



# f'fcj ASWWU Legislative Agenda

## Proposals

**Issue: Tuition and Revenue**

**Authors(s): Nora Selander, Bryce Hammer, Sarah Gallagher**

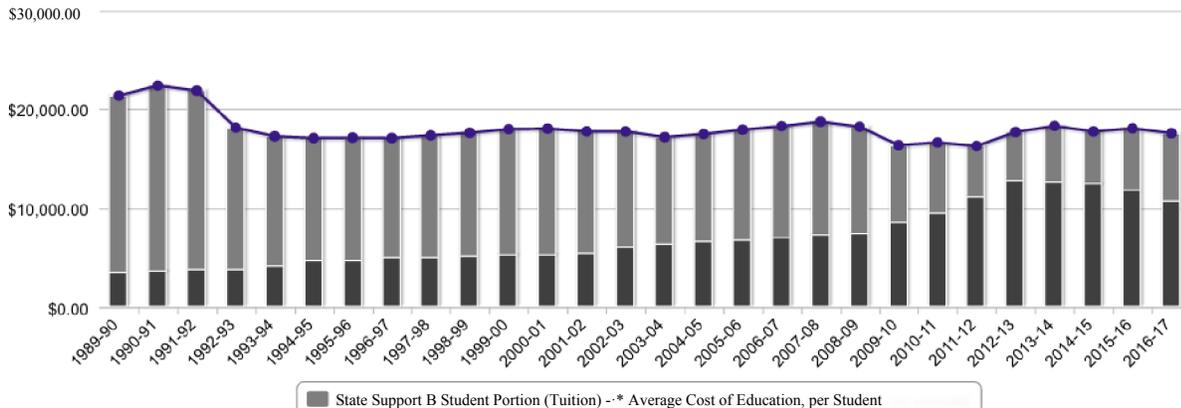
### Considerations for presenters:

- Describe the issue: What is the problem? What is the solution?
- How does it directly impact and improve students' lives?
- Please provide background information and the current context of the issue.
- Does it have a clear target? If yes, who?
  - o (e.g. a specific legislator, committee, or other agency)
- How will it strengthen and expand efforts within Western?
- How could students build a diverse campus coalition around this issue?
- In what way does it have a local/state/federal organizing and lobbying angle?
- What creative and/or innovative tactics could we employ to engage the media and excite new students around this issue?

### Tuition:

State divestment in higher education has caused students endure a greater financial burden. In fact, twenty years ago, the state government paid 73 percent of the cost of a student's education and a student paid 27 percent. Today, the state pays 33 percent of the cost, and the student pays 67 percent. The median debt for 2016 WWU graduates is \$19,500. As the cost of higher education increases, many students are unable to pursue postsecondary education or do so but graduate with increasing amounts of debt that stifle their development after graduation.

**Share of State vs Student Funding  
at the University of Washington**



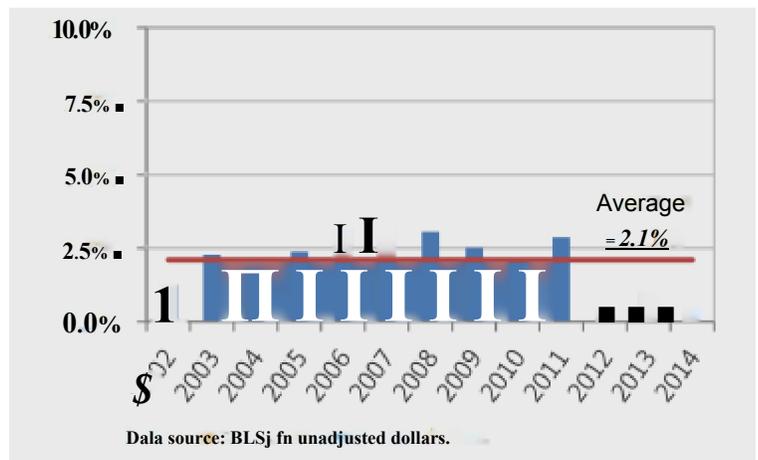
EOI calculations based on WA LEAP, WA Student Achievement Council, and WA Office of Financial Management data. In constant 2015 dollars.

