A Performance Audit of the

Utah System of Higher Education

A Review of System Collaboration, Efficiency, and Workforce Alignment

Office of the Legislative
Auditor General

Report to the **UTAH LEGISLATURE**

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Jesse Martinson, Manager, CIA

Matthias Boone, Supervisor, CIA, CFE

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November 19, 2024

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report:

"A Performance Audit of the Utah System of Higher Education: A Review of System Collaboration, Efficiency, and Workforce Alignment" [Report #2024-22].

An audit summary is found at the front of the report. The scope and objectives of the audit are included in the audit summary. In addition, each chapter has a corresponding chapter summary found at its beginning.

Utah Code 36-12-15.3 requires the Office of the Legislative Auditor General to designate an audited entity's chief officer. Therefore, the designated chief officer for the Utah Board of Higher Education is Amanda Covington. Amanda Covington has been notified that they must comply with the audit response and reporting requirements as outlined in this section of *Utah Code*.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

Kade R. Minchey, CIA, CFE

Auditor General

kminchey@le.utah.gov

PERFORMANCE AUDIT

▶ AUDIT REQUEST

The Legislative Audit Subcommittee requested an audit of shared governance efficiency in Utah's institutions of higher education. The Subcommittee also authorized our office to assess and pursue other risks identified during this audit.

▶ BACKGROUND

During the 2024 General Session, the Legislature passed bills authorizing presidents to more nimbly promote institutional efficiency within the shared governance framework. These bills more clearly place responsibility for programs on institutional presidents.

While it was too soon to determine the bills' impacts on shared governance, this audit focuses on areas where 1) institutions can develop better data to maximize taxpayer funding and improve workforce outcomes, and 2) how the system should be more coordinated in roles, planning, and programs offered.

USHE COLLABORATION, EFFICIENCY, AND WORKFORCE ALIGNMENT

🎯 KEY FINDINGS

✔ Institutions within the Utah System of Higher Education do not calculate program-level costs or fully understand market demand when making institutional decisions.

✔ In some areas, institutions are losing student market share to private non-traditional institutions.

✔ Utah's degree-granting institutions are not operating as a system and the Utah Board of Higher Education can provide greater direction, planning, and oversight.

✔ Institution presidents should act with the system in mind to reduce program duplication, improve program outcomes, and coordinate programs offered across the system.

📋 RECOMMENDATIONS

✔ The Office of the Commissioner of Higher Education and institution presidents use program cost, enrollment, completion, employment, and workforce demand data to determine if programs should be expanded, reduced, or discontinued.

✔ The Office of the Commissioner of Higher Education work with presidents to understand why institutions are losing market share and what the system can do to remain competitive.

✔ The Utah Board of Higher Education create a long-term plan outlining the unique roles each degree-granting institution will fulfill over the next 20 years.

✔ The Legislature consider requiring the Board to perform ongoing system review for operational efficiencies, including of programs, and determine whether system-level performance funding is desired.

REPORT SUMMARY

Utah's Higher Education Landscape is Shifting

Degree-granting institutions within the Utah System of Higher Education (USHE) face disruptive challenges in very near future. As student enrollments are projected to decline, private institutions continue to expand, and employers relax degree standards, USHE must proactively prepare for shifting supply and demand for future skilled labor.

Without better program-level data, institutions struggle to calculate efficiency

Legislation in the 2024 General Session authorized presidents to make decisions to ensure institutions operate efficiently with taxpayer funds. However, we identified that presidents do not have the information required to determine which programs are (or are not) efficient. We also find USHE institutions are, in some areas, losing student market share to private non-traditional institutions.

USHE degree-granting institutions are not operating like a fully coordinated system.

While the Utah Board of Higher Education has improved in exercising system oversight, we found the system is not fully coordinated. For example, institutions are engaging in competitive behavior when some institutions are not positioned to succeed. We outline recommendations for how the Board and Office of the Commissioner can ensure better system-wide coordination, direction, planning.

