

DRAFT

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

William Zumeta*
Daniel J. Evans School of Public Affairs
and
College of Education
University of Washington

August 2005

Prepared for publication in: Ehrenberg, R. 2006, forthcoming. *What's Happening to Public Higher Education*. Greenwood Press for the American Council on Education.

*** With the assistance of Fred Swenson**

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

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 full-time-equivalent 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 (University of Washington (d)).

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. Its grant and contract volume is around \$90 million per year and it ranks 30th among the land grants – tied with the Universities of Arkansas and Kentucky – and 120th overall in the 2005 national university rankings published by *U.S. News and World Report*.³ Western Washington University, with about 11,500 FTE students in Fall 2003 and located in Bellingham a small city in the

* With the assistance of Fred Swenson.

¹ According to the National Science Foundation:

http://www.nsf.gov/statistics/profiles/data/cas_ranking.cfm

² Shanghai Jiao Tong University Institute of Higher Education, "Top 500 World Universities (1-100)," Shanghai Jiao Tong University, Institute of Higher Education, [http://ed.sjtu.edu.cn/rank/2004/top500\(1-100\).htm](http://ed.sjtu.edu.cn/rank/2004/top500(1-100).htm).

³ *U.S. News and World Report*

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

northwestern part of the state, is regarded as one of the better public “comprehensive” universities in the country. It was ranked 16th among Western colleges and universities in 2004 by *USNWR*⁴ and, according to its Office of Institutional Research, attracts nearly 8,000 freshman applications per year. The Evergreen State College, founded in 1971 in Olympia the state capital, is an innovative, even *avant-garde* public liberal arts college of around 4,100 students featuring small classes taught by faculty without ranks who often teach in teams, extensive service learning programs, and highly individualized courses and majors.

In addition, the state is served by two other public comprehensives, Central Washington University (located in Ellensburg just east of the Cascade mountains and enrolling just under 8,700 FTE students), and Eastern Washington University, enrolling around 9,000 FTE in Cheney about 20 miles from 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, although 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 sector is quite small relative to the research universities.

Also, the state is blessed with a generally very good community and technical college system enrolling some 260,000 (Fall 2003 headcount) students at 34 campuses plus a number of satellite sites widely distributed around the state.⁵ Thus, this two-year system enrolls more than 70 percent⁶ of the students in the state, an unusually high 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

⁴ *U.S. News and World Report* (2004: 96).

⁵ Higher Education Coordinating Board, “Key Facts...”. This translates to about 138,200 full-time equivalent students.

⁶ This figure is for Fall 2003 and includes public sector enrollments only. If private college 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 at Higher Education Coordinating Board, “Key Facts...”.

colleges in the state, enrolling about 39,000 students, and some 11 degree-granting for-profits.⁷ This private sector has some small liberal arts colleges and a few modest-sized comprehensives but no universities with a range of PhD programs. It has grown modestly in recent years with help from a generous state scholarship program for which private college students are eligible.

The quality of this “system” – the term is used loosely as the 4-year institutions are 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 fiscal strain for many 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 around higher education issues. In light of the special focus in this volume on “flagship” research universities, particular attention will be given to the University of Washington throughout. The analysis is supported by data developed primarily from authoritative sources within the state. Space permits only a small part of the database developed for this chapter to be depicted graphically or in tabular form.

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 University, 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.⁸ Only Evergreen State College is of fairly recent origin (1971). The local forces operating at the time

⁷ Data are from P. Mosqueda, Washington Higher Education Coordinating Board, May 2, 2005.

⁸ The roots of Eastern date to 1882, Central to 1891, and Western to 1893.

these institutions were founded dictated their locations but they are not well positioned 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 poses a problem for participation opportunities both for many recent high school graduates 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,⁹ it is not surprising that the community colleges were spread widely across the state. Of course political factors also played a major role 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

⁹ See Do (2004) and the literature cited therein.

perspective and deep knowledge.¹⁰ Washington was one of the last states to move beyond system-wide management by means of voluntary meetings of institution presidents and direct influence from 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 note), 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 these activities to the extent they find necessary through a pre-coordinating-board, voluntary Council of Presidents, with its own 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 important¹¹ or problematic and so have devoted

¹⁰ 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 Higher Education Coordinating Board Chair Charles Collins that will be described in some detail.

¹¹ 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

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.

HIGHLIGHTS OF THE ROLLERCOASTER PERIOD, 1980 -2005¹²

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.¹³ Enrollments were cut back sharply. Community college enrollment fell by more than 35 percent in just three years, to 123,800 students in Fall 1982.¹⁴ 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 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

altogether surprising in light of research findings on the nature of policy agenda setting (Baumgartner and Jones 1993; Kingdon 1995).

