

**Public Higher Education in Washington State:
Aspirations Are Misaligned with Fiscal Structure**

William Zumeta*
University of Washington

DRAFT: Do not quote or cite

May 2005

**Prepared for Cornell Higher Education Research Institute
Conference on the Public Research University**

***With the assistance of Fred Swenson**

DRAFT: Please do not quote or cite

**Public Higher Education in Washington State:
Aspirations Are Misaligned with Fiscal Structure**

William Zumeta*
University of Washington

Washington, a rapidly growing state of more than six million, is blessed with quality public higher education institutions. Its flagship campus, the University of Washington (enrolling on its main campus in Seattle more than 37,000 students including over 10,000 graduate and professional students), is one of the nation's leading research universities, topping all public universities for a number of years in federal research and training grants (ranking second among all universities),¹ is ranked twentieth in the world among all universities in overall quality in the recent, widely publicized ranking by the Shanghai Jiao Tong University Institute of Higher Education,² and is home to five Nobel Prize winners named over the past 15 years.³ Washington State University (enrollment around 20,000 FTE including more than 4,000 graduate students on its main campus) is a mid-range land grant university located in the small farming community of Pullman near the Idaho border about 75 miles south of Spokane. It ranks 30th among the land grants – tied with the Universities of Arkansas and Kentucky – in grant and contract revenue in 2004,⁴ and ranks 120th overall in the 2005 national university rankings published by *U.S. News and World Report*.⁵

* With the assistance of Fred Swenson.

¹ National Science Foundation (2004).

² [http://ed.sjtu.edu.cn/rank/2004/top500\(1-100\).htm](http://ed.sjtu.edu.cn/rank/2004/top500(1-100).htm)

³ <http://depts.washington.edu/beahusky/numbers/facts.shtml>

⁴ National Science Foundation (2004).

⁵ http://www.usnews.com/usnews/edu/college/rankings/brief/natudoc/tier1/t1natudoc_brief.php

Western Washington University, with about 13,800 students in Fall 2003 and located in Bellingham a small city in the northwestern part of the state, is one of the better public “comprehensive” universities in the country. It was ranked 16th among Western colleges and universities in 2004 by *USNWR*⁶ and attracts nearly 8,000 freshman applications per year.⁷ The Evergreen State College, founded in 1971 in Olympia the state capital, is an innovative public liberal arts college of around 4,400 students with an *avant-garde* flavor, featuring small classes all taught by faculty without ranks who often team teach courses, extensive service learning programs, and highly individualized courses and majors.

In addition, the state is served by two other, less distinctive public comprehensives, Central Washington University (located in Ellensburg just east of the Cascade mountains and enrolling just under 10,000 students), and Eastern Washington University, enrolling 10,300 in Cheney about 20 miles from the moderate-sized city of Spokane (population about 180,000). These latter two campuses, in particular, have had difficulty drawing sufficient students to match their enrollment capacity at some points in the past, though this is not true at present. Thus, there are a total of just six public colleges and universities in the state and 63 percent of the total enrollments in these (58 percent of the undergraduates) are located at the two research universities. Compared to other states, the capacity of the comprehensive institution sector is quite small relative to that of the research universities.

Also, the state is blessed with a generally very good community and technical college system enrolling some 260,000⁸ (Fall 2003 headcount) students at 34 campuses plus a number of satellite sites widely distributed around the state. Thus, this two-year system enrolls about 71 percent⁹ of the students in the state, an unusually high

⁶USNWR (2004: 96).

⁷Data from Western Washington University, Office of Institutional Research, April __, 2005.

⁸<http://www.hecb.wa.gov/news/newsfacts/2005KeyFactsaboutHigherEducationinWashington.asp>
This translates to about 138,200 full-time equivalent students.

⁹The figure is for Fall 2003 and includes public sector enrollments only. If private sector enrollments are included the community colleges’ share is still 63 percent of the total. In FTE terms the community colleges’ share of public sector enrollments is around 61 percent. Calculations are from data in:

<http://www.hecb.wa.gov/news/newsfacts/2005KeyFactsaboutHigherEducationinWashington.asp>

percentage. Unlike in the majority of states, the community and technical colleges in Washington do not receive any local property tax support, their public funding comes entirely from the State. Finally, there are 22 private nonprofit colleges in the state, enrolling about 39,000 students, and some 11 degree-granting for-profits.¹⁰ This private sector has some small liberal arts colleges and a few small comprehensives but no doctorate-granting universities. It has grown modestly in recent years with some help from a rather generous state scholarship program for which independent college students are eligible.

The quality of this “system” – the term is used loosely as the 4-year institutions are all autonomous with a coordinating board of modest influence while the 2-year colleges have their own board – is in some ways remarkable since it has been almost continuously under threat for a number of years. In this chapter I will seek to explain a bit further the basic structural features of the system, their roots and implications; survey more closely the recent policy, enrollment and fiscal history; identify and weigh the implications of recent unfavorable trends and coping mechanisms; and briefly consider prospects for change in light of the political economy and “culture” of the state. In light of the main themes of this project, special attention will be given to the University of Washington throughout. The analysis is supported by a number of data tables and graphs developed primarily from authoritative sources within the state.

EARLY HISTORY AND STRUCTURE

The University of Washington, founded in 1861, is the oldest university in the west coast states and one of the oldest in the western part of the country. Washington State, the land grant institution, also dates to the nineteenth century (1890). The three regional comprehensives – Eastern, Central, and Western Washington Universities – like many schools of this type have roots in regional “normal schools” set up to train teachers in the early days.¹¹ Only Evergreen State College is of fairly recent origin (1971). The

¹⁰ Data provided by Patty Mosqueda, Washington Higher Education Coordinating Board, May 2, 2005.

¹¹ The roots of Eastern date to 1882, Central to 1891, and Western to 1893.

local forces operating at the time these institutions were founded dictated their locations but they are not well located relative to recent population growth patterns. Other than the UW, they are located in rather small cities and towns, meaning that most students must relocate to attend. This is a problem for participation opportunities both for many traditional students who have recently graduated from high school and even more for older would be students and their employers seeking accessible postsecondary education.

The limitations of this historic configuration began to become clear when demand for higher education first burgeoned in the decades after World War II. Eventually, in 1967, the State responded by creating a community college system from “grade 13-14” programs that had been developed by some school districts (in some cases from earlier, autonomous junior college roots), and building it up rapidly. Indeed, this system grew remarkably from just 11,000 students in ten colleges in 1960 to 191,500 enrolled in 27 colleges less than two decades later, in 1979 (Zumeta, 1996, 12). Public 4-year institution enrollments grew much more modestly during this period, from about 40,000 in 1960 to 83,000 in 1980 (*ibid.*). The only 4-year institution created over these years was Evergreen, a rather unusual school, a child of the 1960s in ethos, and by deliberate design uncommonly small for a public institution. So, Washington’s primary strategy for enhancing postsecondary participation in the sixties and seventies was community college expansion. Since participation is known to be closely linked to college proximity (), it is not surprising that the community colleges were spread widely across the state. Of course political factors also played a major role here in spreading this form of wealth, and these colleges’ broad distribution continues to be very important in strategic thinking about higher education in the state and the allocation of public resources to and within it.

Another historical element worth noting because it continues to play an important role today is attitudes toward system governance. In general, higher education policymaking in Washington has not benefited from vision and staying power from policymakers with a statewide perspective and deep knowledge.¹² Washington was one

¹² There have been exceptions, notably the period of great system expansion in the 1960s and early 70s that included the creation of the community college system and Evergreen State College spearheaded by Governor Daniel J. Evans; a short period in the 1970s when the economy was strong and the coordinating board was exceptionally influential and well led by James Furman and then Patrick M. Callan; and a period in the late 1980s under Governor Booth Gardner and

of the last states to move beyond systemwide management by means of voluntary meetings of the institution presidents and direct influence by the Legislature when it created the Council on Higher Education in 1969 (a few years thereafter renamed the Council on Postsecondary Education) to function as a statewide coordinating body. With a few short periods excepted (see preceding footnote), this body and its successor – now called the Higher Education Coordinating Board (HECB) – have not been terribly influential in higher education policymaking or financing decisions, largely because the major players have not truly wanted them to be. The six 4-year institutions jealously guard their autonomy and work their own agendas and networks in Olympia. Unlike in most states, they continue to coordinate their activities to the extent they find necessary through a pre-coordinating-board, voluntary Council of Presidents, which has its own small staff.

Moreover, structurally, the HECB has only limited influence over the community and technical colleges, which have long had their own statewide board. Though strengthened by legislation at various points, the HECB continues to have limited structural powers overall, notably with regard to budgets. Whether cause or effect of these historic weaknesses, appointments to the higher education board are much less sought after by leading citizens than appointments to the universities' boards of regents or trustees. This in turn further saps the board's capacity for influence. Only rarely have governors or legislative leaders provided much attention or leadership for this "system" and it has not usually lasted long. By and large, they have not seen higher education as particularly important¹³ or problematic and so have devoted their attention to other matters, leaving higher education politics and policymaking most of the time to the machinations of the every day players – the institutions with their individual agendas, strengths and weaknesses, and the generally weak coordinating agency.

Higher Education Coordinating Board Chair Charles Collins that will be described in some detail here.

¹³ Western populism may play a role here: higher education was not a big priority on the frontier and there remains some skepticism of educated elites in parts of the state and the Legislature. This is not unique to Washington of course (Hofstadter, 1962). More generally, the fact that higher education's priority on the macro-agenda of state policymaking waxes and wanes is not altogether surprising in light of research findings on the nature of policy agenda setting at the federal level (Baumgartner and Jones, 1993; Kingdon, 1995).

HIGHLIGHTS OF THE ROLLERCOASTER PERIOD, 1980-2005¹⁴

We pick up the historical sketch around 1980, which proved to be a key turning point. Around that time Washington's economy, based in natural resources and Boeing, went into a tailspin taking State revenues down with it and forcing a series of devastating budget cuts. There were repeated mid-term reductions in college and university budgets, cuts to base budgets, and painful and acrimonious program eliminations.¹⁵ In particular, enrollments were cut back sharply. Community college enrollment fell by more than 35 percent in just three years, to 123,800 students in Fall 1982.¹⁶ In the 4-year institutions, reductions were much less severe and more gradual – from a peak of over 83,000 students in 1980 to a low of 77,250 in 1986, a decrease of about 7 percent. These declines coincided with modest population growth so the effects on participation rates were significant.

The New Higher Education Coordinating Board and the Birth of Branch Campuses

At this point the State leadership undertook a notable effort to rebuild the system. The by then discredited Council on Postsecondary Education was terminated and replaced by the Higher Education Coordinating Board, which received the benefits of close gubernatorial attention to the initial board appointments and skilled, effective leadership by the chair, a respected business and public sector leader who was close to the governor. With this necessary precondition in place, the Board undertook some policy studies and eventually a master planning exercise that helped buttress an emerging political consensus supporting reinvestment in higher education.¹⁷ Although the business-oriented Board was initially skeptical of the claims of the institutions about underfunding, they became quickly convinced that higher education was a key ingredient

¹⁴ Much of the account of the 1980s and early 1990s in this section is drawn from research previously reported in Zumeta (1996).

¹⁵ Also, there were large tuition increases during this period but at that time all tuition revenue went into the State general fund not to the institutions.

¹⁶ This occurred in part because most noncredit enrollments were no longer funded by the State. Unfortunately these enrollments cannot be segregated in the data series.

¹⁷ Efforts by the institutions and their supporters played a crucial role too (Zumeta, 1996; de Give and Olswang, 199_).

for the state's success in the already fast-moving global economy and that the system was seriously underenrolled and poorly supported.

While calling for efficiency-oriented moves such as a rationalization of admission standards among the institutions, initial steps toward outcome-based accountability measures, and more flexibility in how the schools used their money, the Board agreed that underfunding was the leading threat to quality. It found that per-student spending in Washington had fallen from 30th among the states in 1983-84 to near the bottom of the heap by 1985-86 (HECB, 1987, cited in Zumeta, 1996: 16). The Board established formal peer comparison groups for each of the institutions and called for them to move up from their current place near the tail end in per student funding comparisons to the 75th percentile by 1997. It broke this ambitious goal into four nearly equal-sized chunks representing the four biennia just ahead. Facilitated by the diversifying state economy's recovery from its doldrums of the early and mid-1980s, Governor Booth Gardner, a moderate Democrat, enthusiastically endorsed these recommendations, which were largely enacted for the 1989-91 biennium, following an already strong gain in State support for higher education in 1987-91.¹⁸ In this environment, the Legislature provided the money, but, always cognizant of Washington's roller coaster economy and revenue structure, never endorsed the HECB's ambitious longer term financing goals.

Similarly, with respect to access (participation), the new HECB did its homework and the result was a set of ambitious improvement goals. The Board's research showed that the state's ranking in overall participation in higher education had fallen sharply during the first half of the 1980s. Participation at the community college level was still relatively high, but Washington ranked only 37th among the states at the upper division level and 36th in graduate/professional-level participation rates in 1986 (HECB, 1987: 10). There were also wide differences from county to county in participation rates related to proximity to 4-year institutions or, for the fast-growing counties in the western part of the state, to adequate capacity in these. The Board also prepared long-range enrollment projections that foretold the worsening of these problems as the coming of age of the "baby boom echo" cohort loomed on the planning horizon.

