



HIGHER EDUCATION PERFORMANCE-BASED FUNDING BACKGROUND

HIGHER EDUCATION
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ISSUE BRIEF

SUMMARY

This brief is designed to give the Committee some background information on the current Performance-Based Funding Program and its development over the past 6 years.

OBJECTIVE

The purpose of Performance-Based Funding is to encourage institutions to improve in the above-mentioned areas by providing a funding reward to them upon meeting specific goals.

DISCUSSION AND ANALYSIS

Performance funding in its current form was first funded during the 2013 General Session. The Legislature approved a one-time appropriation of \$1 million, designated as Performance-Based Funding, together with the following intent language:

The Legislature intends that the Utah State Board of Regents develop standards to measure institutions' performances using, but not limited to the following: 1. Retention (1st year to 2nd year); 2. Completion rates (including transfers); 3. Reduction in remedial/developmental math courses; 4. Successful completion of math courses following remedial/developmental; 5. Acceleration in fulfilling general education math courses; 6. Increase in graduate education (as applicable by institutional mission).

The Legislature further intends that the \$1 million Performance-Based funding will be allocated by the Utah State Board of Regents to institutions that show improvements in one or more of these areas.

The 2014 Legislature provided a second year of performance-based funding with a one-time appropriation of \$1.5 million.

During the 2015 General Session, the Legislature passed S.B. 232 *Higher Education Performance Funding*. This legislation included \$9 million in funding as follows: \$2 million ongoing and \$7 million one-time. The funding was to be distributed with the following metrics as approved by the Board of Regents:

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

The 2016 Legislature provided \$5 million, one-time, for performance-based funding. This was in addition to the \$2 million ongoing appropriated in FY 2016.

During the 2017 General Session, the Legislature passed S.B. 117, *Higher Education Performance Funding*, which required that a certain amount of individual income tax revenue be deposited into restricted account to be used for higher education institutions that meet certain performance metrics.

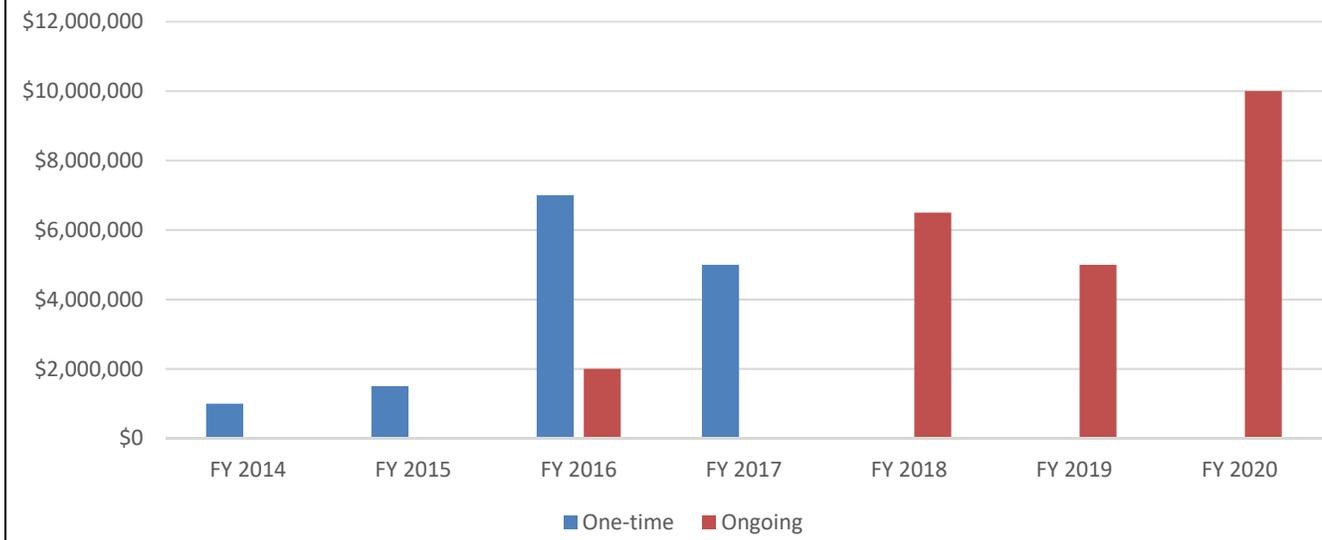
S.B. 117 established a restricted account within the Education Fund known as the Performance Funding Restricted Account. The account receives 14 percent of the estimated revenue growth from targeted jobs in FY 2019 and 20 percent in FY 2020 and thereafter. The Legislature may then appropriate funds from the restricted account to those higher education institutions and technical colleges that have demonstrated that they have met the required performance as outlined in 53B-7-705 (6).

Funding in FY 2018 for higher education performance funding was a one-time direct appropriation to the State Board of Regents for \$6,500,000 ongoing from the Education Fund, since the restricted account was not yet established. All of this funding went to the higher education institutions, giving the Utah System of Technical Colleges a year to develop its metrics.

The ongoing performance-based funding for Higher Education in FY 2019 was split as follows: (1) \$3,850,000 for the Board of Regents; and (2) \$1,150,000 for the Utah System of Technical Colleges.

The FY 2020 Higher Education Base Budget currently has the following allocated for performance-based funding: (1) \$8,350,000 for the Board of Regents; and (2) \$1,650,000 for the Utah System of Technical Colleges.

Higher Education Performance-Based Funding
FY 2014-20*



*FY 2020 Figure is proposed in the Higher Education Base Budget, HB 1