Utah's System is not coordinated, and not all institutions are set up to be successful. This report provides examples where unhealthy competition is occurring.
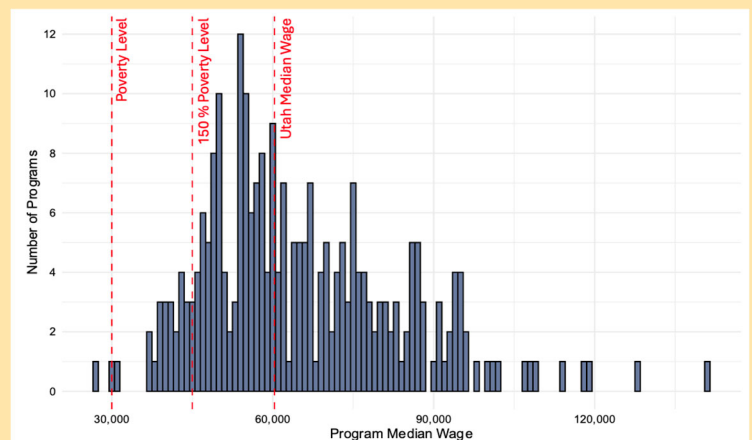
Competition – We heard reports of competition, including institutions marketing on the campuses of other institutions, two institutions hiring recruiters within the same region, and further competition for programs across USHE.

Mission Creep –Without strong systemwide direction, at least one regional institution has expanded its online programs to serve a broader in-state and out-of-state demographic. These efforts create competition between institutions for out-of-service-region students. We are not commenting on the policy to expand online programs, rather we question the lack of coordination within the system.

Mission Clarity – Two adjacent regional institutions offer many of the same programs. The board helped by removing some requirements for institutions to provide comprehensive education but could provide clarity on what emphases each institution offers over the long-term.

Focus on Growth – We generally observed that high enrollment seems to be a significant driving force among institutions. The system has not defined what the commensurate taxpayer subsidy is for this growth or how an institution should measure success. Institutions report feeling pressure from stakeholders to increase enrollment.

USHE Bachelor's Degree Programs Have Varying Employment Outcomes, with Some Producing Average Wages Below 150% of the Poverty Line for a Family of Four, Five Years After Graduating.

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Introduction

Emerging trends in higher education highlight opportunities and challenges that the Utah System of Higher Education (USHE) will need to address. These include future enrollment decline, industry degree devaluation, and shifts in demand for higher education. Utah institutions' current strategies to address inevitable obstacles are competing for in-state students, resources, and programs. A more unified and coordinated system of higher education is needed in Utah moving forward. This report addresses how USHE must revisit institutional roles, improve data for decision making, and better scrutinize academic programs to be more market responsive and efficient with limited funding.

Higher Education Governance Has Improved

Since 2018, our office has conducted four audits of and provided recommendations to the Utah System of Higher Education. These audits identified areas where the Utah Board of Higher Education (UBHE, previously the Board of Regents) and the Office of the Commissioner of Higher Education (OCHE or the office) can operate with stronger systemwide governance. The Legislature, Governor, and commissioner's office have taken important steps to improve governance. We acknowledge great efforts to improve governance and believe the board and office can now move to improve the system in other important ways.

With improved governance, the Board and Office should now promote a more efficient and coordinated system.

We see that the Legislature has acted on recommendations regarding legislative review of Utah's higher education governance model, signaling the desire for a state-level oversight board, strong presidential control over institutions, and institutional approval of new programs. During this 2024 audit, we also found improved UBHE and office governance. For example, we find that UBHE has done the following:

- Created a centralized budget request process for each institution to follow.
- Practiced stronger tuition oversight, where four of eight institutions did not receive their full requested tuition and fee increases.
- Practiced oversight over performance funding, where no institutions received performance funding for growth.
- Scrutinized institutions' creation of new programs—however, this will be discussed as an opportunity for improved coordination moving forward.
- Adopted a new strategic plan in 2024 that sets priorities, goals, and strategies through 2027 that appear to align with legislative priorities.

Our office has developed a model, through a review of best practices, to illustrate how good governance shifts to higher forms of integration and effectiveness, as shown in the following figure.

05 OBJECTIVES
Management delegates to the next level in the organization. This is most often the operational staff.

04 PROGRAM, INITIATIVES, & PROJECTS
How the organization accomplishes the mission and goals.

03 GOALS
Outcome metrics. Measures how the mission and vision are being achieved. Establishes key performance indicators (KPI).

02 MISSION & VISION
is set by the board or the entity with ultimate authority over the organization.

01 GOVERNANCE
broadly establishes the structures necessary to direct, inform, manage, and monitor the organization.

Source: OLAG Generated. Governance shifts upwards on the pyramid.

