

# HOUSE BILL REPORT

## HB 2265

---

**As Reported by House Committee On:**  
Labor & Workforce Development  
Ways & Means

**Title:** An act relating to establishing Washington works payments to increase graduation rates, address critical skill shortages, increase student success, and narrow the educational opportunity gap.

**Brief Description:** Establishing Washington works payments to increase graduation rates, address critical skill shortages, increase student success, and narrow the educational opportunity gap.

**Sponsors:** Representatives Probst, Haler, Haigh, Rivers, Zeiger, Seaquist, Sells, Jinkins, Roberts, Hunt, Santos, Kelley, Finn and Ryu.

**Brief History:**

**Committee Activity:**

Labor & Workforce Development: 1/27/12 [DPS];

Ways & Means: 2/6/12, 2/7/12 [DP2S(w/o sub LWD)].

**Brief Summary of Second Substitute Bill**

- Establishes an 11-member work group consisting of members representing the four-year institutions of higher education, the two largest caucuses in the House of Representatives and the Senate, and the Governor to develop a recommended plan for measuring, providing incentives for, and rewarding performance of four-year institutions of higher education.
- Specifies that appropriate metrics be examined and recommended, which may include data reported under the Higher Education Opportunity Act, and that an appropriate means of rewarding performance be designed and recommended, which must be based on the Student Achievement Initiative.

---

### HOUSE COMMITTEE ON LABOR & WORKFORCE DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Sells, Chair; Reykdal, Vice Chair; Green, Kenney, Miloscia, Ormsby and Roberts.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Minority Report:** Do not pass. Signed by 6 members: Representatives Condotta, Ranking Minority Member; Shea, Assistant Ranking Minority Member; Fagan, Moeller, Taylor and Warnick.

**Staff:** Jill Reinmuth (786-7134).

**Background:**

Several means are used to measure and reward performance by education and training institutions in Washington. These include the Washington Achievement Index, the Student Achievement Initiative, and the Higher Education Opportunity Act ("Complete to Compete") metrics.

For the K-12 system, the Washington Achievement Index measures performance using the Measurement of Student Progress, the High School Proficiency Exams, and graduation data. Based on this performance measure, the State Board of Education and the Office of Superintendent of Public Instruction recognize schools with Washington Achievement Awards for overall excellence or special recognition for performance in particular subjects, high extended graduation rates, high rates of improvement, and closing achievement gaps.

For community and technical colleges, the State Board for Community and Technical Colleges uses the Student Achievement Initiative to analyze and reward performance on key achievement measures. Four categories are examined: building towards college level skills, first year retention, completion of college-level math, and completion of degrees, certificates, and apprenticeship training. Financial rewards are provided to colleges for increasing the levels of achievement attained by their students.

For four-year institutions of higher education, the Higher Education Opportunity Act requires annual reporting of certain performance data. The reports include outcome and progress metrics that align with the National Governor's Association "Complete to Compete" metrics as well as metrics for: graduate and professional degrees; Science, Technology, Engineering, and Mathematics participation; student debt load; and disaggregation of measures based on various student demographics, including socio-economic status and income level, among others. Four-year institutions also develop performance plans that include minimum sets of expected outcomes.

---

**Summary of Substitute Bill:**

Findings and Intent.

The Legislature finds that increasing graduation rates improve economic competitiveness, and makes it an economic priority to: increase graduation and completion rates; increase graduation and completion rates in fields addressing critical skill shortages; increase employment and continued education after graduation or completion; and narrow the educational opportunity gap for disadvantaged students and minority students.

The Legislature intends that the state distinguish itself by becoming the fastest-growing provider of highly skilled workers for targeted industries, and also that the percentage of households in the state living in the middle-income bracket or above increase over time.

The Legislature intends to establish Washington works indicators for the state and for school districts, community and technical colleges, four-year institutions of higher education, and workforce development councils, and provide rewards for their performance on these indicators.