¹⁸ State appropriations to higher education grew by about 15 percent in the 1987-89 biennium over the previous one, and by nearly 18 percent in 1989-91 (Zumeta, 1996: 19, data from State Office of Financial Management).

After concluding that the existing campuses in the western part of the state did not want to expand very much and that those in the central and eastern regions could not well serve the students from the west – many of whom were determined to be “placebound” by jobs and families – the Board proposed and eventually sold the Legislature on a somewhat novel solution. This was the creation of a network of five branch campuses located, by and large, near the largest pools of underserved students. The two new branches assigned to the University of Washington were originally planned to grow to about 3,000 at Bothell (a fast growing suburban area 18 miles northeast of the Seattle campus) and 3,500 at Tacoma by the mid-1990s, and to 4,800 at Bothell and 6,000 at Tacoma in 2010 (HECB, 1988: 6; University of Washington, 1988: 17).¹⁹ Washington State University was also tasked to create a new branch campus at Vancouver (near Portland, Oregon, and to expand existing, limited programs at Spokane²⁰ and the Tri-Cities area, which is near the scientific complex at the Hanford nuclear reservation.

Interestingly, the branches were assigned to the two research universities, the powerhouses in state higher education politics, even though they were not designed to look much like research university campuses. Rather, the branches were very specifically designed to meet the identified access needs of their regions without many other “frills.” In particular, due to strenuous lobbying by the community college system and private institutions seeking to protect their turf, the branches have been limited to enrolling only upper division students – the idea was to serve community college transfers and older students seeking to complete degrees – and providing a few master’s programs in applied fields such as business, teacher education, nursing, and computer fields serving the local market. They have no independent research mission and only a limited set of interdisciplinary majors available, thus few of the characteristics of full service research universities. The branch campuses were set in motion by the 1989 Legislature but, ever mindful of the uncertainties of State revenues, not before it cut back the HECB’s enrollment projections, slowed the pace of planning, and provided limited funding for the first biennium in carefully controlled dollops.

¹⁹ Actual enrollments in Fall 2003 were 1,240 at the Bothell campus and 1,680 at Tacoma (Pennucci and Mayfield, 2003).

²⁰ In 2004, the WSU-Spokane operation was removed from the list of officially designated branch campuses.

The Early 90s Downturn and Its Legacy

The early 1990s turned out very differently than the original HECB master planning had contemplated. As Washington's economy again slowed, higher education endured some mid-term budget cuts in the 1991-93 biennium, followed by serious stringencies leading to another round of program elimination efforts in the succeeding two biennia. This occurred in spite of the enactment of \$650 million in politically costly tax increases advocated by a newly elected Democratic governor, Michael Lowry, in 1993. Also, tuition was hiked annually by figures in the 10-15 percent range between 1991-92 and 1994-95 and, significantly, by the end of this period the institutions were permitted to retain their tuition revenues for the first time. Yet, higher education faculty and other salaries were frozen for two and a half years beginning January 1, 1993, and state appropriations actually declined in 1993-95 compared to the previous biennium. Facing a growing young population knocking at college doors, the Legislature insisted on enrollment increases nonetheless and the institutions complied. Over the five years between 1990-91 and 1995-96 community and technical college enrollments grew by 17.5 percent to over 118,000 full-time equivalents and 4-year institution enrollments gained 7.6 percent to just over 78,000 FTE.

Recognizing the need for salary and *funded* enrollment increases by this time, the 1995 Legislature provided a one-time salary increase of 4 percent (with nothing in the second year of the biennium) and funding for 1,500 new enrollments in each of the two years, but only after 2.4 percent was cut from already stretched base budgets. The State also negotiated an arrangement whereby institutions would not raise tuition by more than 4 percent annually during this biennium. This meant, in effect that the institutions had to cut programs, personnel, and non-salary items in order to pay for the salary and mandated enrollment increases. When some funds unexpectedly became available, the 1996 Legislature added 3,365 more enrollment slots, funded roughly on an average cost basis, and provided \$54 million in one-time funding to start a statewide distance-learning network also targeted to increase access to higher education. But they did not restore the earlier cuts in base budgets.

Thus the results of this period, in terms of both participation gains (in a state with a fast-growing young population) and especially per-student funding, were a far cry from what the HECB had in mind in the late 1980s. In spite of the enrollment gains, between 1990 and 1995 participation rates in Washington 4-year public institutions fell by four percent and the state remained mired at 49th place on this measure.²¹ State appropriations per student systemwide plummeted from around \$7,000 in 1990-91 to \$5,771 in 1995-96, or 17.6 percent.²² For the University of Washington the decline was even steeper, from \$11,708 in 1990-91 to \$9,394 at the nadir in 1996-97 (-19.8 percent).²³ According to a 50-state data series compiled by the State Higher Education Executive Officers, the state's rank in total higher education expenditures per student (including those from tuition revenue) thus sank from 20th in 1990-91 to 42nd in 1995-96 (SHEEO, 2003).

Perhaps the most important legacy from this period, however, was that of statutory fiscal limitation. When Governor Lowry took office in January 1993, he faced a rapidly deteriorating State revenue picture and had to make difficult choices about how to balance the 1993-95 biennial budget. Being a fairly liberal Democrat, he chose the path of limited spending cuts and a substantial package of tax increases. This produced a firestorm of opposition and ultimately the passage of a citizen initiative (Initiative 601) placing stringent limitations on the growth of State expenditures and on the enactment of new taxes and tax and fee increases. New taxes, such as a possible income tax,²⁴ and increases in tax rates require a two-thirds vote in each house of the Legislature.²⁵ Fee increases are governed by an inflation index²⁶ and special procedures are required for new fees.

Equally importantly, annual growth in State general fund expenditures is limited to the rate of inflation (as measured by the GDP implicit price deflator) plus the rate of

²¹ On the other hand, participation rates at the 2-year college level, already fifth in the nation, improved during this period and the state's ranking moved up to fourth (State Office of Financial Management, <http://www.ofm.wa.gov/hied/partrate/partraterank.pdf>).

²² [http://leap.leg.wa.gov/leap/analysis/HistEnroExpwithConstant\\$2005Rev1.xls](http://leap.leg.wa.gov/leap/analysis/HistEnroExpwithConstant$2005Rev1.xls). The figures are in constant dollars adjusted to 2005 using the GDP implicit price deflator.

²³ Ibid.

²⁴ Washington is one of a handful of states without a state income tax.

²⁵ The Legislature has at times voted to temporarily lift the two-thirds majority requirement (Shannon, 2005). With Democratic majorities in both houses, it did so in 2005.

²⁶ Tuition increases are not subject to this provision but are separately controlled by the Legislature.

population growth, averaged over the prior three years.²⁷ This is designed to rein in State spending during periods when Washington's roller coaster economy is booming. But another effect is that, if expenditures are cut in a recession period, the base for future increases is simultaneously reduced so there can be no "catch up" increases in the State budget. Also, coming out of a recession, both inflation and population growth rates for the prior years that figure into the formula tend to be depressed so the fiscal stringency is prolonged. In the long run the I-601 index lags the economic growth rate so it effectively reduces the size of public expenditures relative to the economy.²⁸ And, it certainly prevents the general fund's growth from keeping up with caseload growth in such fast-growing areas as Medicaid and long-term care, State employee health insurance, prisons, and in recent years K-12 education enrollments.²⁹ This clearly puts higher education enrollment growth and funding at grave risk since support by the State for these other major functions is a matter of mandate of one sort or another.³⁰ In short, the State has placed itself in a kind of fiscal straitjacket and higher education is the function getting squeezed most tightly.

Boom and Bust in the Late 90s and Early 21st Century

As is commonly the case, for a few years higher education fared considerably better once the State's revenues belatedly emerged from the trough created by the recession of the 1990s and its aftermath. Governor Gary Locke, a moderate Democrat elected in 1996 when Lowry chose not to run again, made higher education something of a priority but a divided Legislature and the state's proven resistance to public spending limited his latitude on the fiscal side. Given the surging population and growth in high

²⁷ Due to data lags and the length of the budget cycle, the years used for calculating the fiscal growth factor for, say, FY 2005 would be those for population and inflation for FY 2001 through FY 2003.

²⁸ I am seeking data from the State Office of Financial Management to document this.

²⁹ I am seeking data from the State Office of Financial Management to document this.

³⁰ For example, under the provisions of the federal-state partnership in Medicaid, states such as Washington must provide 50 percent of the funding required for each eligible case that enters the rolls. And the costs per enrollee are rising rapidly in all the health-related programs (Congressional Budget Office, cited in National Governors Association, 2004: 4). Mandatory sentencing laws and court decisions requiring specified conditions in prisons drive much of criminal justice spending while in K-12 education Washington's constitution declares that making "ample provision" for "basic education" is the *paramount duty* of the State. In contrast, higher education enrollments and funding levels per student are entirely discretionary.

school graduates, the priority in the late 1990s boom period continued to be increased enrollments and, for the governor, a new program of “Promise Scholarships” designed to reward with financial aid students from low- and moderate-income families with good grades. In addition, both the governor and Legislature emphasized increased accountability measures (Zumeta, 2001).

Over the five years from 1995-96 through 2000-01 when State budgets were improving, enrollments continued to climb: by 8.5 percent in the 2-year sector and by 8.6 percent in the 4-year colleges and universities, with a considerable share of the latter growth at the UW and WSU branch campuses. The net effect was some modest gains in State funding per student, which increased (in 2005 dollars) from \$5,771 in FY 1996 to \$6,686 in FY 2001, or 15.9 percent, systemwide but remained well below the \$7,001 peak reached in FY 1991. For the University of Washington, gains in appropriations per student were more modest: from a low of \$9,394 in FY 1997 to \$10,345 in FY 2001, or 10.1 percent. The 2001 figure remained 11.6 percent below the level reached ten years earlier.

After the large tuition increases of the early 1990s, predictably there followed an effort to moderate tuition, the other main source of institutions’ general revenue. As a share of institutional general revenue, tuition had jumped sharply from 18 percent in FY 1991 to 28 percent by 1995 for the UW and WSU, and by comparable amounts in the other sectors.³¹ In nominal dollars, annual tuition and fees for resident undergraduates at the two research universities increased from \$1,953 in 1990-91 to \$3,021 in 1995-96, a compound annual rate of growth of 9.1 percent. Over the more prosperous succeeding five years (1995-96 to 2000-01), increases were much more moderate: a compound annual growth rate of 3.9 percent so that these charges stood at \$3,649 in 2000-01.³²

Washington’s economy suffered mightily in the downturn that began in the 2000-01 period. The state’s burgeoning software industry was hurt by the dotcom bust and the Boeing Company was seriously affected by the decline in air travel following the terrorist attacks of September 2001. Total employment fell from a peak of 2,961,000 in July 1999

³¹ This paralleled a similar jump during the early 1980s downturn, which was followed by a period of stability in this measure that lasted eight years, 1983-1991.

³² Patterns in the comprehensive and community/technical college sectors over these periods were very similar.

to a low point of 2,809,000 in January 2002 (-5.1 percent) (), with manufacturing employment particularly hard hit. Jobs grew very sluggishly and erratically over the succeeding two years. Until recently unemployment rates have been among the highest in the nation and State revenues suffered accordingly.

In higher education the results were predictable in the Washington context: continued enrollment growth but fewer State resources, with the cuts partly mitigated by large tuition increases. Between FY 2002 and 2004, the six 4-year schools sustained an aggregate cut in State appropriations of 9.0 percent in nominal dollars with somewhat less than half the lost ground made up in the FY 2005 budget. The community and technical colleges' State funding decreased about one percent between FY 2002 and 2004 and in FY 2005 they received just 2.2 percent more in State appropriations than they had in 2002. Nonetheless, enrollments in the 4-year institutions increased by more than 5,000 FTE (6.2 percent) in these fiscally very difficult three years from FY 2001 to 2004. In the 2-year colleges the gain was more than 10,000 FTE (7.9 percent). Tuition again turned sharply upward, with the compound growth rate between 2000-01 and 2004-05 for UW and WSU resident undergraduate tuition and fees reaching 7.0 percent.

Total educational expenditures on higher education per student statewide, composed of State appropriations plus tuition revenue, thus again fell by more than \$1,000 (-13.3 percent) from its highest point in the late 1990s to FY 2003, the latest year available in the State Higher Education Executive Officers series.³³ In terms of the national rankings on this measure constructed by the SHEEO (2003), this pattern was just sufficient for Washington to maintain its place in the low 40s among the fifty states from FY 1996 through 1999, after which it slipped further to 45 and below (46th in the latest year available, FY 2003). This is a far cry from the 20th ranking that the state had reached in the mid-1980s and again in FY 1991.

³³ Compared to the highest point reached in FY 1991, total funding per student in FY 2003 was down more than \$2,000, or 22.3 percent.

