January 14, 2021

Performance Funding Revisions

Over the last decade, the State Legislature appropriated funds to both degree-granting institutions and technical colleges for performance. The 2019 legislative session saw a significant increase in performance funding from an average of $4.5 million annually to $31.5 million. Performance funding is likely to become a significant portion of the annual USHE legislative appropriation in the foreseeable future. While the performance funding model has evolved over time, there is an opportunity to further refine the model to ensure transparency, fairness, and accountability in meeting System and institutional goals.

While the previous measures required by statute provided incentive for USHE institutions to improve, institutional achievements vary significantly due to institutional mission and are often magnitudes of scale beyond the 1% progress level required by statute. A more flexible and robust system of measurement and accountability would improve the model.

The Commissioner’s office is working with the UT Legislature to amend the current performance funding model to align with the Board’s work on the statewide attainment goals focused on three pillars: Equitable Access, Purposeful Pathways, and High-Yield Awards. The performance progress in the current model would be replaced by five-year and annual institutional goals aligned with the System’s five-year and ten-year goals. The Board would be given greater flexibility to work with institutions and their boards of trustees to set and achieve meaningful goals for which the Legislature would award performance funding. The attached diagram provides more information on the proposed changes to the performance funding model.

Commissioner’s Recommendation
This is a discussion item only; no action is required.

Attachment:
### 5-Year Goal Setting and Performance Award

**Year Goal Setting and Performance Award**

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<tr>
<td><strong>Board</strong> outlines 5-year System goals: 1. Equitable Access 2. Purposeful Pathways 3. High-Yield Awards</td>
<td><strong>Legislative Committee</strong> Reviews progress on System &amp; institution 5-year goals</td>
<td><strong>Board</strong> refines &amp; approves System &amp; institutional 5-year goals</td>
<td><strong>Legislature</strong> approves System &amp; institutional 5-year goals</td>
<td><strong>Board</strong> awards 5-Year performance funding to institutions that meet 5-year goals</td>
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- Trustees & Board work with institutions to set 5-year institutional goals
- USHE data (academic year 20-21) available to set goals
- Trustees work with institutions to set annual performance goals
- Board approves annual institution performance goals
- Legislative Committee reviews System & institution performance and goals
- USHE data (academic year 21-22) available to evaluate goal
- Legislative Committee approves System & institutional performance and goals

### Annual Goal Setting and Evaluation

*Goals set in 2022 for funding beginning July 1, 2023 (FY 2024)*

- Nov. 2021...
- March 2022...
- May 2022...
- Oct. 2022...
- Nov. 2022...
- May 2023...

- **USHE data** (academic year 20-21) available to set goals
- **Trustees** work with institutions to set annual performance goals
- **Board** approves annual institution performance goals
- **Legislative Committee** reviews System & institution performance and goals
- **USHE data** (academic year 21-22) available to evaluate goal
- **Board** reviews annual System and institutional performance and goals

### Annual Performance Funding Awards

*Legislature begins funding new model during 2023 G.S. for FY 2024 budgets*

- Sept. 2022...
- Jan. – March 2023...
- May 2023...
- July 2023...

- **Board** compiles budget request for performance funding including uses
- **Legislature** appropriates and allocates $$$
- 85% Degree
- 15% Tech Ed.
- 50% FTE
- 50% Budget
- 50% Member
- 50% Budget
- **Board** awards performance funding
- Unearned ongoing funds held in reserve for 5-year goals; **Board** determines 1x uses
- **Institutions** report uses of awarded performance funds based on metrics from 2021-22 academic year