



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

January 4, 2023

Adoption of new Policy R5XX, *Annual Performance 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 § 53B-7-7, *Performance Funding*, 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 for equal weighting 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. Any unearned funds will be set aside and awarded if the institution receives its five-year performance goals.

Commissioner's Recommendation

The Commissioner recommends the Committee adopt Policy R5XX, *Annual Performance Funding Determination*, and forward to the full Board for final approval.

Attachment

R5XX, Annual Performance Funding¹

Determination

R5xx-1 Purpose: To provide a methodology for determining the amount of annual new performance funding institutions will receive.

R5xx-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

R5xx-3 Definitions

3.1 “Actual Performance” means, in each year, the difference between a performance metric’s current value and its 2021-22 value.

3.2 “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 2021-22 metric value.

3.3 “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-7-704](#).

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

¹ Adopted XXX. Consistent with statute, this policy will go into effect January 1, 2024.

R5xx-4 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.

4.1 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. Otherwise, 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.

4.2 If an institution's actual performance in timely completion is equal to or exceeds its annual performance goal, it will receive one third of its full new performance funding amount. Otherwise, the institution will receive an amount equal to the product of the share of the timely completion performance goal it has achieved (actual performance divided by the performance goal for timely completion) and one third of its full new performance funding amount.

4.3 If an institution's actual performance in workforce alignment is equal to or exceeds its annual performance goal, it will receive one third of its full new performance funding amount. Otherwise, the institution will receive an amount equal to the product of the share of the workforce alignment performance goal it has achieved (actual performance divided by the performance goal for workforce alignment) and one third of its full new performance funding amount.

R5xx-5 Unearned New Performance Funding: Any portion of full new performance funding that an institution does not receive will be set aside and awarded to the institution if the institution achieves its five-year performance goals at the end of the five-year performance period under Utah Code section 53B-7-709.