H-3258.1

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**HOUSE BILL 2692**

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**State of Washington 64th Legislature 2016 Regular Session**

**By** Representatives Zeiger, Tarleton, Haler, Bergquist, Stambaugh, Hargrove, Gregerson, Muri, Kilduff, and Pollet

AN ACT Relating to creating a higher education performance funding incentive system; amending RCW 28B.10.016; adding a new section to chapter 28B.15 RCW; creating a new section; and repealing RCW 28B.15.101.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  The legislature recognizes that Washington's four-year institutions of higher education have made significant performance gains by increasing student success, improving efficiency, and increasing degree production in science, technology, engineering, math (STEM), and other high-demand fields. However, the legislature also recognizes that additional improvements can be made to increase higher education attainment in the state. Washington's economy requires a highly educated workforce, but the state ranks forty-seventh in the nation in public baccalaureate participation rates for the population aged twenty to thirty-four. In addition to increasing overall participation, STEM degree production has not kept pace with the demand. Between 2013 and 2017, the number of unfilled positions in Washington resulting from the job skills gap is estimated to double to fifty thousand jobs.

In addition to the workforce demands of the state's economy, Washington's population is becoming more diverse. The need to ensure access and support for segments of the population that have traditionally been underrepresented at four-year institutions of higher education, such as low-income, first-generation, nontraditional, and ethnic minorities is increasing.

In 2013, the legislature renewed its efforts to identify a performance funding mechanism to help address these challenges by convening a technical incentive funding model task force. The task force's mission was to recommend a design for a new performance funding model that would both support the state's need for a more highly educated population and recognize each four-year institution's unique mission. The legislature's intent is to implement the task force's recommendations for a performance funding model to further address the higher education needs of the state.

**Sec.**  RCW 28B.10.016 and 1992 c 231 s 1 are each amended to read as follows:

For the purposes of this title:

(1) "State universities" means the University of Washington and Washington State University.

(2) "Regional universities" means Western Washington University at Bellingham, Central Washington University at Ellensburg, and Eastern Washington University at Cheney.

(3) "State college" means The Evergreen State College in Thurston county.

(4) "Institutions of higher education" or "postsecondary institutions" means the state universities, the regional universities, The Evergreen State College, the community colleges, and the technical colleges.

(5) "Governing board" means the board of regents or the board of trustees of the institutions of higher education.

(6) "Four-year institutions" or "four-year institutions of higher education" means the state universities, the regional universities, and the state college.

NEW SECTION. **Sec.**  A new section is added to chapter 28B.15 RCW to read as follows:

(1) A performance funding incentive system is established for the four-year institutions. The legislature shall appropriate funding to each four-year institution contingent on the achievement of performance targets set for each four-year institution. The performance targets must reflect the statewide achievement goals established in subsection (2) of this section.

(2) The statewide achievement goals are as follows:

(a) Increase the overall number of degrees awarded;

(b) Increase the number of degrees awarded in science, technology, engineering, and math (STEM), and other high-demand fields; and

(c) Increase the number of degrees awarded to students from underrepresented groups.

(3) The four-year institutions shall work with the education data center to establish a menu of achievement metrics designed to measure progress towards the statewide achievement goals. Data from the past three academic years must be available through or provided to the education data center for each achievement metric. Metrics may include, but are not limited to:

(a) The number of undergraduate and graduate degrees awarded;

(b) The number of degrees awarded to underrepresented students;

(c) The number of e-learning degrees awarded;

(d) The percent of first-year undergraduate students who reenroll in a second year;

(e) The percent of students who graduate within six years;

(f) The number of students enrolled in STEM and high-demand programs of study;

(g) The number of degrees awarded in STEM and high-demand programs of study;

(h) The number of transfer students enrolled;

(i) The number of underrepresented students enrolled;

(j) The number of community college dually admitted students enrolled; and

(k) The number of students enrolled in online learning programs.

(4) Each institution shall select five achievement metrics as described in subsection (2) of this section to measure its short-term progress towards achieving the statewide achievement goals. The four-year institutions shall select metrics they can appropriately contribute to and that align with their institution's mission.

(5) The education data center shall establish a three-year average performance baseline for each institution's selected metrics by using data collected from the three most recent academic years.

(6)(a) Using the three-year average performance baseline as a guideline for each institution's current performance, the four-year institutions shall each submit performance targets based on their selected achievement metrics to the student achievement council for approval by May 1, 2016, and shall submit new performance targets on the following May 1st of the start of each biennium thereafter, beginning with the 2019-2021 biennium.

(b) The student achievement council shall review the submitted performance targets and either approve or deny them.

(c) If an institution's performance targets are denied, the institution may resubmit new targets for approval in accordance with rules established by the student achievement council or may decline to participate for that biennium, thereby forfeiting their portion of any performance funding appropriated by the legislature.

(7) Once an institution's performance targets are approved, the office of financial management shall determine each institution's proportion of the total performance funding appropriated for that period. The office of financial management shall determine each institution's proportion relative to the institution's near general fund appropriation for that biennium. The office of financial management shall release performance incentive funds to the institutions with approved performance targets by July 1, 2016, and the following July 1st at the start of each biennium thereafter, beginning with the 2019-2021 biennium.

(8) Institutions that met or exceeded their performance targets for the biennium shall receive the performance funds awarded on an ongoing basis.

(9) If a four-year institution declines to participate by not submitting biennial performance targets or does not achieve its biennial performance targets, the institution shall forfeit its proportion of performance funding dollars for that biennium. The office of financial management shall redirect forfeited funds to the state need grant program in chapter 28B.92 RCW to be distributed to low-income students at the four-year institution that forfeited the performance funding.

(10) The education data center shall report to the office of financial management beginning February 1, 2019, and the following February 1st at the start of each biennium thereafter, on whether the participating four-year institutions met their performance targets for the preceding two academic years.

NEW SECTION. **Sec.**  RCW 28B.15.101 (Authority to modify tuition rates—Performance-based measures and goals—Institutional performance plans) and 2011 1st sp.s. c 10 s 5 are each repealed.

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