



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

October 4, 2024

Fiscal Year 2025-26 USHE Operating Budget Recommendation – Performance Funding

The Fiscal Year 2025-26 USHE operating budget request for performance funding was informed in consultation and discussion with the presidents, business vice presidents, and budget officers for each institution. Utah Code section [53B-7-7](#) and [Board Policy R522, Annual Performance Goal Setting and Funding Determination](#) establish the Board’s responsibilities over the administration of institution performance funding and corresponding goal setting.

FY 2026 New Performance Funding

\$20,000,000 Ongoing

Based on tentative projections for newly available state revenue, the Commissioner recommends \$20,000,000 in new USHE institution performance funding in FY 2026. By statute, \$16,000,000 of the request would be available to degree-granting institutions (80%), and \$4,000,000 would be available to technical colleges (20%). Within these two systems, each institution’s share of performance funding is determined by institution size as measured by full-time equivalent student (FTE) and appropriated budget. Since performance funding is fundamentally predicated on the economic and fiscal benefits that USHE institutions generate for the state, the Commissioner recommends that the \$20,000,000 be appropriated to the Performance Funding Restricted Account. From there, funding would be distributed to institutions conditional on the achievement of adopted academic year 2023-24 annual performance goals. Institutions that made partial progress toward adopted performance goals will qualify for prorated funding, while performance funding will be withheld from institutions that experienced a negative year-over change in performance. Withheld funding may be recovered in a future year if the institution meets or exceeds its current year performance goal target(s) as well as the performance goal target(s) that resulted in the initial withholding of funds.

Each institution’s academic year 2023-24 performance metric readings will be presented in the November 21 Board meeting, along with institution-earned shares of the \$20 million performance funding request amount.

Current Performance Funding Model

By statute, the current performance funding model requires no less than a three-percentage point increase in Utah high school graduates participating in the System (Access), no less than a three-

percentage point increase in timely completion within cohort-based student groups across the System (Timely Completion) and no less than a three-percentage point increase in high-yield graduates in the System (High-Yield) over the five-year performance period from July 1, 2022 to June 30, 2027. The five-year performance period covers academic years 2022-27 and fiscal years 2025-29. Importantly, the Board has also proposed ten-year performance goal targets that require ten percentage point increases in each of the three performance funding variables over ten years from July 1, 2022, to June 30, 2032; however, specific ten-year targets by institution have yet to be set.

Along with five-year performance goals, the Board must set annual performance goals for the System and institutions. Under [Board Policy R522](#), System and institution annual performance goal targets must be greater than or equal to zero relative to the previous year's performance and must be sufficiently rigorous to advance progress toward adopted five-year goal targets.

Performance funding variables are technically defined as follows:

- **Access:** The percentage of Utah State Board of Education graduates from the K-12 system who enroll in USHE institutions within three years of graduating high school. To support the objective of expanding access across all institutions, as opposed to incentivizing between-institution competition and possible unintentional crowd-out, the access performance goal targets are evaluated on a systemwide level.
- **Timely Completion:** The percentage of students who graduate within 1.5 times the length of a normal completion cycle, e.g., six years for a bachelor's degree and three years for associate degrees and technical certificates. Performance goal targets for timely completion are evaluated at the individual institution level.
- **High-Yield Graduates:** The percentage of students who graduate with degrees or awards that map to high-wage/high-demand jobs as defined by the Department of Workforce Services' biennial four-and-five-star jobs publication. By formula, increases in high-yield graduates will be captured as either the count of new high-yield graduates plus 2022 base year high-yield graduates over the count of new high-yield graduates plus all graduates in the 2022 base year, or the percentage point increase in high-yield graduates relative to the 2022 base year. Performance goal targets for high-yield graduates will be evaluated at the individual institution level.

Prior Year Eligible Amounts Based on Achieving Performance Goal Targets

General Session 2023 set-aside amounts for FY 2023-24 totaling \$3,566,000 and General Session 2024 set-aside amounts for FY 2024-25 totaling \$10,155,000 are available to be earned based on achieving goal targets in access, timely completion, and high-yield awards. See Attachment 3 for details by measure, year, and institution.

Commissioner Recommendation

The Commissioner recommends that the Board approve the request for \$20 million of new ongoing performance funding to be appropriated into the Performance Funding Restricted Account and allocated to institutions under the new performance funding model. The Commissioner further recommends that the Board approve the request for institutions to recover previously unearned performance funding based on metric readings available in the November 2024 Board meeting.

Attachments

Attachment 1 - FY 2026 New Performance Funding Allocation Table

Attachment 2 - FY 2026 New Performance Funding Initiatives

Attachment 3 - GS 2023 and GS2024