### Definitions.

Various terms are defined, including "Washington works indicators," "graduation or completion," "graduation or completion in fields addressing critical skill shortages," "employment and continued education," "student achievement initiative," and "board."

"Washington works indicators" means:

- increasing graduations and completions;
- increasing graduations and completions in fields addressing critical skills shortages;
- increasing employment and continuing education after graduation or completion; and
- narrowing the educational opportunity gap for disadvantaged students and minority students.

"Graduation and completion" means:

- for high schools, receipt of a high school diploma;
- for community and technical colleges, receipt of a credential, certificate, or degree;
- for four-year institutions, receipt of a baccalaureate degree; and
- for workforce development councils, as defined by the Workforce Training and Education Coordinating Board (WTECB).

"Graduation or completion in fields addressing critical skills shortage" means graduation or completion in the following fields:

- aerospace;
- biology and biomedical sciences;
- computer and information science;
- engineering and engineering technologies;
- health professions and clinical sciences;
- mathematics and statistics;
- physical sciences and science technologies; and
- other fields identified by the board.

"Employment and continuing education" means that, within one year of graduation or completion, a student has an annual income exceeding the federal poverty level for a family of four, or is enrolled in postsecondary education.

"Student achievement initiative" means the performance funding system for community and technical colleges, as designed and adopted by the State Board for Community and Technical Colleges (SBCTC).

"Board" means the Higher Education Coordinating Board's successor if the successor's voting membership includes representatives of school districts, community and technical colleges, four-year institutions, and workforce development councils. Otherwise, "board" means the WTECB.

### Indicators.

The board must collect and analyze data on Washington works indicators other than employment and continuing education from the Education Data Center (EDC), and if necessary, from certain education agencies and institutions. The board must rely on data it has for other purposes and data from the EDC to the maximum extent possible.

The board must also analyze employment and continuing education. The analysis of employment and continuing education must be conducted using Social Security numbers to match graduation and completion data with employment and earnings data. School districts, community and technical colleges, four-year institutions, and workforce development councils must request Social Security numbers from students. If students decline to provide Social Security numbers, their records must be excluded from this analysis.

The board must publish the analyses of Washington works indicators on its website, which must include aggregate data as well as data disaggregated by school district, four-year institution of higher education, and workforce development council.

### Measures of Performance.

The board must measure performance on Washington works indicators using metrics which assign points for each indicator and result in a single numeric score for school districts, four-year institutions, and workforce development councils. The board may make statistical adjustments for student demographics.

For school districts, the board must award the following: one point for each percent of growth in the extended graduation rate; an additional point for each percent of growth in the extended graduation rate for disadvantaged students and minority students; and an additional point for each percent of growth in employment and continuing education.

For four-year institutions, the board must award the following: one point for growth in the number of students who earn baccalaureate degrees; an additional point per student for growth in the number of students who earn baccalaureate degrees in fields addressing critical skill shortages; an additional point per student for growth in the number of in-state disadvantaged students and in-state minority students who earn baccalaureate degrees; and an additional point per student for growth in the number of students who achieve employment and continuing education. However, each four-year institution may elect to design its own performance funding system, so long as the system satisfies certain criteria. The system must

use the same metrics, and also must award at least 0.5 point, but not more than 2.5 points, per metric.

For workforce development councils, the board must award points using a metric that is similar to the metric for four-year institutions.

The SBCTC must measure performance on Washington works indicators for community and technical colleges, and must award points for increasing the levels of achievement attained by students consistent with the student achievement initiative.

#### Rewards for Performance.

The board must disburse funds from a new dedicated account as rewards for school districts, four-year institutions, and workforce development councils, for performance on Washington works indicators, and the SBCTC similarly must disburse funds from the account as rewards for community and technical colleges for student achievement.

The board and the SBCTC must set the amounts disbursed per point. The amounts available to be disbursed must be proportionate to the amounts appropriated for public schools, community and technical colleges, and four-year institutions, and allocated for workforce development councils, in the 2007-09 biennium, all as calculated by the Office of Financial Management.

