



MEMORANDUM

August 10, 2023

Performance Funding

Background

Utah Code 53-7-7 and the Utah System of Higher Education (USHE) Board Policy R-522 establish USHE Board responsibilities over the administration of institution performance funding and corresponding goal setting. Pursuant to these laws and policies, the Board has set five-year and annual performance goals for the system and institutions consistent with the statutorily defined parameters of access, timely completion, and high-yield graduates. While some performance measure definitions vary by institution type, the current performance funding model contemplates both degree-granting and technical college performance, including differentiating performance targets within institutions that engage in both degree-granting and technical college missions (i.e., Utah State University, Salt Lake Community College, and Snow College)¹. By statute, degree-granting institutions are eligible for 80% of newly available performance funding, and technical colleges are eligible for 20% of newly available performance funding each year. Following the initial 80/20 allocation of performance funding by sub-system, individual institutions' maximum eligible share of new performance funding is determined by institution size (i.e., enrollment and appropriated budget). Finally, institution receipt of legislative appropriations for performance funding is contingent on meeting or exceeding goal targets across each of the three performance metrics (equally weighted) as adopted by the Board.

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 2022-2023 through 2026-2027 and fiscal years 2025 through 2029. 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 the ten-year period from July 1, 2022, to June 30, 2032; however, specific ten-year targets by institution have yet to be set.

¹ Independent degree-granting and technical college performance goal targets for these institutions will be initially established for academic year 2023-2024

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. In order 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. In 2022, systemwide Access measured 53.65%.
- **Timely Completion:** The percentage of students who graduate within 1.5 times the length of a normal completion cycle (e.g., 6 years for a Bachelor's degree and 3 years for Associate degrees and technical college certificates). Performance goal targets for Timely Completion are evaluated at the individual institution level. In 2022, systemwide Timely Completion measured 48.09%.
- **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 the count of High-Yield graduates relative to all graduates in the 2022 base year plus new High-Yield graduates. Performance goal targets for High-Yield Graduates will be evaluated at the individual institution level. In 2022, systemwide High-Yield Graduates measured 71.27%.

Annual Performance Funding Goals

Along with five-year performance goals, the Board must set annual performance goals for the system and institutions. According to USHE Board policy *R-522 Annual Performance Goal Setting and Funding Determination*, 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. In the event that the system or an institution makes partial progress toward established annual performance goal targets in a given year, appropriated performance funding may be awarded on a prorated basis. In the event that the system or an institution experiences a year-over-year decline in performance or otherwise fails to make progress toward established annual performance goal targets in a given year, appropriated performance funding may be 'earned back' if missed goals are met or exceeded in future years.

In its March 2023 meeting, the USHE Board adopted annual performance goal targets for the system and institutions for the academic year 2022-2023. Progress toward these performance goal targets will determine eligibility for the receipt of new performance funding appropriations in Fiscal Year 2025. Additionally, because Fiscal Year 2024 funding was appropriated to degree-granting institutions on a one-time basis, ongoing allocations of last year's performance funding appropriations may be distributed on the basis of academic year 2022-2023 performance².

² In academic year 2021-2022, three degree-granting institutions missed one or more performance goals as measured under the previous and now retired performance funding model. Consequently, during the 2023 General Session, performance funding was appropriated to degree-granting institutions on a one-time basis and ongoing to OCHE for reallocation in FY 2025.

Annual Performance Funding Goal Setting Timeline

By Board policy, institutions must submit proposed annual performance goal targets to the Office of the Commissioner of Higher Education (OCHE) by December 15 each year. The Board will subsequently review and adopt annual performance goals by January 30 each year. The Board's adopted annual performance goals may differ from the institution-proposed annual performance goals based on the Board's assessment of how well the proposed goals meet policy criteria or other considerations.

For annual and five-year performance goal targets, goal setting timelines, and performance funding allocations, see the attachment *UBHE Training – Performance Funding*. For a time series of performance measure readings by institution, see the Board Attainment Goal Progress Dashboard.

Attachments

[Board Attainment Goal Progress Dashboard](#)