



TECHNICAL INCENTIVE FUNDING

MODEL TASK FORCE REPORT

December 31, 2013

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SECTION 1: BACKGROUND

CURRENT PERFORMANCE STATUS

In recent years, Washington State's six public baccalaureate institutions have made significant performance gains, including:

- **Increased student success.** A student who enters a Washington four-year public college or university has a better chance of completing a degree than students in 45 other states.¹
- **Improved efficiency.** Washington's public baccalaureate institutions produce more degrees for every 100 full-time equivalent (FTE) students than 48 other states.²
- **Increased STEM/high demand degrees.** While overall degree production increased 21% from 2002 to 2011, STEM/high demand degree production during the same time period increased by 45%.³

However, challenges remain:

- **Low college participation.** Forty-six states enroll more of their population, ages 20 to 34, in baccalaureate institutions and 49 states enroll more of their population in public graduate education.⁴
- **Low state funding.** Forty-eight states provide more funding per student to support their public higher education sectors.⁵
- **Responding to changing demographics.** As larger proportions of students come from traditionally underserved groups (low-income, first-generation, non-traditional age students, and ethnic minorities), college access and completion require enhanced strategies and support.⁶

Performance Funding (Accountability) History

Performance monitoring and accountability mechanisms have been utilized by Washington's public baccalaureate sector for over a decade. Most notably, the predecessor to the Washington Student Achievement Council (WSAC), formerly the Higher Education Coordinating Board, tracked institutional progress on a variety of student success metrics beginning in 1997 and produced the Higher Education Accountability Report from 2004 to 2012.

- 2003 – Performance contracts (HB 2111)
- 2004 – Higher education accountability report (HB 3103)
- 2005 – Government Management Accountability & Performance (GMAP) program (Governor Christine Gregoire)
- 2009 – Institutional performance agreements (HB 2641)
- 2011 – Institutional performance plans (HB 1795)
- 2011 – The Statewide Public Four-Year Dashboard (HB 2641)
- 2011 – Performance audit of institutional tuition setting authority (HB 1795)
- 2012 – The College Scorecard (U.S. Department of Education)
- 2013 – Results Washington (Governor Jay Inslee)
- 2013 – Performance audit of higher education performance-based funding (Washington State Auditor)
- 2014 – The College Rating System (U.S. Department of Education)

As state funding environments and higher education policy have changed over time, several legislative proposals were adopted in an attempt to shift from a system of performance monitoring and accountability to a system of performance funding.

In 2008, the Legislature adopted higher education “performance agreements” in HB 2641. In 2011, performance agreements were replaced by “performance plans” in HB 1795, the Higher Education Opportunity Act, and were prepared after discussions with the Governor’s Office and the Office of Financial Management (OFM).

While both performance agreements and performance plans were explicitly intended to connect institutional performance to state funding levels, both efforts were hindered by lack of direct investment and changing political environments, underscored by the economic recession and uncertain state funding environments.

In addition to performance initiatives, colleges and universities go through rigorous accreditation processes that look at quality and efficiency of both academics and business practices.

2013-15 Technical Incentive Funding Model Task Force

In the 2013 legislative session, the Legislature renewed its efforts to identify a performance funding mechanism for Washington’s public baccalaureate sector. The Legislature directed the Office of Financial Management, along with appropriate partners, to convene a **Technical Incentive Funding Model Task Force**. The Task Force’s charge was to collaboratively design a new incentive funding system that would both support the state’s need for a more highly educated population and recognize each public baccalaureate institution’s unique mission.

The Technical Incentive Funding Model Task Force was established in Section 130(4) of the 2013-15 biennial budget (SB 5034) (Appendix B). The proviso includes the following elements:

- A proposed system for providing new incentive funding;
- A methodology for allocating funding for performance based on clear metrics agreed to by the Task Force;
- A method to direct unspent performance funding to the State Need Grant Program; and
- A methodology for establishing a baseline level of state funding.

In addition to these specific topics, the Task Force was also asked to recognize or incorporate the following:

- Differences in institutional missions;
- Progress that the state has already made around accountability;
- Performance measures already collected and reported, based on existing statute;
- Controlling resident undergraduate tuition growth; and
- Voluntary participation in the program.

The Task Force included stakeholders from all the public baccalaureate institutions, OFM, and the Washington Student Achievement Council (WSAC). The Task Force held six public meetings in Olympia, Seattle, and Ellensburg during the 2013 legislative interim. Members researched national best practices, evaluated the performance funding models of other states, and tailored a model that meets the need of our state. Meeting materials are available online at: <http://www.ofm.wa.gov/tifmtaskforce/default.aspx>.

Building on Best Practices

The enabling legislative proviso was crafted in response to higher education performance funding “best practice” recommendations by national organizations, including the Center for American Progress (2013). In addition, the Task Force reviewed performance-funding approaches in other states and Washington’s community and technical college sector (Student Achievement Initiative) to identify effective methods of implementing performance funding.

The Task Force recommendations in this report seek to build a model based on some of the most commonly identified best practices, including:

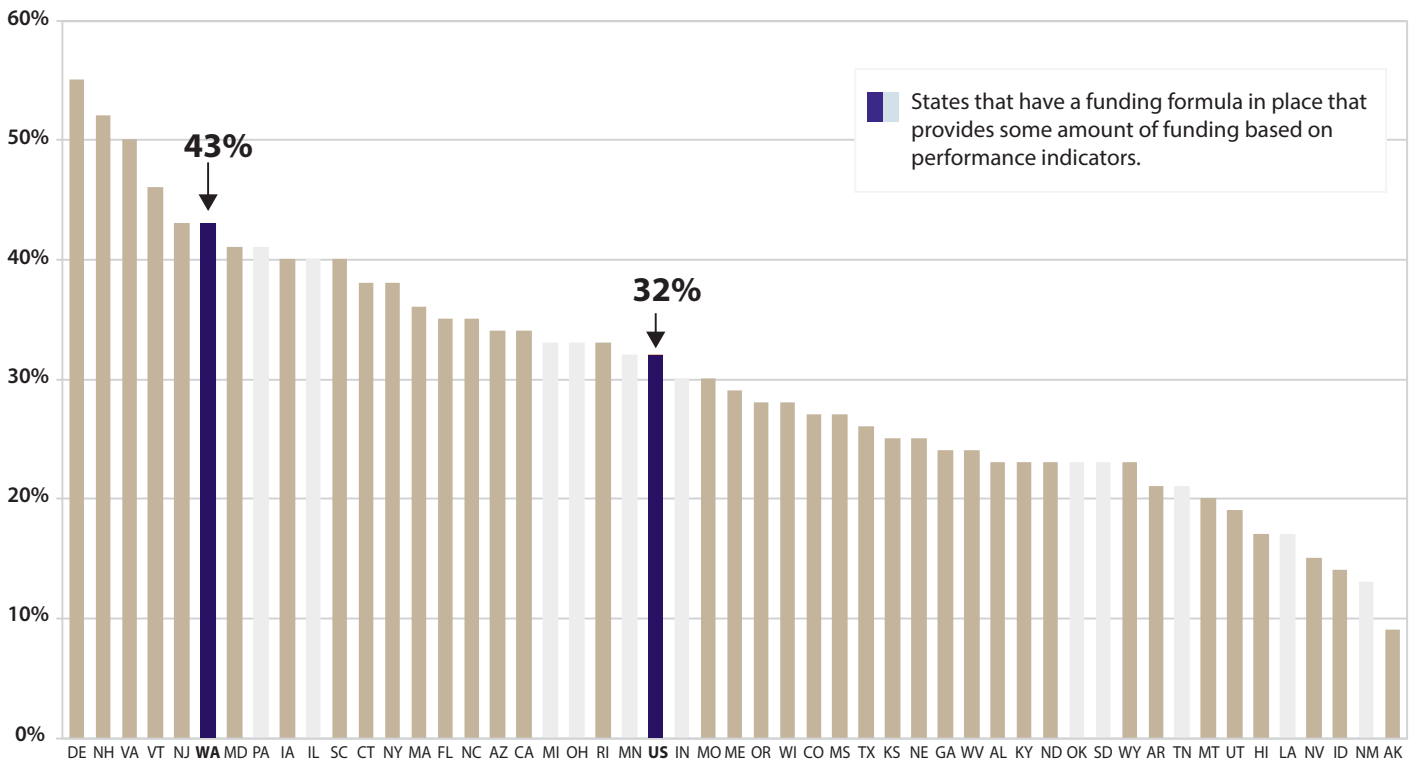
- Involve key stakeholders in the funding model’s design;
- Ensure that enough money is apportioned for performance to create strong incentives;
- Recognize institutional differences;
- Include indicators that denote progress;
- Phase in a new performance system;
- Subject the system to frequent evaluation; and
- Include a stop-loss provision.