To sum up, in Washington in recent decades, given its odd tax structure³⁴ and self-imposed fiscal straitjacket, passionate tax resistance, and the difficult-to-control growth in costs of other State functions, higher education has been a priority only for short periods when policymakers felt the State could readily afford it. And, within higher education, the main priority has been access, meaning creating more places within the system as cheaply as possible, and to a lesser extent providing financial aid to needy students to allow them to enroll.³⁵ This pattern has been reinforced by the political influence of the widely distributed community and technical colleges, who, while not particularly well funded on a per-student basis, have been very successful in maintaining their unusually large share of enrollment slots and associated funding even though the serious underparticipation problems of the state are at the upper division and graduate levels.

Since the temporarily successful effort at improving the per-student funding of the system in the early years of the Higher Education Coordinating Board – which was helped mightily by a strong economy and the fact that the baby boom “echo” cohort had not yet come of age – no sustained progress has been made on the “quality” (funding per student) issue. Moreover, in the face of the rapidly growing college age population, the participation rate of prime age young people (17-22 year-olds) at public 4 year colleges and universities is now little better than it was in the late 1980s.³⁶

Prospects for the foreseeable future do not look much different. While Washington’s economy appears to be improving, it is like many other states faced with a persistent structural budget deficit and there is little political interest in touching the “third rail” of Washington state politics, the idea of a state income tax. This is the only

³⁴ Lacking an income tax and with its long-standing estate tax recently declared unconstitutional, the State depends on a high sales tax, a “business and occupations” tax which is essentially a gross receipts tax on businesses and professionals, a modest statewide property tax, stiff excise taxes, and a motley collection of fees and minor taxes. Taken as a whole, this tax structure is among the most regressive in the country ().

³⁵ As of 2002-03, Washington ranked 13th among the states in state student aid grants provided per enrolled student and was first among the western states (National Association of State Scholarship and Grant Programs, 2004: 23). Total appropriations for student aid were over \$123 million, or \$488.51 per undergraduate FTE.

³⁶ There were gains until 2000, but substantial declines in this measure in the years since. The participation rate of the next older age group (23-29 year-olds) is about where it was in 1980 (<http://www.ofm.wa.gov/databook/education/et121.htm>).

obvious source of substantial additional revenue. There has been some talk in recent times of creating a special fund for education (including K-12) out of existing revenue sources but an initiative to this end was soundly defeated at the polls in November 2004.

The newly elected governor, moderate Democrat Christine Gregoire, has Democratic majorities in both houses of the Legislature (a rarity) but faces a precarious future as her hairline electoral victory – by 129 votes in the last recount – is still being disputed in the courts.³⁷ Given her past foci in public office and the primary concerns of most of her supporters, higher education is unlikely to be a priority issue for her beyond seeking to respond to the continuing pressures to expand places in the system with limited resources and a special interest in biomedical research. Moreover, like many Democrats, she tends to be a moderate tuition advocate, thus limiting one potential source of increased revenue that universities with considerable market power, like the UW, might otherwise tap. At best, higher education might anticipate some modest “catch-up” funding as long as the economy improves but the main focus is likely to remain on increasing enrollment spaces and responding to other pressures on the State’s purse while avoiding general tax increases.³⁸

IMPACTS OF THE LONG-TERM FUNDING SQUEEZE

In this section I will examine how the universities, in particular the University of Washington, have responded to the long-term fiscal squeeze described above. The main themes identified are: first, a remarkable commitment to providing enrollment access as best the schools can given their circumstances; second, efforts to avoid increasing student-faculty ratios although some substitutions of non-ladder for ladder faculty have

³⁷ It is possible that the 2004 election will be disallowed and a new election set for November 2005. A Republican administration would not likely be any more generous than the Democrats in terms of general-purpose support for higher education and would be even less prone to seek new tax revenues.

³⁸ The just-enacted State budget for 2005-07 provides for \$480 million in new revenue via increases in “sin” taxes and a new version of the estate tax limited to very large estates. There are widespread predictions that even this limited tax package will lead to something like a replay of the 1993 enactment of Initiative 601 and the Republicans’ recapture of the Legislature in 1994 that followed Governor Lowry’s tax increases in 1993.

been made; difficult, internally painful measures taken to insure that very limited salary dollars are used as efficiently as possible to protect faculty quality; a strong commitment to sustaining the UW's crown jewel, its ability to attract federal research dollars; and, finally, increasingly strenuous efforts to develop new sources of revenue. These latter measures can of course influence quite profoundly the ways in which and the respective pace at which different areas of the institution develop.

Figures 1-5 depict the trends back to about 1980 in real State appropriations per student, total educational resources per student, tuition levels, and enrollments for the University of Washington, the State's six public universities in aggregate,³⁹ and the 34 community and technical colleges as a group. The cyclical patterns described earlier are apparent as is the long-term real growth in tuition rates. Enrollments grew considerably beginning in the late 1980s but, in light of rapid population growth, not enough to overcome low participation rates at the upper division and graduate levels. Most importantly for present purposes, systemwide State appropriations per student are at about the levels of twenty years ago, *and total educational resources per student* – in spite of the long-term tuition escalation – are below early 1990s levels.

For the University of Washington the patterns are similar but not quite as unfavorable as the aggregate story, owing largely to the UW's ability to boost its tuition revenue when permitted to do so. Overall, UW's State support per student has declined significantly in real terms, tuition revenue has increased sharply, and in the aggregate, real total expenditures per student in FY 2004 were at about the level of the early 1990s, down 2.3 percent from the peak reached in FY 2001. Meanwhile, the University's FTE enrollment has increased from Fall 1989 to Fall 2004 by about 5,840 at the main Seattle campus, and from zero to 1717 at the Tacoma branch and to 1307 at the Bothell branch.⁴⁰ Although they have grown at a modest pace, as indicated earlier the State has been much slower to fund expansion at the branch campuses than was originally planned.

³⁹ For simplicity "universities" should be read to include Evergreen State College.

⁴⁰ <http://www.washington.edu/admin/factbook/tab7a.pdf>. A considerable part of increases in recent years at the main campus have been unfunded by the State entirely – largely the product of an independent institutional commitment to respond to real enrollment demand and also of difficulty in forecasting yield rates from those admitted.

Since 1989, the State has had in place official funding per student targets at the 75th percentile of State-established peer groups of public universities. The UW's peer group is called the "HECB 24".⁴¹ In the years since 1989-90, the University's total funding per student (including tuition) has not come close to this target, though it remained around the middle of the pack through 1999-2000. By 2002-03, the latest year for which this comparison is available, UW's total funding per student had sunk below the 35th percentile of this varied group, ahead of only a few state universities most of which are not very comparable in quality or graduate education emphasis to the UW (see Figure 6). The UW's total funding was more than \$4,000 per student and 25 percent below the 75th percentile target. In terms of State support the picture was even bleaker: the University would need a *65 percent increase in State funding per student* to reach the 75th percentile and led only three universities in the official peer group.

The UW and the other public institutions in Washington have generally been quite creative in coping with the difficult task of taking on more students with declining incremental resources but there are consequences of this over a long period. The following subsections provide evidence related to these coping strategies and some of their consequences.

Nonresident Students and Tuition

While most of the attention in tuition policymaking for public universities focuses on charges to resident undergraduate students, hard-pressed institutions may also seek to increase revenue by raising charges to nonresidents – which are typically several times those for residents – and/or increasing the proportion of nonresidents in the student mix.⁴² Some flagship public universities enroll as much as a third or more of incoming freshmen from outside the state (e.g., the Universities of Colorado, Michigan, Oregon, and Virginia). As the flagship university in the state and the one with the most visible

⁴¹ The HECB 24 consists of all public universities with medical schools in the Carnegie Foundation's (1994) Research I category. Some of the schools in this group are far below the UW in terms of standing in assessments of graduate program quality, extramural research support, and even proportion of graduate students (see list in appendix).

⁴² Increasing the proportion of nonresidents may also serve academic goals by increasing the geographic and other diversity dimensions of the student body. Also, if the nonresident applicant pool is strong or can be improved, accepting more nonresidents can improve the average academic profile.

national presence, the University of Washington has by far the greatest scope to employ this strategy. It has in fact done relatively little recruiting of students from outside the state. The proportion of incoming freshmen who were *not* Washington residents was in the 15 percent range through most of the 1980s and early and mid-1990s, crept up a few points by 2000-01 with some additional recruiting efforts, and appears to have stabilized since in the 18-19 percent range.⁴³ The official target for freshman nonresidents is now 19.5 percent. Compared to comparable leading flagship universities, these proportions are not large and the increases very modest. The reasons are, first, that the UW Board of Regents and administration have long been philosophically committed to serving Washington residents primarily, admitting only enough nonresidents to reasonably leaven the student body; and, second, the demographic pressures of recent years have sharply increased external pressures to serve Washington students.

Indeed, due to insufficient capacity, recently the UW had to terminate its long-standing agreement to automatically admit all community college transfers who complete the established general education curriculum for transfer and attain a grade point average of 2.75 or better. When the new policy takes full effect shortly, it is expected that about one half of community college transfer applicants who would have been admitted under the old policy will not be able to be accommodated. While the University will continue to take the same proportion of community college transfers relative to all new admits that it has done in the recent past, the change in policy, though long on the horizon, has created an outcry. Thus, given the whole set of enrollment growth pressures, the environment has not been conducive to growing the nonresident share of the total student body very much.⁴⁴

Nonresident tuition rates were set by the Legislature until very recently and generally tracked resident rates very closely during the 1980s and 90s. In recognition of the need for more revenue, the universities including the UW received authority over

⁴³ Data are from Timothy Washburn, Associate Vice-President for Enrollment, University of Washington, May 5, 2005.

⁴⁴ The UW has recently sought to increase revenue from nonresident students somewhat by tightening the standards for establishing residency to make them more similar to nearby states.

nonresident undergraduate and all graduate and professional tuition rates⁴⁵ effective in 2003-04. University policymakers have been fairly aggressive in increasing nonresident undergraduate tuition in the last few years – the annual increases in this rate were 11.5 percent in both 2004-05 and 2005-06 compared to 6.4 percent and 7.0 percent, respectively, for resident undergraduates whose rates are still set by the Legislature – but the incremental revenue potential here is severely limited by the pressures to limit the proportion of nonresidents. The Legislature continues to guard jealously its control over resident undergraduate tuition rates, limiting the UW’s potential to exploit its considerable market power in this domain.

Faculty Salaries

Figure 7 shows the trend in University of Washington average faculty salaries relative to the official benchmark of the 75th percentile of its State-sanctioned peer group, the “HECB 24.” Over time the UW has drifted further behind this benchmark, reaching a low point of 87 percent of the 75th percentile figure in FY 2000 followed by some gain to 91 percent by FY 2004. Of course, these patterns reflect the generally straitened recent circumstances of the peer public universities as well. Although official statistics relative to leading private universities are not compiled since such comparisons are considered beyond the pale, as Ehrenberg and others have demonstrated (), the salary gap between private and public universities has been growing steadily in recent years.⁴⁶

The other public universities in Washington have also lost ground over this period relative to their official peer groups. Washington State University’s average faculty salary was at 82 percent of its peer group’s 75th percentile in FY 1990, improved to 87

⁴⁵ See pages ___ for discussion of new graduate and professional tuition policies emerging under this regime.

⁴⁶ Full professor salaries at the University of Washington stood at around the 54th percentile among Doctoral Institutions in the 2004-05 AAUP salary survey recently published in *Academe*. This was a considerable decline from the 60th percentile where they had been in 1992-93. UW associate and assistant professors’ rankings improved somewhat over this period, however. Compared to the leading private universities with which the University competes for faculty, as represented by the 95th percentile of the Doctoral Institutions’ distribution, UW salaries had fallen as follows over these years: Professor- from .784 to .726; Associate Professor- from .826 to .774; Assistant Professor- from .868 to .861. (Author’s calculations, with the assistance of Fred Swenson, from data published in *Academe* 79:2, March-April 1993, pp. 24,78; and 91:2, March-April 2005, pp. 38, 88.)

percent by FY 1994, and fell back to 80 percent by 2004. The pattern for the comprehensive institutions is quite similar to that of Washington State, though not quite as unfavorable.⁴⁷

At the University of Washington, the effort to remain competitive with too little funding for faculty salaries has led to a concentration of salary funds on the most market sensitive faculty: new hires at the assistant professor level and faculty who are able to attract and present higher salary offers from competitor universities.⁴⁸ The result is salary “compression” – relatively small gaps between average salaries by rank – and also wide differences in salaries at the same rank within departments.⁴⁹ Comparing the AAUP survey data for the University of Washington for 1992-93 and 2004-05, the ratio of average full professor to average assistant professor salary fell from 1.62 to 1.52, while the ratio of the average associate professor to average assistant professor salary fell from 1.14 to 1.09 over the twelve years.

