



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

November 30th, 2023

Amendments to Policy R522, Annual Performance Goal Setting and Funding Determination

Board policy R522, *Annual Performance Goal Setting and Funding Determination* establishes the process for Board approval of institutional annual performance goals, the criteria to which proposed institutional performance goals must adhere, and the conditions for full, partial, or withholding of new annual performance funding awards. In an effort to codify current practice and allow for a performance measurement and goal-setting process that is more targeted to individual institution circumstances and strategic objectives, the Commissioner recommends the following amendments to policy R522 as informed by numerous discussions with institution presidents, business administrators, and analytics team members.

R522-4, *Annual Performance Goal Setting*: Suggested amendments to R522-4 would allow institutions that have met their five-year performance goals to propose negative year-over annual performance goals, so long as the proposed year-over annual performance goals are set to maintain performance that is greater than or equal to the five-year performance goal. The Utah Board of Higher Education may still adopt annual performance goals that differ from the institution-proposed annual performance goal based on the Board's assessment of how well the institution-proposed goals meet policy requirements or other considerations.

R522-6, *High-Yield Award Metric Calculation Election*: Suggested amendments to R522-6 would allow institutions to select one of two methods for measuring institution high-yield performance; one method requires increases in the proportion of high-yield graduates to all graduates while the other method requires increases in the count of high-yield graduates. Low or negative-growth institutions may benefit more from a proportional high-yield increase strategy, whereas more rapidly growing institutions with greater demands to produce non-high-yield awards may benefit from a nominal high-yield increase strategy. Importantly, the institution's high-yield award metric calculation election is a one-time irrevocable election against which all institution's current and future high-yield performance will be measured.

Commissioner's Recommendation

The Commissioner recommends the Board adopt the proposed amendments to R522, *Annual Performance Goal Setting and Funding Determination*.

Attachments



R522, Annual Performance Goal Setting and Funding Determination¹

R522-1 Purpose: This policy provides 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 Utah Board of Higher Education (“Board”) for each institution and for the Utah System of Higher Education (“USHE”), measured as the difference between the desired metric value for the year and the previous year value.

3.4 “Five-year Performance Goals” means the performance metrics goals adopted by the Board for each institution and for USHE, 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.

3.5 “Five-year Performance Period” is defined by Utah Code section 53B- 7-709(1)(d).

3.5 “Five-year Performance Goals” means the performance metrics goals adopted by the Board of Higher Education for each institution and the System of Higher Education, measured as the difference

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¹ Adopted March 24, 2023; amended XXX.

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 Goals

4.1 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 (“OCHÉ”) by ~~March 2023 and every December 15th thereafter~~ November 20th every year. Institutions shall propose annual performance goals that meet the following criteria:

4.1.1 ~~For metrics where cumulative actual annual performance with the five-year performance period is less than the five-year performance goal, the proposed annual performance goal is greater than or equal to zero, and~~ For metrics where cumulative actual annual performance within the five-year performance period is greater than or equal to the five-year performance goal, the proposed annual performance goal plus the cumulative actual annual performance within the five-year performance period is greater than or equal to the five-year performance goal.

4.1.2 The proposed annual performance goal is sufficiently rigorous for achieving the institution’s five-year performance goal.

4.2~~3~~ Board Adoption of Annual Performance Goals: By ~~December 15th every year~~ 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-subsection 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 High-Yield Award Metric Calculation

6.1 Election: By November 20th, 2023, each institution will select from the following high-yield metric calculation methods that best align with the institution's role, mission, and high-yield growth strategy:

6.1.1 Proportional High-Yield Growth: Where the numerator is the count of high-yield graduates and the denominator is the count of all qualifying graduates; or

6.1.2 Nominal High-Yield Growth: Where the numerator is the count of new high-yield graduates relative to the 2022 base year plus the 2022 base year count of high-yield graduates and the denominator is the count of all qualifying graduates in the 2022 base year plus the count of new high-yield graduates relative to the 2022 base year. In years where the count of new high-yield graduates is less than zero, new high-yield graduates equal zero.

6.2 Election Irrevocable: The high-yield award metric calculation election is a one-time irrevocable election against which the institution's current and future high-yield performance will be measured.

R522-76 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).

R522, Annual Performance Goal Setting and Funding Determination¹

R522-1 Purpose: This policy provides 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 Utah Board of Higher Education (“Board”) for each institution and for the Utah System of Higher Education (“USHE”), measured as the difference between the desired metric value for the year and the previous year value.

- 3.4 **“Five-year Performance Goals”** means the performance metrics goals adopted by the Board for each institution and for USHE, measured as the difference between the desired metric value at the end of the five-year performance period and the beginning of the five-year performance period.

- 3.5 **“Five-year Performance Period”** is defined by [Utah Code section 53B- 7-709\(1\)\(d\)](#).

¹ *Adopted March 24, 2023; amended XXX.*

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 Goals

4.1 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 November 20th every year. Institutions shall propose annual performance goals that meet the following criteria:

4.1.1 For metrics where cumulative actual annual performance within the five-year performance period is less than the five-year performance goal, the proposed annual performance goal is greater than or equal to zero. For metrics where cumulative actual annual performance within the five-year performance period is greater than or equal to the five-year performance goal, the proposed annual performance goal plus the cumulative actual annual performance within the five-year performance period is greater than or equal to the five-year performance goal.

4.1.2 The proposed annual performance goal is sufficiently rigorous for achieving the institution’s five-year performance goal.

4.2 Board Adoption: By December 15th every year, 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 subsection 4.1 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 High-Yield Award Metric Calculation

6.1 Election: By November 20th, 2023, each institution will select from the following high-yield metric calculation methods that best align with the institution's role, mission, and high-yield growth strategy:

6.1.1 Proportional High-Yield Growth: Where the numerator is the count of high-yield graduates and the denominator is the count of all qualifying graduates; or

6.1.2 Nominal High-Yield Growth: Where the numerator is the count of new high-yield graduates relative to the 2022 base year plus the 2022 base year count of high-yield graduates and the denominator is the count of all qualifying graduates in the 2022 base year plus the

count of new high-yield graduates relative to the 2022 base year. In years where the count of new high-yield graduates is less than zero, new high-yield graduates equal zero.

6.2 Election Irrevocable: The high-yield award metric calculation election is a one-time irrevocable election against which the institution's current and future high-yield performance will be measured.

R522-7 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\(5\)\(a\)\(iii\)](#).