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ABSTRACT

This report of the Washington State Higher Education Coordinating Board provides a review of tuition and fee waiver programs submitted by each state university, regional university, state college, and the community college system; and presents recommendations for the continuation, modification, or termination of these programs. The review describes the scope of the various existing programs, discusses what the cost of these programs are to the state and its higher education institutions, examines the growth of these programs over the years, and reviews what the objectives are in evaluating them. Additionally, various program evaluation alternatives that were given to the Board for its consideration are explained. Appendices, comprising half the report, provide: (1) a list of programs by common purpose or goal and identified by mandatory/permissive authority, (2) a listing of the mandatory and permissive programs and amounts of operating fee revenue waived for 1992-93, and (3) the evaluation procedure and criteria used for program reviews. (GLR)

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**TUITION AND FEE WAIVERS
RESIDENCY EXEMPTIONS
REDUCED FEE COURSES**

Higher Education Coordinating Board

December 1991

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TUITION AND FEE WAIVERS RESIDENCY EXEMPTIONS REDUCED FEE COURSES

I. BACKGROUND

A. LEGISLATIVE DIRECTIVE

The 1991 Appropriations Act directed the HECB to implement the following actions regarding tuition and fee waivers, reduced fees, and residency exemptions:

Each state university, regional university, state college, and the community college system shall include a special report on tuition and fees waivers in its biennial budget request.

By December 1, 1991, in cooperation with the House of Representatives and Senate higher education and fiscal committees, the Board shall develop and recommend evaluation criteria. The criteria shall include, but not be limited to, consideration of a financial needs test and a reauthorization requirement. The criteria for space available waiver programs shall include, but not be limited to, consideration of overall access, demand, and effectiveness in achieving program goals.

Using the criteria, the Board shall review and evaluate at least half of the existing programs by June 30, 1993, and recommend the continuation, modification, or termination of evaluated programs to the Governor, the Legislature, and the institutions of higher education.

This report is in response to that section of the Act requiring the HECB to develop and recommend evaluation criteria.

B. HECB REPORT AND RECOMMENDATIONS

A January 1991 report by the Higher Education Coordinating Board was presented to the Legislature in response to Section 609 (a) of the 1990 Appropriations Act. The Board was directed to develop recommendations regarding tuition waiver and fee reduction programs, giving special consideration to maximizing the amount of waivers that are granted on the basis of financial need. That report reviewed the history and chronology of programs, and provided a synopsis of each program as well as the estimated program participation and value of waivers for the 1990-91 academic year. Recommendations contained in that report provide the background for the development of criteria and evaluation process/procedure as directed by the 1991 Appropriations Act.

C. 1991 LEGISLATIVE ACTIVITY

During the 1991 legislative session, legislation was introduced incorporating the Board's recommendation to improve the visibility of waivers, develop evaluation criteria and review existing programs, place a limitation on the aggregate revenue that could be waived, and to evaluate space available waivers in terms of overall access, demand and effectiveness of programs. Although that proposal did not pass, the issue was a subject of several discussions by the House Higher Education Committee. Subsequently, language in the Appropriations Act required that institutions include a special report on waivers in their budget requests, and that the Board be responsible for the development of procedures and evaluation criteria.

Also in 1991, legislation was introduced to authorize a number of new programs. Included were space available waivers for state patrol officers, national guard, exempt state employees, and public school employees. Two bills were introduced to amend the residency statutes, one that exempted dependents of persons employed in Washington state from the payment of nonresident tuition and fees, and a second that defined as a resident any person who marries a Washington resident and removed the one year domicile requirement.

Bills also were introduced to provide a waiver for up to 25 percent of the graduate students pursuing degrees in music, to provide waivers for the children of persons killed while serving in the Persian Gulf War, and to provide waivers for unemployed timber workers. Legislation that would freeze tuition and fee rates for veterans of the Persian Gulf War and for Peace Corp volunteers also were introduced. Only two of these bills passed: one providing waivers for unemployed timber workers; the other freezing tuition and fee rates for veterans of the Gulf War.

D. WAIVERS AND FINANCIAL AID

There is not necessarily a direct relationship between waiver programs and state and federal financial assistance programs. Financial assistance programs reflect the social policy of access through equal opportunity; assisting students with demonstrated financial need. Over the past fifty years, the Legislature has established and expanded a structure of tuition and fee waivers, residency exemptions and reduced fee courses to serve many social objectives including access. Programs have been enacted to promote and encourage a functionally literate citizenry; to provide a component of compensation for institutional employees; to provide an award in recognition of a contribution to the state through scholarship or service; to address workforce training, or to meet other social objectives.