Responding to the Needs of Washington State

States have adopted differing performance funding frameworks based on their state specific needs. For example, Tennessee’s performance model was constructed to address their problem of low graduation rates, which are far below the national average. Pennsylvania, a state that has graduation rates similar to Washington, focuses on success, access, and stewardship, and has achieved graduation rates nearly as high as Washington’s after a decade of performance funding.

As displayed in the below chart, Washington is among the best in the nation in baccalaureate graduation rates, exceeding all other states with performance funding systems currently in place.

Percent of students graduating with a bachelor's degree within 4 years, public institutions in 2011



Sources U.S. National Center for Education Statistic integrated Postsecondary Education Data System, 8/2013
National Conference of State Legislatures, 2013

The recommendations in this report seek to address the following four “Washington specific” issues:

1. **Washington’s economy is highly reliant on an educated workforce, but public baccalaureate participation rates are among the lowest in the nation.** According to data from Georgetown Center on Education and the Workforce, by 2018, 33% of Washington’s workforce will need a four-year college degree, and 70% will require some postsecondary education.⁷ Washington ranks 47th in the nation in public baccalaureate participation rates for the population aged 20-34.⁸
2. **Washington’s demographics (and corresponding student needs) are changing.** Washington’s population is continuing to become more diverse, and not enough underrepresented minority, low-income, and first-generation students are enrolling in and graduating from institutions of higher education. For example, the number of Hispanic students graduating from Washington high schools will more than double in the next 15 years.⁹ Washington will need to ensure access and support for populations that have been and remain underrepresented at institutions of higher education.
3. **Washington is among the states with the highest need for graduates in STEM/high demand fields, but degree production has not kept pace with economic needs.** From 2002 to 2011, the public baccalaureate institutions increased overall baccalaureate degree production by 21%, but increased degree production in high demand fields by 45%.¹⁰ In spite of these gains, the number of “acute” unfilled positions in Washington resulting from the job skills gap is likely to double to 50,000 jobs between 2013 and 2017.¹¹
4. **A significant decline in state funding over the last five years has dramatically shifted the state’s higher education funding structure and impacted public higher education affordability.** Washington currently ranks 49th nationally in per student funding.¹² In 2000 the state paid about 70% of the total per student funding while students and their families paid about 30%. By 2012, after the impacts of the recession on the state’s budget, that proportion was nearly reversed, with the state paying 35% and students paying 65%. Tuition increases during the recession did not fully replace the lost state funds.¹³ During the 2013 legislative session, the state began to show a recommitment to students through reinvestments in university budgets in lieu of increasing tuition.

SECTION 2: TECHNICAL INCENTIVE FUNDING MODEL TASK FORCE RECOMMENDATIONS

Based on the common principles set out above, the Technical Incentive Funding Model Task Force developed eight recommendations that, working together, create a performance funding system designed to make a meaningful difference to Washington's residents and economy.

The first five recommendations are focused on creating a system for measuring and rewarding institutional performance. Recommendations 6, 7, and 8 focus on the statewide fiscal and policy environment necessary for a performance incentive system to function. Together these eight recommendations create a comprehensive technical incentive funding model that should be viewed as a whole rather than as separate items.

Recommendation #1: Support "Washington-specific" statewide achievement goals based on college access and completion, which represent the state's greatest need.

Three statewide achievement goals are recommended:

1. Increase overall degree production.
2. Increase degree production in STEM/high demand areas.
3. Increase degree production for students from underrepresented groups.

These statewide achievement goals recognize Washington's specific areas of need and are aligned with Governor Jay Inslee's Results Washington initiative (<http://www.results.wa.gov/>) and the state goals recommended in the WSAC's 10-Year Roadmap for Higher Education (<http://www.wsac.wa.gov/Roadmap>).

Recommendation #2: Identify institution-specific metrics based on institutional mission.

Substantial progress on statewide goals will take time, four to six years, after an initial state investment is made. In addition, each of the public four-year institutions in Washington serves different student populations and geographic regions and has a differentiated role and mission.

Establishing institution-specific metrics that can measure progress in the short term will accomplish the following:

1. Allow each institution to focus on specific areas where it can contribute appropriately to statewide achievement goals; and
2. Indicate whether each institution is on the trajectory required to make progress on statewide achievement goals.

Each institution has proposed metrics that represent areas where – given additional resources – it can boost access and achievement by focusing on increased enrollment, greater retention, and/or greater completion, either overall, for targeted groups or degrees, or both.

Metrics would be limited to five per institution, providing a succinct and transparent approach that concentrates on each institution's targeted areas for improvement. The combined efforts would ensure that the sector as a whole is making progress on all three statewide goals of increasing overall degree production, degree production in STEM/high demand areas, and degree production for students from underrepresented groups. It is important to note that while the metrics show some of the high priority strategies and outcomes on which targeted performance funding would be expended, they do not imply that colleges and universities are not making sustained efforts in other areas – simply that they are doing so outside of the construct of performance funding.

The menu of metrics below shows how each institution will contribute in its own way to the three statewide achievement goals (more fully described in Section 3).

