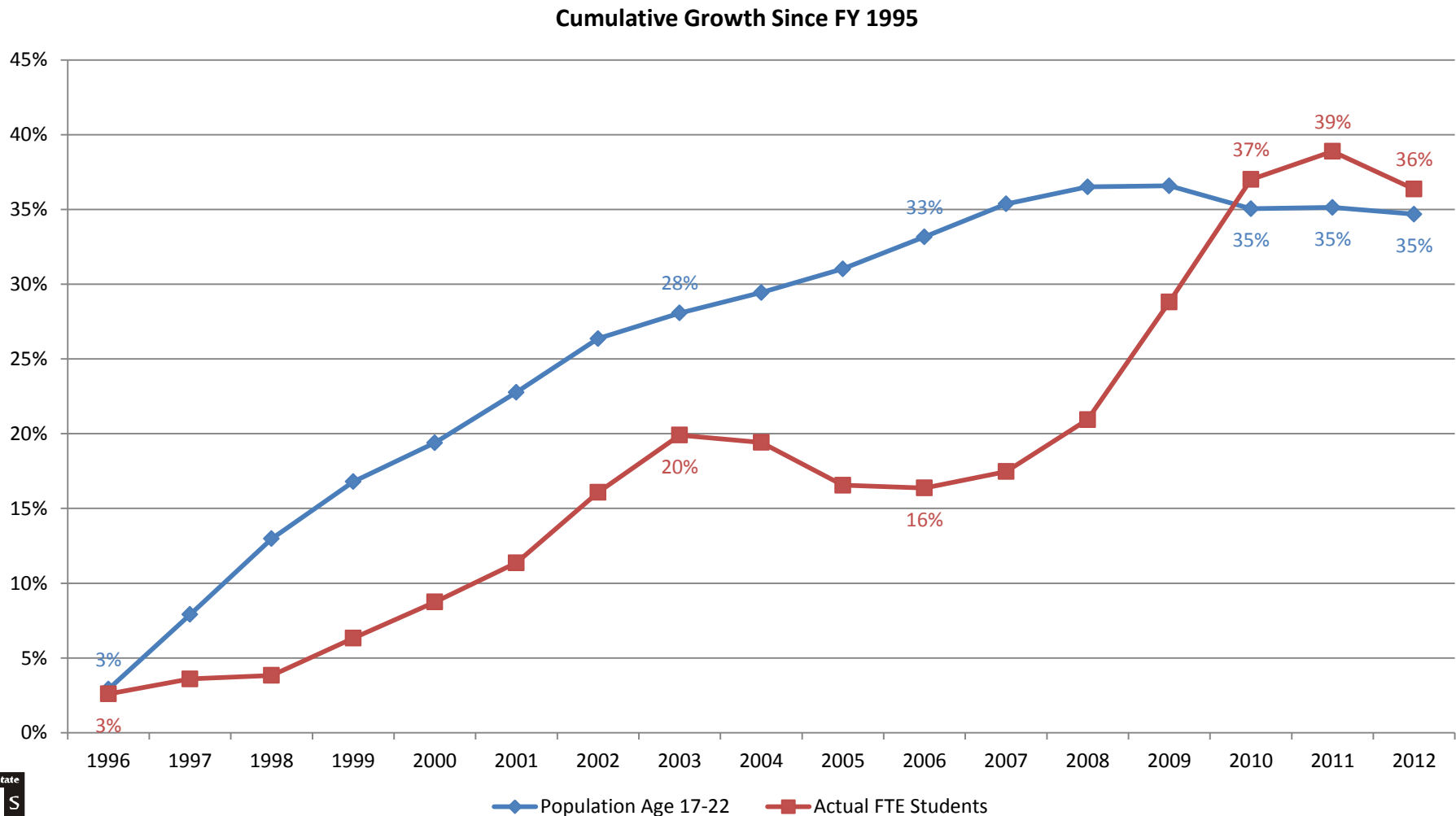
# The portion of core academic functions paid for with state funds has changed over time.