With improved governance, we believe UBHE and OCHE can shift focus to higher levels of governance, specifically on improving coordination and workforce alignment throughout the system.

With a Shifting Landscape, USHE Continues to Grow Despite Declining Demand for Higher Education

During this current audit of USHE, we identified three challenges Utah institutions face or will soon need to address. These factors, listed below, emphasize the need for USHE to adapt to stay relevant in the future.

- **Projected Enrollment Decline:** National birthrates are falling, with current rates at an all-time low. USHE institutions are currently in a period of high growth which is projected to continue until 2028. Following this period, higher education in Utah will likely face slowed growth and eventual decline in student enrollment. By 2060, Utah's school- and college-age groups are projected to represent only 15 percent and 10 percent of the population respectively. While Utah's general population is projected to increase due to natural migration, USHE will need to adapt to an era of enrollment decline and act more efficiently with existing and future resources.

> Utah's student population is expected to decline sharply after 2028, impacting university enrollment and resources.

The Kem C. Gardner Institute Predicts Higher Education Will Face a Significant Enrollment Decline. The decline will occur from the mid-2020s through the 2040s and then slowly start increasing.

Figure 1: Annual Absolute and Percent Change in Utah's College-age Population, 2010–2060
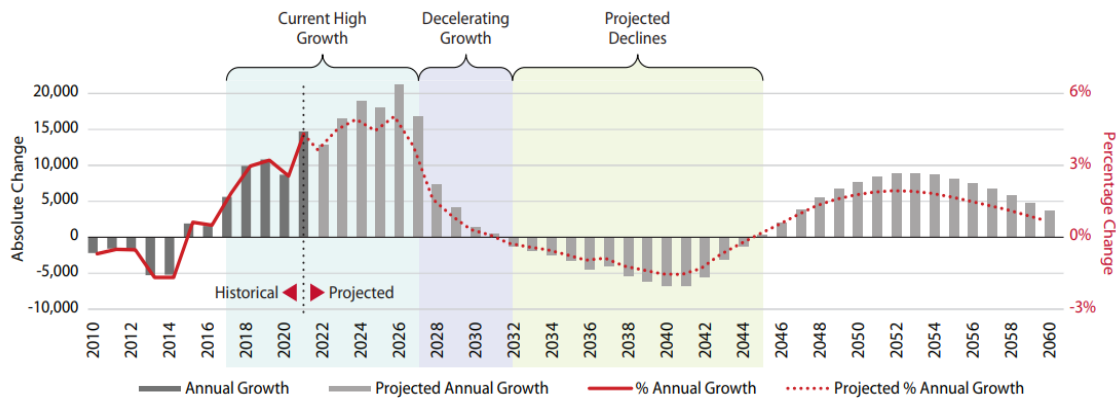
Note: College-age reflects the population ages 18 to 24.
Source: Kem C. Gardner Policy Institute State and County Projections 2020-2060 and State and County Estimates 2010-2019

Source: Kem C. Gardner Policy Institute's State and County Projections 2020–2060 and State and County Estimates 2010–2019.

- **Relaxed Degree Standards:** Employers in-state and across the nation continue to eliminate the requirement for a bachelor's degree for middle skill roles. During this audit we observed this trend. We found that some of the largest in-state employers stated they are flexible with job candidate backgrounds and did not have a specific preference for USHE graduates.[1]

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[1] However, it could be the case that some USHE degrees are more highly valued for some positions. We also recognize that current factors in the economy may influence these trends. Whether these trends continue to endure under different economic conditions is yet to be determined.

- **Decrease in Demand:** Private and online degree-granting institutions are attracting in-state students at significant rates. USHE must increase efficiency and maximize taxpayer funding to better compete with non-USHE institutions.

Considering these shifts in demand and a leveling effect on student enrollment,[2] USHE institutions continue to grow. For example, we found that between 2015 and 2023, USHE expanded by 43 percent in institutional FTEs, 35 percent in appropriated inflation adjusted state tax dollars, and 23 percent in inflation adjusted expenditures. Meanwhile, student enrollment increased by 15 percent over the same period and is now in a flattening pattern of growth. Because USHE institutions continue to grow in many ways despite decelerated increases in student enrollment, the system will need to find ways to adapt and become more efficient.