Statewide Achievement Metrics		Public Baccalaureate Institutions					
		CWU	EWU	TESC	UW	WSU	WWU
Increase Overall Degree Production							
	Total Degrees Awarded (Undergraduate and graduate)						
	Graduate Degrees Awarded						
	Underrepresented Students (Minority, Non-Traditional Age, Veteran) Degrees Awarded						
	Underrepresented Students (First-Generation, Low-Income) Degrees Awarded						
	E-Learning Degrees Awarded						
	Undergraduate First to Second Year Retention						
	Six-Year Graduation Rate						
Increase Degree Production in High Demand Areas							
	STEM/High Demand Enrollment						
	STEM/High Demand Degrees Awarded						
Increase Degree Production for Students from Underrepresented Groups							
	Underrepresented Student Enrollment (Minority, Non-Traditional Age, Veterans)						
	Underrepresented Student Enrollment (First-Generation, Low-Income)						
	Transfer Student Enrollment						
	Community College Dually-Admitted Student Enrollment						
	Students in Online Learning Enrollment						

The Legislature also directed the Task Force to specifically look at online learning, space utilization, and individual return on investment. These three items were discussed at length during Task Force meetings, and metrics around online learning were included. A discussion on both space utilization and return on investment can be found in Appendix C.

Recommendation #3: Provide new, up-front state performance funding investment in conjunction with the state budget processes.

In order to make meaningful gains in institutional metrics, new state funding is necessary. This recommendation is based on national best practices and institutional analysis of the real cost associated with strategies and programs that would be implemented in the performance goal areas. This model of performance funding focuses on investment plus accountability.

The issues that Washington needs to address require strategic investments. Other states have built their performance funding models to drive efficiencies. In contrast, Washington’s public baccalaureate sector overall is efficient, with graduation rates far above the national average. Additionally, over the course of the Great Recession our institutions have become more efficient and effective, including:

- Increasing the cumulative student population by 6,821 FTE’s between 2008 and 2013 without new state funding;¹⁴
- Programmatic rebasing and program elimination; and
- Efficiency efforts that have reduced administrative costs through statutory and policy changes.¹⁵

Additional gains from efficiency would be at the margin. Strategies to achieve gains on the institutional metrics and state goals will require adequate resources.

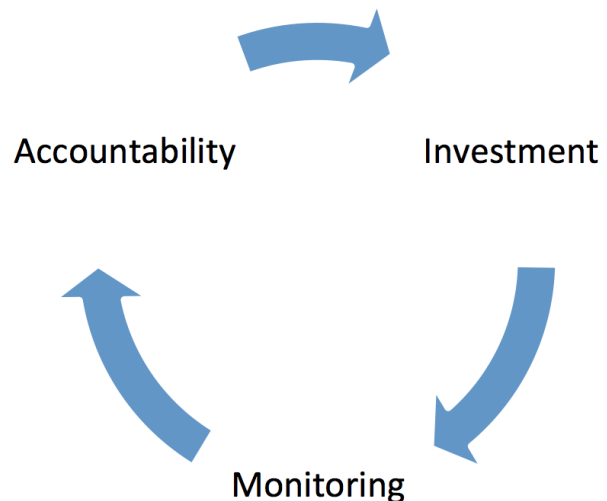
Specific levels of progress on institutional and state goals will be influenced by the level of state investment. Higher levels of investment should produce greater and/or faster gains. In the budgeting process, the Legislature would determine the funding to be devoted to the performance incentive system. New dollars should be allocated to the sector as a whole and distributed proportionally to each institution’s share of the overall sector budget.

Recommendation #4: Establish a simple, ongoing system for monitoring and funding institution-specific metrics that aligns with the biennial budgeting process.

Performance funding should be a simple, ongoing effort to fund and monitor progress. While progress on statewide goals may take four to six years, institutional progress on institution-specific metrics can be measured after two years of sustained performance funding.

Such a process can be established through cycles of investment, monitoring, and accountability, as detailed below.

- The Legislature and governor provide ongoing **investment** in performance funding in the biennial budget process.
- OFM through ERDC will provide **monitoring** of institutional progress on the metrics.
- **Accountability** is provided through the biennial budgeting process in which performance funding is carried over into institutions’ base budgets or forfeited to the State Need Grant Program, based on performance levels.



The recommended process is as follows:

Initial performance baselines will be established using a three-year average to level out any past year-to-year anomalies. Metrics will subsequently be measured on a two-year average and compared to the baseline.

Institutions will provide performance targets to OFM, which would either approve or reject the targets. Institutions whose targets are rejected may resubmit new targets, as needed, or may decline to participate, thereby forfeiting new performance funding dollars.

Prior to each biennial budget allocation, OFM will determine the proportion of the prior biennium's performance funding "earned" by each institution based on its achievement of its agreed upon metrics for that time period.

Funding earned will be added to the institutional base; unearned funds will be allocated to the State Need Grant Program to serve low-income students at the public baccalaureate institutions.

The Legislature will then determine the level of performance incentive funding for the ensuing biennium on the same basis, proportional to each institution's share of the overall sector budget.

A review of metrics will occur during every two-year performance funding cycle through the OFM approval process.

Recommendation #5: Start the timeline for performance funding now and renew on a biennial basis going forward.

The recommended timeline below assumes an up-front state investment in the 2014 supplemental operating budget. Supplemental budget funding would provide a pilot/training year, consistent with best practices, and would align measurement periods with the biennial budget. The initial investment would continue through the 2015-17 biennial budgeting process and would ensure two years of sustained performance funding efforts that can be explicitly measured during the next biennial budgeting process. That would lead to subsequent assessments of performance during every biennial budgeting cycle, using data from a two-year period staggered with the biennia.

2014 Supplemental Budget

January 2014	3-year average baseline is established for 2010-11 through 2012-13
March 2014	Supplemental budget – up-front investment in performance funding allocated
May 1, 2014	Institutions submit individual performance goals to OFM
May - June 2014	OFM approves or rejects performance goals; institutions re-submit, as needed, or decline to participate
July 1, 2014	OFM releases funds to institutions with approved performance goals in place
November or December 2014	Institutions report to the Legislature on implementation of performance funding

2015-17 Biennial Budget

January - April 2015	Biennial Budget – initial up-front investment continues in institutional budgets, but funding is not built into base budget
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Transition

2017-19 Biennial Budget and Every Biennia Thereafter

January - April 2017	ERDC measures performance gains and determines if goals are met for academic years 2014-15 and 2015-16
	<ul style="list-style-type: none"> • Earned performance dollars are built into institutions’ maintenance level budget • Unearned dollars are forfeited to the State Need Grant Program
	Legislature provides additional performance funding dollars for the next 2-year cycle
May - June 2017	Institutions submit and OFM approves or rejects new performance goals; institutions re-submit, as needed, or decline to participate
July 1, 2017	OFM releases new performance funds to institutions with performance goals in place

Recommendation #6: Pursue baseline funding objectives through adequate maintenance level funding, institution-level policy investments and performance incentive funding.