¹² Much of the account of the 1980s and early 1990s in this section is drawn from research previously reported in Zumeta (1996).

¹³ There were also large tuition increases during this period but at that time all tuition revenue went into the State general fund not to the institutions.

¹⁴ This occurred in part because most noncredit enrollments were no longer funded by the State.

buttress an emerging political consensus supporting reinvestment in higher education.¹⁵ 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 for the state's success in the already fast-moving global economy and that participation was far too low and the system 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 for 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, endorsed these recommendations, which were largely enacted for the 1989-91 biennium, following an already strong gain in State support for higher education in 1987-91.¹⁶ 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 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.

¹⁵ Efforts by the institutions and their supporters played a crucial role too, see Zumeta (1996); de Give and Olswang (1999).

¹⁶ 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).

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.

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 “place-bound” 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).¹⁷ Washington State University was also tasked to create a new branch campus at Vancouver (near Portland, Oregon, and to expand existing, limited programs at Spokane 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 mainly to strenuous lobbying by the community college system and private institutions, the branches

¹⁷ Actual enrollments in Fall 2004 were 1,250 at the Bothell campus and 1,580 at Tacoma according to data from the State’s Legislative Evaluation and Accountability Program.

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 certain 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 majors, 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.

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 modest 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 appropriations¹⁸ 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 FTE students and 4-year institutions gained 7.6 percent to just over 78,000 FTE.

¹⁸ Although in Washington the term “State funds” is sometimes used generically to encompass both direct State appropriations and revenue from State-approved tuition rates, throughout this paper the term State appropriations refers only to the former. “Total educational expenditures” is used to include tuition revenue.

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 four percent annually in this biennium. This meant, in effect that the institutions cut programs, personnel, and non -salary items in order to pay for the salary and mandated enrollment increases. When funds unexpectedly became available, the 1996 Legislature added 3,365 more enrollment slots, funded roughly on an average cost basis, and provided one-time funding to start a statewide distance-learning network also targeted to increase access to higher education. But they did not restore the 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.¹⁹ State appropriations per student system-wide plummeted from around \$7,000 in 1990 -91 to \$5,771 in 1995-96, or 17.6 percent.²⁰ 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). According to a 50-state data series compiled by the State Higher Education Executive Officers (2004), 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.

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

¹⁹ 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 (OFM(c)).

²⁰ The figures, from the Legislative Evaluation and Accountability Program, are in constant dollars adjusted to 2005 using the GDP implicit price deflator.

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 the enactment of new taxes and tax and fee increases. New taxes, such as a possible income tax (Washington is one of a handful of states without a state income tax), and increases in tax rates require a two -thirds vote in each house of the Legislature.²¹ Fee increases are governed by an inflation index with special procedures for new fees. Tuition increases are not subject to this provision but are separately controlled by the Legislature.

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 population growth, averaged over the prior three years. 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.²² And, it prevents the general fund's growth from keeping up with caseload growth in such fast -growing areas as Medicaid and long -term care, and, at times, prison populations and K -12 education enrollments.²³ 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

²¹ The Legislature has at times voted to temporarily lift the two -thirds majority requirement. With Democratic majorities in both houses it did so in 2005 (Shannon 2005).

²² The Office of Financial Management estimates that the I-601 fiscal growth factor grows at 85 -95 percent of the growth rate of personal income (Moore and Lefberg, 2005).

²³ *Ibid.*

sort or another.²⁴ 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 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, system-wide, 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.

²⁴ In addition to the well-known spending pressures created by mandated caseload growth and rapid inflation in such areas as health care and criminal justice, 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.

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.²⁵ 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 2000-01.²⁶

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. According to the Bureau of Labor Statistics, total employment in Washington fell by more than five percent between July 1999 and the low point in January 2002, 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 8.6 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 than in 2002. Nonetheless, enrollments in the 4-year institutions increased by more than 5,000

²⁵ This paralleled a similar jump during the economic downturn of the early 1980s, which was followed by a period of stability in this measure that lasted eight years, 1983-1991.

²⁶ Patterns in the comprehensive and 2-year college sectors over these periods were very similar.

FTE (6.2 percent) in the 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 2003.²⁷ In terms of the national rankings on this measure constructed by SHEEO (2004), this pattern was just sufficient for Washington to maintain its place in the low forties among the fifty states from FY 1996 through 1999, after which it slipped further to 45th 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.

To sum up, in Washington in recent decades, given its odd tax structure²⁸ 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. 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.²⁹ This pattern has been reinforced by the political influence of the widely distributed community and technical colleges, who, while not particularly well funded per student, have been very successful in

²⁷ 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, in inflation -adjusted terms.

²⁸ 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 (McIntyre 2003).

²⁹ 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).

