2265-S2 AMH PROB REIN 062

**2SHB 2265** - H AMD **1141**

By Representative Probst

**ADOPTED 02/13/2012**

 Strike everything after the enacting clause and insert the following:

 "NEW SECTION. **Sec.** (1) The legislature finds that:

 (a) Economic strength is directly interconnected with education;

 (b) Increasing graduation rates improves economic competitiveness;

 (c) Graduation is only the beginning for each student, and should be followed by success in the workplace; and

 (d) Most students seek a degree that results in a good job.

 (2) The legislature makes it an economic priority for Washington to:

 (a) Increase graduation rates;

 (b) Increase graduation rates in fields addressing critical skill shortages; and

 (c) Narrow the educational opportunity gap for disadvantaged students and minority students.

 (3) The legislature intends that:

 (a) The state of Washington distinguish itself in the national and global economy by becoming the fastest-growing provider of highly-skilled workers for targeted industries;

 (b) The percentage of households in the state of Washington living in the middle income bracket or above, as defined in RCW 28B.145.060, increase over time; and

 (c) To achieve these objectives, Washington works indicators be established for four-year institutions of higher education.

 (4) The legislature reaffirms the findings and intent expressed in section 1 of the higher education opportunity act, chapter 10, Laws of 2011 1st sp. sess., and intends to further advance the goal of ensuring that Washington taxpayers earn a high-value return on their investment by developing and implementing a plan for measuring and rewarding the performance of the state's four-year institutions of higher education.

 NEW SECTION. **Sec.** The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

 (1) "Board" means the higher education coordinating board's successor.

 (2) "Council" means the council of presidents of the four-year institutions of higher education.

 (3) "Director" means the director of the office.

 (4) "Education data center" means the education data center established under RCW 43.41.400.

 (5) "Four-year institutions of higher education" means the state universities, the regional universities, and the state college, all as defined in RCW 28B.10.016.

 (6) "Graduation" means receipt of a baccalaureate or advanced degree.

 (7) "Graduation in fields addressing critical skill shortages" means graduation in the fields specified in RCW 28B.76.270(2)(k).

 (8) "Growth" means a change relative to the prior academic year.

 (9) "Narrowing the achievement gap" means increasing the number of graduations by in-state disadvantaged students and in-state minority students.

 (10) "Office" means the office of financial management.

 (11) "Washington works indicators" means: (a) Increasing graduations; (b) increasing graduations in fields addressing critical skill shortages; and (c) narrowing the educational opportunity gap for disadvantaged students and minority students.

 NEW SECTION. **Sec.** (1)By December 1, 2012, the office shall develop a recommended plan for measuring and rewarding performance of four-year institutions of higher education, and report on the recommended plan to the legislature and the governor.

 (2) In developing the recommended plan, the office shall:

 (a) Consult with the board and the council;

 (b) Examine and recommend appropriate metrics for measuring performance, which may include, but are not limited to, the metrics set forth in section 4 of this act; and

 (c) Design and recommend an appropriate means of rewarding performance, which may include, but is not limited to, the means set forth in section 5 of this act.

 (3) This section expires July 1, 2013.

 NEW SECTION. **Sec.** (1) This section applies unless modified by the legislature following receipt of the report described in section 3 of this act.

 (2) By July 1, 2012, and each July 1st thereafter, the office shall measure performance on Washington works indicators using the metrics described in subsection (3) of this section, which awards points for each indicator and results in a single numeric score for each four-year institution of higher education.

 (3)(a) Except as provided in (b) of this subsection, the office shall award:

 (i) One point per student for growth in the number of students who earn baccalaureate or advanced degrees, as specified in RCW 28B.76.270(2)(a) and (b);

 (ii) An additional point per student for growth in the number of students who earn baccalaureate or advanced degrees in fields addressing critical skill shortages, as defined in section 2(7) of this act as the fields specified in RCW 28B.76.270(2)(k); and

 (iii) An additional point per student for growth in the number of in-state disadvantaged students and in-state minority students who earn baccalaureate or advanced degrees, as shown in data reported by the four-year institutions of higher education pursuant to RCW 28B.76.270.

 (b) A four-year institution of higher education may modify points awarded for each indicator, so long as the institution: Uses the three metrics described in (a) of this subsection and no other metrics; awards no more than three points for three metrics; and awards at least one-half of one point, but no more than two points, per metric. If a four-year institution of higher education modifies points awarded for each indicator, the office shall award points to the four-year institution in a consistent manner.