A performance funding mechanism will advance the state's goals only if there is adequate base funding for the state college and universities. As such, performance funding should be allocated as new funding after adequate base funding for current activity levels is provided. This can be accomplished within current budget processes by modifying practices to reflect the real and increasing costs of operations.

- **First, adequately fund the maintenance level.** In recent years, the state's inability to fund increased costs resulting from inflation, as well as increases in other fixed costs, has gradually eroded institutions' base budgets. The following are priority examples that reflect real increases in the cost of operations that should be fully funded in maintenance level budgets.
 - Maintenance and operations on new buildings
 - Healthcare costs
 - Classified employee contracts
 - Inflation

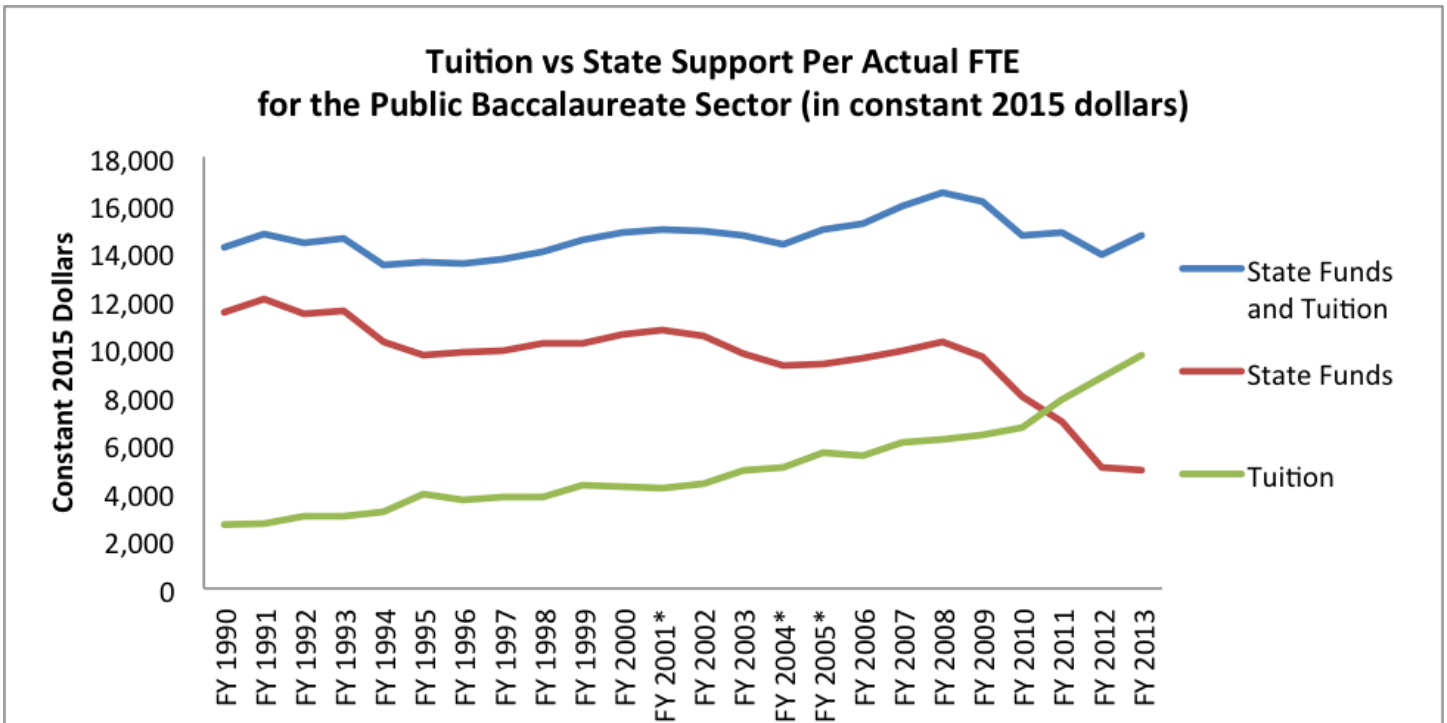
Other maintenance level costs have gone unfunded due to periods of increased budgetary constraints.

- **Second, make policy level investments.** Additional state funding of institution-specific decision packages will, over time, continue to rebuild the level of state support for public baccalaureate institutions.
- **Third, drive performance through incentive funding.** Performance incentive funding is only one component of the larger picture of state funding for higher education. Washington can assure adequate basic funding by first recognizing the importance of maintenance level funding, strategically investing in policy changes, and then investing in performance funding to further the state's access and attainment goals.

Recommendation #7: Use increased state funding over time to pursue a 50/50 balance between tuition and state support.

There are two primary sources of revenue to support student instruction at the public baccalaureates: state support and tuition revenue. The degree to which policymakers can make progress toward providing a more balanced share of higher education expenditures reduces the need for tuition to make up for declining or stagnant state investment. Additional state funding will help to restore the balance between state and student investment without negatively impacting student instruction and vital student services.

From 2008 to 2012, the public baccalaureate institutions experienced historic declines in state investment. By 2012, after the impacts of the recession on the state's budget, the state was paying, on average, 35%, and students, in contrast, were paying 65% of the cost of their education. Per-student state funding was nearly the lowest in the nation, and tuition increases did not fully replace reductions in state support. Policymakers began reversing this trend in the 2013-15 biennial operating budget. This reinvestment allowed tuition to remain frozen for the first time since 1986, thereby positively shifting the balance between state support and tuition.



As an illustrative example, state investment of approximately \$954 million would be needed currently to get to a 50/50 sharing of expenditures if implemented today. This is a “moment in time” example that will increase over time as additional students enroll and with inflation. While it may take awhile to achieve a 50/50 shared model, the framework identified by the Task Force provides the opportunity for Washington to set a goal that can be achieved over time.

Recommendation #8: Repeal and replace other statutory statewide performance goals and processes.

The establishment of this performance funding incentive framework would create a new accountability model for the public four-year sector. In order to provide clarity, direction, and focus, the Task Force recommends repealing past performance related frameworks, policies, and reporting. These include:

- Repeal performance plans (RCW 28B.15.101)
- Specify that the financial aid reporting requirements are only for institutions that trigger tuition-setting authority (RCW 28B.15.102(6))

SECTION 3: INSTITUTIONAL NARRATIVES

Central Washington University

Mission

The mission of Central Washington University (CWU) is to prepare students for enlightened, responsible, and productive lives; to produce research, scholarship, and creative expression in the public interest; and to serve as a resource to the region and the state through effective stewardship of university resources.

Areas of Strength

CWU's strength lies in a singular focus on student success. CWU enrolls typical high school students from throughout the state. Mean GPA for admitted freshmen is 3.2 and average SAT is 1000. The overwhelming majority of students are state residents and undergraduates; about 70 percent of students are western Washington residents. An increasing number of students are people of color—a third of the 2013 freshman class and 25 percent overall.