There is a great deal of unhappiness about these conditions within the senior faculty and this is manifest in Senate attention to these matters. The major result of this was the adoption of a policy effective in 2000-01 whereby, short of officially declared financial exigency, most faculty are virtually guaranteed at least a 2 percent base salary increase each year even if this means cuts (or deeper cuts) elsewhere in the institution’s budget. Also, the UW administration has recently announced that it will seek to begin to address compression with an allocation to deans for this purpose of about 1 percent of the salary base for 2005-06. Interestingly, although there is particular concern about the

⁴⁷ The official comparison group for WSU is all public land grant universities classified as research universities by Carnegie (categories 1 and 2) with veterinary schools. The comparison group for Central, Eastern, and Western Washington Universities is all public institutions classified as comprehensive colleges and universities (category 1).

<http://www.hecb.wa.gov/news/newsfacts/documents/2005KeyFactsPart4.pdf>

⁴⁸ Since State funds for meeting competitive offers have recently been very limited, the standards for receiving such support from the central UW retention pool have become increasingly strict. Units can fund retention offers from internal funds but this is quite difficult and contentious in a period of extended budgetary stringency. The University is also experimenting with ways of using extramural research funds to augment base salaries for those with grant support since the University is a leader in such funding. Of course such funds are distributed very unevenly across disciplines.

⁴⁹ There are many cases of lower rank faculty with higher salaries than their higher-ranking peers, a particularly vexing issue for morale and intra-unit relations.

vulnerability of newly tenured associate professors to outside offers, the overall faculty departure statistics are evidently fairly stable.⁵⁰

Student-Faculty Ratios, Class Size⁵¹ and Faculty Mix

At the University of Washington, the overall student-faculty ratio appears to have changed little over the period for which comparable data are available (Fall 1992-2003), remaining at around 9 to 1 (Figure 8). Similarly, the ratio of students to ladder faculty only (ranks of assistant, associate and full professor, see Figure 9) has fluctuated but in Fall 2003 was the same as in Fall 1992: 11.94 to 1.

Figure 10 shows the trends in ladder faculty versus non-ladder faculty growth at the University of Washington over the years for which comparable data are available. From Autumn 1990 to Autumn 2003 the number of ladder faculty increased from 2,512 to 3,041 (21.1 percent). Meanwhile, non-ladder rank faculty⁵² increased from 724 to 1,030, or 42.3 percent, about twice as much. This produced a gain in the non-ladder proportion of total faculty from 22.4 percent in 1990 to 25.3 percent in 2003. The differential pace of growth is at least a cause for some concern.

The proportion of undergraduate credits taught by the different categories of faculty at the UW's Seattle campus has changed quite markedly over the most recent nine year period for which data could be obtained, 1993-94 through 2002-03. The proportion of these credits taught by ladder faculty fell by about 15 percent, from 55.2 percent of all undergraduate credits to 46.9 percent. The additional credits were picked up by faculty in the Instructor/Lecturer category (up from 18.6 to 27.8 percent, or nearly 50 percent) and the "Other Faculty" category, up from 9.5 percent to 12.2 percent.⁵³ The proportion of

⁵⁰ I am seeking access to documentation on this point.

⁵¹ Class size data is available only in paper form and in unwieldy categories so will require additional time to analyze.

⁵² Included as non-ladder faculty are the following titles: Lecturer Full-time, Senior Lecturer, Teaching Associate, Senior Artist in Residence, Artist in Residence, Lecturer Part-time, Acting Instructor.

⁵³ Other Faculty includes the following titles: Clinical Faculty, Affiliate/Adjunct Faculty, Research Faculty, Emeritus/Retiree, Visiting Faculty, and Other Teaching Faculty. The changes over time were calculated by the author from Faculty Teaching Workload By Faculty Home Department and Course Level data provided by the UW Office of Institutional Studies.

undergraduate credits assigned to graduate assistants *declined* from 16.6 percent to 13.1 percent.

Retention and Graduation Rates

According to a series on freshman retention to the sophomore year (spring to fall enrollment) spanning 1986-2003 for the public 4-year universities in aggregate, trends in this measure seem to parallel funding cycles. This systemwide aggregate freshman retention rate improved from 81.5 percent in 1986 to 87.2 percent in 1993, then fell off a bit but remained around 86 percent through 1998 before beginning a steeper decline as funding deteriorated in the early 2000s. This aggregate retention rate had fallen to 83.2 percent by 2003 the latest available year.

For the University of Washington, retention data are available by freshman entry cohort as far back as 1984 (Figure 11).⁵⁴ Retention to the second year for that cohort was 84.1 percent. There was rapid improvement to the 89-90 percent range over the next few years and small further gains so that retention has been better than 90 percent for the 2000-2002 entry cohorts. Very likely UW's increased admission selectivity in recent years has contributed to these gains that have occurred in the face of serious resource limitations.

The UW made a concerted effort to improve its undergraduate degree completion rates beginning in the 1980s. The results are reflected in Figure 12, which depicts 6-year completion rates by entry cohort. Thus the completion rate for the last cohort shown, 1997, reflects degrees earned by Spring term 2003. Improvement was considerable, from just over 60 percent bachelor's completion after six years by the 1984 entry cohort (i.e., by 1990) to nearly 72 percent completion for the 1993 entry cohort as of 1999. As the graph shows, there has been some modest fallback from this peak in the last few years, but the rates for the most recent cohorts remain over 70 percent. It has been difficult to make further improvements in recent years as the resources needed to fill faculty positions in popular major fields and to apply adequate resources to specific "bottleneck" courses have simply not been available. Indeed, some students are now being allowed to

⁵⁴ www.washington.edu/admin/factbook/OISAcrobat/OISPDF.html#anchor19.

graduate with surprisingly few upper division credits, which may well point to a quality issue.⁵⁵

Trends and Policies Regarding Community College Transfers

As already described, Washington depends heavily on its 2-year colleges to meet demand for higher education and to keep State costs per student low. To make this strategy work at all satisfactorily, there must be capacity to accept would-be transfers to the universities and policies agreed on by all stakeholders to facilitate transfer. Since the mid-1980s the community colleges and the universities have had transfer agreements in place specifying the courses students must take at a community college to be eligible for automatic admission to a university provided their college GPA is 2.75 or greater. In recent years, some of the universities and colleges have jointly funded counselors located at the 2-year campuses to assist students in planning their academic programs and preparing for transfer.

Figure 13 shows the trends in the number of community college transfers to the 4-year public institutions in Washington and also the ratio of transfers to the total community college “academic” enrollment in the prior year.⁵⁶ As shown, the total number of transfers climbed fairly steadily through 1995-96 but has since fallen off somewhat even though community college academic enrollments have continued to grow. Thus, the “transfer rate,” as roughly calculated here, has fallen significantly from the 14-15 percent range during most of the 1990s to below 12 percent in 2002 and 2003. Limited capacity in the universities is almost certainly partly to blame.

The University of Washington took in a steadily growing number of transfers for some years, particularly after 1990 when its two branch campuses came on line. Indeed, these and the WSU branches were designed explicitly for students who had completed

⁵⁵ I am seeking access to an internal UW study of this last point. The proportion of all undergraduate credits that were at the upper division level fell by 2.3 percentage points, or nearly 5 percent, to 44.4 percent between 1993-94 and 2002-03.

⁵⁶ “Academic” enrollment is considered the best available series indicating students who are taking transferable academic courses applicable to an Associate degree.

approximately two years of college work since they do not accept freshmen.⁵⁷ However, after 1996 the University sharply reduced the number of community college transfers it accepted at the main Seattle campus,⁵⁸ so much so that the total number of transfers to the three UW campuses remains well below the level of the mid-1990s.

As already described, the UW has announced that it will terminate as of Fall 2005 its participation in the long-standing agreement to accept all community college transfers who meet the prescribed standards, so that competition for community college transfers to gain admission will become quite stiff. Since a large share of the community college would-be transfers in the state are located in the Puget Sound region, the inability of the UW to accommodate anywhere near all of them probably means that many will not complete bachelor's degrees. This is causing considerable consternation. It is another manifestation of the system's limited resources at the upper division level and of the poor match of the capacity that is available to the geographic location of the needs.

The impending opening of the branch campuses to lower division entrants is one hopeful sign of response to the access crisis but this will not directly address the problems at the upper division level. The situation is so dire that the community colleges have been authorized to begin piloting upper division programs in certain applied fields and these schools are also encouraged to establish partnerships with the comprehensive institutions whereby community college facilities are used to offer upper division courses and programs under the auspices of the comprehensives. Legitimate questions can be raised about the limitations of these types of arrangements for producing bachelor's degrees meeting traditional quality standards but they may be better than providing no opportunities at all to placebound students.

Racial/Ethnic Patterns in Enrollment

⁵⁷ This unusual arrangement was built into the branch campus designs at the insistence of the community college system, and to a lesser extent private colleges, who feared competition from more "full-service" universities. Under the current extreme enrollment pressures the Legislature agreed in 2005 to permit the UW branches and WSU branches to begin accepting freshmen and sophomores in Autumn 2006.

⁵⁸ The University increased the size of its freshman intake at Seattle at this time and also responded to what turned out to be a temporary decrease in transfer applicants.

Washington is not a particularly diverse state in terms of the usual categories most associated with historic disadvantage in American society: African-Americans, Hispanic-Americans, and Native Americans. Among those aged 18-24, African Americans are estimated to account for 4.2 percent, Native-Americans/Alaska Natives 2.0 percent, and Hispanics 12.3 percent in 2004.⁵⁹ The Asian-American (7.1 percent of those aged 18-24) and Hispanic populations have been growing fairly rapidly. Figure 14 shows the change from Fall 1995 to Fall 2003 in the racial and ethnic distribution of enrollments in the state's public 4-year institutions. Enrollments in each of the minority categories have grown but only the Asian and Hispanic numbers grew sufficiently to increase their representation among all students.⁶⁰

Progress in increasing minority representation was affected by the passage by popular vote in 1998 of Initiative 200, which made it unlawful for state institutions to take race or ethnicity into account in admissions and most financial aid decisions. The effect was felt first in the incoming classes of Fall 1999. Since such a change has its primary impact at selective institutions, the University of Washington-Seattle was most affected. Figure 15 shows the trends in UW-Seattle undergraduate enrollments by racial/ethnic category since Fall 1991. These trends may also reflect the impact of the decline in community college transfer students at the Seattle campus described earlier. African-American undergraduate numbers were on a modest declining trend before I-200 but fell much more sharply when it first took effect. In the latest years, the figures show some recovery. Native Americans' numbers were growing during most of the nineties but have been declining since 1997. Hispanics' numbers grew until 1998 but have since fallen off as well. Asian American students are much more numerous than the other groups and their numbers have grown steadily except for a slight decline in 1998. Since total enrollment has been growing, the declines in the minority percentages are even greater than those in the absolute numbers.

The University of Washington has made major efforts in outreach, the redesign of its admission procedures, and identification of ways to provide financial aid legally to

⁵⁹ Hispanics can be of any race. Population estimates are from the State Office of Financial Management http://www.ofm.wa.gov/pop/race/2004%20race_estimates.xls

⁶⁰ Note that there is a substantial increase over the period in the proportion in the Other/Unknown category, which makes precise comparisons impossible.

minority students. But it seems clear that these measures have at best been able to recently arrest the decline in minority enrollments and representation precipitated by the above-mentioned policy changes.

Socioeconomic Mix of Enrollments

As described earlier, tuition has increased very considerably in real terms over the years in Washington's public institutions. The State has responded to this better than most, at least in the western U.S., by supporting need-based student aid fairly generously in particular via its Need Grant program (see note 35). Thus, the proportion of undergraduates who are Pell grant recipients – a crude indicator of the proportion who are of low income origin similar to free/reduced lunch program eligibility at the K-12 level – has grown gradually over the years. For the Washington public universities as a group the Pell recipient proportion grew from 26.2 percent in 1991-92 to 29.9 percent in 2002-03, suggesting that students of very modest means at least were not being shut out of the system relative to others. For the University of Washington, the corresponding increase was from 22.2 percent in 1991-92 to 26.0 percent in 2002-03 (Figure 16).⁶¹ This trend is somewhat surprising in light of the fairly steep long-term growth in real tuition rates and the recent increases in selectivity.

Graduate and Professional Education Trends and Their Broader Impacts

Graduate education is a major emphasis of Washington's two research universities by virtue of their basic mission. It gets much less emphasis at the four comprehensive institutions, although all have several hundred graduate students at the Master's level. In an era of great pressure to expand undergraduate enrollments but limited State support, it is interesting to note that the two research universities both have increased their graduate enrollments significantly. At the UW the rate of increase since 1991-92 has been just slightly greater than that of undergraduates (22 percent versus 20 percent), but at WSU graduate enrollments have grown at a much faster pace (64 percent compared to 15 percent). Thus, in 2002-03, UW enrolled 26,087 FTE undergraduates

⁶¹ The University of Washington is now engaged in an effort to more comprehensively identify the distribution of its student body by family income but for now nothing more than the Pell grant recipient percentage is available.

and 10,876 FTE graduate students, while WSU had 15,892 undergraduates and 4,418 graduates. The growth in graduate students is not surprising given the earlier-mentioned relative underdevelopment of graduate education in the state. Also, research universities are able to teach undergraduates relatively economically, particularly at the lower division level, largely because they use graduate students as relatively cheap factors in the education production process while also contributing to the latter's preparation. So, growth in tandem of the two types of students is broadly logical in this sense.

