



OLYMPIA UPDATE

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Performance Contracts

Legislature moves into final week

Lawmakers are currently embroiled in traditional haggling between the Senate and the House to resolve their respective differences on items including WSU supplemental budgets. But new ways and structures for legislators to craft higher education capital and operating budgets in future years appears to be a likely outcome of the 2008 Legislature. Legislators are now beginning to work into the final week of the scheduled 60-day session.

“Performance Agreements”

The long-sought effort to create “performance contracts” or “compacts” or “agreements” between the state and public higher education institutions has passed each house of the Legislature for the first time. Engrossed House Bill 2641 will pilot-test a concept in which six-year agreements are developed between policymakers like the Legislature and governor and individual institutions of higher education.

WSU supports performance contracts because of the clarity it could bring to the outcomes sought by the Governor and the Legislature. Early drafts of the 2008 bill limited contracts to the University of Washington and Western Washington University. But WSU requested to be included in the House Bill and eventually the bill was amended to allow all six of the state’s higher education institutions to enter into performance agreements.

The proposal was spearheaded in the Legislature for years by Rep. Skip Priest, R-Federal Way, and Rep. Fred Jarrett of Mercer Island. Both were Republicans in a Legislature in which both houses and the governor’s office are controlled by Democrats. While eventually drawing the interest of the governor, they failed repeatedly to get the bill out of committee or some years they failed even to get a hearing. Not true this year, as Jarrett, a Boeing manager and WSU alum, left his Republican Party to become a majority Democrat and he is considered a likely Democratic candidate for the state Senate later this year. Working from the majority party, Rep. Jarrett shepherded the 2008 bill through the process, passing the House of Representatives 95-1 on Feb. 13 and the state Senate 48-0 Thursday (after a brief detour to the Senate Ways and Means Committee for further scrutiny). The bill has now passed the houses in different forms but Rep. Jarrett is expected to urge his fellow House members to concur with the relatively minor Senate amendments and send the bill to the governor.

Under the program, higher education institutions could seek agreement from the state for innovative six-year plans that would result in specific research, educational or public service outcomes. The agreements could break the traditional state pattern of providing most money for higher education based exclusively on a set funding level for each additional undergraduate full-time student for a single academic year.

In agreeing to desired outcomes from WSU, the state may commit to waivers from state rules and try to deliver certain state funding levels. If successful, it could create whole new patterns for state funding and a new system for accountability.

The agreements would contain written accountability measures that could actually be negotiated between legislators and institutions and could be referenced over the six-year period. As legislative committee chairs change, there would still be a written agreement of the original direction that the state and the institution chose.

Rather than directed to increase a number of enrolled students for a given year, an institution could agree to a minimum number of graduates in a program in the future. For instance, an institution could agree to provide a certain number of engineering graduates at the end of a six-year period provided there is a corresponding increase in funding in each of the six years. Sufficient funding levels could be agreed to expand programs, build the necessary facilities, and provide the supports interested students need to succeed. The contracts are useful for a research institution in that it might allow for seemingly unrelated issues to be connected. For instance, it is unlikely the Legislature would ordinarily create a new research program or tutoring program to get more engineering graduates. Yet, it is quite true that a newly-created state research program could generate federal grants and contracts, attract a specialized group of faculty and graduate students, and therefore create new graduates in a high-demand engineering field. A special tutoring program that helps students through difficult freshmen math and science courses may result in many more students pursuing study in engineering. The proposed performance contract allowed under Engrossed House Bill 2641 could make those kinds of links that state budgets rarely attempt. It could give both the state and the institutions a clear understanding of their role in accomplishing specific higher education goals.

With difficult financial times apparently ahead, institutions and the state may seek clauses to their agreements that allow for reduced outcomes if funding is reduced. There could be escalator clauses that provide better results with enhanced funding.

Under the terms of the bill, negotiators for state government would include representatives from the governor's budget office, the Higher Education Coordinating Board, the Office of the Superintendent of Public Instruction, two members of the Senate, and two members of the House of Representatives.

Pilot institutions appoint members to their respective performance agreement negotiating teams with faculty representatives. The state committee and institutions collaboratively develop revised drafts and submit them by September 1, 2008. The state committee and institutions develop final agreements that are submitted to the Governor by November 1, 2008, for consideration in the 2009-11 budget. If the Legislature affirms a budget proviso in alignment with the agreements, the agreements are in effect from July 1, 2009, through June 30, 2015.

Capital Budgets – “The End of The Single List”

For the past two biennial budget cycles, beginning in 2005-07, state law has required the six public institutions to work together to prepare a unified budget proposal that ranks all of the six institutions' individual project proposals into a single prioritized list. That would change under Engrossed Substitute House Bill 3329, which has passed the House 94-0 and is currently in the Senate Rules Committee. The bill would require each institution to submit four or more lists of construction projects to be scored by the governor's budget office: The project categories are: (1) enrollment growth; (2) replacement and renovation; (3) major campus infrastructure; (4) research projects that promote economic growth and innovation; and (5) other categories as determined by the OFM and the legislative fiscal committees.

Actually, under the terms of the House bill, WSU and UW will submit a separate set of four or more lists for the branch campuses. WSU has been supportive of the original House Bill but UW has opposed that effort. The outcome of whether it will be four lists or eight lists will be up to negotiations between the House and the Senate. Under one scheme, just one of the research institution would be selected for the separate list.

Still Ahead

There are plenty of issues ahead for resolution in the final days of the Legislative session. Most bills must pass both houses in some form to be live for the balance of the session. But there is still no final budget outcome on funding for WSU's core computer study or design funds for the Veterinary Medical Research Building. The House Appropriations Committee will hold a hearing tonight on how to handle the limitations of Initiative 960. WSU needs legislation passed to do the anticipated fees increases such as for Student Activities Fees and course fees. WSU's impact will be about \$1.5 million. Other institutions will need authority just to set tuition rates for the coming year. UW's impact, for example, is about \$45 million.

Stay tuned.

Olympia Update is produced for persons interested in state government developments affecting Washington State University. For more information, go to www.olympia.wsu.edu. Contacts: Larry Ganders, Assistant to the President, 360-956-2165. From WSU campuses, dial 8-2165. If you wish to subscribe to Olympia Update directly by email go to www.olympia.wsu.edu/Update.aspx