

July 22, 2015

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: 2015-16 USHE Performance Funding Model and Allocations

Background

In 2013 the Utah Legislature provided \$1 million in one-time funds to incent Utah System of Higher Education (USHE) institutions to meet specific performance metrics that aid college completion. These metrics were subsequently adopted by the Board of Regents, and funding was awarded to institutions based on their performance on the metrics. Similarly, in 2014, the Legislature provided \$1.5 million in one-time money for performance funding. Metrics were adopted by the Board, and funding will be allocated to institutions based on their performance in July 2015 (as provided in Tab Q of this agenda).

In the spring of 2014 the Commissioner appointed a working group chaired by President Charles Wight, Weber State University, and including President David Pershing of the University of Utah and President Scott Wyatt of Southern Utah University, to develop a new performance funding model for implementation in 2015 and beyond. This working group considered models from other states as well as guiding principles articulated by the Commissioner. This model was reviewed by Council of Presidents between September 2014 and January 2015 and then presented to and approved by the Board of Regents on January 23, 2015 as a proposal to the Utah Legislature. As approved by the Board, this model focused on benchmarking institutions to national peer institutions, as defined by *The Carnegie Classification of Institutions of Higher Education*, with an emphasis on making progress or maintaining a position in the top third compared to peers on measures of timely completion, affordability, access, retention and degrees per FTE student.

This proposal was presented to the Legislature's Higher Education Appropriations Subcommittee; an alternative plan was presented by subcommittee co-chairs, Senator Stephen Urquhart and Representative Keith Grover and also considered by the subcommittee. While no formal votes were taken it was clear that the subcommittee's intent was that USHE follow their lead in developing a revised model that included the parameters outlined by the subcommittee co-chairs.

Also during the 2015 legislative session Senator Urquhart introduced Senate Bill 232, *Higher Education Performance Funding*, sponsored in the House by Representative Grover. The bill passed the Senate 27-0, and the House 71-1, and was signed into law by the Governor. The 2015 legislature also appropriated to the Board of Regents distribution to the institutions \$9 million to implement Performance Funding (\$2 million on-going and \$7 million one-time).

Since the conclusion of the legislative session in March 2015, the Commissioner and his staff have worked collaboratively with co-chairs Senator Urquhart and Representative Grover as well as USHE presidents to develop a model that met the requirements and intent of S.B. 232. The result is this proposed model and funding allocation for Fiscal Year 2015-16 which is supported by the co-chairs and USHE presidents.

Issue

Senate Bill 232 (2015) provides that the Board of Regents shall establish performance funding with the following metrics approved by the board:

- Degrees and certificates granted
- Services provided to traditionally underserved populations
- Responsiveness to workforce needs
- Institutional efficiency (Graduation Efficiency)
- Graduate research for research universities

Detailed descriptions of the metrics, methodology and proposed implementation are included in the attached document, "Proposed Performance Funding Model." Under this model, funding will be allocated to institutions based 50% on their share of USHE graduates, and 50% on their share of USHE state tax funding. This provides a further incentive for increasing each institution's share of graduates in the system, while also taking into account higher cost programs. At each institution Performance Funding will be divided and weighted among the four or five metrics as recommended by the Higher Education Appropriations Subcommittee. Funds earned and awarded are based on the outputs achieved for each metric using a five-year rolling average. The appropriated on-going funding (\$2 million) will be allocated before the one-time funding (\$7 million) on a proportionate basis. In addition to the \$9 million appropriated by the Legislature for performance funding, \$239,000 will be distributed which was carried forward from the 2014-15 performance model. For the Graduation Efficiency metric, institutions are benchmarked on a 5-year rolling average to their *Carnegie* peers at the 66th percentile (top third is the target to earn 100 percent of the allocation). Funds not earned will be redistributed to institutions on a one-time basis in proportion to their success in meeting identified metrics.

Under this model, in year two forward, institutions will need to demonstrate progress in order to receive 100 percent of their earned allocation. If institutions stay the same for a particular measure as in 2015-16 (defined as within a band of +/- 1 percent), or decrease in their 5-year rolling average, they will be awarded 95 percent of the amount earned. In order to obtain 100 percent of the amount earned the outputs must have improved by one percent or greater (using the five-year rolling average). This will be difficult to achieve but in the instances where it is achieved will demonstrate significant progress. It is also recognized that as the system gains further experience in implementing the model, additional improvements to the metrics or methodology may be made (and would come back to the Board for approval).

