

HOUSE BILL REPORT

EHB 2641

As Passed Legislature

Title: An act relating to higher education performance agreements.

Brief Description: Creating a pilot program to test performance agreements at institutions of higher education.

Sponsors: By Representatives Jarrett, Priest, Wallace, Ormsby, McIntire, Sells, Morrell, Upthegrove, Sullivan and Haler.

Brief History:

Committee Activity:

Higher Education: 1/17/08, 2/4/08 [DPA].

Floor Activity:

Passed House: 2/13/08, 95-2.

Senate Amended.

Passed Senate: 3/6/08, 48-0.

House Concurred.

Passed House: 3/8/08, 92-1.

Passed Legislature.

Brief Summary of Engrossed Bill

- Beginning in 2008, performance agreements are developed and pilot-tested with all six public four-year institutions.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended. Signed by 10 members: Representatives Wallace, Chair; Sells, Vice Chair; Anderson, Ranking Minority Member; Hankins, Hasegawa, Jarrett, McIntire, Roberts, Schmick and Sommers.

Staff: Andi Smith (786-7304).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Higher education systems have come under increasing public and governmental scrutiny with respect to what they do, how well they do it, and at what cost. The globalization of economic competition focused on quality, rapid innovation, and cost have impacted thinking about business, government, and education. This phenomenon has raised expectations for outcome-based performance by all kinds of publicly supported programs.

Professionally based accreditation organizations have traditionally played an important role in *institutional* quality assurance, and recently have urged colleges and universities to focus on assessing student learning and other outcomes. For instance, the Accrediting Board for Engineering and Technology has shifted much of the focus of its accreditation review to student outcomes. In addition, boards of trustees, often comprised of influential business people, are paying more attention to outcomes and efficiencies.

At the same time as attention is paid to quality, pressure to increase quantity within higher education institutions is simultaneously increasing. The 2008 Higher Education Coordinating Board's (HECB) Strategic Master Plan for Higher Education argues that several factors will combine to push for system growth. For instance, demographic projections indicate that the population of Washington will grow 37 percent by the year 2030 at the same time that business leaders call for better-prepared graduates in a diversity of fields. Retirements of "baby-boomers" and the increased recognition of education as a driver for economic prosperity combine to urge policy makers to expand enrollments.

There is a growing body of evidence that suggests that states are seeking a capacity to articulate statewide public needs and envision systemic efficiencies, some of which go well beyond the scope of any single institution, using an outcome-based method, variously named "contract," "compact," or "agreement." While there is some variation across states, the basic idea of this "performance agreement" is that state higher education entities, executive and legislative leaders come together to identify goals and performance expectations for higher education that includes an authoritative commitment to adequate plans, support and stability. The outcome of this process is to create agreement among the parties that articulates specific understanding about what results will be achieved, by whose actions, and with what resource expectations.

Summary of Engrossed Bill:

Beginning in 2008, performance agreements are pilot-tested with the public four-year institutions of higher education.

Purpose of a Performance Agreement

To develop and communicate a six-year plan developed jointly by state policymakers and an institution of higher education that aligns goals, priorities, desired outcomes, flexibility, institutional mission, accountability, and levels of resources.

Content of a Performance Agreement

Minimum elements are defined as:

- indicators that measure outcomes concerning cost, quality, timeliness of student progress, and articulation between and within K-12 and higher education;
- benchmarks and goals for long-term degree production, including discrete particular fields of study;
- the level of resources to meet the performance outcomes, benchmarks, and goals subject to legislative appropriation;
- links to role, mission, strategic plan of the institution, and the HECB master plan; and
- the prioritization of four-year institution capital budget projects by the Office of Financial Management.

The performance agreements may include grants of flexibility or waivers from state controls or rules. The agreements may also identify areas where statutory change is needed to grant flexibility. Waivers and grants of flexibility may *not* be included in performance agreements when the waivers and grants pertain to collective bargaining agreements, faculty codes, prevailing wages, health and safety, civil rights, nondiscrimination, and state laws regarding employment.

Process of Development

The Legislature creates a State Performance Agreement Committee (state committee), to represent state interests that includes representatives from the Governor's Office, the Office of Financial Management (OFM), the HECB, the Office of the Superintendent of Public Instruction, two members of the Senate, and two members of the House of Representatives. Personnel from the HECB must staff the State Performance Agreement Committee.

Participating pilot institutions appoint members to their respective negotiating teams. Each team must include two faculty representatives. At schools that participate in collective bargaining, at least one of the faculty members must be appointed by the exclusive bargaining agent at the campus, otherwise, the members must be appointed by the faculty Senate.

Once bargaining teams are created, the following takes place:

- (1) Each institution develops a preliminary draft with input from students and faculty and shares the plan with the state committee.
- (2) The state committee and institutions collaboratively develop revised drafts and submit them to the Governor and higher education and fiscal Committees of the Legislature by September 1, 2008.
- (3) After receiving input, the state committee and institutions develop final agreements and submit them to the Governor and the OFM by November 1, 2008 for consideration in the 2009-11 Budget.

- (4) If the Legislature affirms in a budget proviso that the enacted budgets (Capital and Operating) align with the agreements, the agreements will be in effect from July 1, 2009, through June 30, 2015.
- (5) If the Legislature affirms in a budget proviso (or inaction) that the enacted budgets do *not* align, the agreements are re-drafted and take effect September 1, 2009, through June 30, 2015.
- (6) The process of performance agreement revision is repeated with each subsequent budget that is enacted between 2010 and 2014 so that the agreements and the budgets are aligned.

The Joint Legislative Audit and Review Committee is to conduct an evaluation with recommendations for changes, continuation, and expansion due November 1, 2014.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) There is a need to look beyond a two-year budget cycle when planning and this is a mechanism to look beyond the biennium as well as provide a great management tool. Institutions are eager to demonstrate the state's return on investment and would recommend building consensus on what outcome measures are best. The Washington State University would like to be part of the pilot project. The agreements also provide certainty in terms of reassuring the public that the public Baccalaureate institutions are accomplishing what the Legislature wants them to accomplish.

(In support with comments) The faculty are supportive of the bill and would like to participate in the institutional negotiating teams.

(Opposed unless amended) There is a lack of evidence to show that performance agreements actually work. Stakeholders would caution that the data provided to speak to the performance measures might be misleading in that it might not be the root cause or a true reflection of ups and downs in the system. The agreements might also invite manipulation of data to reach the targets.

Persons Testifying: (In support) Representative Jarrett, prime sponsor; Larry Ganders, Washington State University; Randy Hodgins, University of Washington; Brian Jeffries, Office of the Superintendent of Public Instruction; and Douglas Tooley; Jan Yoshiwara, State Board for Community and Technical Colleges.

(In support with comments) Sherry Burkey and John Purdy, Western Washington University; and J.W. Harrington, University of Washington.

(Opposed unless amended) Wendy Rader-Konafalski and Nat Hong, Washington Education Association.

Persons Signed In To Testify But Not Testifying: None.