#### Funding.

The Washington Works Account is created. The account consists of: certain increased State Near General Fund revenue; other funds appropriated by the Legislature or deposited by the Governor; and gifts, grants, donations, and interest earnings. The account may be expended only for rewards to school districts, community and technical colleges, four-year institutions, and workforce development councils.

In each fiscal year in which State Near General Fund revenue exceeds the prior fiscal year's revenue, a percentage of the increased revenue is dedicated to public schools, community and technical colleges, and four-year institutions. This percentage is equal to or greater than the percentage appropriated for public schools, community and technical colleges, and four-year institutions in the 2007-09 State Omnibus Operating Appropriations Act. One-fourth of this amount is appropriated or transferred to the Washington Works Account. The remaining amount is appropriated to public schools, community and technical colleges, and four-year institutions.

#### Other.

School districts, community and technical colleges, four-year institutions, and workforce development councils are encouraged to redistribute resources and realign course offerings to increase graduations and completions in fields addressing critical skill shortages. The Office of Superintendent of Public Instruction, the SBCTC, the Higher Education Coordinating Board or its successor, and the WTECB are encouraged to publicize best practices for increasing such graduations and completions.

The Washington State Apprenticeship and Training Council (WSATC) may request that the board measure performance of apprenticeship programs on Washington works indicators using specified metrics. The WSATC also may recommend to the Legislature a source and a mechanism for disbursing funds to apprenticeship programs as rewards for performance.

A representative of four-year institutions appointed by the Council of Presidents is added to the WTECB as a nonvoting participating official.

The WTECB must develop a database available to the public that reports on completion rates, employment rates, industry of employment, and earnings of students following completion from institutions of higher education and apprenticeships for programs that culminate in certificates and degrees.

**Substitute Bill Compared to Original Bill:**

Terms are defined. "Four-year institutions of higher education" is defined as the state universities, the regional universities, and the state college. "Student achievement initiative" is defined as the performance funding system for community and technical colleges, as designed and adopted by the State Board for Community and Technical Colleges (SBCTC). "Employment and continuing education" is substituted for "student success."

Roles of various agencies are specified. The board (either the Higher Education Coordinating Board's successor or the Workforce Training and Education Coordinating Board (WTECB)) is authorized to analyze employment and continuing education with the Wage Record Interchange System (if allowed and appropriate) and other accurate sources of employment and earnings data (if necessary). The WTECB determines what "graduation or completion" means for workforce development councils, and also develops the list of fields addressing critical skill shortages. The SBCTC is solely responsible for disbursing funds to community and technical colleges, consistent with the Student Achievement Initiative. Four-year institutions are authorized to elect to design performance funding systems so long as such systems use the four metrics and the system awards at least 0.5 points, but not more than 2.5 points, per metric.

A percentage of the increased State Near General Fund revenue is dedicated to community and technical colleges and four-year institutions (rather than higher education generally).

---

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available. New fiscal note requested on January 29, 2012.

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

**Staff Summary of Public Testimony:**

(In support) This is a simple bill with a lot of complexities. It makes two big changes that have a dramatic impact on commerce, the economy, jobs, and the workforce. The state is in a global talent race, and the state has been taking gas out of the engine that creates talent. If the state keeps doing that, the impact on the economy will be very clear.

The first change requires the state to begin paying for outcomes. Now the state mostly pays for the number of students. In the future, the state would pay for four outcomes: graduation and completion rates going up, increased production of degrees that are needed by the industries that will lead the economic recovery, closing the gap for disadvantaged students, and getting a job.

The second change requires the state to make a commitment to fund education. When the state started making budget cuts to higher education four years ago, higher education took more than its fair share. But there's a point at which higher education cannot absorb any more cuts. This is a modest, but important, commitment to start putting money back into higher education.