 (4) In measuring performance under subsection (2) of this section, the office shall make statistical adjustments for student demographics. The office also may collect additional contextual data from existing sources.

 NEW SECTION. **Sec.** (1) This section applies unless modified by the legislature following receipt of the report described in section 3 of this act.

 (2) In the 2013-15 omnibus operating appropriations act, and each omnibus operating appropriations act thereafter, the legislature shall determine whether an amount shall be transferred and disbursed as provided in this subsection, and if so, the percentage of general fund--state appropriations and education legacy trust account--state appropriations on which the amount shall be based.

 (3) Subject to legislative action described in subsection (2) of this section:

 (a) On July 1, 2013, and each July 1st thereafter, the state treasurer shall transfer from the state general fund to the higher education coordinating board fund for innovation and quality an amount equivalent to the percentage determined by the legislature of:

 (i) The general fund--state appropriation for the current fiscal year for each four-year institution of higher education; and

 (ii) One-half of the education legacy trust account--state appropriation for the current biennium for each four-year institution of higher education.

 (b) On July 1, 2013, and each July 1st thereafter, allotments of the general-fund--state appropriation for the current fiscal year for each four-year institution of higher education shall be adjusted to reflect the institution's proportionate share of the amount transferred from the general fund--state to the higher education coordinating board fund for innovation and quality under (a) of this subsection.

 (4) Subject to legislative action described in subsection (2) of this section, on July 10, 2013, and each July 10th thereafter, the office shall disburse funds to four-year institutions of higher education as rewards for performance on Washington works indicators through student-focused strategies, as measured by the office under section 4 of this act.

 (a) The amount available to be disbursed to four-year institutions of higher education under this section for the current fiscal year shall be equal to the total amount transferred under subsection (3) of this section for the current fiscal year.

 (b) The amount to be disbursed per point awarded under section 4 of this act shall be set by the office.

 (5) In disbursing funds as rewards, the office has discretion to distinguish between actual performance on Washington works indicators through student-focused strategies and the appearance of performance through data manipulation or other nonstudent-focused means.

 NEW SECTION. **Sec.** Four-year institutions of higher education are encouraged to redistribute resources and realign course offerings to: Increase graduations in fields addressing critical skill shortages; and improve performance on other Washington works indicators.

 NEW SECTION. **Sec.** (1) By July 1, 2013, and each July 1st thereafter, the education data center shall analyze employment or continued education in consultation with the employment security department, the board, and the council. The education data center also may analyze employment or continued education in consultation with the wage record interchange system in the federal department of labor, if allowed and if appropriate, and other accurate sources of employment and earnings data, if necessary. Before July 1, 2013, the council may recommend to the education data center other accurate sources of employment and earnings data that should be analyzed, and the education data center shall include the recommended sources in its analysis under this subsection. The council also may submit such recommendations to the legislature.

 (2) The education data center shall publish the analyses required under this section on its web site. The analyses must include aggregate data as well as data disaggregated by four-year institution of higher education, unless based on fewer than ten individuals. The analyses must be labeled to identify data included and excluded from the analyses, and also must include a statement that the analyses of employment or continued education do not represent the employment rate of graduates for the four-year institution of higher education.

 (3) The education data center must update data-sharing and research agreements under RCW 43.41.400, consistent with applicable security and confidentiality requirements, to facilitate the work of the center under this section.

 (4) For the purposes of this section, "employment or continued education" means that, within one year of graduation, a student either has an annual income that exceeds the federal poverty level, as determined by the United States department of health and human services for a family of four, or is enrolled in postsecondary education.

**Sec.** RCW 28B.120.040 and 1999 c 169 s 7 are each amended to read as follows:

 (1) The higher education coordinating board fund for innovation and quality is hereby established in the custody of the state treasurer.

 (2) The higher education coordinating board shall deposit in the fund all moneys received under RCW 28B.120.030. Moneys received under RCW 28B.120.030 in the fund may be spent only for the purposes of RCW 28B.120.010 and 28B.120.020. Disbursements from the fund of moneys received under RCW 28B.120.030 shall be on the authorization of the higher education coordinating board.

