

# PUBLIC TESTIMONY SUMMARY

## I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

### Higher Education Performance-Based Funding (April 17, 2014)

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As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits  
on April 23, 2014

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#### **Title: Higher Education Performance-Based Funding**

#### **Audit Scope and Objectives:**

SAO reports that this audit sought to answer the following question:

What lessons can be learned from existing performance-based funding models to help inform policy deliberations in Washington?

SAO indicates that it researched 11 other states with performance-based funding systems for their four-year schools to determine the metrics they use to pursue specific policy goals, then compiled a list of the metrics other states use to measure performance. SAO then used this list to survey Washington's four-year schools to see if they collect the same or similar data.

#### **SAO Findings:**

- Performance funding systems vary widely between states;
- Most existing performance funding models are new or are undergoing change;
- Washington already collects the most common performance metrics;
- There is no one size fits all performance-based funding model.

#### **SAO Recommendations:**

Rather than making recommendations, the SAO audit identifies the following leading practices and lessons learned from its review of the 11 other states:

#### **Metrics**

- Address the quality of student education;
- Account for differences in the missions of participating schools;
- Ensure continued student access and equity;
- Recognize the importance of student progress and completion rates;

<b>Metrics</b> (continued)	
<ul style="list-style-type: none"> <li>• Identify and address potential unintended consequences of metrics;</li> <li>• Address comparability among institutions.</li> </ul>	
<b>Implementation</b>	
<ul style="list-style-type: none"> <li>• Keep the model simple and understandable;</li> <li>• Be aware of time needed to develop the model and for institutions to adjust to it;</li> <li>• Phase in the model to account for the possible lack of initial data;</li> <li>• Encourage and maintain participation of stakeholders;</li> <li>• Emphasize the shared goals and objectives of participating institutions;</li> <li>• Dedicate an amount of funding that encourages change but minimizes difficulty of transition;</li> <li>• Address and effectively communicate the technical details of funding to participating institutions.</li> </ul>	
<b>Agency Responses in Audit Report?</b>	Yes, beginning on page 18
<b>Legislative Action Requested?</b>	No

**Agencies Testifying:**

- The Office of Financial Management (Tracy Guerin, Deputy Director)
- The Council of Presidents (Cody Eccles, Associate Director)

**Summary of Testimony from Audited Agencies:**

We appreciate SAO’s effort to gather this information on the other 11 states. We also appreciate their acknowledging and reporting that Washington’s institutions already collect the most common metrics. These metrics and others are on the statewide public four-year dashboard on the OFM website.

This report creates a comprehensive overview of current practices. To that extent, it is a valuable tool to help get up to speed on performance funding and provide a useful framework for policy conversations. We do want to raise some technical and contextual issues. One technical issue is that a total funding amount for Washington given in the report includes funds that are outside of general fund dollars, including money for medical centers. Funding in the context of performance funding should be funds that affect the success of students.

There is a long history of performance-based initiatives in the state, as the audit notes. Something we do well in this state is the dashboard of performance metrics. Washington is considered a leader in providing open access to this information. The previous performance-based initiatives seemed to lack coordination and longevity; we would ask you to keep consistency in mind when making policy, as well as making use of the information already out there.

When you look at performance funding in other states, the issue is often one of high cost or low performance. Washington is quite the opposite, being the fifth best in the nation for graduation rates and the 49<sup>th</sup> in per-student funding. We need to tailor any performance funding policies to the strengths and challenges specific to Washington. We participated on the performance

funding task force last year that came up with eight recommendations for a solid performance funding plan. The SAO report is consistent with that. Please consider that effort when crafting policy. The biggest value in performance funding is opening up the conversation and making sure we are accountable with the things that you give us. Another important aspect is the connection of funding to outcomes of students. If the funding is not additive, this will have unintended consequences elsewhere in the institution. While there is always a drive for efficiency, you need to remember the recession and the cuts that have taken place at the institutions.

**Other Parties Testifying:**

Representative Larry Seaquist

**Summary of Testimony from Other Parties:**

This report is exceptionally useful and well done. The SAO staff worked carefully with legislators to structure the audit. Last year the Legislature chartered a task force that looked internally in the state at what our range of performance funding options were. The purpose of this audit was then to look outside the state to see what other states have been doing, so that we can put the information from the two pieces together. This is a valuable piece of work. We are already working with OFM to begin to apply these ideas, and I hope the Governor will be able to act on these ideas this year.