Attached is the following:

- Proposed Performance Funding Model
- Weighting Matrix of metric outputs - as considered by the Higher Education Appropriations Subcommittee (with modifications approved by the subcommittee co-chairs)
- Performance Funding Detail by Institution
- One-Time Reallocation of Unearned Funds and Total Earned Funds
- Senate Bill 232, *Higher Education Performance Funding*

Commissioner's Recommendation

The Commissioner recommends the Board of Regents approve the Performance Funding Model as described in the attached document. Further, it is recommended that the Board approve the following allocation of funds based on implementation of this model, for fiscal year 2015-16:

<u>University of Utah:</u>	<u>\$2,554,101</u>
<u>Utah State University:</u>	<u>\$1,912,256</u>
<u>Weber State University:</u>	<u>\$1,162,445</u>
<u>Southern Utah University:</u>	<u>\$ 442,566</u>
<u>Snow College:</u>	<u>\$ 258,121</u>
<u>Dixie State University:</u>	<u>\$ 472,765</u>
<u>Utah Valley University:</u>	<u>\$1,216,340</u>
<u>Salt Lake Community College:</u>	<u>\$1,220,406</u>
<u>Total</u>	<u>\$9,239,000</u>

It is also recommended that the Board direct that the funds be used by institutions to enhance performance including in the areas of number of graduates in total and in high market-demand areas, service to underserved populations, and improving retention and graduation rates. Institutional proposals for uses of these funds shall be reported in the November 2015 board meeting.

David L. Buhler
Commissioner of Higher Education

DLB
Attachment

SB 232, *Higher Education Performance Funding*, adopted in the 2015 Legislative Session, directs the Board of Regents to establish and implement Performance Funding metrics based on outcomes as defined by the Legislature and to incentivize and reward progress over time. This document outlines the allocations, metrics, definitions, and procedures for Performance Funding.

Performance Funding uses outcomes based on the most recently reported and available data (usually available the middle of the fiscal year following an academic year). For example, FY16 Performance Funding uses outcomes based on the 2013-14 academic year.

Performance Funding Allocation to Institutions

Funds are allocated to each institution based on a 50/50 weighting of:

1. Percentage share of total ongoing USHE state appropriations from the most recent fiscal year (2016).
2. Percentage share of total USHE degrees and certificates awarded for the most recent academic year that data is available (2013-14).

For FY 2016, the Legislature appropriated \$9 million to Performance Funding (\$2 million ongoing, \$7 million one-time). In addition, \$239,000 in one-time funds has been added as carryover from the previous performance funding model (FY 2013-14 and FY 2014-15). As funds are earned and distributed for 2015-16, the ongoing funds will be distributed first proportionately among institutions.

The following table provides the breakdown by institution if 100% of the funding were earned (as defined above) as well as individual allocations based on the agreed-upon metric weightings identified with the Higher Education Appropriations Subcommittee (HEAC) Co-Chairs. Ongoing and one-time funds to each institution are proportionally split: 78% one-time funds, 22% ongoing funds.

Institution	% of Total Appropriation	Total Allocation	Completions	Underserved Students	Market Demand	Graduation Efficiency	Research
<i>Metric Weighting</i>			25%	10%	10%	40%	15%
UU	27.79%	\$2,567,100	\$641,775	\$256,710	\$256,710	\$1,026,840	\$385,065
USU	21.01%	\$1,940,700	\$485,175	\$194,070	\$194,070	\$776,280	\$291,105
<i>Metric Weighting</i>			25%	15%	10%	50%	
WSU	12.10%	\$1,118,100	\$279,525	\$167,715	\$111,810	\$559,050	
SUU	4.58%	\$423,000	\$105,750	\$63,450	\$42,300	\$211,500	
DSU	5.13%	\$473,800	\$118,450	\$71,070	\$47,380	\$236,900	
UVU	14.27%	\$1,318,700	\$329,675	\$197,805	\$131,870	\$659,350	
SNOW	2.57%	\$237,600	\$59,400	\$35,640	\$23,760	\$118,800	
SLCC	12.56%	\$1,160,000	\$290,000	\$174,000	\$116,000	\$580,000	
Total	100.00%	\$9,239,000	\$2,309,750	\$1,160,460	\$923,900	\$4,168,720	\$676,170

Metric Definitions

SB 232, passed in 2015, defines the performance outcomes on which USHE institutions will be measured. Data will be taken from a 5-year period that culminates with the most recent academic year (2013-14). Working with the Co-Chairs of the HEAC, below are the definitions associated with each metric outlined in SB 232:

Metric	Definition
Completion	<ul style="list-style-type: none"> Total certificates, associate, bachelor's, master's, and doctorate awards as reported to the Integrated Postsecondary Education Data System (IPEDS). Awards are weighted according to weights reviewed by HEAC (http://le.utah.gov/interim/2015/pdf/00001151.pdf). This includes transfer students reported in the IPEDS Graduation Rate Survey for two-year institutions.
Underserved Students	<ul style="list-style-type: none"> Total number of students receiving Pell grant assistance according to the IPEDS Financial Aid Survey (1:1 value for all students). Note: USHE is exploring additional data to be collected from institutions to improve this definition by focusing on first-generation students served.
Market Demand	<ul style="list-style-type: none"> Assign classification of instructional program (CIP) codes to the corresponding top 10 "5-star" occupations requiring a college degree or certificate (as defined by the Utah Department of Workforce Services) & STEM degrees. "5 Star" Degree areas by CIP: <ul style="list-style-type: none"> 01) AGRICULTURE, AGRICULTURE OPERATIONS, AND RELATED SCIENCE 03) NATURAL RESOURCES AND CONSERVATION 11) COMPUTER AND INFORMATION SCIENCES AND SUPPORT SERVICES 14) ENGINEERING 15) ENGINEERING TECHNOLOGIES AND ENGINEERING-RELATED FIELDS 26) BIOLOGICAL AND BIOMEDICAL SCIENCES 27) MATHEMATICS AND STATISTICS 41) SCIENCE TECHNOLOGIES/TECHNICIANS 51) HEALTH PROFESSIONS AND RELATED PROGRAMS 13) EDUCATION. 46) CONSTRUCTION TRADES. 52) BUSINESS, MANAGEMENT, MARKETING, AND RELATED SUPPORT SERVICES
Graduation Efficiency	<ul style="list-style-type: none"> IPEDS 150% graduation rate - the number of students completing their program within 150% of normal time to completion (three-years for associate and six-years for bachelor's). The IPEDS Bachelor's Degree Cohorts were used for USHE research and regional institutions, Associate degrees and transfers are counted for USHE 2-year institutions. The <i>Earned Award</i> is based on the institution's percentile rank of its graduation rate in comparison with its national <i>Carnegie</i> defined peers, using five years of historical IPEDS graduation rate cohort data and computing a weighted five-year average. The top-third (>=66%) percentile rank among institution peers is the highest funding benchmark (100%). Example: if an institution's graduation rate is 40% and the peer 66th percentile benchmark is a 50% graduation rate, the institution's graduate rate is at 80% of the benchmark, thereby being awarded 80% of its <i>Available Allocation</i> for this metric.
Research (University of Utah, Utah State University only)	<ul style="list-style-type: none"> Data compiled by the <i>Center for Measuring University Performance (MUP)</i> provides the total federal research dollars (x1000) for each of the research colleges and universities in the United States. (http://mup.asu.edu/publications/MeasuringResearchPerformance.pdf).

Below is an explanation of terms used on the attached institution funding detail for FY16 for the following metrics:

COMPLETION, UNDERSERVED STUDENTS, MARKET DEMAND, RESEARCH

Dollar Multiplier

Ties the weighted performance metrics (Completion, Underserved Students, Market Demand, and Research) to corresponding funding allocations. The dollar multipliers will be updated annually and change proportionally based on amounts appropriated by the Legislature for Performance Funding.

Available Allocation

The funds available for a specific metric based on the current appropriation, distributed according to each metric's weighting.

Earned Units

Completion, Underserved Students, Market Demand, Research

The five-year historical average of the summed units earned in a specific metric, weighted according to the agreed-upon weighting rubric (e.g. four units per four-year degree awarded, one unit per certificate awarded). Attached is a spreadsheet showing the units and weighting.

Research

The total federal research dollars (x1000) for each of the research colleges and universities in the United States. (see Metrics above).

Potential Award

The total dollars an institution could conceivably earn within a specific metric. This often exceeds the dollars available based on funding, as it is based solely on the dollar multiplier and weighted units regardless of actual funding.

Earned Award

The amount of **actual** funds earned by an institution, within a specific metric, based on its performance and corresponding funded portion of that metric. The funded portion is the allocated amount of the institution's overall share of the total current appropriation to USHE, divided among the institution's metric weightings.

Percent Funded

The *Earned Award* as percentage of the *Available Allocation*.

Unearned Balance

The unearned funds within a specific metric become part of an overall one-time reallocation for each metric. The unearned funds are redistributed to all institutions based on each institution's portion of all funds awarded in each metric. For example, if an institution is awarded 50% of all funds awarded for the Completion metric, it would earn 50% of the overall unearned allocation for that metric.

Below is an explanation of terms used on the attached institution funding detail for FY16 for:

GRADUATION EFFICIENCY

Available Allocation

The funds available for a specific metric based on the current appropriation, distributed according to each metric's weighting.

Target Graduation Rate (top 3rd peers)

The calculated graduation rate of the 66th percentile of an institution's peers, as defined by the *Carnegie Classification of Institutions of Higher Education* (<http://carnegieclassifications.iu.edu/>).¹ The graduation rate data is from the Integrated Postsecondary Education Data System (IPEDS). This calculated rate is the benchmark graduation rate for an institution to receive 100% of its *Available Allocation* for the Graduation Efficiency metric.

Institution Graduation Rate

150% Graduation Rate as defined by the Integrated Postsecondary Education Data System (IPEDS): the number of students completing their program within 150% of normal time to completion (three-years for associates and six-years for bachelors). The Bachelor's degree seeking cohort is used for USHE research and regional institutions, the Associate degree seeking cohort is used for USHE 2-year institutions. Students who transfer are counted as a completion for 2-year institutions.

