



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

March 24, 2023

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

The Utah 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. It 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 Board adopt Policy R522, *Annual Performance Goal Setting and Funding Determination*.

Attachment