State Funds = Near General Fund State + Federal Stimulus + Opportunity Pathways Account + Opportunity Express Account

# Enrollment Trends

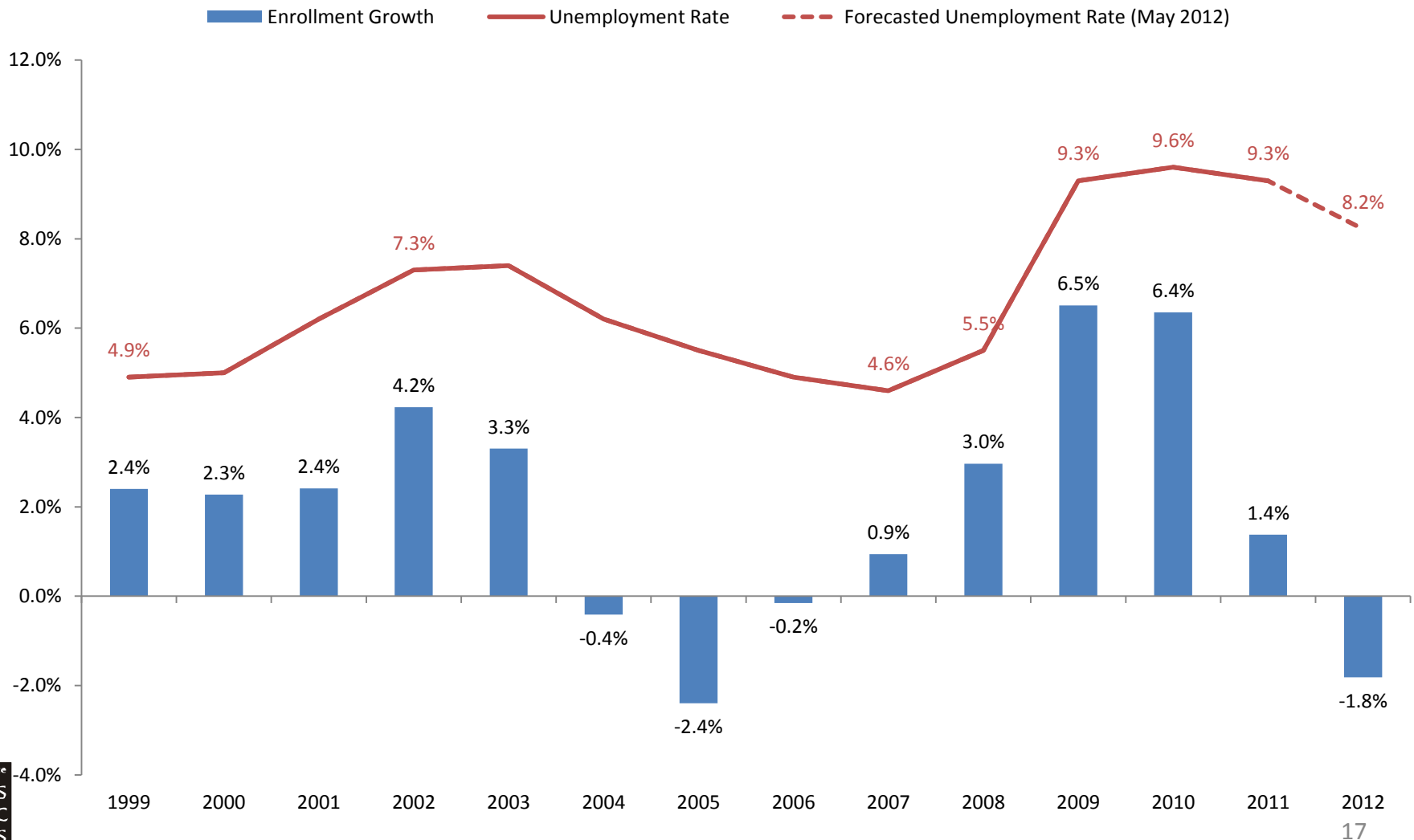
# The “baby boom echo” has largely driven increases in enrollment over the last 16 years. Today, current economic conditions are also a contributing factor.



SOURCE: State Population Forecast, November 2011, OFM Forecasting; Budget Driver Reports, Office of Financial Management.