Graduate students in the arts and sciences contribute to undergraduate education in this way but not very much to the university's fiscal resources via tuition. A high proportion of graduate students in these fields have their tuition covered as part of teaching and research assistant compensation or via university fellowships, so net tuition revenue from this group is relatively small.⁶² Graduate students in such fields as law, business, public affairs, public health, education, and the like contribute much less to undergraduate education for there are few undergraduate programs in most of these fields. The large majority of them pursue master's or professional degrees and generally do produce net tuition revenues since financial aid in these fields is limited.

The University of Washington has sought to take advantage of this by acquiring from the State authority, as of 2003-04, to set graduate and professional tuition and then fairly ambitiously ramping up rates where it believes the market will bear substantial increases. Thus, for example, tuition for state resident law (J.D.) students was doubled to \$13,000 in just two years between 2002-03 and 2004-05, while for MBA students tuition is planned to increase from \$6,285 in 2002-03 to \$17,286 in 2006-07. Less ambitious plans are also in place for the various health professions schools. Policy discussions are underway about installing similar regimes in other fields where demand may support substantial increases and most of the incremental revenue would represent a net financial gain. Complex issues of incentives, the sharing of revenues between the affected units and other parts of the University, and how to monitor and mitigate effects on the student demographic profile remain however. Potentially, this could be a source of significant locally generated funds for some programs as well as allowing for some revenue sharing

⁶² Where outside grants or fellowships pay the tuition bill, there is net revenue to the University. In the case of grant-funded research assistants at the University of Washington, the grant pays the resident portion of tuition while the nonresident portion is simply waived.

with parts of the University operating in more constrained markets. It also has potential for contention however, can enlarge perceived inequities, and, if incentives are not managed correctly, can potentially make units less willing to collaborate with others.

Also of note is that the University of Washington has increasingly turned to the development of new degree programs – mostly graduate-level programs in professional fields – that are financially self-sustaining or even profitable for their units. The central administration encourages this and has even reinvented its “educational outreach” unit to provide risk capital and infrastructure support. Since the late 1990s several dozen degree programs have been created through UW Educational Outreach to add to a handful of pre-existing programs run by individual units (e.g., the business school). Fully 20 percent of the University’s graduate students are now in fee-based degree programs, up from just a few percent ten years ago. This is beginning to present some internal complexities and tensions in terms of movement of students and faculty across the line between similar self-sustaining and state-subsidized courses. The net revenues from these programs can be a substantial help to units that control them but generally core arts and science units are less well suited than those in professionally oriented fields to develop them.

Impacts of Research on Undergraduate Education

The University of Washington is the leading public university in the country at acquiring federal R & D and training grants, with a total of more than \$800 million in FY 2003 (). In addition to the academic stature this fact alone brings, the funds are crucial to both scholarly output and the attraction, training and support of graduate students. The impacts on undergraduate education are more ambiguous though. Although research income has grown more rapidly than other sources – particularly State support – in gross terms, it is no longer clear that the grant-supported R & D fully pays for itself.

Over the past decade or more, the federal government has become increasingly strict and tight-fisted with respect to indirect cost payments,⁶³ and increasingly federal and other sponsors require matching funds from grant recipients. The indirect cost rates certainly do not fully cover the cost of replacing and upgrading research buildings and

⁶³ The UW’s negotiated basic indirect cost rate is a fairly modest 52 percent of direct costs.

facilities. Since these needs must generally be funded from State or, increasingly, private sources, one wonders what the true opportunity costs are in terms of other ends the institution might pursue with such funds and energies that are poured into the science/grant competition. Another problem is that the cost of keeping up with competitors in the grant-intensive laboratory science fields often requires the University to find resources for start-up packages for incoming faculty – some of whom do little or no undergraduate teaching – by leaving vacant faculty positions unfilled. This may be related to the more rapid growth in non-ladder faculty positions and the increases in the share of undergraduate teaching by such faculty noted earlier.

Perhaps in part in response to such concerns, the UW has in recent years taken explicit steps to increase participation of undergraduates in faculty research. The University has identified the percentage of undergraduates reporting substantial involvement in such experiences as one of its accountability measures before the State and had managed to increase this proportion from about 20 percent in the mid-1990s to 24.2 percent by 2002-03.⁶⁴ One wonders how much this modest positive measure can be considered to offset the various negative trends for undergraduates however.

Major Investments in Private Funds Development

Finally, it should be noted that the University of Washington has, like many other public universities, made large investments in its capacity for raising private funds.⁶⁵ As a result, total private voluntary support to the UW was just \$6 million in 1977-78, was \$78 million in 1986-87, and had reached \$311 million by 2002-03.⁶⁶ In just the short period from FY 1998 to 2003, gifts for current use (many for capital construction purposes) increased from two to six percent of the University's total income⁶⁷ and the institution is currently involved in a \$2 billion capital campaign over eight years. To

⁶⁴ University of Washington annual Accountability Reports, FY 1998-2004.
<http://www.washington.edu/admin/factbook/Accountability>

⁶⁵ The other public institutions in Washington, including the community colleges, have also increased their fund-raising efforts but none has nearly the revenue potential of the UW.

⁶⁶ University fiscal reports cited in Shanahan (2005: 6).

⁶⁷ Ibid.

achieve these goals, spending on development activities has more than doubled just since FY 2001, from about \$9.4 million to a projected \$22.3 million in FY 2005.⁶⁸

Although the returns on investment are impressive, the institution is having difficulty sustaining the development operation at its new level because general funds are so scarce, endowment returns have been sluggish in recent years, and donors are resistant to “taxing” schemes to support fund-raising. While certainly valuable, the whole activity has limited immediate benefits for the operating budget because much of the gift income goes to capital (which the State has also funded very poorly in recent years) and into endowments that generate only modest current returns and are usually for restricted purposes that do not always match the greatest needs.

CONCLUSION

This chapter has sought to recount the essentials of the history of the financing of public higher education in the state of Washington, to understand why things work the way they do in this policy arena, and to examine some of the consequences of the long-term underfunding of the system especially for the University of Washington and its students. Policymakers in the UW and the other public institutions in the state have proven themselves resourceful and remarkably dedicated to providing educational opportunities for as many students as possible to the best quality they can produce with the resources available. The quality, by national norms, is certainly not bad and is surprising given the modest public money invested.

It is hard to say definitively that the system is at the brink of a crisis. Yet, as has been shown, the University of Washington finds it increasingly difficult to compete with the Harvards and Michigans of the academic world as salaries slip far behind, temporary faculty have to be substituted for those with a full stake in the institution, and an increasing share of resources must be obtained from sources that have the potential to create distortions, many of which work to the particular disadvantage of undergraduates in the liberal arts. The other public universities in the state appear to be in even worse

⁶⁸ Ibid: 17.

shape as they have less market power, fewer alternative sources of revenue, and their faculty salaries are even further behind those of their peers. In spite of the inadequate funding, the State continues to expect the universities to enroll more students yet the increased enrollment levels are at best maintaining the state's low standing in comparative participation rates.

One might expect that this situation must eventually have political and economic consequences. But, given Washington's continued attractiveness to already-educated immigrants, the fact that high school graduate numbers will begin to level off in five years or so, and the deep-seated resistance to tampering with the state's regressive tax structure, a major shift in current patterns will not necessarily occur any time soon. The best hope for a change would be for the new governor to join with the technology and other modern economy business interests in the state – this would be a bipartisan coalition – to seize the issue of higher education investment and its intimate connection to economic and social development as a central one. They could conceivably make this the cornerstone for a leadership campaign to do what is necessary to convince the public and elected officials, particularly in the growing urbanized regions, that the tax structure and capacity of the state must be reexamined and restructured. By broadening the coalition to include some other constituencies who could benefit from increased investment, it might be possible to create sufficient momentum to overcome the many cultural and structural obstacles to change.

Action in this direction would no doubt have to wait until the courts rule on the validity of the recent gubernatorial election but, once this hurdle is passed, would probably have to occur soon enough to catch the early part of the upturn in the economic cycle while the memory of recent deprivation remains fresh. Later, as more or less ample money rolls in for a few years at the peak of the cycle in spite of the existing revenue structure, there will be little incentive to bear the costs of seeking to change it. Also, once the demographically induced surge in demand for higher education levels off around 2010, the impetus for change will be much weaker. A long-time observer must admit to some pessimism that all these stars will line up at the right time to produce a sea change.

REFERENCES (incomplete)

- Baumgartner, F. R., and B. D. Jones (1993). *Agendas and Instability in American Politics*. Chicago and London: University of Chicago Press.
- Carnegie Foundation for the Advancement of Teaching (1994). *A Classification of Institutions of Higher Education*. Princeton, New Jersey: Author.
- De Give, M. L., and S. Olswang (1999, Spring). "Coalition Building to Build a Branch Campus System." *The Review of Higher Education* 22(3): 287-313.
- Higher Education Coordinating Board, State of Washington (1987). *Building a System: The Washington State Master Plan for Higher Education*. Olympia: Author.
- _____ (1988). "Review of Branch Campus Proposals."
Olympia: Author (unpublished).
- Hofstadter, R. (1962). *Anti-Intellectualism in American Life*. New York: Vintage Books.
- Kingdon, J. W. (1995). *Agendas, Alternatives, and Public Policies*. Second edition. New York: Harper Collins.
- National Association of State Student Grant and Aid Programs (2004). *34th Annual Survey Report on State-Sponsored Student Financial Aid*. 2002-2003 Academic Year. Washington, D.C.: Author.
- National Governors Association and National Association of State Budget Officers (2004). *The Fiscal Survey of States*. Washington, D.C.: Author.
- National Science Foundation (2004).
- Pennucci, A., and J. Mayfield (2003, August). *Higher Education Branch Campuses in Washington State*. Olympia: Washington State Institute for Public Policy.

Shanahan, S. Y. "An Analysis of How Development is Funded at the University of Washington." Master's Degree Project. Seattle: Daniel J. Evans School of Public Affairs, University of Washington, May 2005.

Shannon, B. (2003, 3 April). "House Tinkers with Initiative 601." *The Olympian*.

State Higher Education Executive Officers (2004). *State Higher Education Finance FY 2003*. Denver, Colorado: Author.

University of Washington (1988). *Plan to Expand Upper Division and Graduate Programs in the Puget Sound Region*. Report to the Higher Education Coordinating Board. Seattle: Author.

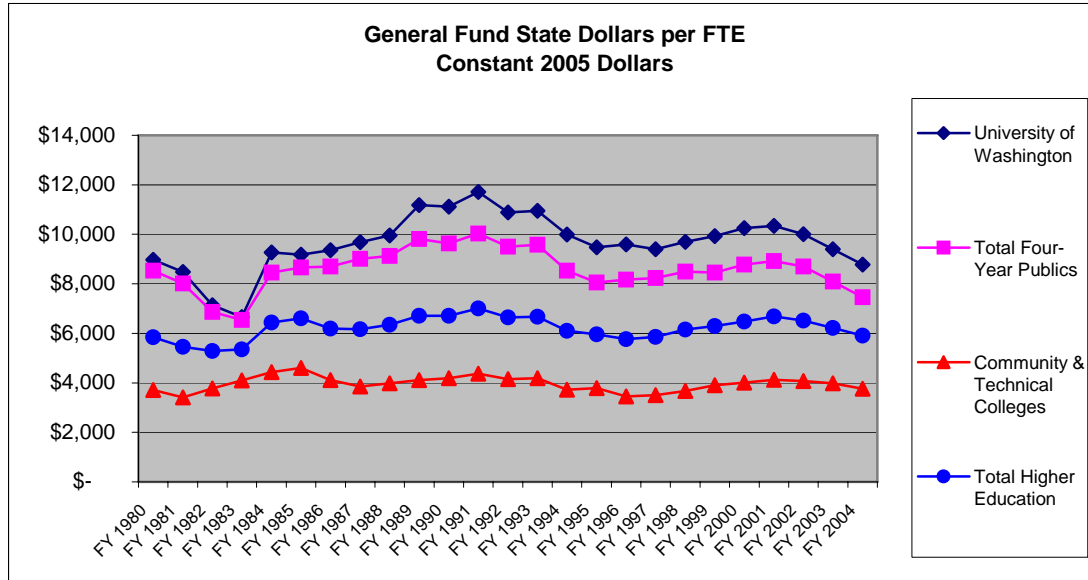
U. S. News and World Report (2004).

Zumeta, W. (2001). "Public Policy and Accountability in Higher Education: Lessons from the Past and Present for the New Millennium." In D. E. Heller (Ed.). *The States and Public Higher Education Policy: Affordability, Access, and Accountability* (pp. 155-197). Baltimore and London: Johns Hopkins University Press.

Zumeta, W. (1996, Fall). "A Case Study: Where Can We Put All the Students?" *Thought & Action* XII(2), 7-44.

