



STATE OF WASHINGTON

April 4, 2014

The Honorable Troy Kelley
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor Kelley:

Thank you for the opportunity to respond to the State Auditor's Office (SAO) performance audit report on "Higher Education Performance-Based Funding: A prospective analysis of systems in other states to inform options for public four-year higher education institutions in Washington." Washington's public baccalaureate colleges and universities worked with the Office of Financial Management (OFM) to provide a consolidated response.

We appreciate the SAO's efforts to provide a view of selected national practices in the higher education performance-based funding arena. The report complements the work done in the [Technical Incentive Funding Model Task Force Report](#) transmitted to the Legislature on December 31, 2013.

While the performance audit report references some of the state's performance and accountability efforts for the four-year institutions of higher education, it would be helpful to provide a more comprehensive context for policy and budget makers. During the past decade, these efforts have included:

- Higher Education Accountability Report (Higher Education Coordinating Board)
- Government Management Accountability & Performance (Governor Chris Gregoire)
- Performance agreements
- Performance plans
- Accreditation
- Performance Audit of Institutional Tuition-Setting Authority (Joint Legislative Audit and Review Committee)
- Performance Audit of Performance Incentive Funding (State Auditor's Office)
- Results Washington (Governor Jay Inslee)
- [Statewide Public Four-Year Dashboard](#) (OFM and public four-year sector) – Washington is a national leader for efforts to provide transparency and accountability through data.

We appreciate that the report points out that Washington already collects the most common performance metrics. However, it should be noted that most of the states which have adopted performance funding also have low-performing or expensive higher education systems.

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Washington's four-year system is high-performing and low-cost. Consequently, we want to learn from other states with an eye toward tailoring performance funding policies to strengths and challenges specific to Washington state. Policies also should focus on incentivizing high-performing institutions.

The report also points out that the Legislature budgeted nearly \$8.9 billion for public four-year schools in the 2013-15 biennium. However, this is inclusive of all funding sources – including the medical system – not just state general funds. To date, performance funding efforts for the public four-year schools have focused specifically on state General Fund allocations.

We appreciate that the SAO worked collaboratively with higher education staff to collect the information in this report and thank the performance audit team for its work.

Sincerely,



Paul Francis
Executive Director
Council of Presidents



David Schumacher
Director
Office of Financial Management

cc: Joby Shimomura, Chief of Staff, Office of the Governor
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