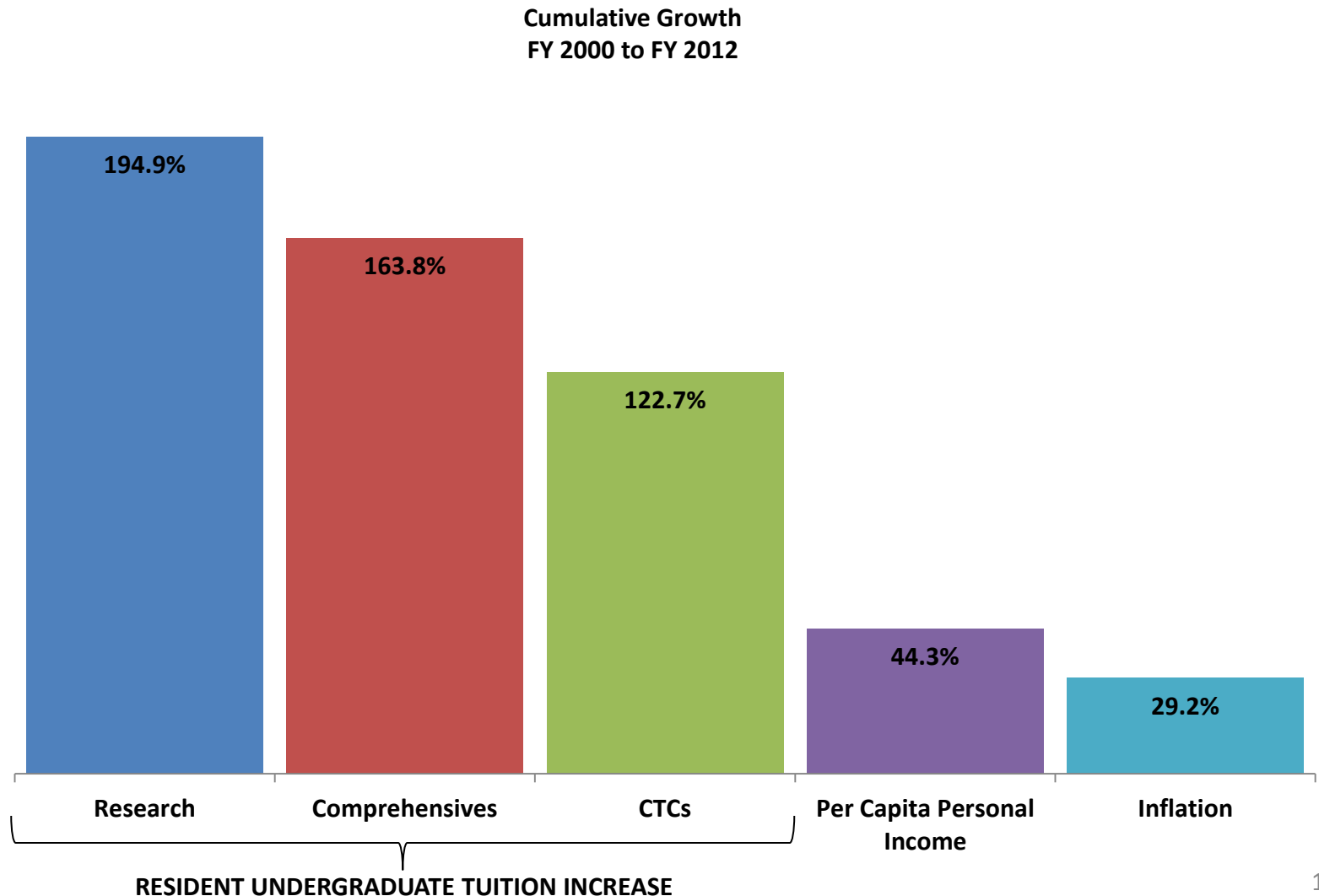


# During times of higher unemployment, higher education enrollment increases.



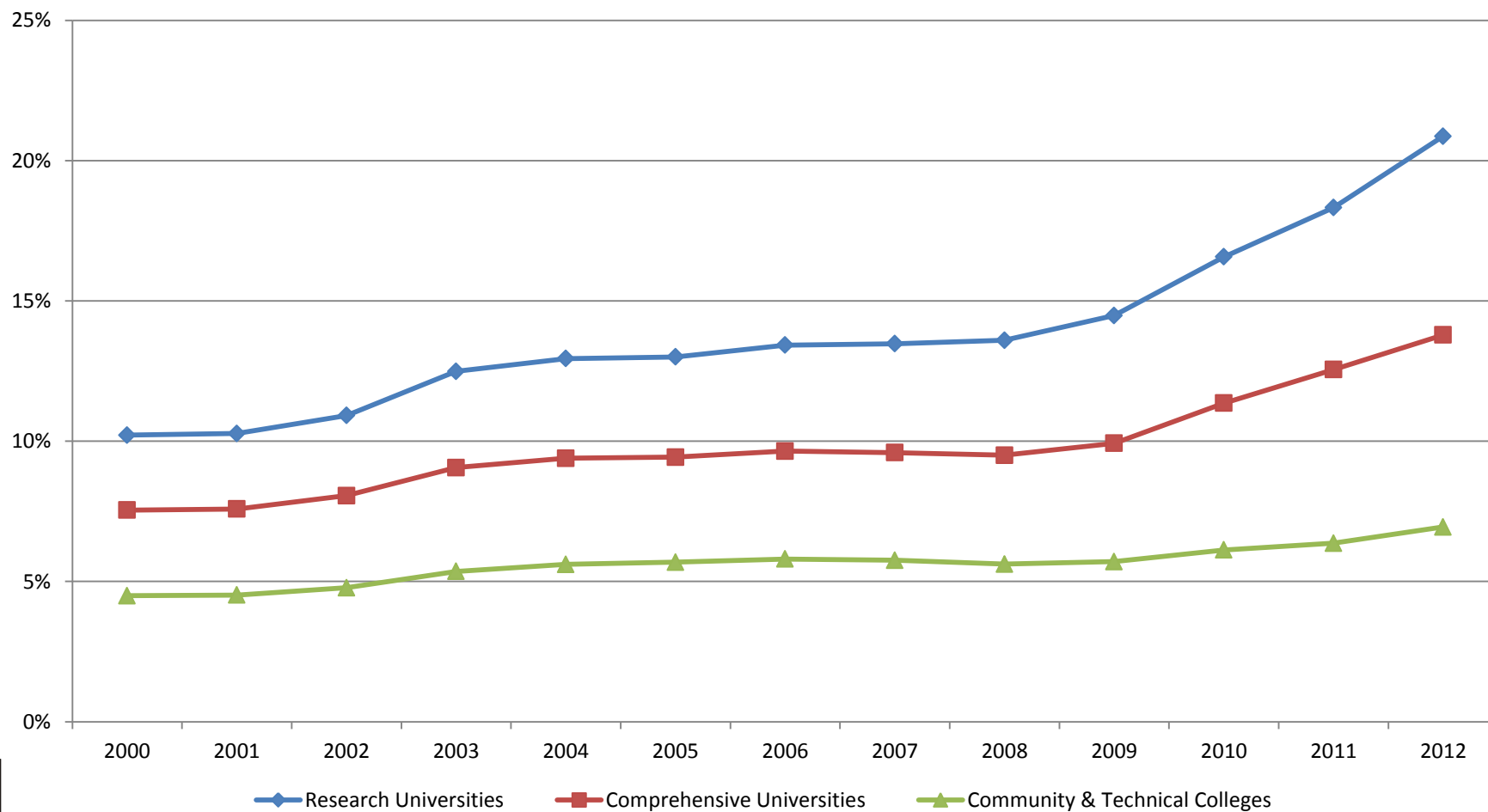
# Tuition Trends

# Since Fiscal Year 2000, the price of tuition has increased significantly faster than both per capita personal income and inflation.



# As a result, the portion of income required to pay for tuition at the research universities has more than doubled since 2000.

