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## Higher Education Committee

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### HB 2979

**Brief Description:** Regarding higher education performance agreements.

**Sponsors:** Representative Wallace.

#### Brief Summary of Bill

- Changes the composition of the state performance agreement committee.
- Changes the process and timeline for developing and negotiating performance agreements.
- Removes some of the elements that had previously been required to be included in performance agreements.
- Removes pilot-test status of the performance agreement process, including the assessment conducted by the Joint Legislative Audit and Review Committee.

**Hearing Date:** 1/26/10

**Staff:** Andi Smith (786-7304).

#### Background:

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.

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

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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.

In 2008, via passage of EHB 2641, the Legislature put performance agreements into state statute and required the public baccalaureate institutions, legislators, and the Governor's office to negotiate a six-year plan that aligns goals, priorities, desired outcomes, flexibility, institutional mission, accountability, and levels of resources. Staff from the Higher Education Coordinating Board (HECB) were required to staff the process. During the period between initial development of the performance agreements and the beginning of the 2009 Legislative session, revenue forecasts for the state declined substantially. Since the performance agreements had been negotiated with an expectation of more available revenue and given that the initial development process was not well aligned with the Governor's budget development timeline, the agreements were never implemented.

The 2009 operating budget included language that directed the state performance agreement committee and each public four-year institution to develop performance agreements for the period of September 1, 2009 through June 30, 2015. The agreements are required to build on actual performance relative to the 2011 targets negotiated in previous agreements and had to include measurable performance targets in areas including enrollment, degree production, retention and graduation, and efficiency. The institutions are required to report on their progress toward performance targets to the state performance agreement committee prior to November 1, 2010. The HECB is required to summarize the individual institutional reports and provide them to the relevant fiscal and policy committees of the Legislature by December 1, 2010.

### **Summary of Bill:**

#### Committee Membership.

The statutory requirements regarding membership of the state performance agreement committee are altered and expanded. The legislation stipulates that, (1) the chairs of the higher education policy and fiscal committees from both houses are members; (2) the HECB is expanded to two members, one of which is the executive director; (3) the two majority members from each house have to sit on either the higher education policy or budget committees; (4) the representative from the Office of the Superintendent of Public instruction is removed; and (5) one minority caucus member from each house must also be included. The state committee is still staffed by the HECB.

#### Agreement Development Process.

The statutory requirements regarding the process by which the agreements are developed is also changed. Beginning with the 2011-13 biennium each of the public four-year institutions of higher education must develop a preliminary draft performance agreement using established institutional budget processes and in consultation with campus constituencies. Once the preliminary draft is complete, institution leadership and representatives of the state performance agreement committee will engage in a series of meetings to negotiate a proposed performance agreement that shall be submitted to the full state performance agreement committee for

consideration and adoption by September 15 of each year. Once the state performance agreement committee has adopted the final proposed performance agreement, it is submitted to the Governor's office and the Office of Financial Management by October 1 for consideration by the Governor for inclusion in the Governor's operating budget recommendations.

If the legislature affirms the agreement through a proviso in the 2011-13 operating and capital budgets, the agreements go into effect on July 1, 2011. If the Legislature does not affirm the agreements, the institutions and state committee will renegotiate the agreements to be in compliance with the enacted budget and they will take effect September 1, 2011 - June 20, 2017.

#### Required Elements of the Agreements.

The legislation stipulates that certain elements must be negotiated as part of the final performance agreement. They include indicators that measure timeliness of student progress toward degrees and certifications; benchmarks and goals for long-term degree production, including discrete benchmarks and goals in areas of critical state need; the level of state resources and tuition revenue necessary to meet the performance outcomes, benchmarks, and goals, with state resources subject to legislative appropriation; and indicators that measure outcomes concerning enrollment, retention, and success of students from diverse underrepresented and low income groups. The goals and outcomes identified in a performance agreement must be linked to the role, mission, and strategic plan of the institution of higher education and aligned with the statewide strategic master plan for higher education. The agreements may also provide an institution with flexibility in administering or waiving state controls or rules and identify statutory changes necessary to grant an institution such flexibility or waivers. Finally, the agreements may include any additional measures that an institution may deem a priority in meeting state or institutional strategic planning goals.

#### Pilot Status.

Provisions that required an audit of the performance agreement process by the Joint Legislative Audit and Review Committee are removed.

**Appropriation:** None.

**Fiscal Note:** Requested on January 19, 2010.

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