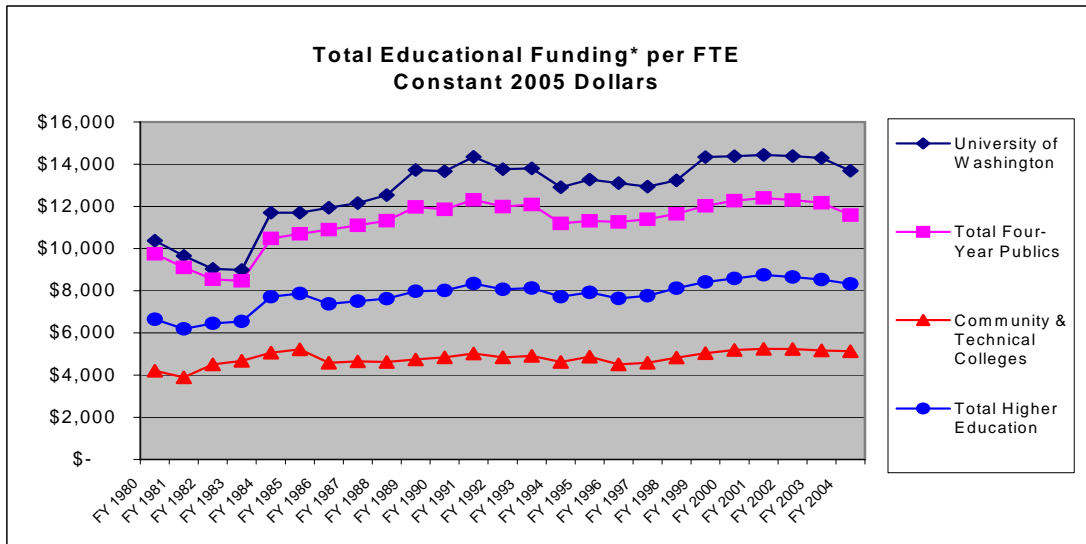
FIGURES AND TABLES

Figure 1



Source: WA Legislative Evaluation and Accountability Program

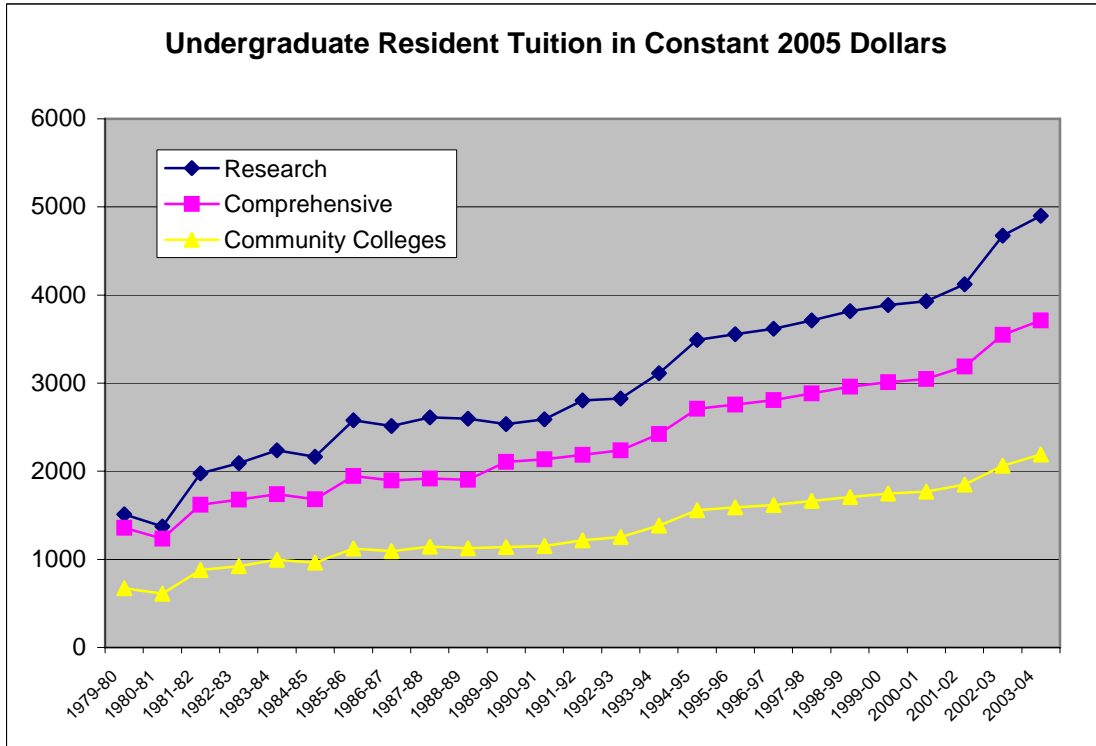
Figure 2



*State appropriations plus tuition revenue

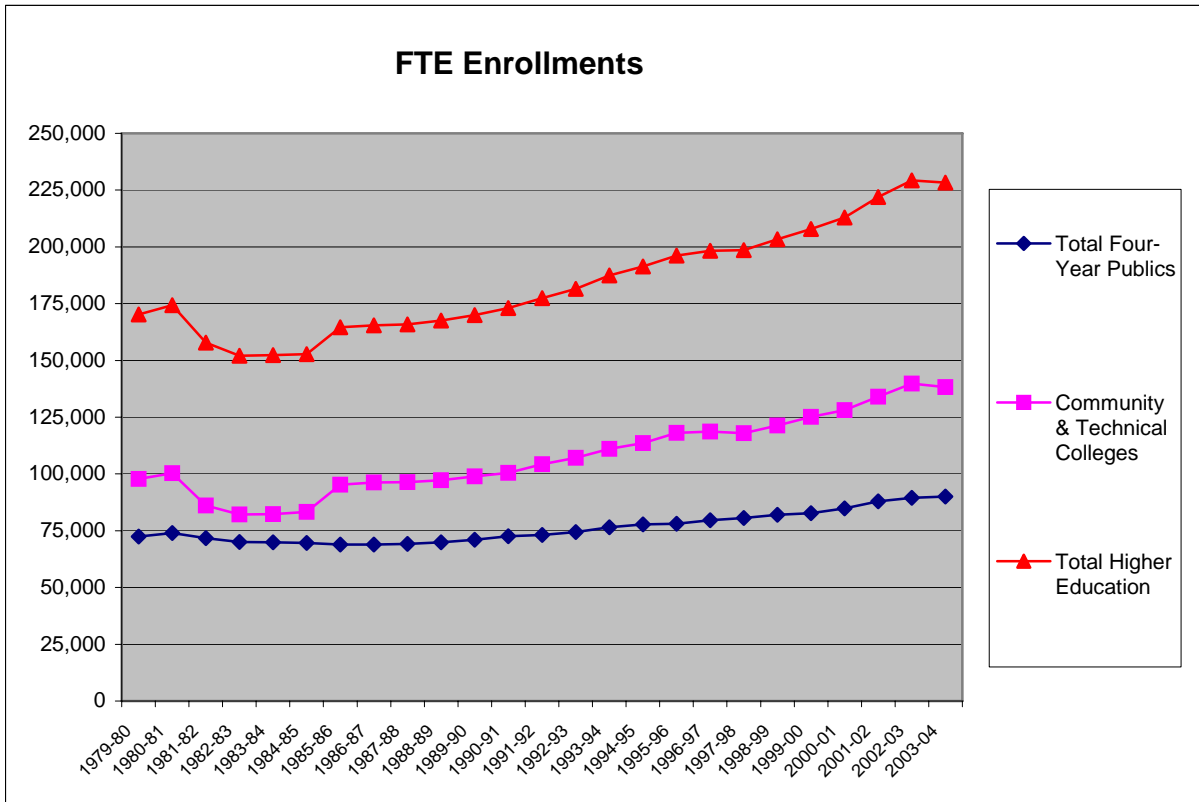
Source: WA Legislative Evaluation and Accountability Program

Figure 3



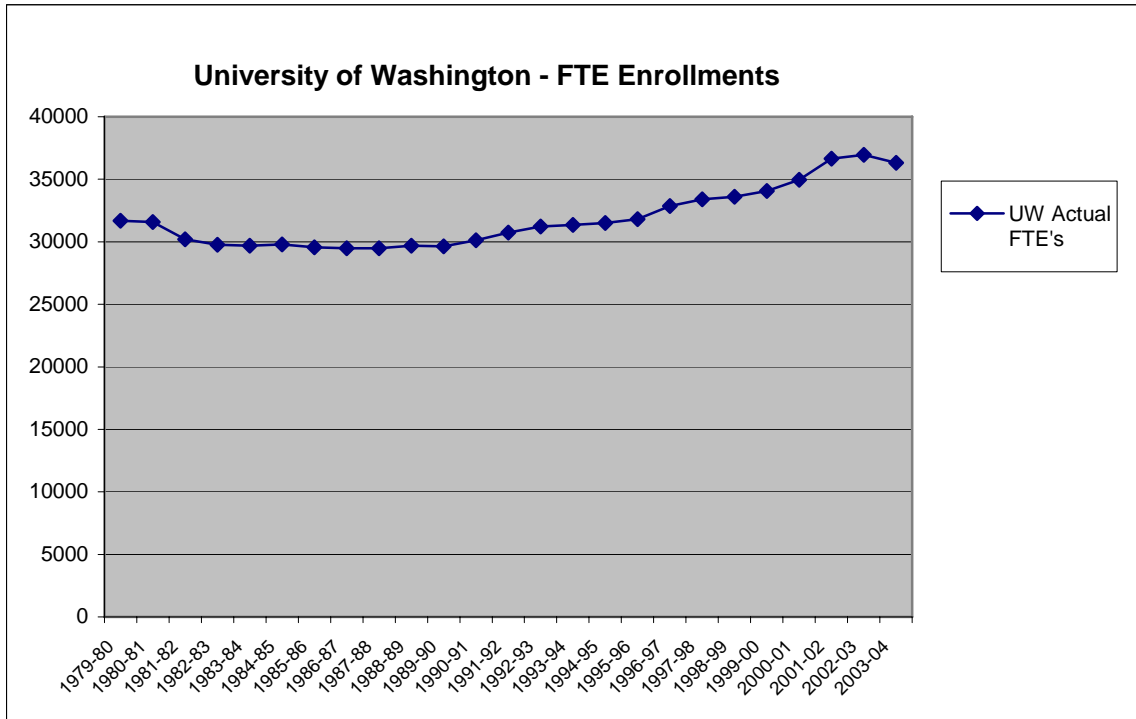
Source: Higher Education Coordinating Board