CWU gives priority to teaching and to environments and practices that support student learning. These include relatively small classes taught by professors and an emphasis on learning by doing. Students partner with professors on research, service, and other activities that allow students to apply what they've learned in the classroom to real-world situations. Personal attention and applied learning yields tremendous results. For example, among 50 similar schools nationally, CWU has the second best six-year graduation rate for underrepresented minority students, according to College Results.Org (<http://www.collegeresults.org/aboutthedata.aspx#section-3>).

CWU reaches students throughout the state through University Centers, baccalaureate facilities that are co-located with community colleges. The University Centers provide regional access to baccalaureate education, in person and online. CWU is aggressively expanding online access, as well, with more full degree programs online than any other institution in Washington. The university is expanding the baccalaureate pipeline, making the Running Start program available to more high school students by offering it three ways: in the high school, online, and at CWU in Ellensburg. Personal attention to students combined with extraordinary outreach makes CWU a magnet for students transferring from other institutions. Half of students and 65 percent of graduates began their baccalaureate careers at another school.

Focused Areas of Improvement

- **Metric 1: CWU will increase the total number of degrees awarded.** CWU will seek to increase the total number of degrees awarded by enhancing advising and retention. CWU also is developing new strategies to serve individuals with some credits toward a baccalaureate degree but who are unable to complete a degree through traditional channels.
- **Metric 2: CWU will increase the percent of underrepresented minority students enrolled.** CWU is establishing partnerships and focusing recruiting on communities characterized by large populations of underrepresented minority students. CWU also is developing new community college partnerships and growing online options that provide flexible, lower-cost access to baccalaureate education.
- **Metric 3: CWU will increase the percent of transfer students enrolled.** CWU's dual admission program is making transfer from community colleges to CWU easier and more intuitive. Online access also is providing a more affordable and flexible transfer route for students. CWU plans to increase program offerings, improve articulation (dual admits and transfer academic program plans) and streamline direct transfer agreements with community and technical colleges.

- Metric 4: CWU will increase the percentage of students enrolled in online courses.**
 CWU plans increased investment in several strategies to support expanded online access. These investments may include instructional design consultations, multimodal learning communities, course development reviews, faculty peer mentors, training workshops and training labs, online learning website, orientation for online students, dedicated online student advisors, general education and transfer advisors and 24/7 support to facilitate student success in completing online coursework at CWU.
- Metric 5: CWU will work in concert with the 34 community and technical colleges to increase the number of community college/CWU dually admitted students.** CWU plans to increase program offerings, improve articulation (dual admits and transfer academic program plans) and streamline direct transfer agreements with community and technical colleges. By expanding community and technical college partnerships, more students will experience efficient transfer of credits and keep costs down by compressing time to degree and accessing baccalaureate programs that serve students where and when they are needed. Students find 2 + 2 programs at University Centers and online learning both affordable and convenient.

STATEWIDE ACHIEVEMENT GOAL

INSTITUTION METRICS

Increase overall degree production

Total number of degrees awarded

Increase degree production for students from underrepresented groups

Percent of transfer students enrolled

Percent of underrepresented students enrolled

Number of dually admitted students

Percentage of students enrolled in online courses

Eastern Washington University

Mission

EWU expands opportunities for personal transformation through excellence in learning.

Areas of Strength

As a regional state university Eastern Washington University (EWU) understands and embraces its role as one of six unique public universities that serve Washington. Further, EWU wishes to note that it has provided over a century of service to the people of the region and state. The dashboard items identified are those the University holds up as exemplars of its service to the people of the state. EWU is committed to meeting the needs of the State of Washington by continuing to produce graduates in STEM/high demand degrees while maintaining its dedication to first-generation, low-income, and underrepresented students.

- **Percent of Degrees in STEM/High Demand:** Over 28 percent of the degrees generated in 2010-11 by EWU were in STEM/high demand areas.
- **First-Generation Students:** In 2010-11 the total enrollment of EWU’s undergraduate population was 42 percent first-generation students.*
- **Enrollment of Low-Income Students:** In 2010-11 academic year approximately 43 percent of its undergraduate enrollment were comprised of low-income students as determined by those receiving Pell and/or State Need Grants.
- **Diverse Population:** Approximately 22 percent of the total undergraduate population in 2010-11 was underrepresented students.

All data represented are taken from the Washington State, Office of Financial Management Public Four-Year Dashboard unless otherwise indicated.

Focused Areas of Improvement

Although EWU provides exemplary service to the citizens of our region and the state, the University also recognizes there are emerging areas that require the particular attention of the faculty and administration. Although EWU has boosted its first to second year retention from the baseline given below, the University community continues to focus on the retention of its students and their eventual graduation from the University.

STATEWIDE ACHIEVEMENT GOAL

INSTITUTION METRICS

Increase overall degree production

Total degrees

Undergraduate, first-year retention fall-to-fall

Six-year graduation rates

Increase degree production for students from underrepresented groups

Enrollments in STEM/high demand majors

Total STEM/high demand degrees

The Evergreen State College

Mission

The Evergreen State College's mission as an innovative public liberal arts college is to emphasize collaborative, interdisciplinary learning across significant differences. Evergreen's academic community engages students in defining and thinking critically about their learning. Evergreen supports and benefits from local and global commitments to social justice, diversity, environmental stewardship, and service in the public interest.

Area of Strengths

Washington State's students can choose from six public baccalaureate higher education institutions with distinctive missions and programs. The Evergreen State College provides students with the opportunity to pursue an education in the liberal arts and sciences at a comparatively small college while allowing students to be the prime agents shaping their educations.

Evergreen contributes significantly to the state's goals for general degree production, production of STEM and high demand degrees, and attainment for low-income and underrepresented students. (Unless otherwise noted, data reported here come from OFM's public four-year dashboard for 2010-11.)

- **Efficient degree production.** With an average time-to-degree for students from high school of 3.98 years, Evergreen is an exemplar of efficient degree production. Students graduating with degrees in STEM/high demand fields graduate in 3.96 years.
- **STEM/high demand degrees.** Of the degrees that Evergreen grants, more than 14% are in STEM or high demand fields.
- **Degree attainment for underrepresented students.** Evergreen's model of education has proven effective in attracting underrepresented students and moving them to degree completion. Of undergraduate students served, approximately 20% are underrepresented minority, 43% are low-income (receiving Pell or State Need Grants), 30% are students of color, 32% are first-generation students,* 41% are non-traditional age.*

Focused Areas of Improvement

Under a performance incentive funding framework, Evergreen would seek to make additional contributions to the state's goals. The level of improvement would necessarily depend on the level of performance funding available. Data to measure performance and hold the college accountable for improvement are available through OFM's public four-year dashboard. Examples include:

- **Improving general degree production.** As noted above, students who graduate from Evergreen move from admission to degree very efficiently. The College could produce more degrees if we retained more students to graduation. Thirty percent of first-year students enrolled in fall quarter are not enrolled at Evergreen the following fall.** Evergreen has several initiatives designed to improve performance on this measure. In the first biennium, progress on this goal can be measured initially through student retention data. In future biennia, degree production data would demonstrate success.
- **Improving STEM/high demand degree production.** Evergreen has identified areas of unmet student demand in STEM/high demand fields. With investments in faculty and financial aid, the College can improve performance toward this goal. Success would be demonstrated through degree production data.