Earned Award

The proportional amount of an institution's *Available Allocation* earned based on the *Institution Graduation Rate* in relation to its *Target Graduation Rate* calculated as the 66th percentile of its Carnegie-defined peers. For example, if an *Institution Graduation Rate* is 40% and the *Target Graduation Rate (66th Percentile)* is 50%, the institution is at 80% of the 66th percentile, thereby awarding 80% of an institution's *Available Allocation*.

Percent of Target

Percentage of funding earned determined by the *Institution Graduation Rate* in proportion to the institution's corresponding *Target Graduation Rate*.

MEASURING YEAR-TO-YEAR OUTCOMES FOR COMPLETIONS, UNDERSERVED STUDENTS, AND MARKET DEMAND

FY16 - Baseline Year

If approved by the Board of Regents, FY16 will be used to define the appropriate benchmarks for the weighted units of each metric. FY16 Performance Funds will be allocated by August 31, 2015. The Dollar Multipliers are consistent across institutions for each metric to establish a baseline against which future progress will be measured.

Five-Year Rolling Average Measures Year-to-Year Progress

Each year beginning in 2015-16, a new five-year historical average for each metric will be used and then measured against the previous year's five-year historical average to determine outcomes in each metric. This rolling average (adding the most recent year's data and dropping the oldest year) is the output measure that determines the *Earned Award* for each metric.

FY17 and Beyond:

To anticipate the normal variability in outcome measures beyond any institution's control, a control band of +/- 1% of an institution's five-year rolling average for each metric is established to mitigate the effects of such short-run variations. Increases and decreases will be calculated using the percentage decrease from the previous year's earned units, with funding awarded using the *Dollar Multiplier* of the current year.

To encourage year-to-year progress beyond current efforts, an institution must increase its five-year rolling average of *Earned Units* by one percent (1%) or more annually. If the *Earned Units* of the most recent year are within the control band or less than the previous year's *Earned Units*, the *Actual Award* for that metric will be reduced by 5%. It is expected that with experience in implementing this model additional modifications may be made over time to fulfill the goals of SB 232.

SAFE HARBOR

If an institution is performing in the top 80% of its national peer institutions (as defined by the *Carnegie Classification of Institutions of Higher Education*) for the following metrics, then the institution will earn its full award for that metric as long as the institution maintains performance among the top 80%:

- *Completions*: IPEDS 150% Graduation Rate (Bachelor's Cohorts, 2-year Cohorts)
- *Underserved Students*: Percent of Undergraduate students receiving Pell Awards
- *Research*: Total Federal Research Dollars

Graduation Efficiency: An institution whose graduation rate exceeds the calculated benchmark (top one-third or above) will received 100% of its *Available Allocation*.

ATTACHMENTS:

- Weighting and Unit matrix approved by the Higher Education Appropriations Subcommittee for purposes of defining the *Potential Award* and measuring the *Earned Award* for the Completion, Underserved Students, and Market Demand metrics (with minor modifications agreed to by the Subcommittee Chairs).
- Proposed first year (FY16) Performance Funding allocation and award detail for each USHE institution.

ⁱ The Carnegie Peer classifications for each institution are as follows:

University of Utah, Public 4-year and above, Research Universities – very high research activity, excluding institutions affiliated with the American Association of Universities (38)

Utah State University, Public 4-year and above, Research Universities – high research activity, Land Grant (16)

Weber State University, Public 4-year and above, Master’s Colleges and Universities (medium programs) (60)

Southern Utah University, Public 4-year and above, Master’s Colleges and Universities (Larger programs)(163)

Snow College, Public 2-year Associate’s, Public Urban-Rural-Serving Medium (292)

Dixie State University, Public 4-year and above, Baccalaureate/Associate’s Colleges (25)

Utah Valley University, Public 4-year and above, Baccalaureate Colleges – Diverse Fields, limited to institutions that admit 90 percent or more of applicants. (21)

Salt Lake Community College, Public 2-year, Associate’s – Public Urban-serving Multi-campus (120)