Figure 4



Source: WA Legislative Evaluation and Accountability Program

Figure 5



Source: WA Legislative Evaluation and Accountability Program

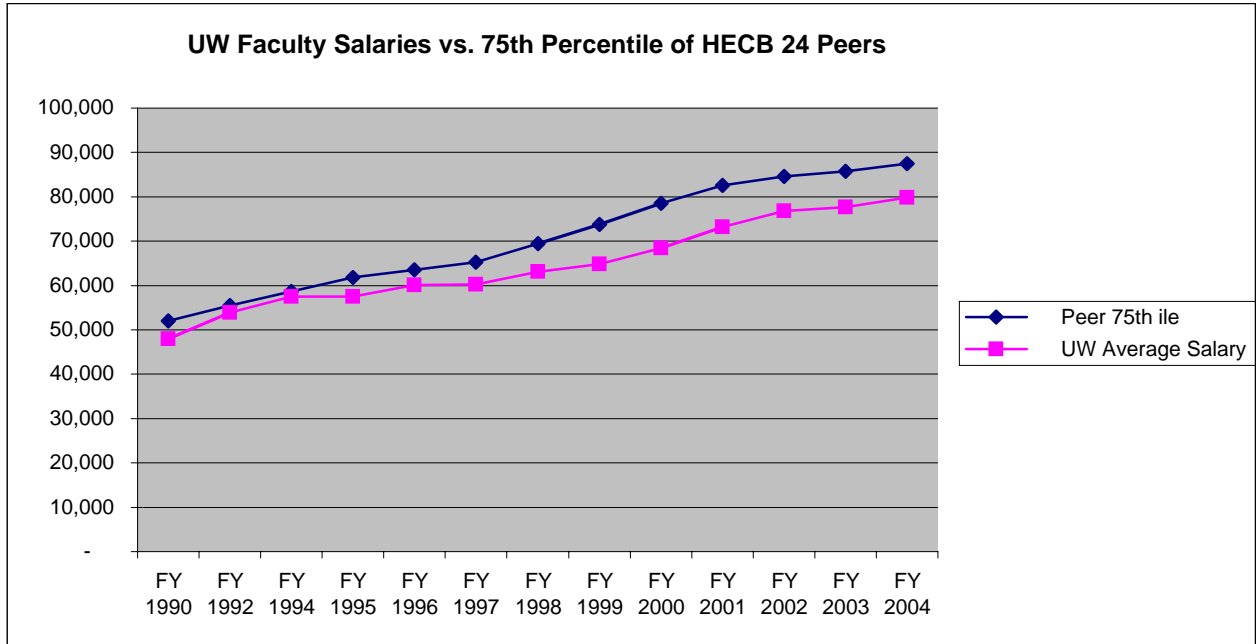
Figure 6

UW State and Total Funding per FTE Compared to HECB 24 Peers, 2002-03

	Total \$ per FTE	Appropriations per FTE	Percentile Ranking	Rank by Total \$/FTE
Cornell-Statutory	\$ 42,190	\$ 29,534	100.0%	1
California-Los Angeles	\$ 25,550	\$ 19,285	95.8%	2
Michigan-Ann Arbor	\$ 23,499	\$ 9,729	91.7%	3
Minnesota-Twin Cities	\$ 23,188	\$ 15,204	87.5%	4
North Carolina-Chapel Hill	\$ 22,699	\$ 16,221	83.3%	5
California-Davis	\$ 22,535	\$ 17,308	79.2%	6
California-San Diego	\$ 20,554	\$ 14,830	75.0%	7
Kentucky	\$ 19,370	\$ 14,630	70.8%	8
Pittsburgh	\$ 18,629	\$ 7,652	66.7%	9
Iowa	\$ 18,415	\$ 12,044	62.5%	10
Virginia	\$ 18,312	\$ 8,204	58.3%	11
Illinois-Chicago	\$ 18,095	\$ 11,660	54.2%	12
Ohio State	\$ 18,079	\$ 9,566	50.0%	13
California-Irvine	\$ 17,469	\$ 11,896	45.8%	14
Hawaii	\$ 17,318	\$ 13,245	41.7%	15
Michigan State	\$ 16,947	\$ 9,760	37.5%	16
Washington	\$ 16,388	\$ 8,866	34.6%	17
Florida	\$ 16,140	\$ 12,624	33.3%	18
Wisconsin-Madison	\$ 15,946	\$ 9,798	29.2%	19
Utah	\$ 15,786	\$ 10,715	25.0%	20
Arizona	\$ 15,729	\$ 10,928	20.8%	21
Missouri-Columbia	\$ 15,528	\$ 9,554	16.7%	22
Texas A&M	\$ 15,207	\$ 9,738	12.5%	23
New Mexico	\$ 15,089	\$ 11,873	8.3%	24
Cincinnati	\$ 13,865	\$ 7,550	4.2%	25

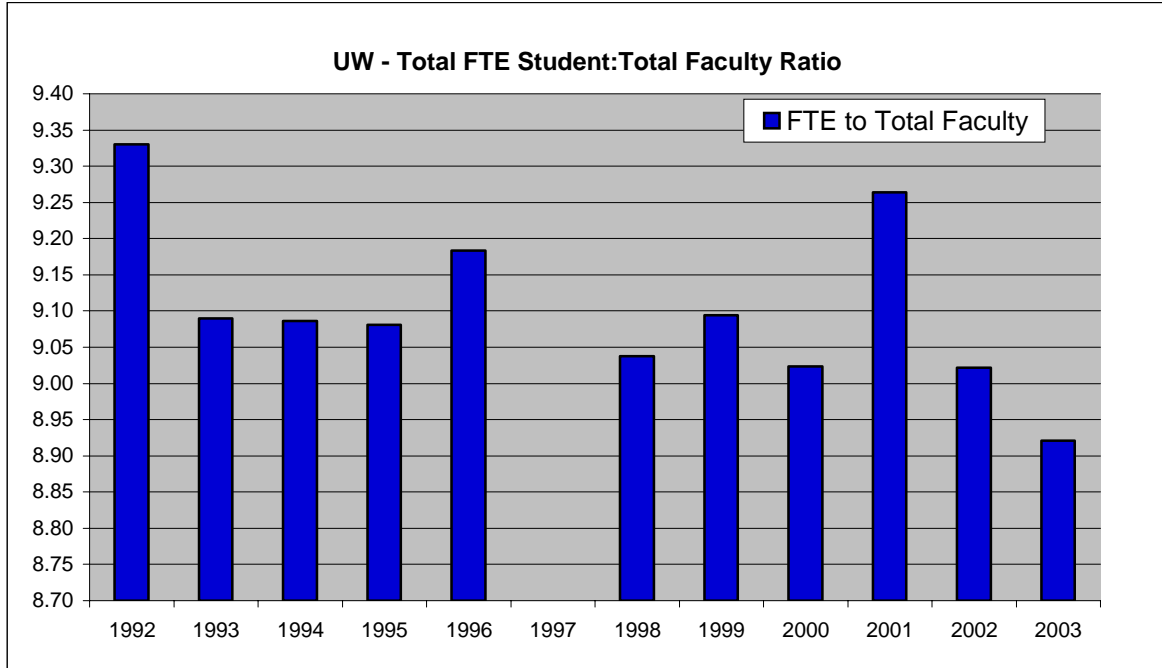
Source: University of Washington Office of Institutional Studies

Figure 7



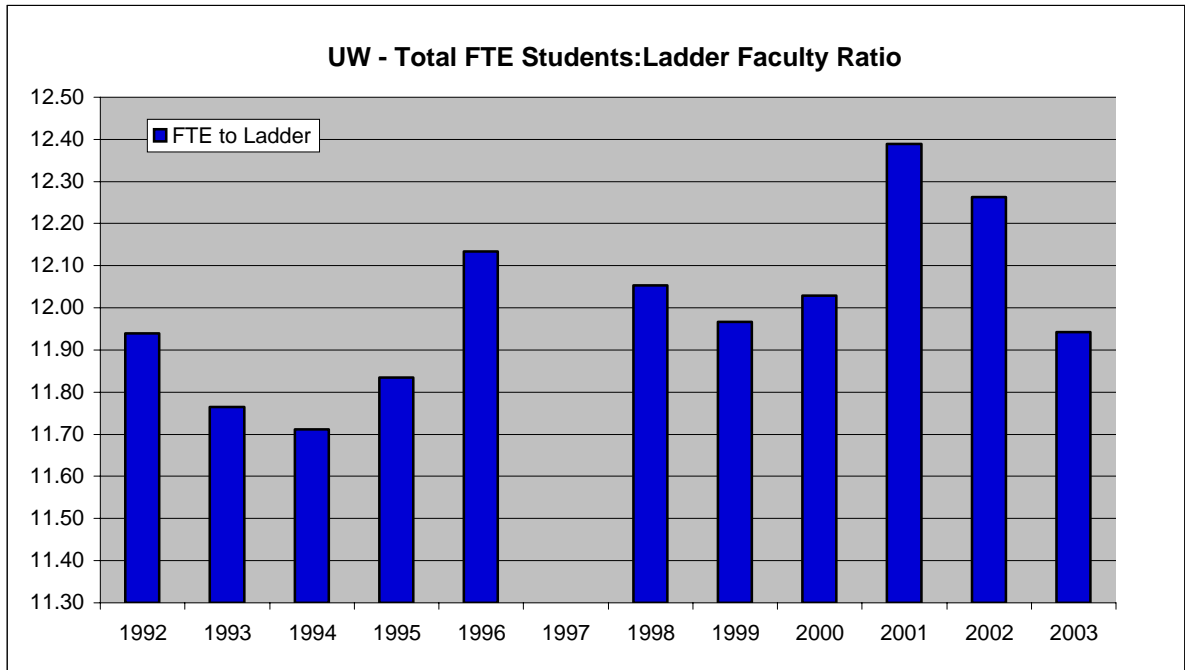
Source: Higher Education Coordinating Board.

Figure 8



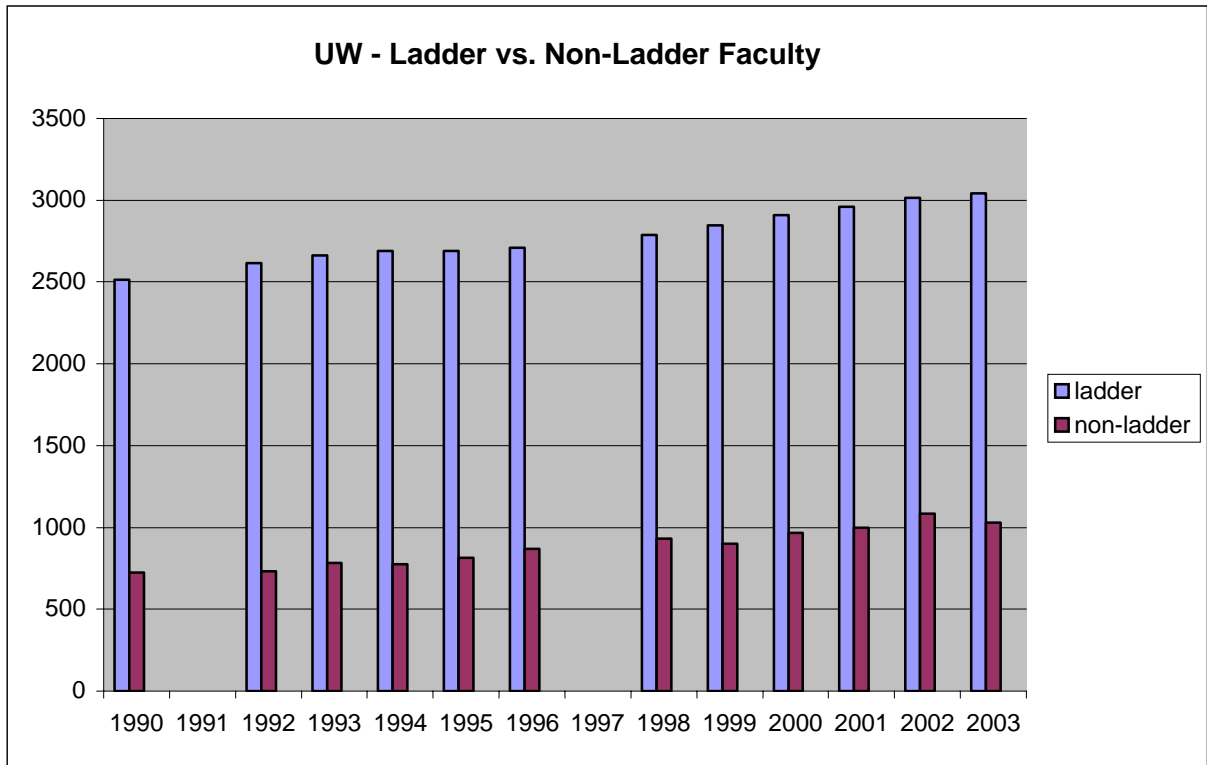
Source: Faculty – University of Washington Office of Institutional Studies;
FTE Students – State Office of Financial Management

Figure 9



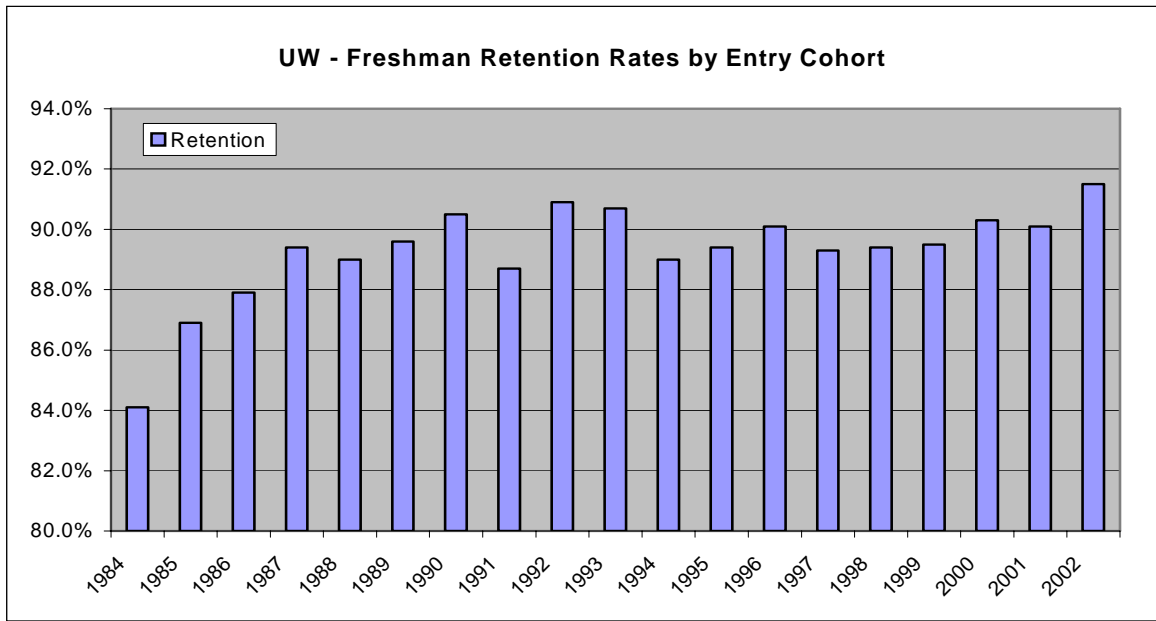
Source: Faculty – University of Washington Office of Institutional Studies;
FTE Students – State Office of Financial Management