Tuition as a Percentage of Per-Capital Personal Income



# Tuition and Fees Comparison with WICHE Region

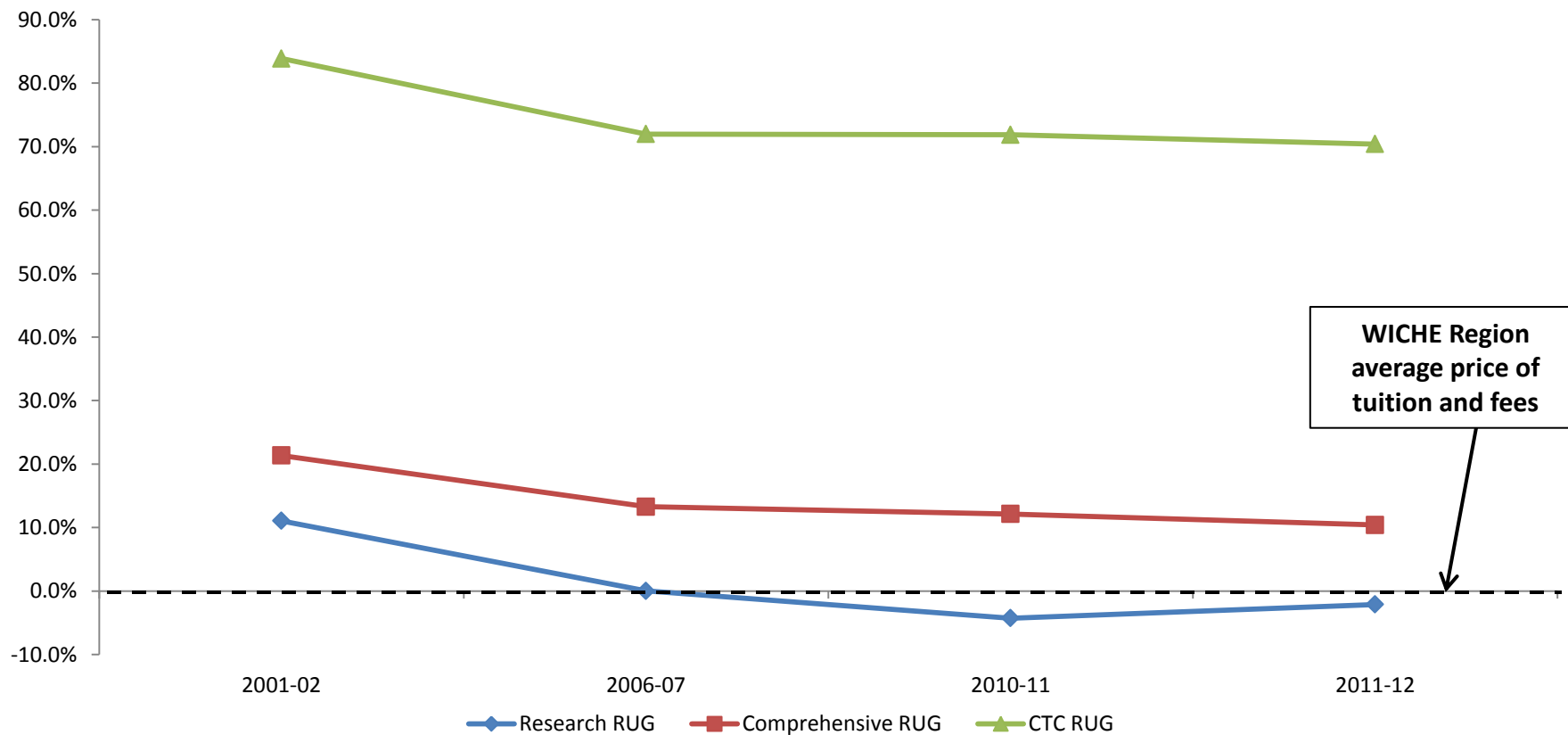
	WICHE REGION AVERAGE				WASHINGTON STATE AVERAGE				% DIFFERENCE IN WA RATES			
	2011-12	2010-11	2006-07	2001-02	2011-12	2010-11	2006-07	2001-02	2011-12	2010-11	2006-07	2001-02
<b>RESEARCH INSTITUTIONS</b>												
Resident Undergraduate	\$10,271	\$8,977	\$5,882	\$3,548	\$10,055	\$8,594	\$5,884	\$3,941	-2.1%	-4.3%	0.0%	11.1%
Resident Graduate	\$11,202	\$10,001	\$7,728	\$4,597	\$11,638	\$10,368	\$8,014	\$5,892	3.9%	3.7%	3.7%	28.2%
Nonresident Undergraduate	\$28,618	\$26,563	\$19,950	\$12,898	\$24,436	\$22,429	\$18,353	\$12,258	-14.6%	-15.6%	-8.0%	-5.0%
Nonresident Graduate	\$24,768	\$23,215	\$19,389	\$13,362	\$24,650	\$23,437	\$18,995	\$14,077	-0.5%	1.0%	-2.0%	5.4%
<b>COMPREHENSIVE INSTITUTIONS</b>												
Resident Undergraduate	\$6,312	\$5,509	\$3,890	\$2,524	\$6,969	\$6,177	\$4,408	\$3,063	10.4%	12.1%	13.3%	21.4%
Resident Graduate	\$7,669	\$6,763	\$4,932	\$3,167	\$8,078	\$7,486	\$6,378	\$4,880	5.3%	10.7%	29.3%	54.1%
Nonresident Undergraduate	\$15,325	\$14,349	\$12,417	\$8,649	\$17,438	\$16,384	\$14,094	\$14,216	13.8%	14.2%	13.5%	64.4%
Nonresident Graduate	\$15,674	\$14,584	\$13,367	\$9,658	\$19,032	\$18,162	\$16,910	\$14,639	21.4%	24.5%	26.5%	51.6%
<b>TWO-YEAR INSTITUTIONS</b>												
Resident	\$2,238	\$1,952	\$1,610	\$1,004	\$3,814	\$3,355	\$2,769	\$1,846	70.4%	71.9%	72.0%	83.9%
Nonresident	\$7,313	\$7,115	\$6,358	\$4,894	\$8,987	\$8,525	\$7,969	\$6,790	22.9%	19.8%	25.3%	38.7%