Because institutions continue to grow despite a shifting landscape, the system will need to find ways to adapt and become more efficient.

Other states have experienced issues of declining enrollment and funding, forcing them to shutter or merge campuses, review for duplicative or under-enrolled programs, terminate programs, lay off faculty, or rely more heavily on out-of-state students. These states provide a glimpse of the current condition of higher education in the United States and the realities Utah may face in the future. We believe that Utah's higher education institutions may experience similar tough decisions if they do not act proactively now.

Shared Governance Can Help Identify Efficiencies

Shared governance within institutions has been a feature of higher education for many years. With the changing landscape and the need to act more nimbly, the Legislature recently enacted bills in the 2024 General Legislative Session to empower presidents. While it was too soon for us to identify the impacts of this legislation, we believe the relationship in and among institutions warranted a broader review on Utah's higher education efficiency, market responsiveness, and data quality.

This audit details how the Board and Commissioner's Office can guide institutions through a shifting landscape to keep USHE institutions relevant.

This report provides information on how UBHE and institutions should better act within their authority to aptly respond to a shifting landscape and keep higher education relevant for generations to come.

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[2] No institution received performance funding for enrollment growth over the last year.

BACKGROUND

During the 2024 General Session, the Legislature passed SB 192, which outlined the role and authority of presidents at degree-granting institutions. The legislation authorizes presidents to reduce or discontinue programs to establish cost savings. As enrollments are projected to decline in the coming years, presidents should identify how to maximize resources across their institutions to attract students and prioritize their primary motivation for attending college: improving employment outcomes.

FINDING 1.1
Considering Future Financial Pressures, USHE & Institutions Should Better Demonstrate Program-Level ROI

RECOMMENDATION 1.1
The Office of the Commissioner of Higher Education (OCHE) should work with institutions to develop and oversee a uniform methodology to calculate program-level return on investment, including program costs.

RECOMMENDATION 1.2
OCHE and institution presidents should use program costs, enrollments, completion rates, employment outcomes, and workforce demand to determine if programs should be expanded, reduced, or discontinued.

FINDING 1.2
USHE Institutions Risk Further Enrollment Declines If Student Market Share Continues to Diminish

RECOMMENDATION 1.3
OCHE should improve their decision making by working with institutions to identify why students choose to attend private non-traditional institutions and why institutions are losing market share for some programs.

RECOMMENDATION 1.4
The Legislature should consider the costs and benefits of providing targeted funding to areas of high workforce need and consider holding institutions more accountable for the funding they provide to these areas of high workforce need.

FINDING 1.3
Better Coordination Between USHE and DWS Is Needed to Align Workforce Demand Data

RECOMMENDATION 1.5
OCHE should work with the Department of Workforce Services to curate and coordinate use of regional and state workforce data to drive proper programmatic investment of taxpayer funds.

CONCLUSION

Institutions should develop and use program-level data in their decision making. Also, institutions within the Utah System of Higher Education (USHE) have lost student market share to private non-traditional institutions in some areas of high workforce demand. This demonstrates an additional area of risk institutions must navigate as the higher education landscape continues to change.

Chapter 1
USHE Needs Stronger Data to Meet Workforce Demand and Maintain Relevance

The Legislature has given presidents the authority to lead their institutions, but we found that institutions have a difficult time gathering sufficient data to make program-level decisions. This is important as institution presidents must adapt to a declining demand for traditional higher education by responding to students' primary priority according to Utah and national data: enrolling in programs that improve their employment outcomes.

We also found that institutions within the Utah System of Higher Education (USHE) have lost student market share in areas of strong workforce demand to private non-traditional institutions. This demonstrates an additional area of risk institutions must navigate as the higher education landscape continues to change. This chapter provides areas where institutions can make better-informed decisions on their academic programs and become more effective and efficient in their operations.

1.1 Considering Future Financial Pressures, USHE and Institutions Should Better Demonstrate Program-Level Return on Investment

While students attend college for many reasons, evidence indicates that improving employment outcomes is their primary motivator. The Legislature has empowered presidents to nimbly make important decisions, but institutions do not have the capacity to assess programmatic successes relative to funding. We also question presidents' ability to reallocate resources to programs in high workforce demand. Therefore, presidents must prioritize programs that attract students, graduate them efficiently, and improve their employment outcomes.