Metric Weightings

As reviewed by the Higher Education Appropriations Subcommittee

	<u>UU, USU</u>		<u>WSU, SUU, UVU, DSU</u>		<u>Snow, SLCC</u>	
	<u>Per Unit</u>	<u>Weight</u>	<u>Per Unit</u>	<u>Weight</u>	<u>Per Unit</u>	<u>Weight</u>
		100%		100%		100%
Overall Persistence/Completion		25%		25%		25%
One-year certificate/30 SCH	0.50		1.00		1.00	
General Ed/Transfer					3.00	
Associate degree/60 SCH	2.00		2.00		3.00	
Bachelor's degree	4.00		4.00		4.00	
Master's degree	2.00		2.00			
Doctoral degree	4.00					
Subtotal Overall Degree Completion						
Underserved Population		10%		15%		15%
Certificates						
Associate degree	1.00		1.00		1.00	
Bachelor's degree	2.00		2.00		2.00	
Subtotal Underserved						
Market Demand		10%		10%		10%
Certificates	0.50		1.00		1.00	
Associate degree	2.00		2.00		3.00	
Bachelor's degree	4.00		4.00			
Master's degree	2.00		2.00			
Doctoral degree	4.00					
Subtotal Market Demand						
Graduation Efficiency		40%		50%		50%
Graduation Rate at 150%	2.00		2.00		2.00	
Subtotal Efficiency						
Research		15%		0%		0%
Research Grant \$ per FTE Tenured Faculty	2.00					
Subtotal Research						
Safe Harbor						
Top 20% compared to peers						

Performance Funding Detail by Institution

Research Universities							
	Completion	Underserved Students	Market Demand	Research	Graduation Efficiency		Total
<i>Weighting</i>	25%	10%	10%	15%	40%		100%
<i>Dollar Multiplier</i>	\$25.00	\$25.00	\$25.00	\$1.50			
University of Utah							
Available Allocation (27.79%)	\$ 641,775	\$ 256,710	\$ 256,710	\$ 385,065	Allocation	\$1,026,840	\$2,567,100
Earned Units (5-Yr Average)	26,168	7,129	11,273.4	410,392	Target Graduation Rate (top 3rd Peers)	66.14%	
Potential Award	\$ 654,188	\$ 178,235	\$ 281,835	\$ 615,588	Campus Graduation Rate	58.55%	
Safe Harbor	No	No	N/A	Yes (not applied)	Safe Harbor	N/A	
Earned Award	\$ 641,775	\$ 178,235	\$ 256,710	\$ 385,065	Earned Award (%target * Allocation)	\$ 909,039	\$2,370,824
Percent (%) Funded	100%	69%	100%	100%	Percent of Target	88.53%	92.4%
Unearned Balance	\$ 0	\$ 78,475	\$ 0	\$ 0	Balance	\$ 117,801	\$ 196,276
Utah State University							
Available Allocation (21.01%)	\$ 485,175	\$ 194,070	\$ 194,070	\$ 291,105	Allocation	\$ 776,280	\$1,940,700
Earned Units (5-Yr Average)	17,522	8,652	9,070.6	172,563	Target Graduation Rate (top 3rd Peers)	60.55%	
Potential Award	\$ 438,053	\$ 216,295	\$ 226,765	\$ 258,845	Campus Graduation Rate	53.60%	
Safe Harbor	No	Yes (not applied)	N/A	No	Safe Harbor	N/A	
Earned Award	\$ 438,053	\$ 194,070	\$ 194,070	\$ 258,845	Earned Award (%target * Allocation)	\$ 687,131	\$1,772,168
Percent (%) Funded	90%	100%	100%	89%	Percent of Target	88.52%	91.3%
Unearned Balance	\$ 47,123	\$ 0	\$ 0	\$ 32,261	Balance	\$ 89,149	\$ 168,532

Performance Funding Detail by Institution

Regional Universities						
	Completion	Underserved Students	Market Demand	Graduation Efficiency		Total
<i>Weighting</i>	25%	15%	10%	50%		
<i>Dollar Multiplier</i>	\$25.00	\$25.00	\$25.00			
Weber State University						
Available Allocation (12.10%)	\$ 279,525	\$ 167,715	\$ 111,810	Allocation	\$ 559,050	\$1,118,100
Earned Units (5-Yr Average)	13,171	6,859	7,979.6	Target Graduation Rate (top 3rd Peers)	46.87%	
Potential Award	\$ 329,275	\$ 171,480	\$ 199,490	Campus Graduation Rate	42.73%	
Safe Harbor	No	No	N/A	Safe Harbor	N/A	
Earned Award	\$ 279,525	\$ 167,715	\$ 111,810	Earned Award (%target * Allocation)	\$ 509,632	\$1,068,682
<i>Percent (%) Funded</i>	100%	100%	100%	<i>Percent of Target</i>	91.16%	95.6%
Unearned Balance	\$ 0	\$ 0	\$ 0	Balance	\$ 49,418	\$ 49,418
Southern Utah University						
Available Allocation (4.58%)	\$ 105,750	\$ 63,450	\$ 42,300	Allocation	\$ 211,500	\$ 423,000
Earned Units (5-Yr Average)	5,251	2,857	2,782.4	Target Graduation Rate (top 3rd Peers)	51.15%	
Potential Award	\$ 131,280	\$ 71,435	\$ 69,560	Campus Graduation Rate	47.23%	
Safe Harbor	No	Yes (not applied)	N/A		N/A	
Earned Award	\$ 105,750	\$ 63,450	\$ 42,300	Earned Award (%target * Allocation)	\$ 195,254	\$ 406,754
<i>Percent (%) Funded</i>	100%	100%	100%	<i>Percent of Target</i>	92.32%	96.2%
Unearned Balance	\$ 0	\$ 0	\$ 0	Balance	\$ 16,246	\$ 16,246