Application of the legislative directive to develop evaluation criteria that includes but is not limited to consideration of a financial needs test would modify the intent of those waiver programs that have been enacted without regard to financial need. For example, it has been assumed that the original purpose of the four-year tuition and fee waiver for Washington Scholars is to recognize scholarship and to recruit those students to Washington public institutions. If a financial needs test were applied, tuition waivers would be limited to only those students who are financially disadvantaged. Programs that have been enacted to recognize service, promote work force training, and address other social goals would be similarly modified if a financial needs test were required.

II. PROGRAM DESCRIPTIONS

A. TYPES OF EXISTING PROGRAMS

In the January 1991 HECB report, programs were grouped in accordance with the nature of the program and defined as follows:

Reduced Fee Courses - (Community Colleges Only) RCW 28.B15.502(4) states that the community college boards of trustees shall charge such fees for ungraded courses as each board may determine appropriate. The State Board for Community College Education defines and describes ungraded courses in WAC 131-28-026 as meeting the following qualifications:

- ▶ Primary intent is other than providing academic credit applicable to an associate or higher degree
- ▶ The course has a specialized purpose
- ▶ The course is not intended to lead to initial employment
- ▶ The course is not an integral part of any lower-division program
- ▶ The course is not intended to satisfy requirements for a high school diploma

While all other tuition and fee waivers and residency exemptions are student based and pertain to categories of students without regard to courses taken, reduced fee courses are authorized to allow all students enrolled in those courses to enroll at a reduced fee. During 1990-91, enrollments in all reduced fee courses were approximately 9,630 FTE, or approximately 11 percent of the community college state funded enrollments. Included in this category are senior citizens courses, parent education, and apprenticeship programs.

Residency Exemptions In Washington, statutes determining residency status for tuition and fee purposes provide that certain nonresident students shall be exempted from paying the nonresident tuition and fee differential. Included in this category are institutional employees, spouses and dependents; active duty military personnel, spouses, and dependents, and immigrant refugees, spouses and dependents.

Waiver Programs for Washington Residents Tuition and fee waiver programs have been enacted to provide educational benefit to Washington residents based on financial need or by virtue of service or circumstance. Within the general category of service or circumstance, there is no uniformity as to the value of the waivers authorized or to the mandatory or permissive nature of the waivers. Included in this category, in addition to waivers for resident students based on financial need, are Southeast Asia veterans, Washington Scholars, children of MIA/POWs, and children of deceased or totally disabled law enforcement officers and firefighters.

Waiver Programs for Nonresidents Tuition and fee waiver programs have been enacted to provide educational benefit to certain nonresident students. Generally, these programs waive the tuition and fees nonresident differential. Different from waiver programs for resident students, there is often an element of reciprocal placement for Washington students to enroll at institutions in other states or countries, or there is a contractual arrangement whereby other states provide financial support for students enrolled at Washington institutions. Included in this category are reciprocity programs with British Columbia, Idaho, and Oregon, and foreign exchange programs. Also included are waivers for WICHE graduate students.

Waivers in Lieu of Compensation These waivers offered to students holding graduate appointments were initially established in 1979. They are given in lieu of compensation and therefore, offer the graduate student some tax advantage by replacing a portion of their taxable stipend with a nontaxable waiver.

Space Available Waivers In 1975, a waiver program was established that permitted full tuition and fee waivers to residents over the age of 60 registering for not more than two courses per term on a space available basis. In 1979, a space available program was established for all full-time employees of institutions, as well as full-time Washington State University Extension Service and Agricultural Research employees. In 1984 a space available program was established in community colleges for long-term unemployed and underemployed, and in 1990, a space available program for classified state employees was established. Students enrolled in space available courses may be charged a nominal fee for administrative costs. Space available enrollments are not reported in any statistical compilation and do not receive state funding.

Waiver programs also may be categorized in terms of program goals and the circumstances under which students receive partial or full tuition and fee waivers. A third method of categorization is by statutory reference as to whether a program is mandatory or permissive. Mandatory programs must be offered by the institutions whereas permissive language allows each institution to choose whether or not to participate in the waiver program. Appendix A provides a listing of all programs grouped by common goals or populations served with the mandatory/permissive reference with each program title. This schematic serves to identify the extent to which the legislature requires institutions to provide waivers or exemptions for various social purposes.

B. SCOPE OF EXISTING PROGRAMS

There are no enrollment limits placed on reduced fee courses, residency exemptions or many waivers programs. Generally, all students who are eligible by virtue of the stated service or circumstance or who enroll in the reduced fee courses or programs receive the waiver. Those programs with unlimited student participation make up approximately 90 percent of the operating fee revenue waived.

Those programs which do limit the number of students eligible are limited either by the amount of revenue that may be waived by each institution (3% and 4% waivers, gender equity), by the limitation on participation in a program (Washington Scholars, Washington Award for Vocational Excellence, International Students), by the terms of reciprocal agreements (Idaho, Oregon, British Columbia) or contracts (WAMI), or by the time limitation of the authorization (Southeast Asia Veterans). Programs with such limitations make up only 10 percent of the total operating fee revenue waived.

