
Higher Education Committee

HB 2111

Brief Description: Authorizing performance contracts between the state and institutions of higher education.

Sponsors: Representatives Priest, Jarrett and Cox.

Brief Summary of Bill

- Creates a Joint Legislative Oversight Committee to establish statewide goals and objectives for higher education and submit them to the 2004 Legislature.
- Once the goals are adopted, the state negotiates performance contracts with each institution of higher education and the State Board for Community and Technical Colleges.
- Contracts are submitted to the 2005 Legislature for approval and re-examined every four years thereafter.

Hearing Date: 3/4/03

Staff: Barbara McLain (786-7383).

Background:

During 2002 the Washington State Institute for Public Policy (Institute) conducted interviews with more than 70 key stakeholders as part of a legislatively-directed study of the Higher Education Coordinating Board (HECB). According to the Institute's report, many stakeholders view the state as "struggling to impose and maintain a regulatory relationship with its colleges and universities." The report also noted that tension between state centralization and institutional autonomy is not a new phenomenon.

For example in 1993 the Legislature enacted a law declaring a "need to redefine the relationship between the state and its postsecondary education institutions through a compact based on trust, evidence, and a new alignment of responsibilities." The law intended to create a state policy where institutions would have authority and flexibility to meet statewide goals through locally-based decisions. In return for evidence of achieving desired results, the state would get out of the business of micromanagement. According to the Institute's report,

the idea of this compact relationship has faded from view, possibly because it lacked an explicit mechanism to put it into operation.

Several other states, however, are experimenting with creating new relationships with one or more public institutions through performance compacts. In Kansas the Board of Regents has been directed by the Legislature to negotiate performance agreements with public institutions. West Virginia and Virginia are implementing compacts. Maryland and Colorado have chosen single institutions to pilot compacts (St Mary's College and the Colorado School of Mines).

A compact is a contractual agreement negotiated between the state (typically by the state governing board) and an institution's governing board. The agreement specifies measurable performance objectives which the institution commits to meet over the term of the compact and outlines the types of flexibility the state will offer in return. In the case of the Colorado School of Mines, the institution will have less state regulation of its degree programs and capital construction projects, tuition-setting authority (within a cap), and funding directly from the Legislature in a block grant (other institutions receive funding from the state governing board through a series of formulas).

Summary of Bill:

Joint Committee. A Joint Legislative Oversight Committee is created, with six legislators each from the House and Senate representing both the Higher Education and Fiscal Committees. The Committee is responsible for preparing a concurrent resolution to be introduced during the 2004 Legislative Session. The resolution establishes statewide goals and objectives for the state's system of higher education and provides guidance for the negotiation of performance contracts between the institutions and the state. The Committee also identifies any additional legislation necessary to implement performance contracts and monitors the contract negotiation.

Performance Contracts. After a concurrent resolution is passed containing statewide goals and objectives for higher education, the state negotiates with the governing boards of each four-year institution and the State Board for Community and Technical Colleges (SBCTC) to create performance contracts under which the institutions and community and technical college system will operate for the duration of the contract. The state is represented by the Office of Financial Management (OFM), the Governor's Office, and the HECB. The HECB convenes and manages the negotiation process.

The contracts must be based on the statewide goals and objectives; include measurable performance indicators and benchmarks; and reflect each institution's unique role and mission.

The contracts are to address institutional performance in at least the following areas: student retention and graduation; reduction in low-output programs; faculty productivity; facility use; efficient fiscal and management practices; and other areas identified through the negotiation. The contracts also address the state's commitment to the institutions in at least the following areas: flexibility or exemption from HECB or SBCTC review and approval processes; flexibility or exemption from OFM review or approval processes pertaining to operating and

capital budgets; and other waivers or exemptions permitted by law.

The HECB submits completed contracts to the Legislature by January 15, 2005. The Legislature approves or rejects the contracts as a whole through concurrent resolution. Any cost items are subject to appropriation.

Every four years, the HECB recommends changes to the statewide goals and objectives and reconvenes the parties to determine whether contract terms should be modified.

The SBCTC negotiates performance agreements with each community and technical college that implement its contract with the state.

Appropriation: None.

Fiscal Note: Not Requested.

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