Western Interstate Commission on Higher Education (WICHE) Region = Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

Tuition includes operating fee and building fee. Fees include services & activities fee and technology fee.

**Since 2001-02, although resident undergraduate tuition and fees have increased in Washington state, they have grown more slowly than some other states in the WICHE region.**

**Washington State Resident Undergraduate Tuition Rates  
Relative to the WICHE Region Average**



Western Interstate Commission on Higher Education (WICHE) Region = Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

Tuition includes operating fee and building fee. Fees include services & activities fee and technology fee.

# Tuition and Fees Comparison with Global Challenge States (Public Four-Year Institutions Only)

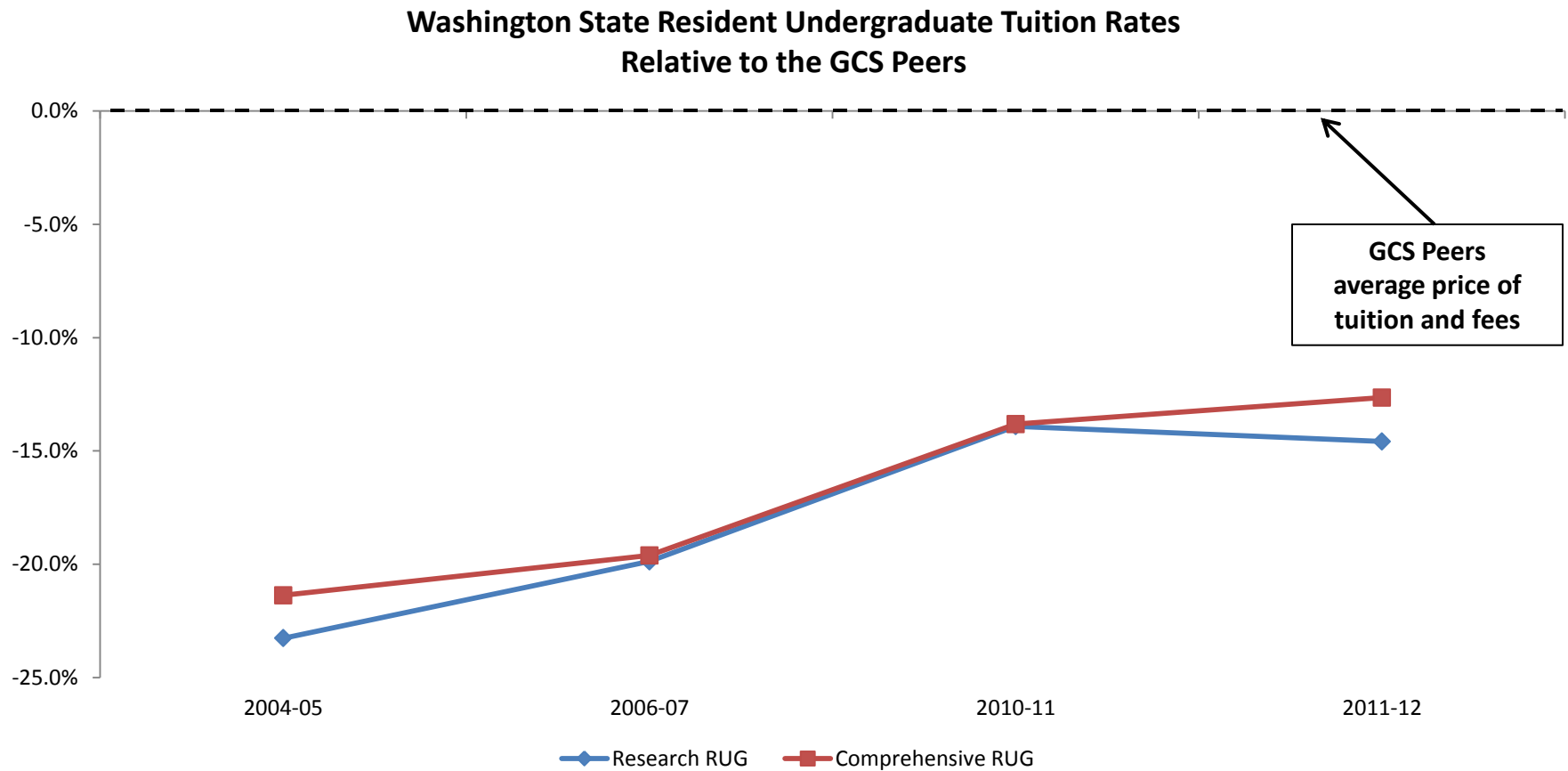
	GCS PEER AVERAGE				WASHINGTON STATE AVERAGE				% DIFFERENCE IN WA RATES			
	2011-12	2010-11	2006-07	2004-05	2011-12	2010-11	2006-07	2004-05	2011-12	2010-11	2006-07	2004-05