* Institutional data for Fall 2013

** Institutional data for Fall 2012

- Improving attainment of underrepresented students.** Evergreen makes a significant contribution to the state’s goals for increasing attainment of underrepresented students. With additional investment in targeted outreach and support for underrepresented minority, first-generation, and low-income students. Progress toward this goal can be measured initially through student enrollment data. Success would be demonstrated through degree production data.

<i>STATEWIDE ACHIEVEMENT GOAL</i>	<i>INSTITUTION METRICS</i>
Increase overall degree production	Undergraduate, first-year retention fall-to-fall Degrees awarded to underrepresented students (minority, non-traditional age, veterans) Total degrees awarded
Increase degree production in STEM/high demand areas	Total STEM/high demand degrees
Increase degree production for students from underrepresented groups	Enrollment of underrepresented student enrollment (minority, non-traditional age, veterans)

The University of Washington

Mission

The University of Washington educates a diverse student body to become responsible global citizens and future leaders through a challenging learning environment informed by cutting-edge scholarship. Discovery is at the heart of our university. We discover timely solutions to the world's most complex problems and enrich the lives of people throughout our community, the state of Washington, the nation and the world.

Areas of Strength

The UW strives to support the economic and social prosperity of our state by fostering an engaged citizenry prepared for meaningful, successful careers. The UW remains accessible to resident students, regardless of their income. With low tuition rates and strong financial aid policies, the UW is one of the best in the nation when it comes to promoting social mobility by enrolling, retaining, and graduating students who otherwise could not afford a high-quality college education. In addition, the UW is a national and international leader in research, medical advancements, and the development of new technologies. Apart from our research and public service missions, the UW attracts, retains, and graduates a significant share of the state's undergraduate and graduate students. Specific areas of strength include:

Undergraduate First-to-Second-Year Retention Rate: Over 90 percent of incoming freshmen return for their second year at UW. This is an excellent retention rate in line with peers and top public research institutions nationwide.

Six-Year Graduation Rate: Eighty percent of incoming freshmen graduate from the UW in six years; the UW's average time to degree is 4.3 years.

Focused areas of improvement

The UW is committed to serving an ever-growing population of economically and ethnically diverse students. Specifically, we think the UW is poised to help meet the state's goal of increasing the number of degrees awarded overall and in STEM/high demand fields. The UW is also positioned well to contribute to the state's goal of enrolling more low-income, first generation, and/or underrepresented minority students.

Data to measure performance and hold the UW accountable for improvement are available through OFM's public four-year dashboard.

- **Total Degrees Awarded:** The UW produces the majority share of Washington's public degrees. According to the OFM dashboard, in 2010-11, the UW awarded 51 percent of all public four-year degrees in Washington— 45 percent of bachelor degrees and 69 percent of graduate and professional degrees. The UW is in an ideal position to increase the number of degrees awarded given additional investment.
- **STEM/High Demand Degree Awards:** Using the definition of STEM provided by OFM, the UW increased annual production of STEM degrees at all levels by 48 percent over the last ten years, compared to an increase of 26 percent in all degrees awarded during the same time period. The UW awards 61 percent of the STEM/high-demand degrees produced by Washington's public four-year institutions – 54 percent of bachelor degrees and 74 percent of graduate and professional degrees. Given additional state investment, we can improve access and, ultimately, produce more degrees.

- STEM/High Demand Enrollments:** Using STEM/high demand enrollments as a metric allows us to ensure that we are on track to increase the number of STEM/high demand degrees awarded. In fall 2013, 22.4 percent of UW undergraduates and 20.3 percent of graduate students were pursuing at least one STEM major. Our ability to increase enrollment capacity in these fields without new investment is limited. However, additional state support would broaden that capacity and relieve compression.
- Low-Income, First-Generation Student Undergraduate Enrollment:** Last year, close to one-third of UW undergraduates received Pell Grant funding and 29 percent of all UW freshmen were the first in their families to attend college. In 2012-13, the UW increased the amount of aid available to low- and middle-income families by 41 percent, or \$18.5 million. Almost \$64 million from the UW went towards financial aid for low- and middle-income families and over 14,000 students received grant assistance to attend the UW. The UW has a record of attracting and graduating low-income and first generation students because of its robust financial aid programs and student support services.
- Underrepresented Minority Student Undergraduate Enrollment:** The UW is committed to access, equity, and inclusion. Since 1970, the number of underrepresented students enrolled at UW Seattle has more than tripled. Since 2006, that number has more than doubled at UW Tacoma and has increased fivefold at UW Bothell. ¹⁶ UW plans to continue this underrepresented minority student enrollment growth.

STATEWIDE ACHIEVEMENT GOAL

INSTITUTION METRICS

Increase overall degree production	Total degrees awarded
Increase degree production in STEM/high demand areas	Total STEM/high demand degrees STEM/high demand enrollments
Increase degree production for students from underrepresented groups	Low-income, first-generation student undergraduate enrollment Underrepresented minority student undergraduate enrollment

Washington State University

Mission

Washington State University is a public research university committed to its land-grant heritage and tradition of service to society. Our mission is threefold:

- To **advance** knowledge through creative research and scholarship across a wide range of academic disciplines.
- To **extend** knowledge through innovative educational programs in which emerging scholars are mentored to realize their highest potential and assume roles of leadership, responsibility, and service to society.
- To **apply** knowledge through local and global engagement that will improve quality of life and enhance the economy of the state, nation, and world.

Areas of Strength

As the state’s land grant research university, Washington State University has a physical presence in all 39 counties to bring research and instruction to the public it serves, increasing the state’s overall educational attainment. WSU also has a strong record in retention and graduation rates, and in transfer access and success.

WSU produces degrees at its main campus in Pullman, at its urban campuses in Vancouver, Spokane and the Tri-Cities and through satellite programs elsewhere in the state. Satellite programs meeting high employer and state demand include nursing programs in Walla Walla and Yakima and engineering programs in Bremerton and Everett. WSU also has been offering distance degrees to place-bound students and working adults across Washington since 1994 and now offers 18 different graduate and undergraduate degrees through the Global Campus.

Focused Areas of Improvement

WSU believes that its priority contribution to Washington’s higher education needs will be in producing more of the degrees so urgently needed by its residents and its economy. Therefore, WSU plans to focus its performance incentive efforts and resources on graduating more students with both baccalaureate and graduate degrees, graduating more students in STEM-based and health-related fields of study, graduating more students from underserved groups, and graduating more students who complete their degrees online.