C. COST TO THE STATE

The total cost of waiver programs, residency exemptions, and reduced fee courses is not easily assessed or understood. The aggregate tuition and fee revenue waived represents the value of the waivers to students. During the 1991-93 biennium, a total of \$162.8 million will be waived for approximately 68,000 students. Of that total, \$144.2 million is operating fee revenue, and \$18.5 million is local building and S & A fee revenue. In the aggregate, this amounts to 24.2 percent of the gross tuition and fee revenue, and is approximately twice the 1991-93 state financial aid appropriation (\$73.4 million).

Of that total, operating fees waived is estimated to be \$74.8 million during the 1992-93 academic year, with an additional \$6.1 million and \$3.4 million in local building and S & A fees respectively.

Repealing all waiver programs would not necessarily return the full amount of fees waived to the state General Fund. Revenue associated with the repeal or modification of programs would be dependent on 1) the probability of those currently on waivers continuing their education as full fee-paying students, 2) the probability of the same number of new students enrolling as full fee-paying students, and 3) the probability of new students enrolling as full fee-paying students at a different rate.

For example, students who receive a waiver of the tuition and fee nonresident differential would be unlikely to enroll as full fee-paying nonresident students. Therefore, repealing residency exemptions probably would not result in any appreciable increase in tuition and fee revenue. More than likely, the composition of the institutions would change as nonresident students with exemptions were replaced by full fee-paying resident students. Since the exemptions only waive the nonresident differential, and those new students would pay only the resident tuition and fees, the new revenue impact would be zero.

In contrast, repeal or modification of resident tuition and fee waiver programs or reduced fee courses probably would result in a similar amount of increased revenue because the same or different resident students would enroll as full fee-paying students.

D. COST TO THE INSTITUTIONS

Under the state's current tuition and fee structure, institutions remit the operating fee to the state General Fund; the Building Fee and the Services & Activities Fee, however, are retained locally. The waiving of Building and Services & Activities Fees inhibits institutional ability to fund and bond capital improvements and student programs/buildings. The demand on facilities and programs is not lessened by waiving those fees.

III. PROGRAM GROWTH

In 1992-93, approximately 68,000 students will receive a full or partial waiver.

As shown in the following table, between 1979-80 and 1992-93, student operating fees waived through mandatory and permissive waiver programs, residency exemptions, and reduced fee courses will have increased 563 percent, from \$11.2 million to \$74.8 million. By sector, operating fees waived will have increased 462 percent at research universities; 547 percent at comprehensive institutions; and 707 percent at community colleges.

OPERATING FEE REVENUE WAIVED

Comparison of Projected Years 1979-80 and 1992-93

	<u>1979-80</u>	<u>1992-93</u>	<u>% Increase</u>
UNIVERSITY OF WASHINGTON	3,814,731	22,563,123	491 %
WASHINGTON STATE UNIVERSITY	2,131,390	10,830,882	408 %
CENTRAL WASHINGTON UNIVERSITY	101,559	974,083	856 %
EASTERN WASHINGTON UNIVERSITY	151,392	1,817,814	1101 %
THE EVERGREEN STATE COLLEGE	35,484	513,075	1346 %
WESTERN WASHINGTON UNIVERSITY	486,813	1,707,281	251 %
COMMUNITY COLLEGE SYSTEM	4,509,904	36,411,996	707 %
 TOTAL	 11,281,673	 74,818,254	 563 %

By sector, these data aggregate as follows:

	<u>1979-80</u>	<u>1992-93</u>	<u>% Increase</u>
RESEARCH UNIVERSITIES	5,946,121	33,394,005	462 %
COMPREHENSIVE INSTITUTIONS	775,248	5,012,253	547 %
COMMUNITY COLLEGE SYSTEM	4,509,904	36,411,996	707 %
 TOTAL	 11,281,673	 74,818,254	 563 %

Sources: Policy Recommendations on Tuition and Fee Waivers and Residency Requirements,
Council for Postsecondary Education (September 1980).
Tuition and Fee Revenue Model, November 1991 forecast.
SBCTC historical data files.

Increases in the amount waived have been influenced by the increasing tuition and fee rates, the increasing number of participants and the authorization of new programs. Programs operating in '979-80 and 1992-93 reported an increase in revenue waived from

\$11.2 million to \$56.3 million, an increase of 403 percent. New programs enacted since 1979-80, account for \$18.5 million in operating fee revenue to be waived in 1992-93.

During the same period, the average annual FTE enrollments will have decreased by 3.9 percent. By sector, research university enrollments will have declined by 1.5 percent; comprehensive institutions will have increased by 8.2 percent, and community colleges will have declined by 8.2 percent.

During the same period, the operating fee rates charged to students will have increased between 124 percent (nonresident undergraduate) and 323 percent (resident undergraduate) at the research universities; between 198 percent (nonresident undergraduate) and 327 percent (resident graduate) at the comprehensive institutions; and 149 percent (nonresidents) and 475 percent (residents) at the community colleges.