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. Indeed, in spite of sharp increases in tuition over time this source of added revenue has, overall, just about offset declines in State funding, in inflation-adjusted, per-student terms. Moreover, in the face of the rapidly growing college age population, the participation rate of prime age young people (17-22) at public 4-year institutions is now little better than it was in the late 1980s.³⁰

Prospects for the foreseeable future do not look greatly 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 politics, the idea of a state income tax. Such a tax is the only obvious source of substantial additional revenue.³¹ There has been some talk in recent times of creating a special fund for education (including K-12) from existing revenue sources but an initiative to this end was soundly defeated at the polls in 2004.

The newly elected governor, moderate Democrat Christine Gregoire, has Democratic majorities in both houses of the Legislature (a rarity) but faces an uphill political climb from her hairline electoral victory – by 133 votes – in what is believed to be the closest gubernatorial election in American history. Given her past foci in public office and the primary concerns of most of her supporters, higher education might seem unlikely to be a priority issue for her beyond

³⁰ 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 (Office of Financial Management(b)).

³¹ The 2005-07 State budget provides for \$480 million in new revenue via increases in “sin” taxes and a new version of the estate tax limited to large estates. There are predictions that even this limited tax package will lead to something like a replay of the 1993 enactment of Initiative 601 and Republican recapture of the Legislature in 1994 that followed the tax increases of 1993.

seeking to respond to the continuing pressures to expand student places in the system with limited resources and a special interest in biomedical research. Like many Democrats, she has generally been a moderate-tuition supporter, which would tend to limit one potential source of increased revenue that universities with considerable market power, like the University of Washington, might otherwise tap.

On the other hand, the UW recently floated a trial balloon calling for consideration in state policy circles of roughly doubling the research universities' resident undergraduate tuition while also providing more student financial aid. Notably, the governor (and the press) did not immediately shoot this down. Also, she recently appointed and the Legislature established a blue ribbon commission on education policy and funding, which she will chair, suggesting that she may have accepted the case that education investments are indeed crucial to the state's future. Although K-12 issues seem most likely to dominate the agenda of this study group, its existence does provide what Kingdon (1995) calls a "policy window" that might allow higher education to get its case for higher funding priority or access to new revenue sources seriously heard. Absent this, the history recounted above would lead one to anticipate little more for higher education than modest "catch-up" funding as long as the economy continues to improve, accompanied by strong pressure to expand enrollment spaces.

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 notable substitutions of temporary for tenure-track faculty have been made; third, difficult, internally troublesome measures taken to insure that very limited salary dollars are used as efficiently as possible to protect faculty quality; fourth, 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 influence importantly the ways and the pace at which different areas of the institution develop.

Figures 1-4 depict the trends back to around 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 (including Evergreen State College for simplicity), 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, as has been described, in light of rapid population growth not enough to overcome low participation rates at the upper division and graduate levels. Two-year college enrollments make up a growing share of the statewide total. Most importantly for present purposes, system-wide State appropriations per student are at about the levels of 25 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, the University'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 5.2 percent from the peak reached in FY 2001. Meanwhile, the University's FTE enrollment has increased from Fall 1989 to Fall 2004 by about 3,800 FTE at the main Seattle campus, and from zero to around 1,580 FTE at the Tacoma branch and to 1,250 FTE at Bothell.³² Although they have grown at a modest pace,

³² Data are from the State Legislative Evaluation and Accountability Program. A considerable part of enrollment 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 varying yield rates from those admitted.

as indicated earlier the State has been much slower to fund branch campus expansion than was originally planned.

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."³³ In the years since 1989-90, the University's total funding per student (including tuition) has not come close to this target, although it remained around the middle of the pack through 1999-2000. By 2002-03, the latest year for which this comparison is available, the 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 to it in assessed quality or graduate education emphasis (see Figure 5). 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 target 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 over a long period. The following sections provide evidence related to these coping strategies and 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 nonresidents³⁴ – which are typically several times those for

³³ 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.

³⁴ 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.

residents – and/or increasing the proportion of nonresidents in the student mix.³⁵ Some flagship public universities enroll as much as a third or more of incoming freshmen from outside the state. As the flagship university in Washington and the one with the most visible national presence, the UW 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 then in the 18-19 percent range. The official target for freshman nonresidents is now 19.5 percent.³⁶ Compared to comparable leading flagship universities, these proportions are not large and the increases very modest. 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. Recently, population gains have sharply increased pressures to serve Washington students.