STATEWIDE ACHIEVEMENT GOAL

Increase overall degree production

Increase degree production in STEM/high demand areas

INSTITUTION METRICS

- Total degrees
- Graduate degrees
- Degrees awarded to minority/low-income students
- Degrees awarded by online degree programs

STEM/high demand degrees

Western Washington University

Ranked as one of the nation's premier, undergraduate-centered universities, Western Washington University seeks to contribute to the incentive funding goals by sustaining its achievements in educational quality, rates of graduation, value, and operational efficiency, and by directing new performance funding to increase outputs in three clearly defined improvement areas.

Mission

Western Washington University serves the people of the State of Washington, the nation, and the world by bringing together individuals of diverse backgrounds and perspectives in an inclusive, student-centered university that develops the potential of learners and the well-being of communities.

Areas of Strength

In 2013, Western ranked first in the nation among public universities in its class for the number of its students who received prestigious Fulbright Fellowships and in the top 2% of all masters-granting universities, public and private, for the number of its graduates who went on to earn research doctorates. Rates of acceptance to graduate and professional schools were similarly strong, as was the representation of women among its STEM graduates (51%). These key indicators of educational quality were matched by overall rates of graduation—and rates of persistence and graduation for underserved students—that U.S. News and World Report, the Education Trust, and other transparency initiatives noted when ranking Western among the top universities in its class. Consistently ranked as one of Kiplinger's "100 Best Values in Public Colleges and Universities," Western was also recognized in 2013 by U.S. News and World Report as the state's only public institution to make its list of "highly ranked universities" that "operate most efficiently."

- High graduation rate
- Nationally-recognized quality of a WWU education
- University efficiency

Focused Areas of Improvement

Western will use its base funding to sustain these achievements in quality, success, value and efficiency, directing performance incentive funding so that we can provide the additional services and courses needed to accomplish the following:

- More access
- More high demand degrees
- More degrees awarded to underserved students

STATEWIDE ACHIEVEMENT GOAL

INSTITUTION METRICS

Increase overall degree production

Total number of degrees awarded

Degrees awarded to low-income students

Degrees awarded to underrepresented students
(minority, returning students, and veterans)

Increase degree production in
STEM/high demand areas

Degrees awarded in STEM/high demand fields

Enrollment in STEM/high demand fields

CITATIONS

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3. Government Management Accountability and Performance data, October 2012
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7. Help Wanted: Projections of Jobs and Education Requirements Through 2018. Georgetown Center on Education and the Workforce, August 2012.
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16. Office of Minority Affairs & Diversity, University of Washington. (2013, October 15). 2013-14 OMAD Fact Sheet. Retrieved from http://www.washington.edu/omad/files/2010/06/2013-OMAD_Factsheet_10-15-13.pdf

APPENDICES

APPENDIX A: Technical Incentive Funding Model Task Force Participants

Task Force Members

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APPENDIX B: Legislation

THIRD ENGROSSED SUBSTITUTE SENATE BILL 5034

Chapter 4, Laws of 2013 (partial veto)

63rd Legislature

2013 2nd Special Session

OPERATING BUDGET

EFFECTIVE DATE: 06/30/13

*NEW SECTION. Sec. 130. FOR THE OFFICE OF FINANCIAL MANAGEMENT

General Fund--State Appropriation (FY 2014)	\$18,414,000
General Fund--State Appropriation (FY 2015)	\$17,542,000
General Fund--Federal Appropriation	\$31,340,000
General Fund--Private/Local Appropriation	\$370,000
Economic Development Strategic Reserve Account--State Appropriation	\$289,000
Personnel Service Fund--State Appropriation	\$8,656,000
Data Processing Revolving Account—State Appropriation	\$6,015,000
Higher Education Personnel Services Account--State Appropriation	\$1,497,000
Performance Audits of Government Account--State Appropriation	\$4,000,000
TOTAL APPROPRIATION	\$88,123,000

The appropriations in this section are subject to the following conditions and limitations:

(1) The office of financial management shall prepare a report outlining alternative methods of procuring health benefits for home care workers, including individual providers and agency providers. In preparing the report, the office of financial management shall consult with the department of social and health services, representatives of individual home care providers, and agency home care providers. Along with a summary of the current method of providing benefits, the report must include an analysis of the policy and fiscal implications of accessing health benefits through the Washington health benefits exchange.

The report must also provide an analysis of a medicaid section 1115 waiver with the federal centers for medicare and medicaid services that would provide additional Medicaid matching funds for individual provider home care workers who are provided with health care benefits through a collective bargaining agreement negotiated with the state under chapter 74.39A RCW, but would otherwise be eligible for medicaid under the federal expanded eligibility provisions that take effect January 1, 2014.

The report must be submitted to the appropriate fiscal committees of the legislature by January 6, 2014.

(2) \$350,000 of the general fund--state appropriation for fiscal year 2014 is provided solely for implementation of Engrossed Second Substitute Senate Bill No. 5802 (greenhouse gas emissions). If the bill is not enacted by June 30, 2013, the amount provided in this subsection shall lapse.

(3) \$536,000 of the general fund--state appropriation for fiscal year 2014 is provided solely for a study of the state's medical and public assistance eligibility systems and infrastructure with the goal of simplifying procedures, improving customer service, and reducing state expenditures. The study must also examine which state entities play various roles in the eligibility and data verification processes in order to determine if eligibility processes can be further streamlined in light of changes related to the federal affordable care act. The study must identify how costs will be allocated between state and federal funding sources and options for maximizing federal participation. The office of financial management shall provide a report on its findings and recommendations to the relevant policy and fiscal committees of the legislature by January 1, 2014.

(4)(a) The legislature finds that the state's nationally recognized student achievement initiative has led to significant improvements at two-year institutions of higher education. With the goal of creating such efficiencies within the four-year institutions of higher education, the office of financial management shall convene, in coordination with the joint committee on higher education and the student achievement council, a technical incentive funding model task force to propose an incentive funding model for the four-year institutions of higher education. The model will provide new incentive funding to four-year institutions of higher education that demonstrate improvement on existing performance measures and control resident undergraduate tuition growth. Participation in the program is voluntary; however, funding appropriated for this program shall only be available to those institutions that have chosen to participate in the program.

(b) The task force must include the following members:

- (i) One representative from the student achievement council;
- (ii) One representative from the education data center created in 22 RCW 43.41.400; and
- (iii) One representative from each of the four-year institutions of higher education.