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Resident undergraduate tuition for 2013-2014 and 2014-2015 was frozen and for 2015-2016 and 2016-2017 tuition was decreased. While these freezes and decreases have temporarily helped to lessen the burden students are taking on in terms of tuition, long term tuition policy is needed to adequately address this issue. In making this policy, there are some complicating factors such as an impending tuition increase, the McCleary decision, tens of thousands of students unserved by the State Need Grant and Service and Activities Fees (S&A) being coupled with tuition.

For the 2017-2018, SB 5954 allows for tuition to rise according to the trend of median hourly wages in Washington over the past 14 years, this change is currently 2.1%.

In light of the McCleary decision in which the state legislature was found to be unconstitutionally underfunding education, the ASWWU understands education as a spectrum from early learning, to K-12 to higher education in which all components must be properly funded in order for Washington State to have a competitive educational system that prepares students for an increasingly demanding job market. Beyond economic impact, Washington has a paramount duty to fully fund schools in order to enfranchise and empower students and their communities.



In addition to rising tuition costs, due to underfunding, the State Need Grant is currently not serving about 25,000 students who are eligible for aid. This means that access to affordable higher education is restricted for those 25,000 students, which in turn impacts financial aid allocations for students who are not eligible for the State Need Grant. Current estimates for fully funding the State Need Grant total \$202 million for the coming biennium.

Eight years ago the legislature coupled S&A fees to tuition, this was due in part to a budget process change brought about by Tim Eyman. If S&A fees continue to be tied to tuition, if tuition is frozen or decreases, student accessibility-related services will be negatively impacted. In the past two budget cycles, S&A fees have been decoupled from tuition through a budget proviso that required extensive last minute lobbying. Decoupling S&A fees restores student autonomy and reduces the risk that organizations critical to student accessibility will have their budgets cut.



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In light of the context concerning tuition and funding of higher education in Washington State, the ASWWU advocates for the following:

- A tuition freeze to prevent the 2.1% tuition increase with backfill
- Full funding of the State Need Grant
- Restore state higher education funding to pre-recession levels this biennium to move toward free higher education by 2021
- Fully fund education as a spectrum from early learning to higher education
- De-couple Service and Activities Fees from tuition permanently



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## Issue: Revenue

In order to improve the affordability and accessibility of higher education, the state must increase their financial contribution, which is unlikely without an increase in consistent revenue from reliable sources. With new and dedicated revenue Washington state has the potential to radically redefine what public higher education looks like in this biennium- by fully funding higher education we can truly serve the diverse needs of the students on our campus.

Historically, finding new and dedicated revenue has been an extremely difficult challenge even though it is a necessary condition to accomplishing most of the ASWWU legislative requests. While these proposals push Washington towards economic justice, the potential revenue is what can actually improve people's lives, with more steady sources of revenue Washington would be able to fund not only higher education, but many other services that could make higher education truly accessible in Washington.

A decrease in financial burdens and barriers as well as an increase in the quality of higher education has an incredible impact on students, being able to navigate our institution of higher education is difficult enough without the additional stress of finances or lack of support. All students can relate over high tuition and less access to financial aid, which has made pursuing higher education increasingly difficult.

It is incredibly important to note too that the issue of inadequate funding disproportionately affects students of color, and in order for the solutions to be real and meaningful students of color need to be involved in this work. In addition, some of the proposals listed create a natural alliance with environmental groups on campus.

New and Dedicated Revenue will be especially important this session as students will be heavily pushing for fully funding the state need grant, the work study program, and other need based forms of aid. This is a budget year where the legislature is under intense pressure to fund education in compliance with McCleary, so fighting for funding for the spectrum of early learning through higher education with real, attainable sources of revenue will be the best way to approach session.

This proposal will attempt to offer clear and realistic sources of new and dedicated revenue that can be specifically allocated towards higher education. The criteria for these suggestions have taken into account three basic guidelines:



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- 1) Do not increase existing taxes that disproportionately harm people of lower income
- 2) Aim for tax increases that discourage negative behaviors that are harmful to society
- 3) Avoid negatively impacting the economy of Washington State.

## **Tax Cannabis**

1-502 was approved by WA state voters in the 2012 statewide elections. According to the Washington State Liquor and Cannabis Control Board Annual Report for Fiscal Year 2015, taxing cannabis brought in \$65 million dollars, the majority of which was deposited into the state's general fund which may be used for any governmental purpose as it is appropriated by the legislature. According to a weekly report from the same board, which was published on October 26 2016 reports that the current taxes that have come in for fiscal year 2016 are over \$185 million. We recommend establishing dedicated funding for higher education from this tax, specifically it could be used to support student services on campus that increase graduation rates.