The following two tables illustrate these data.

AVERAGE ANNUAL FTE STUDENTS

Comparison of Academic Years 1979-80 and 1992-93

	1979-80 <u>Actual</u>	1992-93 <u>Budgeted</u>	% <u>Change</u>
UNIVERSITY OF WASHINGTON	31,737	30,826	-2.9%
WASHINGTON STATE UNIVERSITY	16,670	16,875	1.2%
CENTRAL WASHINGTON UNIVERSITY	5,895	6,451	9.4%
EASTERN WASHINGTON UNIVERSITY	6,756	7,368	9.1%
THE EVERGREEN STATE COLLEGE	2,175	3,178	46.1%
WESTERN WASHINGTON UNIVERSITY	9,192	9,001	-2.1%
TIMBER WORKERS		50	
COMMUNITY COLLEGE SYSTEM	97,848	89,800	-8.2%
 TOTAL	 170,273	 163,549	 -3.9%

Source: HECB data files, Final Budgeted Enrollments 1991-93 Biennium

FULL-TIME OPERATING FEE RATES

Comparison of 1979-80 and 1992-93

	<u>1979-80</u>	<u>1992-93</u>	<u>% Increase</u>
RESEARCH UNIVERSITIES			
Resident Undergraduate	453	1,917	323%
Resident Graduate	750	3,180	324%
Nonresident Undergraduate	2,565	5,754	124%
Nonresident Graduate	3,120	8,259	165%
COMPREHENSIVE INSTITUTIONS			
Resident Undergraduate	381	1,428	275%
Resident Graduate	582	2,487	327%
Nonresident Undergraduate	1,923	5,721	198%
Nonresident Graduate	2,340	8,064	245%
COMMUNITY COLLEGES			
Residents	130.5	750	475%
Nonresidents	1,372.5	3,414	149%

Source: HECB historical files

IV. PROJECT OBJECTIVES

Prior to discussion and consideration of alternative approaches, there needs to be a clear understanding of the objectives to be achieved. The legislative directive addresses only the development of criteria by which the Board is directed to review and evaluate all programs individually. While there have been expressions of concern and frustration by individual legislators concerning the growth and magnitude of revenue being waived, there is no clear directive to address a reduction in foregone revenue, beyond consideration of a financial needs test during the evaluation of each program.

All programs have a strong constituency that will rise to their defense as an evaluation process occurs. A program by program review and evaluation may fail to constrain the growth of programs, or discourage the passage of new programs.

If the growth and magnitude of operating fee revenue being waived is a paramount issue, then the Board may wish to consider an approach that would impose limits on the aggregate revenue waived and/or would impose a financial needs test on all programs where appropriate. Approaches that address programs in the aggregate, provide the Board means to avoid the requirement of evaluating the social value of each and every program.

V. ALTERNATIVES

It is important to remember that programs have been authorized to serve different student populations and different social purposes. The legislative directive placed particular emphasis on "consideration of a financial needs test" in the development of evaluation criteria. Applying that directive and adding the constraint of financial need will modify some of the social goals for which the various programs were enacted.

In developing an appropriate response to the legislative directive, five approaches were developed for consideration by the Board. These alternatives are discussed below.

A. INDIVIDUAL PROGRAM REVIEW AND EVALUATION

Description This alternative follows specific legislative language as conveyed in the 1991 Appropriations Act. It provides for the evaluation of each waiver, reduced fee course, and residency exemption program currently in use. Criteria, which would include consideration of financial need, would be developed and used to evaluate the various programs. The evaluation process would occur over the next two to three years in accordance with a schedule approved by the Board.

Fiscal Impact There would be no immediate fiscal benefits from implementation of this alternative; longer term revenue enhancements would probably be marginal.

Pro --

- ▶ follows legislative language precisely
- ▶ requires detailed evaluation of each program
- ▶ encourages public involvement

Con --

- ▶ no predictable fiscal benefits
- ▶ would probably not curtail growth

B. AGGREGATE PROGRAM REVIEW AND NEEDS TEST

Description This alternative makes a distinction between programs that could be related to financial need and those where the connection seems uncertain. The purpose is to identify a group of programs where a financial need criterion might be applied immediately. This approach would eliminate waivers for individuals not meeting a financial need test from this latter group of programs. (see Appendix A, program categories 1 through 5).

Programs with an uncertain connection to financial need would be evaluated over the next two to three years. As part of the evaluation process, these programs would be reviewed to determine the appropriateness of applying a financial need criterion. The programs envisioned for this second phase of evaluation fall into the following clusters:

- ▶ graduate service appointment residency exemptions and operating fee waivers;
- ▶ domestic and foreign student exchanges and reciprocity programs;
- ▶ WICHE and WAMI contracts; and
- ▶ basic education and pre-college courses.