Nonresident tuition rates were set by the Legislature until very recently and generally tracked resident rates very closely during the 1980s and 90s. Partly in recognition of the need for more revenue, the universities including the UW received authority over nonresident undergraduate and all graduate and professional tuition rates for six years, effective in 2003-04. UW policymakers have been aggressive in increasing nonresident undergraduate tuition since – the annual increases 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. Still, the incremental revenue potential here is severely limited by the factors that limit the share of nonresidents. The Legislature continues to guard carefully its control over resident tuition, limiting the UW's potential to exploit its considerable market power in this domain.

³⁵ Increasing the proportion of nonresidents may also serve academic goals by adding to the geographic and other diversity dimensions of the student body and, if the nonresident applicant pool is strong or can be improved, improving the average academic profile.

³⁶ Data are from Timothy Washburn, Associate Vice-President for Enrollment, May 5, 2005.

Faculty Salaries

Since 1990, the official benchmark for average faculty salaries at the University of Washington has been 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. Although official statistics relative to leading private universities are not compiled since such comparisons are considered beyond the pale, the salary gap between private and public universities has been growing steadily in recent years.³⁷ 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 percent by FY 1994, and fell back to 80 percent by 2004. The pattern for the comprehensive schools is similar, although not quite as unfavorable.³⁸

At the University of Washington, annual faculty resignations (excluding retirements) are up by about two-thirds compared to the late 1990s.³⁹ 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

³⁷ See Ehrenberg (2004: 21). 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* (Curtis 2005). 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 from data published in Hamermesh (1993) and Curtis (2005)).

³⁸ 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 colleges and universities classified as comprehensives (category 1).

³⁹ Calculated from data in University of Washington, 2003-04 Faculty Status Report.

present higher salary offers from competitor universities.⁴⁰ 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.⁴¹ 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 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 such conditions within the senior faculty and this is manifest in Faculty 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 two percent base salary increase each year even if this means cuts elsewhere in the institution’s budget. Also, the UW administration has recently announced that it will begin to address compression with an allocation to deans for this purpose of about one percent of the salary base for 2005-06.

Student-Faculty Ratios 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. However, there has been an appreciable difference in the respective growth rates of different categories of faculty. From Fall 1990 to Fall 2003 the number of ladder faculty (assistant, associate, and full professors) increased from 2,512 to 3,041 (21.1 percent).

⁴⁰ 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 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 UW is a leader in such funding. But these funds are distributed unevenly across disciplines.

⁴¹ There are also many cases of lower rank faculty with higher salaries than their higher-ranking peers, usually because the former were more recently hired, a particularly vexing issue for morale and intra-unit relations.

Meanwhile, non-ladder rank faculty⁴² increased from 724 to 1,030, or 42.3 percent, about twice as fast. 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 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.⁴³ The share assigned to graduate assistants *fell* from 16.6 percent to 13.1 percent.

Retention and Graduation Rates

According to a series from the State Office of Financial Management on freshman to-sophomore retention (spring to fall) for the public 4-year universities in aggregate from 1986-2003, trends in this measure seem to parallel funding cycles. The system-wide aggregate retention rate improved from 81.5 percent in 1986 to 87.2 percent in 1993, then dropped a bit but remained around 86 percent through 1998 before starting a steeper decline as funding fell off in the early 2000s. This aggregate retention rate had fallen to 83.2 percent by 2003.

For the University of Washington, retention data are available by freshman entry cohort as far back as 1984 (from the UW Office of Institutional Studies). 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 was better than 90 percent for the

⁴² Included as non-ladder faculty are the following titles: Lecturer Full-time, Lecturer Part-time, Senior Lecturer, Teaching Associate, Artist and Senior Artist in Residence, and Acting Instructor.

⁴³ 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.

2000-2002 entry cohorts. UW's increased admission selectivity in recent years has likely contributed to these gains, which have come in the face of serious resource limitations.

The UW made a concerted effort to improve its undergraduate degree completion rates beginning in the 1980s. Improvement has been considerable, with 6-year bachelor's completion rates increasing from just over 60 percent for the 1984 entry cohort (i.e., by 1990) to nearly 72 percent completion for the 1993 entry cohort as of 1999.⁴⁴ 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 allowed to graduate with surprisingly few upper division credits, which could point to a quality issue.⁴⁵

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 at 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 preparing for transfer.

Data maintained by the State Office of Financial Management permits the calculation of trends in the number of community college transfers to the 4-year public institutions in

⁴⁴ The 6-year completion rate is a standard benchmark nationally. The UW's 5-year bachelor's completion rate is around 67 percent.

⁴⁵ A recent UW internal analysis shows a number of undergraduate majors where recent graduates have accrued fewer than 40 percent of their credits at the upper division or graduate level and some are below thirty percent. 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 (author's calculations from "Faculty Teaching Workload...").