Performance Funding Detail by Institution

Regional Universities						
	Completion	Underserved Students	Market Demand	Graduation Efficiency		Total
<i>Weighting</i>	25%	15%	10%	50%		
<i>Dollar Multiplier</i>	\$25.00	\$25.00	\$25.00			
Dixie State University						
Available Allocation (5.13%)	\$ 118,450	\$ 71,070	\$ 47,380	Allocation	\$ 236,900	\$ 473,800
Earned Units (5-Yr Average)	4,438	4,027	1,914.8	Target Graduation Rate (top 3rd Peers)	47.19%	
Potential Award	\$ 110,945	\$ 100,685	\$ 47,870	Campus Graduation Rate	40.90%	
Safe Harbor	No	No	N/A	Safe Harbor	N/A	
Earned Award	\$ 110,945	\$ 71,070	\$ 47,380	Earned Award (%target * Allocation)	\$ 205,301	\$ 434,696
<i>Percent (%) Funded</i>	94%	100%	100%	<i>Percent of Target</i>	86.66%	91.7%
Unearned Balance	\$ 7,505	\$ 0	\$ 0	Balance	\$ 31,599	\$ 39,104
Utah Valley University						
Available Allocation (14.27%)	\$ 329,675	\$ 197,805	\$ 131,870	Allocation	\$ 659,350	\$1,318,700
Earned Units (5-Yr Average)	13,837	12,007	6,000.2	Target Graduation Rate (top 3rd Peers)	39.41%	
Potential Award	\$ 345,930	\$ 300,175	\$ 150,005	Campus Graduation Rate	27.81%	
Safe Harbor	No	No	N/A	Safe Harbor	N/A	
Earned Award	\$ 329,675	\$ 197,805	\$ 131,870	Earned Award (%target * Allocation)	\$ 465,205	\$1,124,555
<i>Percent (%) Funded</i>	100%	100%	100%	<i>Percent of Target</i>	70.56%	85.3%
Unearned Balance	\$ 0	\$ 0	\$ 0	Balance	\$ 194,145	\$ 194,145

Performance Funding Detail by Institution

Community Colleges						
	Completion	Underserved Students	Market Demand		Graduation Efficiency	Total
<i>Weighting</i>	25%	15%	10%		50%	
<i>Dollar Multiplier</i>	\$25.00	\$25.00	\$25.00			
Snow College						
Available Allocation (2.57%)	\$ 59,400	\$ 35,640	\$ 23,760		Allocation	\$ 118,800
Earned Units (5-Yr Average)	2,666	1,394	968.0		Target Graduation Rate (top 3rd Peers)	42.55%
Potential Award	\$ 66,660	\$ 34,840	\$ 24,200		Campus Graduation Rate	73.52%
Safe Harbor	<i>Yes (Not Applied)</i>	<i>No</i>	<i>N/A</i>		Safe Harbor	<i>N/A</i>
Earned Award	\$ 59,400	\$ 34,840	\$ 23,760		Earned Award (%target * Allocation)	\$ 118,800
<i>Percent (%) Funded</i>	100%	98%	100%		<i>Percent of Target</i>	100.00%
Unearned Balance	\$ 0	\$ 800	\$ 0		Balance	\$ 0
Salt Lake Community						
Available Allocation (12.56%)	\$ 290,000	\$ 174,000	\$ 116,000		Allocation	\$ 580,000
Earned Units (5-Yr Average)	11,512	9,599	3,398.0		Target Graduation Rate (top 3rd Peers)	36.63%
Potential Award	\$ 287,805	\$ 239,975	\$ 84,950		Campus Graduation Rate	36.10%
Safe Harbor	<i>No</i>	<i>No</i>	<i>N/A</i>		Safe Harbor	<i>N/A</i>
Earned Award	\$ 287,805	\$ 174,000	\$ 84,950		Earned Award (%target * Allocation)	\$ 571,579
<i>Percent (%) Funded</i>	99%	100%	73%		<i>Percent of Target</i>	98.55%
Unearned Balance	\$ 2,195	\$ 0	\$ 31,050		Balance	\$ 8,421
Unearned Allocation (to be reallocated based on performance)						
	Completion	Underserved Students	Market Demand	Research		Graduation Efficiency
	\$56,823	\$79,275	\$31,050	\$32,261		\$506,779
						Total
						\$706,187