## **Tax Lottery Winnings**

Although lottery winnings are already implicitly taxed, there should be an explicit tax on lottery winnings with the proceeds funding higher education. Washington state's current implicit lottery tax revenue results in a profit equivalent to \$19 per person, which is lower than the U.S. average at \$58 per person. These revenue policy changes will be easier to implement because the tax structures already exist and opposition to increases in these taxes is minimal.

## **Close the Extracted Fuel Exemption**

As part of a multi-year effort on climate policy and with a looming need to find new revenue to support higher education, this proposal would build on a campaign initiated by the environmental community in 2013 to eliminate the "extracted fuel exemption" in state tax code. This exemption was created in 1949 for sawmills and producers of other wood products. The exemption follows that, "fuel consumed by manufacturers or extractors is exempt from use tax when the fuel is used in the process of manufacturing or extracting at the same plant." Currently, 98% of the money exempted from taxation is from oil refineries and only 2% is from wood product firms. Closing the loophole would generate about \$50 million per biennium. The environmental community's strong campaign to mobilize support for closing the loophole makes 2017 a good session to build a broader base of support for pushing oil companies to make investments in critical state obligations like higher education.



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## **Increase the Estate Tax**

We currently have a sliding scale estate tax between 10-20%, it is applied only to assets over \$2 million. There have been bills put forth in recent sessions that increase that scale to 20-38%. This issue has made slight traction on previous years but despite the fact that it strongly benefits the overwhelming majority of Washington residents it remains locked in a partisan divide.

## **First Time Mortgage Lenders Tax Loophole**

Banks that lend to first time home buyers do not pay tax on profits. This was originally designed to benefit WaMu, a bank that no longer exists. This could generate about \$50 million per biennium. This should be relatively easy, when the reason for a piece of legislation becomes obsolete, like WaMu has, there is a strong argument to be made for the removal of those protections. This loophole is not used by credit unions. This was reviewed in 2015 and the Joint Legislative Audit Review Committee recommended limiting this to “community banks.”

## **Limit Real Estate Excise Tax (REET) exemptions**

Currently when you sell a house in WA you pay a REET, we propose limiting the exemptions currently offered so that lenders pay a REET when they sell foreclosed properties. This could raise up to \$81.9 million per biennium. This also has fallen more along partisan lines, but the moral argument for it is pretty strong.

## **Capital Gains Tax**

Capital Gains are the profits from sales of corporate stocks, bonds, investment property (Not on primary residences) & other high end financial assets. This would only be on gains of over \$25,000 a year (per individual), and would mostly affect people with an average annual income of over \$490,000. It could generate as much as \$800 million a year/ \$1.6 billion per biennium. This issue is incredibly partisan but one that could raise an incredible amount of money without affecting most of Washington state, and in a very progressive ways.

	Governor's	House Dems	Senator Ranker (SB 6102)
Number of people taxed	31,500	31,500	7,500
Taxes annual investment profits above	\$50,000 couple/\$25,000 individual	\$50,000 couple/\$25,000 individual	\$500,000 couple/\$250,000 individual
Percent taxed	7%	5%	7%



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Revenue generated (2017)	\$800 million	\$550 million	\$531 million

Our primary targets are as follows:

Chair of the House Appropriations Committee.

Ranking minority member, House Appropriations Committee

Speaker of the house

Senate Majority Leader.

Next Senate Ways and Means Chair

Ranking member Ways and Means

## Secondary Targets

Governor: Has made education a top priority

Senate Higher Ed Chair: Invested in Higher Ed

A creative way to engage students with this issue would be using fake money or checks to signify how much students are paying annually to attend WWU or how much debt they will be graduating with. Running a “what if” campaign might also be an effective way for students to express how much debt they are going to graduate with and what they could have bought with that same amount of money. We can come up with other tactics throughout the year as we react to the way the session is forming around a supplemental budget.



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## **Considerations for the Legislative Affairs Council**

This section is comprised of questions LAC should keep in mind while considering proposals

- Is it winnable?
- Does it have a clear and realistic time frame?
- Is it likely to be debated and acted upon by the Legislature in the next year?