Figure 10



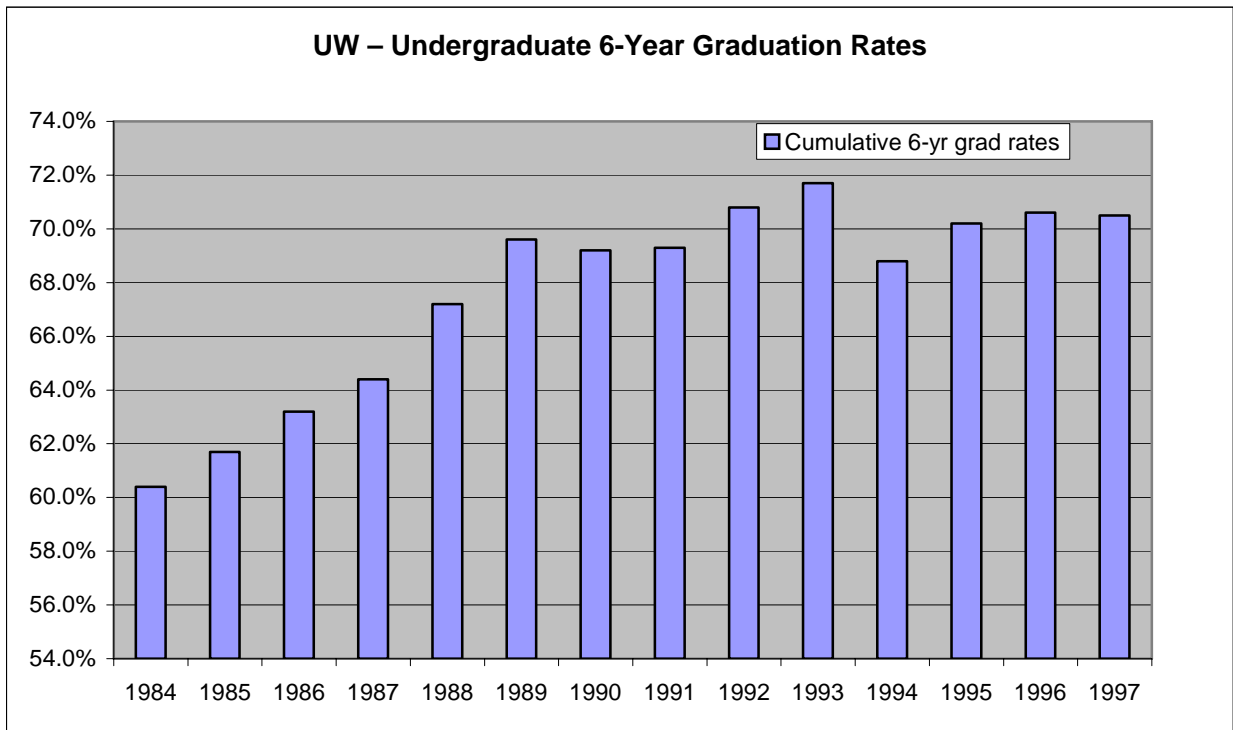
Source: University of Washington, Office of Academic Human Resources

Figure 11



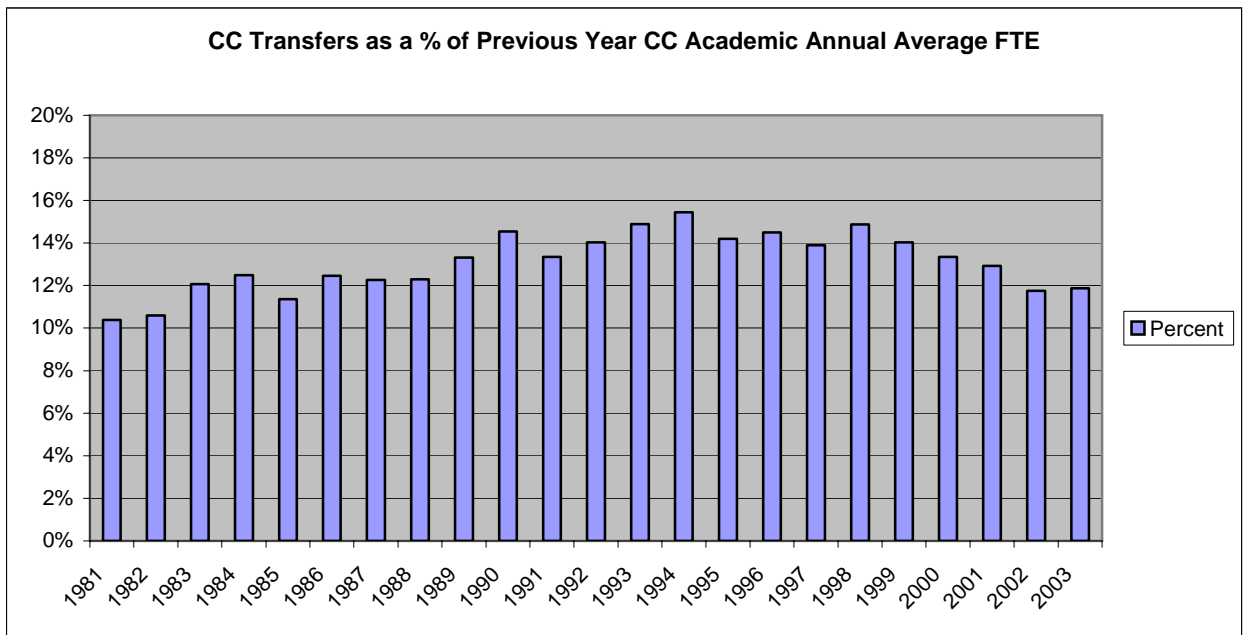
Source: University of Washington, Office of Institutional Studies

Figure 12



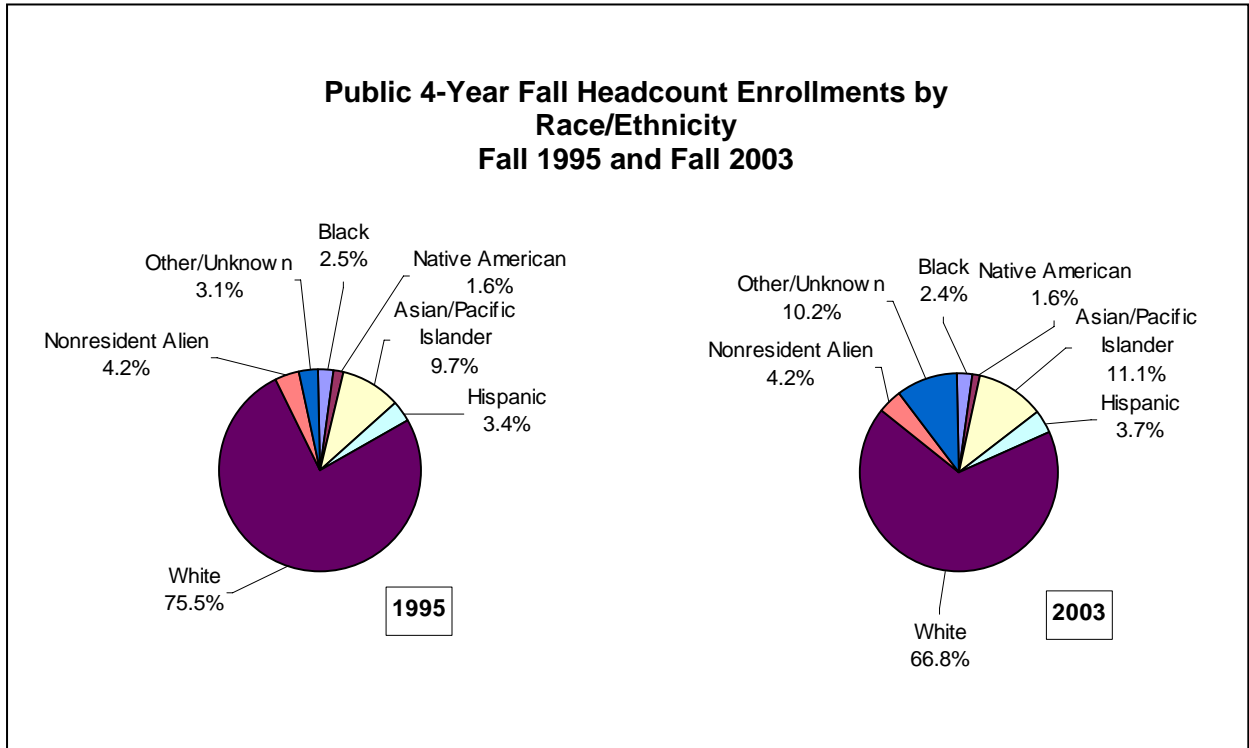
Source: University of Washington, Office of Institutional Studies

Figure 13



Source: State Office of Financial Management

Figure 14



Source: Higher Education Coordinating Board

Figure 15

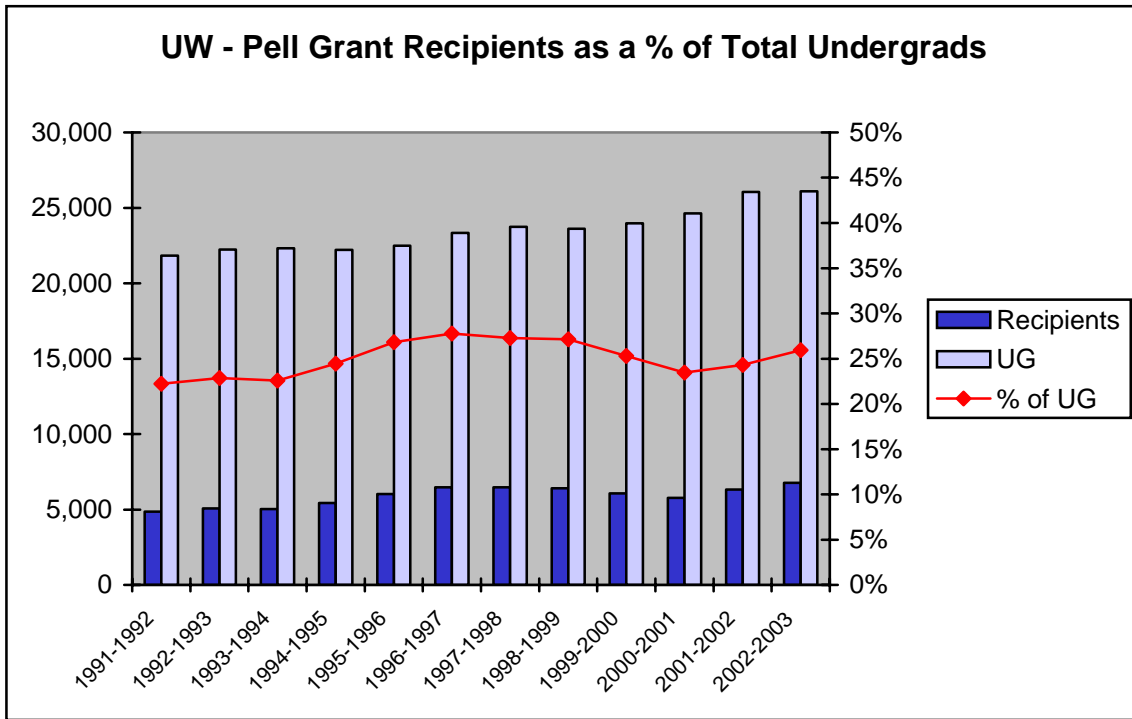
**UW UG Fall Headcount Enrollments by Race/Ethnicity
Fall 1991 and Fall 2002**

	Native American	Asian American	African American	Hispanic American	All Other*	Total Seattle Campus
1991	286	4,587	892	795	18,532	25,092
1992	302	4,819	870	837	18,654	25,482
1993	290	4,851	866	865	18,066	24,938
1994	281	4,892	870	928	17,621	24,592
1995	264	5,033	832	935	17,774	24,838
1996	274	5,190	838	984	17,942	25,228
1997	410	5,697	841			
1998	371	5,639	744	1,032	17,760	25,546
1999	327	5,705	699	980	17,927	25,638
2000	318	5,888	678	935	18,026	25,845
2001	299	6,081	695	956	18,829	26,860
2002	297	6,605	733	944	20,449	29,028

*All Other includes Caucasian, Foreign, and Other
Individuals are categorized by one ethnic type, the exception being "Hispanic", which includes persons who have any degree of Hispanic ethnicity reported.

Source: University of Washington, Office of Institutional Studies.

Figure 16



Source: Higher Education Coordinating Board

**Appendix 1: HECB 24 Peer Universities for
the University of Washington**

Cornell University, Contract Colleges
Michigan State University
Ohio State University
Texas A&M University, College Station
University of Arizona
University of California, Davis
University of California, Irvine
University of California, Los Angeles
University of California, San Diego
University of Cincinnati
University of Florida
University of Hawaii
University of Illinois, Chicago
University of Iowa
University of Kentucky
University of Michigan, Ann Arbor
University of Minnesota, Twin Cities
University of Missouri, Columbia
University of New Mexico
University of North Carolina, Chapel Hill
University of Pittsburgh
University of Virginia
University of Wisconsin, Madison
University of Utah

Source: Higher Education Coordinating Board