One-time Reallocation of Unearned Funds

-and-

Total of All Earned Funds

One-time Reallocation of Unearned Funds

	Completion	Underserved Students	Market Demand	Graduation Efficiency	Research	One-time Total	% of One-time Total
Unearned Available:	\$ 56,823	\$ 79,275	\$ 31,050	\$ 506,779	\$ 32,261	\$ 706,187	
University of Utah	16,187	13,069	8,927	125,803	19,292	183,277	25.95%
Utah State University	11,048	14,230	6,749	95,093	12,968	140,088	19.84%
Weber State University	7,050	12,297	3,888	70,528	-	93,764	13.28%
Southern Utah University	2,667	4,652	1,471	27,021	-	35,812	5.07%
Dixie State University	2,798	5,211	1,648	28,412	-	38,069	5.39%
Utah Valley University	8,315	14,504	4,586	64,380	-	91,785	13.00%
Snow College	1,498	2,555	826	16,441	-	21,320	3.02%
Salt Lake Community College	7,259	12,758	2,954	79,101	-	102,072	14.45%
Total	\$ 56,823	\$ 79,275	\$ 31,050	\$ 506,779	\$ 32,261	\$ 706,187	100.00%

TOTAL (Earned + One-time Reallocation of Unearned)

	Completion	Underserved Students	Market Demand	Graduation Efficiency	Research	Total	% of Total
University of Utah	657,962	191,304	265,637	1,034,841	404,357	2,554,101	27.64%
Utah State University	449,101	208,300	200,819	782,224	271,813	1,912,256	20.70%
Weber State University	286,575	180,012	115,698	580,160	-	1,162,445	12.58%
Southern Utah University	108,417	68,102	43,771	222,276	-	442,566	4.79%
Dixie State University	113,743	76,281	49,028	233,713	-	472,765	5.12%
Utah Valley University	337,990	212,309	136,456	529,585	-	1,216,340	13.17%
Snow College	60,898	37,395	24,586	135,241	-	258,120	2.79%
Salt Lake Community College	295,064	186,758	87,904	650,680	-	1,220,406	13.21%
Total	\$ 2,309,750	\$ 1,160,460	\$ 923,900	\$ 4,168,720	\$ 676,170	\$ 9,239,000	100.00%

HIGHER EDUCATION PERFORMANCE FUNDING

2015 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Stephen H. Urquhart

House Sponsor: Keith Grover

LONG TITLE

General Description:

This bill amends and enacts provisions related to higher education funding.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ amends provisions related to mission based funding for higher education

institutions;

- ▶ directs the State Board of Regents to establish performance funding for higher education institutions;

▶ requires the State Board of Regents and higher education institutions to annually report to the Higher Education Appropriations Subcommittee on the use of performance funding; and

- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

53B-7-101, as last amended by Laws of Utah 2011, Chapter 73

Be it enacted by the Legislature of the state of Utah:

30 Section 1. Section 53B-7-101 is amended to read:

31 **53B-7-101. Combined requests for appropriations -- Board review of operating**
32 **budgets -- Submission of budgets -- Recommendations -- Hearing request --**
33 **Appropriation formulas -- Allocations -- Dedicated credits -- Financial affairs.**

34 (1) As used in this section:

35 (a) (i) "Higher education institution" or "institution" means an institution of higher
36 education listed in Section 53B-1-102.

37 (ii) "Higher education institution" or "institution" does not include the Utah College of
38 Applied Technology.

39 (b) "Research university" means the University of Utah or Utah State University.

40 ~~[(+)]~~ (2) (a) The board shall recommend a combined appropriation for the operating
41 budgets of higher education institutions for inclusion in a state appropriations act.

42 (b) The board's combined budget recommendation shall include:

43 (i) employee compensation;

44 (ii) mandatory costs, including building operations and maintenance, fuel, and power;

45 (iii) mission based funding described in Subsection ~~[(2)]~~ (3);

46 (iv) performance funding described in Subsection (4);

47 ~~[(iv)]~~ (v) statewide and institutional priorities, including scholarships, financial aid,
48 and technology infrastructure; and

49 ~~[(v)]~~ (vi) unfunded historic growth.

50 (c) The board's recommendations shall be available for presentation to the governor
51 and to the Legislature at least 30 days prior to the convening of the Legislature, and shall
52 include schedules showing the recommended amounts for each institution, including separately
53 funded programs or divisions.

54 (d) The recommended appropriations shall be determined by the board only after it has
55 reviewed the proposed institutional operating budgets, and has consulted with the various
56 institutions and board staff in order to make appropriate adjustments.

57 ~~[(2)]~~ (3) (a) The board shall establish mission based funding.

- 58 (b) Mission based funding shall include:
- 59 (i) enrollment growth; and
- 60 (ii) up to three strategic priorities.
- 61 (c) The strategic priorities described in Subsection ~~[(2)]~~ (3)(b)(ii) shall be:
- 62 (i) approved by the board; and
- 63 (ii) designed to improve the availability, effectiveness, or quality of higher education in
- 64 the state.

