



July 25, 2019

USHE – Changes to Performance Funding

Current Performance Funding Model:

Utah Performance Funding as defined in Utah code 53B-7-705 consists of seven principle parts:

1. **Measures:** The Legislature determines and defines five performance metrics codified in statute:
 - a. *completion*, measured by degrees and certificates awarded;
 - b. *completion by underserved students*, measured by degrees and certificates awarded to underserved students;
 - c. *responsiveness to workforce needs*, measured by degrees and certificates awarded in high market demand fields;
 - d. *institutional efficiency*, measured by degrees and certificates awarded per full-time equivalent student; and
 - e. *for a research university, research*, measured by total research expenditures.
2. **Weight:** The Legislature delegates authority to the Board of Regents to set weights for each of the five measures, except that “responsiveness to workforce needs” must be weighted 25 percent or higher.
3. **Appropriation:** The Legislature appropriates funds to the System in two ways:
 - a. Tax revenue generated by growth in targeted jobs defined by the Legislature in 53B-7-703
 - b. General appropriations of the legislature
4. **Allocation:** By statute, all funds appropriated by the Legislature for performance funding are allocated proportionately to each USHE institution based on a combination of student FTE enrollment (50 percent) and state appropriations (50 percent)
5. **Progress:** The Legislature defines performance measure progress as a one percent improvement over a five-year average of each of the five statutory measures. The Office of the Commissioner compiles the data and reports the results of institutional progress each year.
6. **Award:** Institutions receive their full allocation if the institution’s progress meets or exceeds 1 percent. The institution receives no funds for zero or negative progress and receives a proportionate amount of the allocation if progress is between zero and one percent.
7. **Balance:** If an institution does not receive the full allocation, unawarded funds are reallocated among all of the USHE institutions.

The following table shows institutional performance under the current model for the last three years:

	Completion	Underserved	Workforce	Efficiency	Research
UU FY20 1% Progress	3.2%	150.5%	5.2%	4.2%	3.2%
UU FY19 1% Progress	4.4%	147.2%	13.3%	11.8%	1.4%
UU FY18 1% Progress	1.5%	0.1%	3.9%	2.8%	1.1%
USU FY20 1% Progress	8.9%	82.4%	8.1%	3.9%	6.3%
USU FY19 1% Progress	9.0%	102.2%	7.7%	11.7%	1.8%
USU FY18 1% Progress	3.4%	0.4%	3.6%	2.9%	4.0%
WSU FY20 1% Progress	5.1%	94.9%	11.4%	4.1%	
WSU FY19 1% Progress	6.1%	117.3%	12.3%	2.3%	
WSU FY18 1% Progress	4.0%	-0.9%	3.7%	8.2%	
SUU FY20 1% Progress	19.3%	149.5%	17.5%	19.7%	
SUU FY19 1% Progress	22.3%	165.8%	2.3%	8.9%	
SUU FY18 1% Progress	-1.0%	-2.7%	-6.6%	0.1%	
DSU FY20 1% Progress	7.8%	40.3%	14.0%	-8.5%	
DSU FY19 1% Progress	6.4%	29.7%	15.5%	-7.9%	
DSU FY18 1% Progress	2.5%	-4.6%	0.9%	-0.2%	
UVU FY20 1% Progress	17.0%	134.4%	25.2%	8.2%	
UVU FY19 1% Progress	2.5%	105.4%	5.5%	-3.0%	
UVU FY18 1% Progress	4.1%	-1.9%	3.5%	6.4%	
Snow FY20 1% Progress	28.9%	59.5%	-14.1%	8.2%	
Snow FY19 1% Progress	16.5%	64.3%	71.9%	0.8%	
Snow FY18 1% Progress	2.6%	0.2%	-4.8%	-0.5%	
SLCC FY20 1% Progress	2.6%	107.5%	17.1%	28.4%	
SLCC FY19 1% Progress	20.2%	174.2%	-41.3%	62.8%	
SLCC FY18 1% Progress	1.5%	-4.1%	1.4%	1.6%	

While the previous measures required by statute have provided incentive for USHE institutions to improve, institutional achievements vary significantly due to institutional mission and are often magnitudes of scale beyond the one percent progress level. A more flexible and robust system of measurement and accountability would improve the model.

Proposed Performance Funding Model:

The Commissioner recommends the following changes to the performance funding model, which will require legislation:

- Instead of measures defined and set in statute by the Legislature, allow the Board of Regents to set System-wide goals in key areas:
 - Timely Completion
 - Responsiveness to Workforce Needs
 - Utah College Going Rate
- Allow the Board of Regents to work with institutions to set individual institutional five-year goals corresponding to the System’s five-year goals as well as in two additional goals chosen by the institution (from a prescribed list).
- Instead of using one percent “progress” as the method to award institution’s their proportion of the performance funding allocation, empower the Board of Regents to work with institutions to set annual performance goals and award the allocation proportionate to the accomplishment of those annual goals (with a minimum performance threshold specified).

The Board would have the responsibility to ensure that both the institutional five-year goals and the annual institutional goals are sufficiently rigorous and align with the System goals.