Fiscal Impact \$30.6 million will be waived in 1992-93 for those programs that would have a financial needs test imposed immediately. Of that total, approximately \$6.8 million is currently being waived for financially needy students, and \$12.0 million is nonresident differential. Of the \$11.8 million in resident operating fees being waived without a financial need requirement, HECB staff estimate that 40 percent would be waived to those who qualify on the basis of need. Therefore, a realistic estimate of resident operating fees waived to students who would probably not meet a financial needs test is \$7.1 million or 60 percent of the remainder.

Pro --

- ▶ would provide some fiscal relief during current biennium
- ▶ would impose financial needs test per legislative direction
- ▶ legislative prescription would ease constituent pressures on institutions

Con --

- ▶ eliminates institutional management flexibility
- ▶ arbitrary imposition of financial need may modify original program intent

C. PERMISSIVE PROGRAM LIMITS

Description Programs that provide for tuition and fee waivers, reduced fees, and residency exemptions may be viewed from the standpoint of those that by statute are mandatory versus those that are permissive. Mandatory programs require that institutions provide waivers to all students who are eligible. In 1992-93, \$26.7 million, or 35.7 percent of the total operating fee revenue waived is for mandatory programs.

In the case of permissive programs, institutions have the option of participating or not as they deem appropriate. However, because there is generally no limit to the number of permissive waivers that institutions can provide in authorized programs, and because there is relatively no cost to the institutions, there is no incentive for institutions to prioritize and/or limit the revenue waived. These programs will represent \$48.1 million, or 64.3 percent of the total operating fee waived in 1992-93. A listing of programs and the 1991-92 operating fee waived for each is contained in Appendix B.

This alternative proposes legislation limiting the amount of operating fee revenue that could be waived by the institutions for permissive programs. The legislation might also require that priority be given to students with demonstrated financial need.

Mandatory programs would be evaluated over the next two to three years. The evaluation would include consideration of the appropriateness of a financial need criterion and/or whether the programs should continue to be mandatory (as opposed to permissive). The other criteria proposed for use in the evaluation of these programs are found in Appendix C.

Fiscal Impact Operating fee revenue to be waived in 1992-93 in permissive programs is estimated at \$48.1 million. A legislatively directed reduction would be applied to this total.

Pro --

- ▶ fiscal benefit in current biennium
- ▶ retains institutional management flexibility
- ▶ legislative action becomes part of the budget process
- ▶ create requirement for institutional prioritization

Con --

- ▶ creates conflict between financial need and institutional priority
- ▶ no rationale for determination of amount for cut-back
- ▶ inconsistent treatment of the same waiver programs by different institutions

**D. PERMISSIVE PROGRAM LIMITS AND
MANDATORY PROGRAM FINANCIAL NEEDS TEST**

Description This alternative proposes legislation limiting the amount of operating fee revenue that could be waived by the institutions for permissive programs and requires a financial needs test for all mandatory programs. Application of the needs test for Graduate Service Appointments and high school completion would be deferred.

Mandatory programs would be evaluated over the next two to three years and would include consideration of whether programs should be mandatory or permissive. Other criteria proposed for use in the evaluation of these programs are found in Appendix B.

Fiscal Impact Operating fee revenue to be waived in 1992-93 in permissive programs is estimated at \$48.1 million. Under this alternative, as in alternative C, this total amount waived would be subject to a legislatively imposed limitation.

Revenue to be waived in 1992-93 in mandatory programs is estimated at \$26.7 million. Deferring the needs test on GSA (\$13.8 million) and high school completion (\$1.4 million) leaves \$11.5 million in mandatory revenue being waived that would be subject to a financial needs test. HECB staff estimate that 40 percent of the revenue for mandatory programs would be waived to those who qualify on the basis of need. Therefore, a realistic estimate of operating fees waived to students who would probably not meet a financial needs test is \$6.9 million, or 60 percent of the remainder.

Pro --

- ▶ fiscal benefit in current biennium
- ▶ retains institutional management flexibility
- ▶ legislative reduction of revenue waived by permissive programs becomes part of the budget process
- ▶ create requirement for institutional prioritization

Con --

- ▶ creates potential conflict between "financial need" and scholarship
- ▶ no rationale for determining amount of cut-back on permissive programs
- ▶ inconsistent treatment of the same waiver programs by different institutions
- ▶ requires amending the statute of each mandatory program to impose a financial needs test

E. ALL PROGRAMS PERMISSIVE AND LIMITED

Description This alternative proposes legislation limiting the amount of operating fee revenue that could be waived by the institutions for permissive programs and amending the ten mandatory program statutes to make each such program permissive. All programs then would be permissive and subject to a limitation of revenue waived.