Washington and in the ratio of such transfers to the total community college “academic” enrollment in the prior year. (This is considered the best available series indicating students who are taking transferable academic courses applicable to an associate’s degree.) The total number of transfers climbed fairly steadily through 1994-1995 but has since fallen off somewhat even though community college academic enrollments have continued to grow. Thus, the “transfer rate,” as roughly calculated here, increased from around 10 percent in the early 1980s to the 14-15 percent range during most of the 1990s before falling off 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 specifically for students who had completed approximately two years of college work since they do not accept freshmen.⁴⁶ However, after 1996 the UW sharply reduced the number of community college transfers it accepted at the Seattle campus,⁴⁷ so much so that total transfers to the three UW campuses remain well below the level of the mid-1990s.

The statewide transfer rate is almost certain to fall considerably further as the UW has announced that, due to its upper division capacity limitations, it will terminate as of Fall 2005 its participation in the long-standing agreement to accept all community college transfers who take prescribed general education courses and meet grade standards. As a result, competition for community college transfers to gain admission will become quite stiff even though the UW - Seattle guarantees to accept as many transfers as a proportion of all new entrants as before, i.e., around 30 percent. It is expected that about one half the would-be transfer students who would have been admitted under the old standards will no longer be able to be accommodated at the

⁴⁶ 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 saw “full-service” campuses as duplicative. Under the current extreme enrollment pressures, the Legislature agreed in 2005 to permit certain of the UW and WSU branches to begin accepting small numbers of freshmen and sophomores in Autumn 2006.

⁴⁷ 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.

main campus. Even allowing for planned future growth at Bothell and Tacoma, since a large share of the would-be transfers from community colleges 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 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, though they may be better than providing no opportunities at all to place-bound students.

Racial/Ethnic Patterns in Enrollment

In light of the history described, it is worth examining trends in the representation of minority population groups in the state's institutions of higher education. 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. According to data from the Office of Financial Management(a), among those aged 18-24, African Americans are estimated to account for 4.2 percent of the population, Native-Americans/Alaska Natives 2.0 percent, and Hispanics 12.3 percent in 2004. The Asian-American (7.8 percent of those aged 18-24) and Hispanic populations have been growing fairly rapidly. Data from the HECB for Fall 1995 and Fall 2003 show little change over this interval in the racial and ethnic distribution of enrollments in the state's public 4-year institutions (2005: 20).

Enrollments in each of the minority categories have grown but only the Asian and Hispanic numbers gained sufficiently to increase their representation among all students. The Asian - Pacific Islander share grew from 9.7 to 11.1 percent of all students over this period but the Hispanic share gained only from 3.4 to 3.7 percent.

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. Since such a change has its primary impact at selective institutions, the University of Washington -Seattle was most affected.⁴⁸ African-Americans' undergraduate numbers were on a modest declining trend before I-200 but fell much more sharply when it first took effect – by nearly 20 percent between Fall 1997 and Fall 2000. In the latest years, the figures show some recovery but are still well below pre-I-200 levels. Numbers of Native American students grew during most of the nineties but have fallen 28 percent since 1997. Hispanics' numbers increased until 1998 but have since fallen off by about 9 percent. 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 percentages of the three historically underrepresented groups are even greater than those in the absolute numbers.⁴⁹

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

⁴⁸ The figures reported in this paragraph are from the University of Washington, Office of Institutional Studies. The latest year available at the time of writing was Fall 2002.

⁴⁹ These trends may also reflect the impact of the decline in community college transfer students at the Seattle campus described earlier.

Tuition has increased very considerably in real terms over the years in Washington's public institutions. As noted earlier, the State has responded to this better than most, at least in the western U.S., by supporting need-based student aid fairly generously. The proportion of undergraduates who are Pell grant recipients – a rough indicator of the proportion who are of low income origin – has grown gradually over the years. According to data from the Higher Education Coordinating Board, for the Washington public 4-year institutions 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, this proportion has also grown, from 22.2 percent in 1991-92 to 26.0 percent in 2002-03.⁵⁰ This trend is perhaps somewhat surprising in light of the steep long-term growth in 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 notable 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 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

⁵⁰ 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.

they use graduate students as relatively cheap factors in the education production process while also contributing to the latter's preparation.

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.⁵¹ Graduate students in such fields as law, business, education, public affairs, public health, and the like contribute much less to undergraduate education for there are few undergraduate programs in which to teach 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, presumably justified by the fact that programs in these fields are relatively short and graduates earn professional incomes.

The University of Washington has responded to this latter pattern by acquiring from the State authority, as of 2003-04, to set graduate and professional tuition and then increasing rates substantially where it believes the market and competitive considerations justify it. 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 2006-07.⁵² 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 affected units and other parts of the institution, and how to monitor and mitigate effects on the student demographic profile remain however. Potentially, such increased tuition revenue

⁵¹ 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 waived.