<b>RESEARCH INSTITUTIONS</b>												
Resident Undergraduate	\$11,843	\$10,565	\$7,758	\$7,112	\$10,116	\$9,095	\$6,216	\$5,457	-14.6%	-13.9%	-19.9%	-23.3%
Resident Graduate	\$13,713	\$11,637	\$8,867	\$8,209	\$11,860	\$10,574	\$8,222	\$7,247	-13.5%	-9.1%	-7.3%	-11.7%
Nonresident Undergraduate	\$29,663	\$28,234	\$22,054	\$19,912	\$24,953	\$22,930	\$18,685	\$15,981	-15.9%	-18.8%	-15.3%	-19.7%
Nonresident Graduate	\$26,347	\$24,022	\$19,964	\$18,591	\$24,872	\$23,643	\$19,202	\$16,944	-5.6%	-1.6%	-3.8%	-8.9%
<b>COMPREHENSIVE INSTITUTIONS</b>												
Resident Undergraduate	\$8,604	\$7,903	\$6,115	\$5,355	\$7,516	\$6,811	\$4,916	\$4,210	-12.6%	-13.8%	-19.6%	-21.4%
Resident Graduate	\$9,451	\$8,585	\$6,731	\$6,067	\$8,663	\$8,120	\$6,888	\$6,108	-8.3%	-5.4%	2.3%	0.7%
Nonresident Undergraduate	\$18,559	\$17,619	\$14,339	\$12,659	\$17,894	\$17,019	\$14,604	\$13,467	-3.6%	-3.4%	1.8%	6.4%
Nonresident Graduate	\$16,362	\$15,739	\$13,237	\$12,483	\$19,563	\$18,797	\$17,419	\$16,601	19.6%	19.4%	31.6%	33.0%