Under this alternative, there would be no requirement for individual program review and evaluation by the HECB. That process would be the responsibility of institutions as they develop waiver policies and priorities to meet the needs of their unique student population. Evaluation procedure and criteria (Appendix B) would be considered a model for institutional program evaluation and legislative evaluation of new program proposals.

Institutional flexibility would include consideration of granting either full or partial waivers or residency exemptions. With all programs permissive, nothing would preclude institutions from developing policies similar to the language of RCW 28.B.15.740 (3 and 4 percent waivers) which includes the statement that (institutions) "may waive, in whole or in part, tuition and services and activities fees subject to the limitations set forth . . ."

Fiscal Impact Operating fee revenue to be waived in 1992-93 in permissive (all) programs would be estimated at \$74.8 million. Under this alternative, the total amount waived would be subject to a legislatively imposed limitation.

Pro --

- ▶ fiscal benefit in current biennium
- ▶ provides maximum institutional management flexibility
- ▶ eliminates the requirement that institutions waive building fees and services and activities fees
- ▶ legislative reduction of revenue waived becomes part of the budget process
- ▶ creates requirement for institutional prioritization
- ▶ Legislature retains authority for defining the parameters of revenue to be waived and the student eligibility

Con --

- ▶ places full program management with institutions
- ▶ no rationale for determining amount of cut-back on permissive programs
- ▶ inconsistent treatment of the same waiver programs by different institutions
- ▶ requires amending ten mandatory program statutes

RECOMMENDATIONS

Alternative A would address change through statutory amendments to each program over a period of several years. However, the process would focus on each individual program, and would not focus on the scope of waivers and the need to manage the total revenue being waived. This alternative would not reduce revenue waived during the current biennium.

Alternative B would have a financial need criterion applied immediately to specified programs. All other programs without a financial need criterion would be evaluated over the next two to three years and the appropriateness of financial need would be addressed. This alternative would reduce revenue waived during the current biennium by imposing the financial needs criterion on many programs. However, it would eliminate institutional management flexibility to address the needs of their unique student populations. The arbitrary imposition of financial need to each program also may modify original program intent.

Alternative C would limit the amount of operating fee revenue that could be waived for permissive programs, and evaluate mandatory programs over the next several years, considering a financial need criterion and whether programs should continue to be mandatory or changed to permissive. This alternative would reduce revenue waived during the current biennium through the Legislature imposing a limit on permissive programs. However, the proposal does not provide a complete waiver management policy, requiring the evaluation and resolution of mandatory programs over the next several years.

Alternative D would limit the amount of operating fee revenue that could be waived for permissive programs and require a financial needs test for all mandatory programs, deferring that requirement for Graduate Service Appointments and high school completion. This alternative would reduce revenue waived during the current biennium. Although it would retain institutional management flexibility of permissive programs, it would require amending the statute of each mandatory program to impose a financial needs test.

Alternative E would amend all mandatory programs to make them permissive, and would limit the amount of operating fee revenue that could be waived for all tuition and fee waivers, residency exemptions, and reduced fee courses. This alternative would reduce revenue waived during the current biennium by imposing a limit on revenue waived for all programs. Alternative E eliminates the requirement that institutions waive building fees and services and activities fees, leaving this to institutional discretion. The Legislature retains authority for defining the parameters of revenue to be waived.

Staff recommends Alternative E as the approach that best addresses the need for waiver management, provides enhanced institutional flexibility to manage all waiver programs, and generates significant new revenue in the current biennium.

APPENDIX A

**Programs by Common Purpose or Goal
Identified by Mandatory/Permissive Authority**

1. **SCHOLARSHIP**

These programs provide tuition and fee waivers for specific individuals who are chosen to be recognized because of outstanding scholarship and for the recruitment of these students to Washington public colleges and universities. The programs included are:

Mandatory

- ▶ Waivers for Washington Scholars
- ▶ Waivers for Washington Award for Vocational Excellence

Permissive

- ▶ None

2. **MILITARY SERVICE**

These programs provide tuition and fee waivers and/or exemption from tuition and fee increases for active duty military personnel, spouses and dependents stationed in Washington, and veterans of the military. The programs included are:

Mandatory

- ▶ Southeast Asia Veterans (rates frozen at 1977 levels)
- ▶ Gulf War Veterans (rates frozen at 1990 levels)
- ▶ Residency Exemption for Active Duty Military, Spouses, Dependents

Permissive

- ▶ Waivers for Veterans with no Federal Benefits

3. **CHILDREN OF THOSE WHO SERVED**

These programs provide tuition and fee waivers for children of certain military, law enforcement officers and fire fighters. The programs included are:

Mandatory

- ▶ Waivers for Children of MIA/POWs

Permissive

- ▶ Waivers for Children of Deceased or Totally Disabled Law Enforcement/Firefighters

4. WORK FORCE TRAINING

These programs offer reduced fee courses and/or tuition and fee waivers to persons to provide more qualified personnel in specific employment fields or to assist groups of individuals in areas of job displacement. The programs included are:

Mandatory

- ▶ Waivers for Displaced Timber Workers

Permissive

- ▶ Apprenticeship Reduced Fee Courses
- ▶ Emergency Medical Technician Reduced Fee Courses
- ▶ Small Farm/Small Business Reduced Fee Courses
- ▶ Industrial First Aid Reduced Fee Courses

5. OTHER PROGRAMS

These programs are varied, with no two serving a similar purpose or a similar population. Only the first two listed currently require demonstrated financial need for eligibility. Programs included are:

Mandatory

- ▶ Residency Exemption for Immigrant Refugees, Spouses, Dependents
- ▶ Residency Exemption for Dependents/Spouses of Institutional Employees

Permissive

- ▶ Waivers for Resident Needy Students (3/4 of the 3 and 4 percent)
- ▶ Discretionary Waivers (1/4 of 3 and 4 percent)
- ▶ Waivers to Achieve Gender Equity in Athletics
- ▶ Parent Education Reduced Fee Courses
- ▶ Senior Citizens Reduced Fee Courses
- ▶ Waiver of Over 18 Credit Hour Surcharge (professional/vocational programs)
- ▶ Deaf Students at Community Colleges
- ▶ WICHE Graduate Students
- ▶ Running Start

Additionally, there are four categories of programs that have distinctly different characteristics from other programs:

6. PUBLIC HIGHER EDUCATION EMPLOYEE COMPENSATION

It is the current practice for public institutions of higher education to waive tuition and fees to recruit and retain teaching and research assistants. Such programs supplement employee compensation packages and are a component of payment for services. Unless programs clearly provide an exemption or waiver to the employee as a component of compensation, they are not listed in this category. The programs included are:

Mandatory

- ▶ Residency exemption for persons holding Graduate Service Appointments

Permissive

- ▶ Waiver of resident operating fee for persons holding Graduate Service Appointments

7. RECIPROCAL PROGRAMS

Reciprocal programs waive the nonresident differential and provide opportunities for Washington students to study at colleges and universities in other states or universities abroad in exchange for students enrolled at Washington public colleges and universities at resident tuition and fee rates. Conditions of reciprocal programs require equal placement of Washington students either in terms of number of students or aggregate value of tuition and fees waived.

These programs are regulated by statutory limitations and by institutions and/or the Higher Education Coordinating Board. For example the Board is required to design reciprocal exchanges with Oregon, Idaho, and British Columbia that are financially balanced. The Board further is required to provide a report to the Governor and appropriate policy and fiscal committees of the Legislature by January 10 of each odd-numbered year.

Similarly, other reciprocal programs are limited in the number of students each institution may receive, and further are limited to providing waivers only to the extent that Washington students are placed in other states or abroad. Institutional monitoring is a continual process.

Unless programs clearly require management and limitation to a balance of aggregate revenue waived or student participation they are not listed in this category. The programs included are:

Mandatory

- ▶ None

Permissive

- ▶ Reciprocity with Oregon, Idaho, British Columbia
- ▶ International Student Exchange
- ▶ Exchange for upper division students with universities in other states

8. *CONTRACTUAL ARRANGEMENTS*

Contractual programs require the waiving of the nonresident differential as a condition of Washington public colleges and universities receiving reimbursement from other states for enrolling students in certain professional programs. For example, approximately \$1 million is waived annually for students admitted to the University of Washington School of Medicine pursuant to contracts with the state of Alaska, Montana, and Idaho. Funds received from these states in support of their medical students is estimated at \$4.8 million annually. Reimbursement is based on cost of instruction, not only offsetting but significantly surpassing the value of tuition and fees waived.

Unless programs are clearly contractual arrangements with other states providing an agreed upon level of educational costs, they are not listed in this category. The programs are:

Mandatory

- ▶ None

Permissive

- ▶ WICHE professional student exchange
- ▶ Washington, Alaska, Montana, Idaho (WAMI)

9. *BASIC EDUCATION/PRE-COLLEGE COURSES (COMMUNITY COLLEGES)*

Programs provide instruction to improve basic verbal and math skills or to earn a high school diploma or equivalent. Instruction does not lead to earned college credit toward a degree nor is it transferable to another institution. Such programs address the need for adult literacy programs for residents and nonresidents alike, and could be considered a part of the basic education promise of the K-12 system.

Unless programs are clearly limited to providing basic and high school education, they are not listed in this category. The programs are:

Mandatory

- ▶ Waivers for High School Completion

Permissive

- ▶ Adult Basic Education Reduced Fee Courses

One other of type of program is the space available waiver. The important distinction is that these enrollments are not reported for state support.

