



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

March 15, 2023

Adoption of Policy R522, *Annual Performance Goal Setting and Funding Determination*

The Legislature will implement a new performance funding model for degree-granting institutions and technical colleges in the 2024 General Session. Institutions' performance-based appropriations for the Fiscal Year 2025 and beyond will depend on attainment of three performance metrics: annual goals in access, timely completion, and high-yield awards.

Utah Code section 53B-7-7, *Performance Funding*, establishes system-level five-year performance goals and requires the Board to adopt five-year and one-year performance goals for the system and institutions. The statute also requires the Legislature to determine the full new performance funding institutions are eligible for based on their shares of full-time equivalent enrollment and total state fund appropriations (i.e., budget size). The statute directs the Board of Higher Education to establish policy with relative weights for performance metrics and allows for institutions to receive a prorated amount of full new performance funding if they do not meet annual goals established by the Board.

The attached proposed policy provides Board requirements for the specification and approval of annual performance goals, along with details on metric weights and funding distributions. New performance funding will be equally weighted across each of the three performance metrics; a third of an institution's funding will depend on the system's attainment of the systemwide access goal, a third of its funding will depend on attainment of the school's timely completion goal, and a third of its funding will depend on attainment of the school's high-yield awards goal.

If the system does not attain its access goal, the access portion of funding for all institutions will be prorated based on the share of the goal the system attained. If an institution does not attain its individual timely completion and/or high-yield awards goals, those funding portions will be prorated based on the shares of the goals attained. If year-over performance decreases, the share of the goal attained will be zero.

If the system reaches its five-year access goal in the final year of the five-year performance period, all institutions will receive a third of their full new performance funding that year. If an institution reaches its five-year timely completion goal in the final year of the five-year performance period, it will receive a third of its full new performance funding that year. If an institution reaches its five-year high-yield awards goal in the final year of the five-year performance period, it will receive a third of its full new performance funding that year.

Unearned portions of full new performance funding will be set aside each year, with an opportunity for institutions to recoup the set-aside funding in later years within the five-year performance period pursuant to Utah Code section 53B-7-705(6)(g)(ii). Any unallocated portion of full new performance funding will be reallocated to institutions at the end of the five-year performance period pursuant to Utah Code section 53B-7-706(5)(a)(iii).

Commissioner's Recommendation

The Commissioner recommends the Committee adopt Policy R522, *Annual Performance Goal Setting and Funding Determination*, and forward it to the full Board for final approval.

Attachment



R522, Annual Performance Goal Setting and Funding Determination

R522-1 Purpose: To provide guidance on annual institution performance goal setting and a methodology for determining the amount of annual new performance funding institutions will receive.

R522-2 References

- 2.1** [Utah Code § 53B-7-705](#), Determination of Full New Performance Funding amount – Role of Appropriations Subcommittee – Program Review
- 2.2** [Utah Code § 53B-7-706](#), Performance Metrics for Institutions – Determination of Performance
- 2.3** [Utah Code § 53B-7-709](#), Five-year Performance Goals

R522-3 Definitions

- 3.1 “Actual Annual Performance”** means, in each year, the difference between a performance metric’s current value and its previous year value.
- 3.2 “Actual Five-year Performance”** means the difference between a performance metric’s value at the end of the five-year performance period and the beginning of the five-year performance period.
- 3.3 “Annual Performance Goals”** means the performance metric goals adopted annually by the Board of Higher Education for each institution and the system of higher education, measured as the difference between the desired metric value for the year and the previous year value.
- 3.4 “Five-year Performance Period”** is defined by [Utah Code section 53B-7-709\(1\)\(d\)](#).
- 3.5 “Five-year Performance Goals”** means the performance metric goals adopted by the Board of Higher Education for each institution and the System

of Higher Education, measured as the difference between the desired metric value at the end of the five-year performance period and beginning of the five-year performance period.

3.6 “Full New Performance Funding” means the maximum amount of new performance funding an institution qualifies for in a fiscal year, determined by the legislature under [Utah Code section 53B-7-705](#).

3.7 “Performance Metrics” means the metrics used to evaluate an institution’s performance and include access, timely completion, and high-yield awards.

R522-4 Annual Performance Goal Setting: An institution will submit its proposed annual performance goals to the Chief Economist and Chief Financial Officer of the Office of the Commissioner of Higher Education (“OCHE”) by March 2023 and every December 15th thereafter. Institutions shall propose annual performance goals that meet the following criteria:

- 4.1** The proposed annual performance goal is greater than or equal to zero; and
- 4.2** The proposed annual performance goal is sufficiently rigorous for achieving the institution’s five-year performance goal.

4.3 Board Adoption of Annual Performance Goals: By March 2023 and January 30 each year thereafter, the Board will adopt annual performance goals for each institution. The institution-proposed annual performance goals may differ from Board-adopted annual performance goals based on the Board’s assessment of how the institution-proposed annual performance goals meet the requirements of R522-4.1 and 4.2 or other considerations.

R522-5 Annual Performance Funding Award: The performance funding an institution will receive each fiscal year is dependent on the full new performance funding amount, actual performance, and annual performance goals.

- 5.1** If systemwide actual performance in access is equal to or exceeds the systemwide annual performance goal, all institutions will receive one third of their full new performance funding amount. If systemwide actual performance in

access is less than the systemwide annual performance goal, but greater than zero, each institution will receive an amount equal to the product of the share of the systemwide access performance goal achieved (actual performance divided by the performance goal for access) and one third of their full new performance funding amount. If systemwide actual performance in access is less than or equal to zero, and the systemwide annual performance goal is not met, one third of the systemwide full new performance funding will be withheld for the fiscal year.

5.2 For each of the performance metrics of timely completion and high-yield awards, if an institution's actual performance in the performance metric is equal to or exceeds its annual performance goal, it will receive one third of its full new performance funding amount. If an institution's actual performance in the performance metric is less than the institution's annual performance goal, but greater than zero, the institution will receive an amount equal to the product of the share of the performance goal it has achieved (actual performance divided by the performance goal for the performance metric) and one third of its full new performance funding amount. If an institution's actual performance in the performance metric is less than or equal to zero, and the institution's annual performance goal is not met, one third of the institution's full new performance funding will be withheld for the fiscal year.

5.3 Notwithstanding subsection 5.1, if the system meets or exceeds the system's five-year performance goal for access in the final year of the five-year performance period, all institutions will receive one third of their full new performance funding amount.

5.4 Notwithstanding subsection 5.2, for each of the performance metrics of timely completion and high yield awards, if an institution meets or exceeds the institution's five-year performance goal for the performance metric in the final year of the five-year performance period, the institution will receive one third of its full new performance funding amount.

R522-6 Unearned New Performance Funding: Unearned new performance funding shall be set aside and may be reallocated following Utah Code sections [53B-7-705\(6\)\(g\)\(ii\)](#) and [53B-7-706\(5\)\(a\)\(iii\)](#).