⁵² Resident tuition rates in these fields are still projected to be below peer norms, however.

could be a source of significant self-generated funds for some programs as well as allowing for revenue sharing 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 carefully, can potentially make units less willing to collaborate.

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. 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 \$756 million in FY 2004.⁵³ 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 than State support – in gross terms, it is no longer clear that the grant-supported R & D fully pays for itself.

⁵³ University of Washington (c). Including nonfederal support, the total was over \$953 million.

Over the past decade or more, the federal government has become increasingly strict and tight-fisted with respect to indirect cost payments,⁵⁴ 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 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 in seeking such funds and the 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 costly 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 (often temporary) 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 a 20.7 percent in the mid-1990s to 24.2 percent by 2002-03 (University of Washington (a)). More broadly, the research-oriented environment at such an institution certainly creates opportunities for interested, ambitious undergraduates that cannot be matched by other types of schools. One wonders how the benefits and costs balance for undergraduates overall, 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.⁵⁵ As a result, total

⁵⁴ The UW's basic indirect cost rate is a comparatively modest 51.6 percent of direct costs, although this will soon be increasing.

⁵⁵ 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.

private voluntary support to the UW increased from just \$6 million in 1977-78, to \$78 million in 1986-87, and to \$311 million by 2002-03.⁵⁶ 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 income and the institution is currently involved in a \$2 billion capital campaign over eight years. To 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.

Although the returns on investment are impressive, the institution is having some 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 since much of the gift income goes into capital – which the State has also funded poorly in recent years – and endowments that generate 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 state's flagship university and its students. Policymakers in the University of Washington 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.

⁵⁶ University of Washington fiscal reports cited in Shanahan (2005: 6). The other data cited in this paragraph come from the same source.

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 shape as they have less market power, fewer alternative sources of revenue, and faculty salaries that are even further behind their peers. In spite of the inadequate funding the State continues to expect the universities to enroll more students, yet the increased enrollments 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 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 other revenue capacity of the state must be reexamined and restructured to permit well-planned, future-oriented investments such as in human capital. By broadening the coalition to include other constituencies who would benefit from increased investment and convincing the electorate that the investments are well thought out and will be managed responsibly, it might be possible to create sufficient momentum to overcome the many cultural and structural obstacles to change.

Perhaps Governor Gregoire's new task force on education policy and finance is the first step in this direction. Decisive action would probably need 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 just the right time to produce a sea change, but one should never abandon hope. The current alignment does present a fresh opportunity.

REFERENCES

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.

Curtis, J. W. 2005. Inequities persist for women and non-tenure-track faculty: The annual report on the economic status of the profession, 2004-2005. *Academe* 91 (2): 38, 88.

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.

Do, C. 2004. The effects of local colleges on the quality of college attended. *Economics of Education Review* 23: 249-257.

Ehrenberg, R. G. 2004, March/April. Don't blame faculty for high tuition: The annual report on the economic status of the profession, 2003-04. *Academe* 90 (2): 21-30.

Hamermesh, D. S. 1993. Treading water: The annual report on the economic status of the profession, 1992-1993. *Academe* 79 (2): 24, 78.

Higher Education Coordinating Board, "Key Facts About Higher Education in Washington,"

Higher Education Coordinating Board, State of Washington,

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

_____. 1987. *Building a system: The Washington State master plan for higher education*. Olympia: Author.

_____. 1988. Review of branch campus proposals. Olympia: Author.

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.

Legislative Evaluation and Accountability Program, "Capital Budget," Legislative Evaluation and Accountability Program, State of Washington,

[http://leap.leg.wa.gov/leap/analysis/HistEnroExpwithConstant\\$2005Rev1.xls](http://leap.leg.wa.gov/leap/analysis/HistEnroExpwithConstant$2005Rev1.xls)

McIntyre, R. S., et al. 2003. *Who pays? A distributional analysis of the tax systems in all 50 states*. 2nd Edition. Washington, D.C.: Institute on Taxation and Economic Policy.

Moore, V., and I. Lefberg. 2005, February 1. "Initiative 601: Experience and context." Presentation to the House Finance Committee, Washington State Legislature, Olympia.

National Association of State Student Grant & Aid Programs. 2004. *34th survey report on state-sponsored student financial aid, 2002-03 academic year*. Washington, D.C.: Author.

Office of Financial Management (a), “2004 Total Population Estimates by Age, Gender and Race: Washington and Its Counties”, Office of Financial Management, State of Washington, http://www.ofm.wa.gov/pop/race/2004%20race_estimates.xls

_____ (b), “Participation Rates by Age Public Four-Year Institution”, Office of Financial Management, State of Washington, <http://www.ofm.wa.gov/databook/education/et121.htm>

_____ ©. “Participation Rates of U.S. Average, State at 70 Percent, and Washington State and Washington State Ranking by Type of College and Division, Fall 1990 to 1998,” Office of Financial Management, State of Washington, <http://www.ofm.wa.gov/hied/partrate/partraterank.pdf>

Shanahan, S. Y. 2005, May. “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.