(c) The program shall include, but shall not be limited to:

- (i) A system for allocating new incentive funding to participating institutions based on an institution's:
 - (A) Performance in specific metrics;
 - (B) Control and reduction where possible of resident undergraduate and graduate tuition; and
 - (C) Efficient utilization of classrooms, laboratories, and online and other high technology instructional methods;
- (ii) A methodology for allocating funding for performance as specified in (c)(i)(A) of this subsection that is based on performance metrics reported in the accountability monitoring and reporting system established in RCW 28B.77.090 and that recognizes each institution's unique mission by measuring each institution's performance in these metrics against its past performance;
- (iii) A methodology for investing any unallocated incentive funds to the state need grant program created in chapter 28B.92 RCW to expand access to low-income and underserved student populations; and
- (iv) A methodology for establishing a baseline level of state funding that:

- (A) Fully supports the state's need for an increasing portion of its citizens to gain post-secondary education and qualifications;
 - (B) Recognizes the acute need of the state's high-technology economy for a sufficient number of graduates in high employer demand programs of study;
 - (C) Achieves a more equitable share of support between the state and students and their families; and
 - (D) Provides for funding enhancements based on demonstrated improvements in institutional performance within the educational achievement and tuition reduction incentive program.
- (d) The workgroup shall submit a final report containing an incentive funding model to the governor and higher education and fiscal committees of the legislature by December 31, 2013.

APPENDIX C: Other Metrics

Individual Return on Investment

The workgroup spent considerable time discussing post-graduation indicators. Indicators that track state and individual return on investment (ROI) for a four-year degree are useful data points for many stakeholders. The workgroup determined that it was premature to create a state structure for establishing and maintaining such comparisons when the federal government will be establishing its own collegiate ROI rankings. According to the New York Times, the federal government hopes to compile ratings by the start of the 2015-2016 school year and to link those ratings to federal aid by 2018.

Space Utilization

A subgroup met on space utilization and identified a number of continued challenges around measuring the effective use of class space. For example, lab space is often used informally by students in preparation for class, and increased utilization by faculty may decrease student access. The subgroup also found that utilization “hours” were not reflective of actual classroom use. This formula driven metric is a function of both hours of utilization and percentage of the seats used each hour.

Below is a technical report of findings by the subgroup on space utilization:

Understanding the Current Standards: There is a common misconception about the current classroom and lab standards. The 22 and 16 target numbers are referred to as hours, but this is a mathematical formula that quantifies the combination of “how often” and “how full” the rooms are. It does not mean that the standard for classrooms is that they only be used 22 hours per week or 16 hours per week for labs.

The utilization guidelines for classrooms (from the 1994 Facilities and Evaluation Planning Guide) illustrate the formula:

- The following guidelines are indicators of fullness in classroom facilities. Utilization levels that reach or exceed these levels on a campus-wide basis may signal a need for additional facilities to accommodate regularly scheduled classes.*
- Average Standard Room Use: 30 hours of scheduled weekday, daytime use per week. (Based on a 9-hour period beginning with the first hour for regularly scheduled classes).*
 - Average Standard Room Fullness: 60 percent of stations occupied during hours of scheduled daytime use.*
 - Average Weekly Hours Per Station: 18 hours of scheduled weekday, daytime use per station per week. (30 hours x 60 percent fullness = 18 hours per station.)*

As illustrated above, the original target was 18 until Fall of 1998 when it was increased to 20 “net” hours. It increased again in Fall of 2002 to the current 22 hour standard target (again it’s a number based on a formula and not equal to 22 hours of scheduled use per week).

There are several ways to calculate the targets. One example is: based on 9 hours per day X 5 days per week or a possible of 45 hours per week, you could get to the target by scheduling classrooms to be used at least 33 hours (of the available 45) per week with 67% (two-thirds) fullness = the 22 net standard. To derive this figures and determine fullness and frequency you have to have station counts (or contact hours data), for each room and the schedule for when the rooms are in use. That combination of data gets you to the net standard figures. You could also change if your institution was more likely to schedule more than 33 hours per week but with rooms less full.

Examples of other uses of classrooms and open labs and other educational spaces: Centrally scheduled class meetings are only one component of general classroom and laboratory usage. The hours per week of scheduled class use does not count non-scheduled instruction in those spaces such as class reviews, study periods, extra exams, special lectures or seminars, departmentally-sponsored classes, study groups, evening exams and graduate defenses.

As a required part of students' education at four year institutions, they use both scheduled classrooms and labs, conference rooms, the library and many other meeting spaces for academic-related group projects or study groups. Most are unscheduled and outside the formal lecture hours. Students at research universities spend hours in research labs working with faculty researchers as a major component of their graduate program requirements. There are many undergraduate programs now that also require students to spend time in research labs. These hours are typically not scheduled through a central scheduling system.

Previous capacity studies comparisons: Previous capacity studies measured and reported the research universities, four years' and community and technical colleges all together. Because of differing missions and types of education, it was comparing apples to oranges. Throw in emerging university branch campuses with targeted discipline areas (originally only upper division and graduate programs offered) and comparisons were less feasible.

Time spent in traditional classroom seats or labs is not the same among those types of institutions and conclusions drawn from the statistics may have been misleading. Each type of institution has a different mission which drives the kind of spaces needed and use of different spaces.

Branch campuses – as the state has expanded enrollment offerings, the branch campus build out means new buildings for accepting students. However, the campus buildings are not instantly full upon construction and until a few biennia ago the branches served only upper division and graduate programs. Depending upon the disciplines being taught, emphases may have been on lab capacity vs. lecture space capacity – space use related to the programs being offered there. It makes sense to report and review branch campus space capacity separately from main campuses.

Data to Measure Space Utilization: Schools are tracking average weekly hours of classroom usage and the number of seats filled. Data collected for the capital budget process are used for other purposes. Several are engaging faculty and departments to address the challenges of efficient space utilization. Some schools are setting higher standards for their own classroom and lab use than the levels in the capital budget process. Some are also working to implement policies for faculty office space.

Most schools find they have challenges with disproportionate space utilization. There are highly utilized buildings (often newer buildings) and other areas that are underutilized. Averaging space utilization across campus pulls up the statistics for the underutilized spaces. Maintaining the right "mix" of classroom sizes and locations is a constant challenge. This is probably true of teaching labs as well. As operating budgets grow and shrink and enrollment demand changes, the required size and number of classrooms changes. For example, multiple biennia of operating budget cuts means fewer faculty members and teaching assistants and in some disciplines that equates to larger section sizes and the need for larger teaching spaces. The majority of courses in the upper division, graduate and professional levels, however, cannot be taught in large section sizes so an inventory of smaller sized classrooms is always required as well. When the budget situation is stable, many courses previously forced by budget constraints into 200-300 seat classrooms are rescheduled for teaching in smaller section sizes.

The point is, universities have to maintain a good mix and balance of classroom and lab spaces, and their use in

any particular year is impacted by factors including the status of the operating budget, the availability of modern teaching equipment, current teaching pedagogy, proximity to other teaching spaces, etc. Classroom and teaching lab spaces cannot expand or shrink on demand quickly. Institutions have to carefully monitor usage and manage these spaces as conditions change. The Higher Education Coordinating Board (HECB) figures were set as “targets” to work toward but for a number of reasons, some of which are mentioned above, may or may not be attainable.