65 ~~[(d) When recommending an allocation of mission based funding to a~~
66 ~~doctorate-granting university, as defined by the board, or Southern Utah University, the board~~
67 ~~shall place greater emphasis on the university's fulfillment of the strategic priorities described~~
68 ~~in Subsection (2)(b)(ii).]~~

69 ~~[(e) Notwithstanding Subsection (2)(d), the board may allocate funding for a modest~~
70 ~~amount of growth to doctorate-granting institutions and Southern Utah University.]~~

71 ~~[(f)]~~ (d) Concurrent with recommending mission based funding, the board shall also
72 recommend to the Legislature ways to address funding any inequities for institutions as
73 compared to institutions with similar missions.

- 74 (4) (a) The board shall establish performance funding.
- 75 (b) Performance funding shall include metrics approved by the board, including:
- 76 (i) degrees and certificates granted;
- 77 (ii) services provided to traditionally underserved populations;
- 78 (iii) responsiveness to workforce needs;
- 79 (iv) institutional efficiency; and
- 80 (v) for a research university, graduate research metrics.

- 81 (c) The board shall:
- 82 (i) award performance funding appropriated by the Legislature to institutions based on
83 the institution's success in meeting the metrics described in Subsection (4)(b); and
- 84 (ii) reallocate funding that is not awarded to an institution under Subsection (4)(c)(i)
85 for distribution to other institutions that meet the metrics described in Subsection (4)(b).

86 ~~[(3)]~~ (5) (a) Institutional operating budgets shall be submitted to the board at least 90
87 days prior to the convening of the Legislature in accordance with procedures established by the
88 board.

89 (b) Funding requests pertaining to capital facilities and land purchases shall be
90 submitted in accordance with procedures prescribed by the State Building Board.

91 ~~[(4)]~~ (6) (a) The budget recommendations of the board shall be accompanied by full
92 explanations and supporting data.

93 (b) The appropriations recommended by the board shall be made with the dual
94 objective of:

95 (i) justifying for higher educational institutions appropriations consistent with their
96 needs, and consistent with the financial ability of the state; and

97 (ii) determining an equitable distribution of funds among the respective institutions in
98 accordance with the aims and objectives of the statewide master plan for higher education.

99 ~~[(5)]~~ (7) (a) The board shall request a hearing with the governor on the recommended
100 appropriations.

101 (b) After the governor delivers his budget message to the Legislature, the board shall
102 request hearings on the recommended appropriations with the appropriate committees of the
103 Legislature.

104 (c) If either the total amount of the state appropriations or its allocation among the
105 institutions as proposed by the Legislature or its committees is substantially different from the
106 recommendations of the board, the board may request further hearings with the Legislature or
107 its appropriate committees to reconsider both the total amount and the allocation.

108 ~~[(6)]~~ (8) The board may devise, establish, periodically review, and revise formulas for
109 its use and for the use of the governor and the committees of the Legislature in making
110 appropriation recommendations.

111 ~~[(7)]~~ (9) (a) The board shall recommend to each session of the Legislature the
112 minimum tuitions, resident and nonresident, for each institution which it considers necessary to
113 implement the budget recommendations.

114 (b) The board may fix the tuition, fees, and charges for each institution at levels it finds
115 necessary to meet budget requirements.

116 ~~[(8)]~~ (10) (a) Money allocated to each institution by legislative appropriation may be
117 budgeted in accordance with institutional work programs approved by the board, provided that
118 the expenditures funded by appropriations for each institution are kept within the
119 appropriations for the applicable period.

120 (b) A president of an institution shall:

121 (i) establish initiatives for the president's institution each year that are:

122 (A) aligned with the strategic priorities described in Subsection ~~[(2)]~~ (3); and

123 (B) consistent with the institution's mission and role; and

124 (ii) allocate the institution's mission based funding to the initiatives.

125 ~~[(9)]~~ (11) The dedicated credits, including revenues derived from tuitions, fees, federal
126 grants, and proceeds from sales received by the institutions are appropriated to the respective
127 institutions and used in accordance with institutional work programs.

128 ~~[(10)]~~ (12) Each institution may do its own purchasing, issue its own payrolls, and
129 handle its own financial affairs under the general supervision of the board.

130 ~~[(11)]~~ (13) (a) If the Legislature appropriates money in accordance with this section, it
131 shall be distributed to the ~~[State Board of Regents]~~ board and higher education institutions to
132 fund the items described in Subsection ~~[(1)]~~ (2)(b).

133 (b) During each general session of the Legislature following a fiscal year in which the
134 Legislature provides an appropriation for mission based funding or performance funding, the
135 board and institutions shall report to the Legislature's Higher Education Appropriations
136 Subcommittee on the use of the previous year's mission based funding~~[-]~~ and performance
137 funding, including performance outcomes relating to the strategic initiatives approved by the
138 board.