Shannon, B. “House tinkers with Initiative 601.” *The Olympian*, April 3, 2003.

State Higher Education Executive Officers. 2004. *State higher education finance: FY 2003*. Denver, Colorado: Author.

University of Washington (a), “Accountability Program and Performance,” University of Washington, <http://www.washington.edu/admin/factbook/Accountability>

_____ (b), “Graduation, Retention and Student Attrition (Undergraduates),”
University of Washington,
<http://www.washington.edu/admin/factbook/OisAcrobat/OisPDF.html#anchor19>

_____ (c), “University of Washington Awards and Expenditures, FY 04,”
University of Washington, http://www.washington.edu/research/annualreport/2004/fig01_04.pdf

_____ (d), “Washington by the Numbers,” University of Washington,
<http://depts.washington.edu/beahusky/numbers/facts.shtml>

_____. 1988. *Plan to expand upper division and graduate programs in Puget Sound region*. Report to Higher Education Coordinating Board. Seattle: Author.

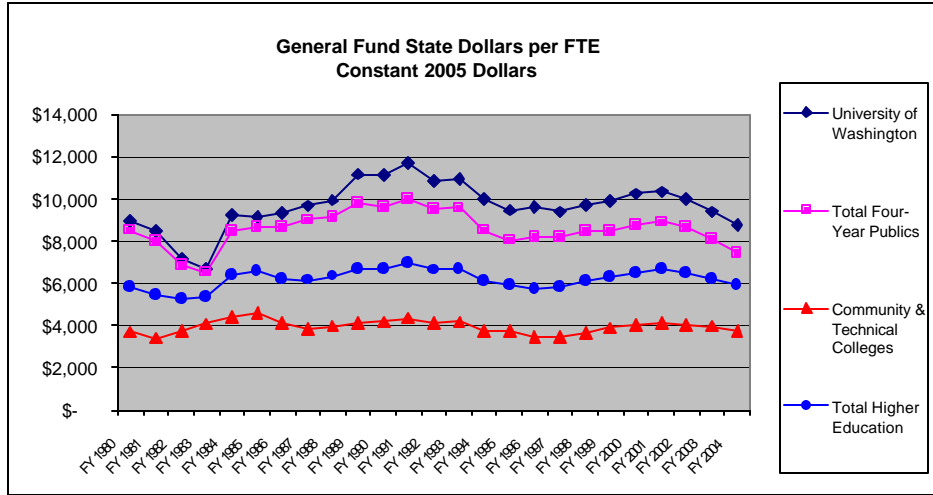
U.S. News and World Report, *America’s Best Colleges 2004*. 2004. Best universities—Master’s
(by region): 96.

Zumeta, W. 2001. Public policy and accountability in higher education: Lessons from the past
and present for the new millennium. In *The states and public higher education policy:
Affordability, access, and accountability*, edited by D. E. Heller, 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

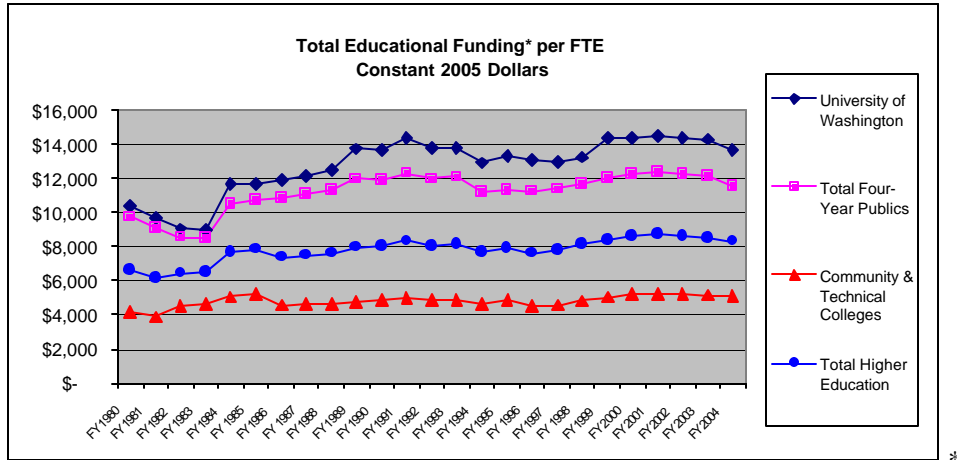
Figure 1



Source: Legislative Evaluation and Accountability Program, State of Washington

Note: Data prior to FY 1992 may not be completely comparable to current budget data but are the best available.

