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**SUBSTITUTE SENATE BILL 6332**

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**State of Washington**

**58th Legislature**

**2004 Regular Session**

**By** Senate Committee on Higher Education (originally sponsored by Senators Schmidt, Kohl-Welles, Carlson, Shin, Winsley and Berkey; by request of Governor Locke)

READ FIRST TIME 02/03/04.

1       AN ACT Relating to performance contracts with institutions of  
2 higher education; adding a new chapter to Title 28B RCW; and providing  
3 an expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5       NEW SECTION. **Sec. 1.** (1) The legislature finds that the higher  
6 education system in Washington state has historically provided  
7 opportunities for advanced study for thousands of residents, produced  
8 high quality scholars and graduates, and facilitated world class  
9 research and innovation. But the new global economy demands even more  
10 from our colleges and universities in terms of highly trained and  
11 skilled workers and research to fuel future economic growth.

12       (2) The legislature further finds that, since 1997, public  
13 institutions of higher education have developed and maintained a system  
14 of performance measures to monitor progress in improving graduation  
15 efficiency, faculty productivity, student achievement of degrees and  
16 certifications, and other topics. However, the current performance  
17 measurement system is too limited in scope and scale. Only a few  
18 measures reflect the unique role and mission of an institution. There

1 is little dialog between state policymakers and institution leaders  
2 regarding the challenges facing our colleges and universities and the  
3 outcomes expected by the public and the state.

4 (3) The legislature further finds that procedures for operating  
5 budgets, enrollment management, and strategic planning for higher  
6 education are not adequately coordinated. The state and institutions  
7 must jointly discuss and establish clear priorities and acknowledge  
8 potential trade-offs of funding decisions.

9 (4) Therefore, the legislature intends to explore a new  
10 relationship between the state and public institutions of higher  
11 education that includes dialog and negotiation over goals, priorities,  
12 performance, and resources, and also includes explicit commitments made  
13 by each party aimed at achieving agreed-upon outcomes. The mechanism  
14 to implement this relationship is a performance contract, to be  
15 initiated on a pilot basis with selected institutions beginning in  
16 2004.

17 NEW SECTION. **Sec. 2.** As used in this chapter, a performance  
18 contract:

19 (1) Is an agreement reached between the governor and the governing  
20 board of an institution of higher education or in the case of two-year  
21 colleges the state board for community and technical colleges as  
22 provided in section 3 of this act and approved by the legislature as  
23 provided in section 6 of this act;

24 (2) Addresses statewide goals and priorities of the legislature;

25 (3) Addresses resident undergraduate enrollment levels;

26 (4) Contains goals and commitments from both the institution and  
27 the state;

28 (5) Includes quantifiable performance measures and benchmarks; and

29 (6) Reflects the unique role and mission of the institution within  
30 the state's higher education system.

31 NEW SECTION. **Sec. 3.** (1) The governor's office with assistance  
32 from the higher education coordinating board shall enter into  
33 negotiations with the governing boards of one state research university  
34 and one state regional university, as defined in RCW 28B.10.016, to  
35 create a performance contract on a pilot basis with each institution.

1 (2) The governor's office with assistance from the higher education  
2 coordinating board shall enter into negotiations with the state board  
3 for community and technical colleges to create performance contracts on  
4 a pilot basis with two state community and technical colleges, as  
5 defined in RCW 28B.10.016.

6 (3) The term of a performance contract negotiated under this  
7 section is six years, beginning with the 2005-06 academic year and  
8 ending with the 2010-11 academic year.

9 (4) Institutions of higher education shall be required to provide  
10 to the office of financial management, the legislature, the state board  
11 for community and technical colleges, and the higher education  
12 coordinating board the data necessary to implement, monitor, and  
13 evaluate performance contracts.

14 NEW SECTION. **Sec. 4.** (1) Performance contracts shall contain:

15 (a) Indicators that measure outcomes concerning cost, price,  
16 quality, and timeliness of student progress toward degrees and  
17 certifications;

18 (b) Indicators that measure the efficiency and effectiveness of  
19 institutional processes; and

20 (c) Strategies, actions, and results committed to by the  
21 institution in order to achieve statewide goals.

22 (2) The governor and institutional negotiating teams shall identify  
23 indicators and levels of performance that are clearly linked to the  
24 role, mission, and strategic plan of the institution.

25 NEW SECTION. **Sec. 5.** (1) Performance contracts shall include  
26 grants to the institution, under the terms of the contract, of  
27 flexibility or waivers from state controls or regulations.

28 (2) The higher education coordinating board and institutional  
29 negotiating teams shall identify areas where statutory change is  
30 necessary to grant an institution flexibility or waivers of state  
31 regulations. The governor shall submit legislation necessary to  
32 implement a performance contract to the higher education committees of  
33 the senate and house of representatives for the 2005 legislative  
34 session.

35 (3) A performance contract may be entered into by a partnership  
36 between community colleges and regional universities.

1 (4) The following areas may not be included in a performance  
2 contract:

3 (a) Flexibility or waivers of requirements in a collective  
4 bargaining agreement negotiated under chapter 41.56, 41.59, 41.76, or  
5 41.80 RCW;

6 (b) Flexibility or waivers of administrative rules or processes  
7 governed by chapter 41.56, 41.59, 41.76, or 41.80 RCW; and

8 (c) The rules, processes, duties, rights, and responsibilities of  
9 the faculty as contained in the faculty codes of the four-year public  
10 institutions.

11 NEW SECTION. **Sec. 6.** (1) The governor shall submit the completed  
12 performance contracts to the legislature by December 1, 2004.  
13 Following public hearings, the legislature shall have the opportunity,  
14 by concurrent resolution, to approve or reject each performance  
15 contract as a whole.

16 (2) The chairs of the senate and the house higher education  
17 committees shall appoint a subcommittee to review the performance  
18 contracts prior to the 2005 session.

19 (3) If the legislature rejects a submission, the performance  
20 contract shall be returned to the parties for renegotiation.

21 (4) All cost items contained within a performance contract shall be  
22 subject to legislative appropriation.

23 NEW SECTION. **Sec. 7.** (1) Beginning September 2005, the higher  
24 education coordinating board shall provide semi-annual progress reports  
25 to the higher education committees of the senate and house of  
26 representatives on implementation of the performance contracts and any  
27 short-term outcomes. The overall purpose of the progress reports is to  
28 focus attention on key measures of institution performance and gain an  
29 improved understanding of the causes of success or lack of success in  
30 making progress in achieving the goals in the contract.

31 (2) The Washington state institute for public policy shall conduct  
32 an evaluation of the pilot performance contracts and make  
33 recommendations regarding change, continuation, or expansion of the  
34 contract process to include additional colleges and universities. The  
35 evaluation shall be submitted to the governor and higher education

1 committees of the senate and house of representatives by January 15,  
2 2008.

3 NEW SECTION. **Sec. 8.** Sections 1 through 7 of this act constitute  
4 a new chapter in Title 28B RCW.

5 NEW SECTION. **Sec. 9.** This act expires July 1, 2011.

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