Utah's Higher Education Landscape Is Shifting

Future enrollment declines, diminishing employer demand for bachelor's degrees, and the growth of non-traditional private institutions signal that the higher education landscape in Utah is shifting. As supply and demand for higher education changes, USHE presidents must seek to keep their institutions relevant by prioritizing programs that attract students.

> **Utah-specific and national data shows the most important factor for students planning to attend college is improving employment outcomes.**

According to Envision Utah's 2023 High School Survey, the most important factor for students planning to attend college is employment outcomes. This aligns with national sentiment. According to a Gallup survey of 86,000 Americans, 58 percent of respondents described that improving employment outcomes was their primary motivation for pursuing education beyond high school. This was double the next highest response.

To help their institutions remain relevant among a shifting education landscape, USHE presidents should prioritize supporting and developing programs that improve student employment outcomes and support Utah's economy.

Better Systemwide Program Data Is Needed To Understand the Return on Investment for Academic Programs

Institutions Should Make Data-Driven Program Decisions. Presidents need better data to understand program inputs, outcomes, and workforce demand. Accessing and using this information can help presidents determine how best to invest student and taxpayer money to achieve the greatest benefit.

Understanding a program's cost, enrollment, number of graduates, employment outcomes, and workforce demand are necessary to determine if a program should be expanded, reduced, or discontinued.

Senate Bill 192 in the 2024 General Legislative Session empowered university presidents, in consultation with an institution's board of trustees, to

Exercise powers related to the institution's employees, including faculty and persons under contract with the institution, by implementing. . . program reductions or discontinuances, . . . [and] other measures that provide cost savings, facilitate efficiencies, or otherwise enable the institution to meet the institution's mission and role.

Considering presidents' statutory powers, we believe that understanding a program's cost, enrollment, completion rate, number of graduates, employment outcomes, and workforce demand are necessary to determine if a program should be expanded, reduced, or discontinued.

Institutions Have Not Been Calculating Program-Level ROI. We asked degree-granting institutions to calculate costs, enrollments, and completion rates for programs—inputs and outputs used to calculate a program's ROI. Institutions indicated they typically do not calculate costs and completion rates at the program-level because they are not asked to do so in reporting requirements. They also found this information difficult to quantify. However, two institutions indicated they were beginning to proactively analyze program performance

prior to this audit. Institutions do participate in a system-wide study that calculates costs for instructional clusters, but we were unable to document instances of this information being used to understand program-level return on investment.

Costs are a required element to understanding any return on investment. A program's cost and graduation rate, among other inputs and outputs, are needed to understand the efficiency with which taxpayer dollars are used to educate Utah's students. Without this information, we question the ability of presidents to fully identify inefficient programs.

Further, institutions used different methodologies due to data limitations and institutional preferences. This illustrates the need for common methodologies to be able to compare programs across Utah's higher education institutions. For example, uniform calculations of graduation rates will enable institutions to identify the rates at which programs retain (or fail to retain) students.

OCHE Made Some Progress in Understanding Program Success Across the System. To understand program outcomes, we asked USHE staff to collect employment outcome data for each academic program offered across all USHE institutions. We then analyzed the five-year outcomes for wages and placement in Utah's workforce for students who graduated in 2018. While there are other important factors beyond wages and placement in Utah's workforce that determine a program's success, we believe it is important to understand each program's employment outcomes given that students prioritize those outcomes in their decisions to attend college. Figure 1.1 displays the median wages five years after graduation for each bachelor's degree.[3]

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[3] Other bachelor's degree programs had relatively low rates of students who are strongly attached to Utah's workforce (working at least four consecutive quarters and earning minimum wage). For example, 32 programs had 60 percent or fewer students who were strongly attached to Utah's workforce or who went on to receive additional postsecondary training within five years of graduating.