Source: Higher Education Tuition and Fees Comparisons, Office of Financial Management

Global Challenge States = California, Colorado, Connecticut, Maryland, Massachusetts, New Jersey, Virginia, and Washington

Tuition includes operating fee and building fee. Fees include all other fees charged to students.

**Since 2004-05, although resident undergraduate tuition and fees have increased in Washington state, they are still lower than the average of the GCS peers.**



Global Challenge States = California, Colorado, Connecticut, Maryland, Massachusetts, New Jersey, Virginia, and Washington

Tuition includes operating fee and building fee. Fees include all other fees charged to students.



# **Institutions' Operating Budget Requests**

# Four-Year Institution Requests

Policy Level Item	GFS (\$ in Millions)
Faculty/Staff Recruitment and Retention	\$39.9
Maintenance & Operations (Funds & Fund Shift)	\$34.7
STEM Enrollments	\$26.1
General Enrollments	\$20.0
Faculty Compensation – Collective Bargaining (does not require financial feasibility finding)	\$16.6
Student Support	\$7.5
Classified/Exempt Staff Compensation – Collective Bargaining (requires financial feasibility finding)	\$7.1
<b>OVERALL TOTAL</b>	<b>\$151.9</b>

NOTE: Agency request budgets total \$147.6 million. The \$151.9 million number shown incorporates additional information received regarding collective bargaining agreements from the Office of Financial Management.

# CTC Requests

Item	GFS (\$ in Millions)
Faculty/Staff Recruitment and Retention	\$89.5
STEM Enrollments	\$74.7
Student Achievement Initiative	\$17.5
Student Support	\$16.2
<b>OVERALL TOTAL</b>	<b>\$198.5</b>

# **Governor Gregoire's Operating Budget Proposals**

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# Highlights of the Governor's Operating Budget Proposals

- No tuition increases
- \$35.5 million for the College Bound Program
  - Average awards funded at public institutions:
    - \$3,500 for research institutions
    - \$2,000 for regional universities and TESC
    - \$1,500 for community and technical colleges
  - Waivers will be used at public institutions for awards that exceed the average
- \$4.0 million for engineering enrollments
  - UW -- \$2.0 million for an additional 425 degrees produced
  - WSU -- \$2.0 million for an additional 425 degrees produced
- \$5.0 million for aerospace and STEM enrollments at the community and technical colleges
  - Provides access for an additional 330 student FTEs
- Saved \$26.2 million by suspending I-732
- Limited funding provided for compensation
  - \$630,000 provided for costs associated with new Step M
  - No additional funds were provided for other newly negotiated collective bargaining contracts
    - Contracts requiring financial feasibility declaration: \$7.2 million GFS
    - Contracts not requiring financial feasibility declaration: \$16.6 million GFS

# Governor Gregoire's Book 2 Budget appropriates \$19.8 million but does not authorize tuition increases

Policy Level Item	GFS (\$ in Millions)
College Bound Scholarship	\$35.5
STEM Enrollments	\$9.0
Classified Staff - New Step M (part of collective bargaining)	\$0.6
CTC Facilities M&O	\$0.5
Labor Education Center	\$0.4
Suspend I-732 COLA	(\$26.2)
<b>OVERALL TOTAL</b>	<b>\$19.8</b>

# Some policy questions to consider when making budget decisions

## Operating Budget

- What is the appropriate level of state support for higher education?
- Should state funding be tied to performance?
- Should tuition be increased and, if so, by how much?
- If tuition is increased, should the policy of holding certain financial aid programs harmless to tuition increases continue?
- If tuition is increased, should core academic functions be reduced beyond the level replaced by tuition?
- Should financial aid programs be reduced/consolidated?