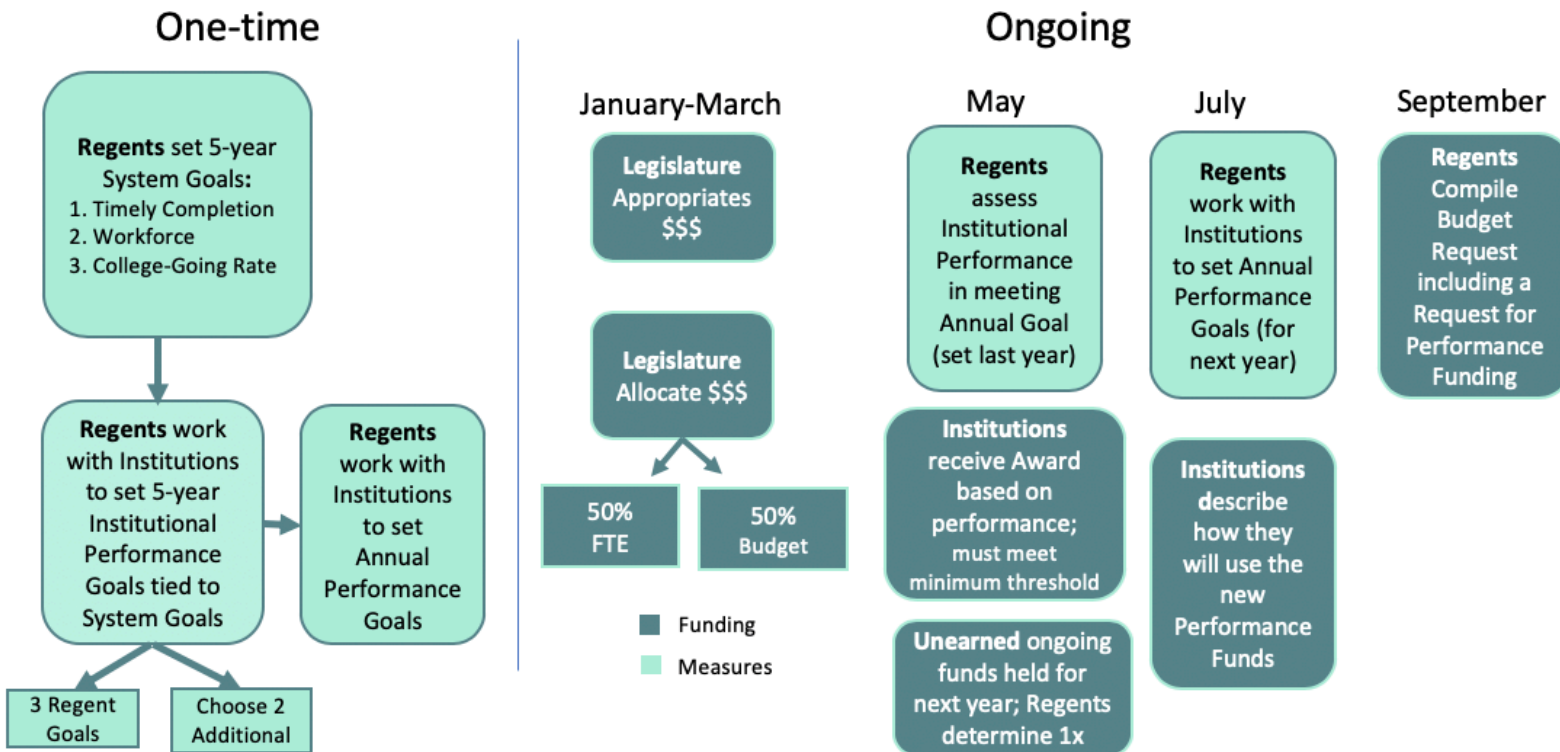
Commissioner's Recommendations

This is a discussion item only; no action is required.

Attachment

Proposed Changes to Performance Funding

Change to Model	No Change
1. Measures: Regent defined system and institutional goals within broad legislative categories	2. Weighting
5. Progress: redefined as meeting or exceeding annual institutional goals	3. Appropriation
6. Award: proration of allocation based on meeting annual institutional goals	4. Allocation
7. Balance: unearned allocation held in reserve for one year to be earned for second year performance	



ISSUE BRIEF

Current Performance Funding Model

There are seven parts to the USHE Performance Funding metrics diagrammed in the illustration below:

1. **Measures:** Legislature sets 5 performance metrics; Regents define detail of “underserved” and “market demand”
2. **Weight:** Regents assign weights to the measures; Legislature requires Market Demand to be weighted at least 25%
3. **Appropriation:** Legislature appropriates funds for performance funding
4. **Allocation:** Legislature allocates the appropriation proportionately to USHE institutions: 50% based on budget and 50% on student FTE
5. **Progress:** Legislature defines progress at meeting performance as a 1% improvement over a 5-year average
6. **Award:** Legislature: Institutions receive 100% of their allocation if they have 1% positive progress or more; \$0 if progress is negative
7. **Balance:** The balance of funds not awarded to an institution is reallocated to other institutions

	Completion	Underserved Students	Market Demand	Research	Awards per FTE	Total	
							1. Measures
2. Weight	Weighting	15%	10%	25%	10%	40%	100%
University of Utah							
	Available Allocation (20.31%)	\$1,175,820	\$ 783,880	\$1,950,700	\$ 783,880	\$3,135,520	\$7,838,800
							3. Appropriation 4. Allocation
5. Progress	1% Progress Measure (increase/decrease)	3.16%	150.46%	5.15%	4.22%	3.17%	
	Actual Award within Available Allocation	\$1,175,820	\$ 783,880	\$1,950,700	\$ 783,880	\$3,135,520	\$7,838,800
	Percent (%) Funded	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
7. Balance	Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
							6. Award