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## Higher Education Committee

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### HB 2681

**Brief Description:** Providing for performance contracts with institutions of higher education on a pilot basis.

**Sponsors:** Representatives Kenney, Cox, Fromhold, Priest, Morrell, Jarrett, Anderson, O'Brien, McIntire, Rockefeller, Edwards and Haigh; by request of Governor Locke.

#### Brief Summary of Bill

- Directs the Governor's Office, with the assistance of the Higher Education Coordinating Board (HECB), to negotiate six-year performance contracts on a pilot basis with one research university, one regional university, and the State Board for Community and Technical Colleges (SBCTC) on behalf of two community or technical colleges.
- Contracts are submitted to the 2005 Legislature for approval.
- Requires the HECB to submit semi-annual progress reports and directs the Washington State Institute for Public Policy (Institute) to evaluate the contracts by 2008.

**Hearing Date:** 1/28/04

**Staff:** Barbara McLain (786-7383).

#### Background:

In 1993 the Legislature enacted a law declaring a "need to redefine the relationship between the state and its postsecondary 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 reduce its micromanagement of institutions. According to a 2002 Institute report, the idea of this compact relationship has faded from view, possibly because it lacked an explicit mechanism to put it into operation.

In 2003, the Legislature created a workgroup on higher education performance contracts. The group reviewed the experiences of other states in developing and implementing contracts; discussed the feasibility of implementing contracts in Washington; considered whether amendments to current laws are needed; and examined guidelines and possible models for contracts. The group also discussed examples of institutional performance indicators and

benchmarks as well as the types of state flexibility, exemptions, or commitments that could be included in a contract.

**Summary of Bill:**

A performance contract is defined as an agreement between the Governor and a governing board of a higher education institution that has been approved by the Legislature. A contract addresses the statewide goals and priorities of the Legislature as well as resident undergraduate enrollment levels; contains goals and commitments from both the institution and the state; includes quantifiable performance measures and benchmarks; and reflects the institution's unique role and mission.

The Governor's Office, with assistance from the HECB, enters into negotiations with the following entities to create pilot performance contracts: the governing board of one research university and one comprehensive university, and the SBCTC on behalf of two community and technical colleges. The term of the contracts is six years beginning with the 2005-06 academic year.

Performance contracts must include indicators that measure outcomes concerning cost, price, quality, and timeliness of student progress toward degrees and certifications; the efficiency and effectiveness of institutional processes; and links between the role, mission, and strategic plan of the institution. Contracts also address strategies, actions, and results committed to by the institution in order to achieve statewide goals.

Performance contracts include grants to the institutions of flexibility or waivers from state controls or regulations. The negotiating teams identify areas where statutory change may be necessary to provide flexibility, and the Governor submits any necessary legislation to the 2005 Legislature. Requirements within a collective bargaining agreement or rules or processes pertaining to collective bargaining may not be waived under a performance contract.

The Governor submits the completed contracts to the Legislature by January 15, 2005. The Legislature must approve or reject each performance contract as a whole. If rejected, the contract is returned to the parties for renegotiation. All costs contained in a performance contract are subject to legislative appropriation.

Beginning in September 2005, the HECB will provide semi-annual progress reports to the Higher Education Committees of the Senate and House of Representatives. The Institute is directed to evaluate the contracts and make recommendations regarding change, continuation, or expansion of the contract process by January 15, 2008.

**Appropriation:** None.

**Fiscal Note:** Available.

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