10. SPACE AVAILABLE PROGRAMS

These programs have been authorized to provide an educational benefit to a number of groups enrolling in college and university courses in which there is space available. The Legislature recently has increased the use of space available waivers as an employment benefit for employee groups. Programs included are:

Mandatory

- ▶ None

Permissive

- ▶ Institutional Employees
- ▶ Classified State Employees
- ▶ Senior Citizens
- ▶ Long-Term Unemployed/Underemployed

APPENDIX B

**Listing of Mandatory and Permissive Programs
and Operating Fee Revenue Waived for 1992-93**

**WAIVER PROGRAMS
MANDATORY AND PERMISSIVE
1992-93 OPERATING FEES**

MANDATORY PROGRAMS	\$26,694,377
Graduate Service Appointments	13,777,164
Institutional Employees, Spouses, Dependents	1,447,792
Active Duty Military, Spouses, Dependents	5,706,569
Refugees, Spouses, Dependents	2,519,021
High School Completion	1,414,886
Children of MIA/POW	20,010
Award for Excellence (repealed)	6,859
Washington Scholars	448,974
Washington Award for Vocational Excellence	180,623
Southeast Asia Veterans	1,172,479
PERMISSIVE PROGRAMS	\$48,123,877
Gender Equity	1,440,451
4 Percent and 3 Percent	8,206,212
Apprenticeship	1,621,829
Emergency Medical Technician	173,000
Senior Citizens	2,016,971
Small Business/Small Farm	175,037
Industrial First Aid	118,914
Parent Education	3,001,024
Adult Basic Education	15,129,559
WAMI	1,186,002
Deaf Students at Community Colleges	50,671
International Students, Community Colleges	95,242
International Students, Four-Year	1,495,159
Oregon Reciprocity	2,307,639
Idaho Reciprocity	365,515
British Columbia Reciprocity	287,131
WICHE	852,732
Over 18 Credit Hour Surcharge	1,518,732
Children of Deceased or Disabled LEOFF	21,657
Graduate Service Appointments	7,963,202
Veterans with No Federal Benefits	97,198

SOURCE: Tuition and Fee Revenue Model; November 1991 Forecast

APPENDIX C

**Evaluation Procedure and Criteria
for Review of Individual Programs**

Following are the proposed criteria by which all individual programs of tuition and fee waivers, residency exemptions, and reduced fee courses would be evaluated under an individual review approach:

INTENT STATEMENT

- ▶ Identifies the reason a program is authorized for any group of persons.
- ▶ Establishes that the program is the best vehicle to achieve that intent.
- ▶ Defines the circumstances and extent of student eligibility.

Program evaluation will review the intent of each program, whether or not the need for the program continues to exist, whether other forms of assistance now exist for the same purposes, and the extent to which the program purpose continues to be served.

ELIGIBILITY

- ▶ Demonstrated financial need is required.
- ▶ Residency exemptions are limited to one calendar year. Contractual and exchange agreements are exempt.
- ▶ Satisfactory progress toward completion of certificate or degree is required.
- ▶ Student eligibility is limited by age and dependency if the waiver is based on parental service or circumstance.

Student eligibility is limited to those who have demonstrated financial need as assessed by the College Scholarship Service Financial Aid Form (FAF) readily available at all high schools, colleges and universities, most libraries and the Higher Education Coordinating Board.

Program evaluation will include a review of student eligibility criteria and whether the stated criteria has ensured maximum benefit to the intended student group.

SCOPE

- ▶ The program is limited in the number of students to be served.
- ▶ The program is limited in the length of time a student is eligible.
- ▶ The program is limited in the aggregate revenue that may be waived by each institution.
- ▶ The program is limited to enrollment in courses fulfilling an undergraduate degree.

Program evaluation will include a historical review of the statute including amendments that may have modified the original scope of the program. The review will include participation levels and the extent to which participation has been affected by statutory changes. Consideration will be given to modifying the scope of existing "open-ended" programs during the individual evaluation process.

REVENUE

- ▶ Revenue waived is identified as being operating fee, building fee and/or S & A fee.

Program evaluation will identify the foregone revenue, and will distinguish between the value of waivers to students and "real" forgone revenue. Evaluation of existing programs will include an estimate of changes in revenue that would result from any proposed program modifications and the assumptions used to arrive at such estimates.

OTHER LIMITATIONS

- ▶ Program is identified as permissive or mandatory, including rationale.

Program evaluation will include review of the fee categories that are either required or authorized to be waived relative to the practices of the institutions in the administration of the programs. Inconsistencies in statutory language will be addressed in the evaluation process.

TERMINATION

- ▶ Program includes a date by which the program will be sunset.

Authorized programs will contain a provision for sunset review and reauthorization after six years, and that a sunset review provision be undertaken every ten years for reauthorized program. Lack of sunset language in existing programs will be addressed in the evaluation process.

EXPECTED OUTCOMES

- ▶ Expected outcomes are identified to facilitate assessing the effectiveness of a program during subsequent evaluation processes.

Lack of measurable outcomes on existing programs will be addressed in the evaluation process.