Figure 2

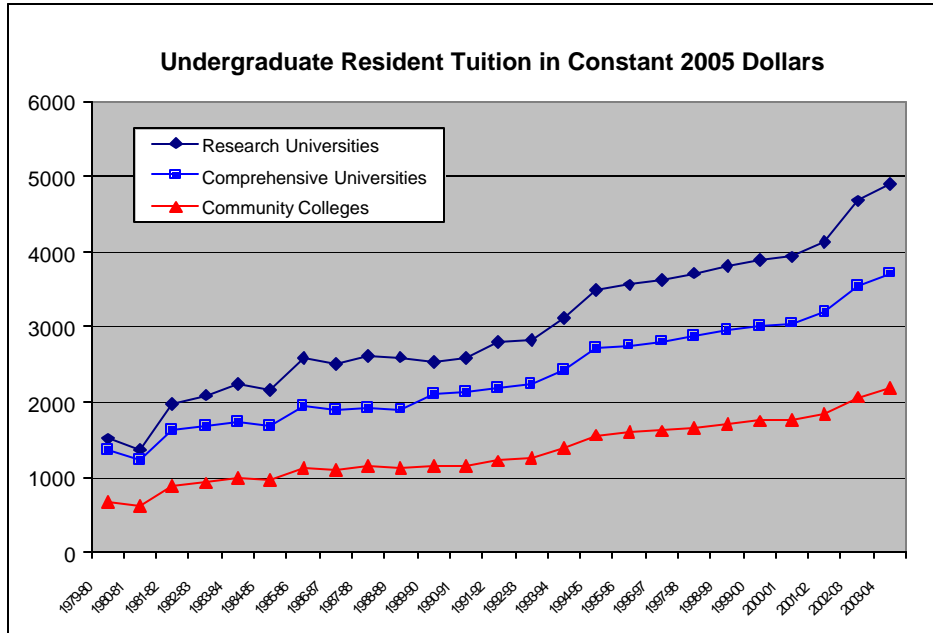


*State appropriations plus tuition revenue

Source: Legislative Evaluation and Accountability Program, State of Washington

Note: Data prior to FY 1992 may not be completely comparable to current budget data but are the best available.

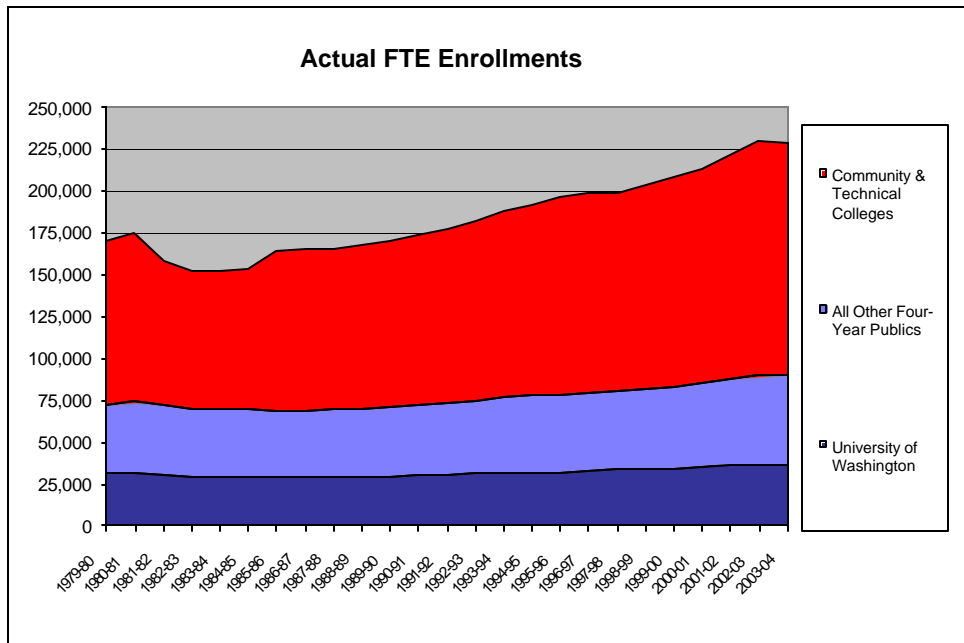
Figure 3



Source: Higher Education Coordinating Board, State of Washington

Note: Technology fees charged at some institutions are excluded.

Figure 4



Source: Legislative Evaluation and Accountability Program, State of Washington

Note: Data prior to FY 1992 may not be completely comparable to current data but are the best available.

Figure 5

**University of Washington
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