 (3) Moneys transferred to the fund under section 5 of this act may be disbursed only to four-year institutions of higher education as rewards for performance on Washington works indicators, as specified in section 5 of this act. Disbursements from the fund of moneys transferred to the fund under section 5 of this act shall be only on the authorization of the office of financial management.

 (4) The fund is subject to the allotment procedure provided under chapter 43.88 RCW, but no appropriation is required for disbursements.

 NEW SECTION. **Sec.** Sections 1 through 7 of this act constitute a new chapter in Title 28B RCW."

 Correct the title.

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|  |  EFFECT:  1. Strikes underlying provisions in second substitute bill establishing a work group to develop a recommended plan for measuring, providing incentives for, and rewarding performance of four-year institutions of higher education.

Findings and Intent. 1. Makes it an economic priority to: (a) increase graduation rates; (b) increase graduation rates in fields addressing critical skill shortages; and (c) narrow the educational opportunity gap for disadvantaged students and minority students.
2. Expresses intent that: (a) the state distinguish itself by becoming the fastest-growing provider of highly skilled workers for targeted industries; (b) the percentage of households in the state living in the middle-income bracket or above increase over time; and (c) Washington works indicators be established for four-year institutions.
3. Reaffirms the findings and intent expressed in the Higher Education Opportunity Act, and expresses intent to advance the goal of ensuring a high-value return on investment by developing and implementing a plan for measuring and rewarding performance of four-year institutions.

Definitions.1. Defines terms, including "Washington works indicators," "board," "council," "office," "education data center," "graduation," "graduation in fields addressing critical skill shortages," and "narrowing the achievement gap."

Recommended Plan.1. Requires the Office of Financial Management (OFM), in consultation with the Higher Education Coordinating Board's successor (HECB successor) and the Council of Presidents (COP), to develop and report on a recommended plan for measuring and rewarding performance of four-year institutions. (By December 1, 2012.)
2. Specifies that the sections on measuring and rewarding performance apply unless modified by the Legislature following receipt of the report.

Measures of Performance.1. Requires the OFM to measure performance using metrics which assign points for each indicator and result in a single numeric score for four-year institutions, and allows the OFM to make statistical adjustments for student demographics. (By July 1, 2012, and each July 1 thereafter.)
2. Requires the OFM to award the following:
* one point for growth in the number of students who earn baccalaureate or advanced degrees, as specified in RCW 28B.76.270(2)(a) and (b);
* an additional point per student for growth in the number of students who earn baccalaureate or advanced degrees in fields addressing critical skill shortages as specified in RCW 28B.76.270(2)(k); and
* an additional point per student for growth in the number of in‑state disadvantaged students and in-state minority students who earn baccalaureate or advanced degrees, as shown in data reported pursuant to RCW 28B.76.270.
1. Allows a four-year institution to modify points awarded for the indicators, so long as the three metrics are used, there are no more than three points for three metrics, and at least 0.5 point, but not more than 2.0 points, per metric are awarded.

Rewards for Performance.1. Specifies that, in the 2013-15 and subsequent omnibus operating appropriations acts, the Legislature shall determine whether an amount shall be transferred and disbursed as rewards for four-year institutions for performance, and if so, the percentage of the appropriations from the state General Fund and the Education Legacy Trust Account on which the amount shall be based. Makes the requirement to transfer and disburse funds subject to this legislative action.
2. Subject to legislative action, requires the OFM to disburse funds in the Innovation and Quality Fund as rewards for four‑year institutions for performance. (By July 10, 2013, and each July 10 thereafter.)
3. Specifies that the amount available to be disbursed for the fiscal year is equal to the percentage determined by the Legislature of: (a) the amount appropriated from the state General Fund; and (b) one‑half of the amount appropriated from the Education Legacy Trust Account.
4. Subject to legislative action, requires the Treasurer to transfer this amount to the Innovation and Quality Fund, and that allotments of General Fund--State appropriations be adjusted accordingly. (By July 1, 2013, and each July 1 thereafter.)
5. Specifies that the amount disbursed per point awarded is set by the OFM.

Other. 1. Encourages four-year institutions to redistribute resources and realign course offerings to improve performance.
2. Requires the Education Data Center to analyze employment or continued education, in consultation with the Employment Security Department, the HECB successor, and the COP, and also to publish this analysis.
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