The performance funding system is modeled after the student achievement initiative, which has been very successful for community and technical colleges. In its first four years, that initiative increased the output of degrees in the community and technical college system by 40 percent. The state should replicate it for other parts of the education system.

Career and technical education at the secondary level in the K-12 system is working to articulate with common core standards and core academics, and to apply those skills so students can find success through multiple pathways. By the changes in the K-12 system, what is done by career and technical education becomes an important part of the measurement.

Studies show that degrees and certificates add value to the economy and personal income. This is a small investment with very high return. This investment makes sense because the state's economy is driven by technology and innovation, plus a well-educated workforce.

(In support with concerns) The State Board for Community and Technical Colleges supports this initiative, including its focus on accountability performance funding, and also its recognition of the student achievement initiative's value and the Board's role in directing that. Some amendments were provided, and it looks like they have been addressed in the substitute bill.

The higher education system has had significant cuts, yet degree attainment goals have not changed. The state is not on track to meet those objectives. To do that, the state needs to build capacity in the sector. This revenue is important to have students prepared to meet vital degree objectives, and for Washington to continue to have a vibrant economy.

Overall, this is a positive first step in addressing funding concerns affecting higher education. Suggested changes included making the framework consistent with the one adopted in House Bill 1795, and providing time for institutions to develop institution-specific methodologies that do not penalize high-performing schools.

(Opposed) None.

**Persons Testifying:** (In support) Tim Knue, Washington Association for Career and Technical Education; Sherry Burkey, Western Washington University; and Eric Whithee, Stand for Children.

(In support with concerns) David Prince, State Board for Community and Technical Colleges; Michael Reilly, Council of Presidents; Margaret Shephard, University of Washington; Julie Garver, The Evergreen State College; and Chris Mulick, Washington State University.

**Persons Signed In To Testify But Not Testifying:** Amber Carter, Association of Washington Business.

---

## HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Labor & Workforce Development. Signed by 15 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Carlyle, Cody, Dickerson, Haigh, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

**Minority Report:** Do not pass. Signed by 12 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Hudgins, Parker, Ross, Schmick and Wilcox.

**Staff:** Trista Zugel (786-7157).

### **Summary of Recommendation of Committee On Ways & Means Compared to Recommendation of Committee On Labor & Workforce Development:**

The provisions of the underlying bill are eliminated. The underlying bill would have: (1) established certain indicators of performance; (2) measured performance on those indicators and disbursed funds as rewards for performance to school districts, community and technical colleges, four-year institutions, and workforce development councils; and (3) required that certain amounts of increased revenue to the State Near General Fund be appropriated for certain education purposes and appropriated to a new account.

An 11-member work group consisting of members representing the four-year institutions of higher education, the two largest caucuses in the House of Representatives and the Senate, and the Governor is established. The work group is to develop a recommended plan for measuring, providing incentives for, and rewarding performance of four-year institutions of higher education. The second substitute bill specifies that appropriate metrics be examined and recommended, which may include data reported under the Higher Education Opportunity Act, and that an appropriate means of rewarding performance be designed and recommended, which must be based on the Student Achievement Initiative. The second substitute bill



directs the Council of Presidents to convene, staff, and pay the expenses of the work group. The work group is required to report on its recommended plan by December 1, 2012.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available. New fiscal note requested for substitute on January 29, 2012.

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

**Staff Summary of Public Testimony:**

(In support) This bill focuses on several outcomes and is modeled exactly after the Student Achievement Initiative. The possible appropriations are all based on potential future funding, as described in the fiscal note. The Council of Presidents have proposed changes that would alter the fiscal note. The Council of Presidents appreciate the work that has gone into this bill. You cannot have a performance funding bill without a linkage to funding.

(Opposed) None.

**Persons Testifying:** Representative Probst, prime sponsor; and Paul Francis, Council of Presidents.

**Persons Signed In To Testify But Not Testifying:** None.