Figure 1.1 Programs Produce Varying Workforce Outcomes. Some bachelor's degree program graduates earn on average less than 150 percent of the poverty line for a family of four, five years after graduating.
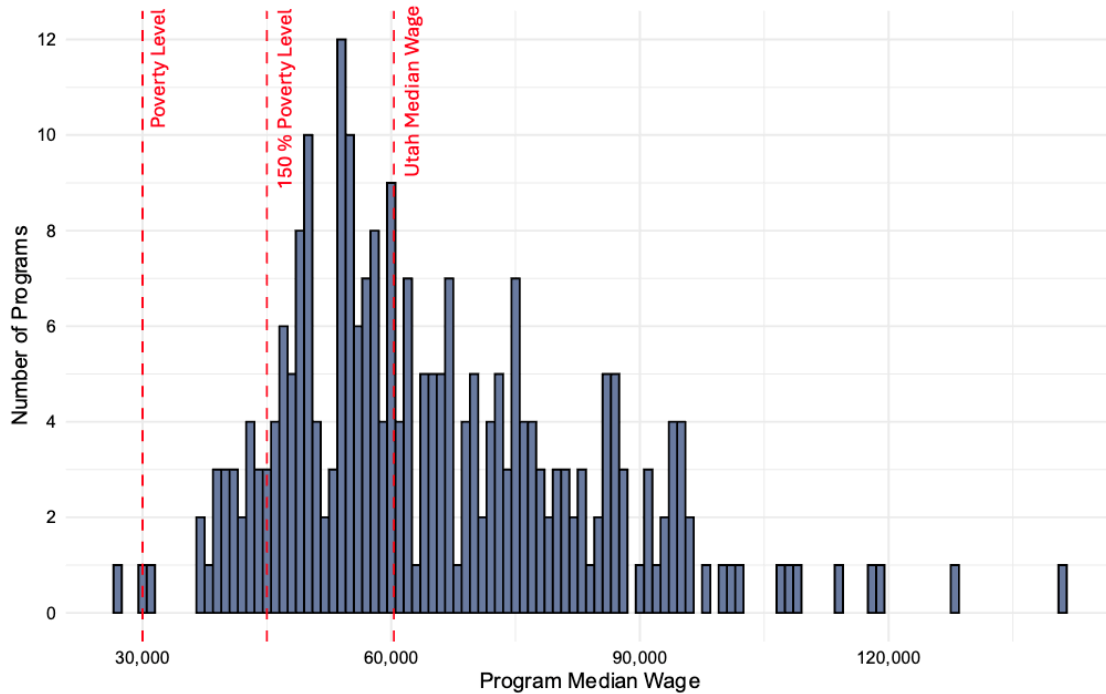
Source: Auditor generated from Utah Data Research Center data. Poverty levels are based on a family of four. We limited our analysis of employment outcomes to programs that had at least 10 graduates.

Pairing outcome data like this with institutional program cost and completion rates would enable presidents to calculate both the efficiency of and taxpayer return on investment for programs. USHE currently displays this and other employment outcome data via its Workforce Outcome Dashboard, which acts as a first step towards improving the evaluation of program outcomes. Because institutions currently lack metrics required to calculate program-level efficiencies—including returns on investment— presidents are unable to fully understand the degree to which programs maximize their use of student and taxpayer resources. We believe that a strategically proactive approach to improving economic outcomes for students and taxpayers can help Utah's public institutions attract students and avoid large-scale layoffs experienced by universities and colleges around the country. We also note that it can take time for institutions to develop data systems,

> **Presidents are unable to fully understand taxpayer return on investment. This is important since some programs create better student outcomes than others.**

> **It can take time for institutions to develop data systems, change program evaluation processes, and allow students to finish degrees that have been discontinued.**

change program evaluation processes, and allow students to finish degrees in programs that have been discontinued after their initial enrollment.

RECOMMENDATION 1.1

The Office of the Commissioner of Higher Education should work with institutions to develop and oversee a uniform methodology to calculate program-level return on investment, including program costs and completion rates.

RECOMMENDATION 1.2

The Office of the Commissioner of Higher Education and institution presidents should use program costs, enrollments, completion rates, employment outcomes, and workforce demand to determine if programs should be expanded, reduced, or discontinued.

1.2 USHE Institutions Risk Further Enrollment Declines If Student Market Share Continues to Diminish

When USHE institutions are unable to meet workforce demands, they can lose, and have lost, market share to private non-traditional institutions. When this happens, USHE institutions risk diminished revenues that could result in reductions in force, higher taxpayer subsidies, or higher tuitions. Further, we found private non-traditional institutions have demonstrated the willingness and capacity to fill gaps in the labor market. This brings into question if competition with private institutions can help public institutions become more market responsiveness and efficient with taxpayer dollars.

Private non-traditional institutions have demonstrated the willingness and capacity to fill supply gaps in the labor market. There is an opportunity for USHE institutions to become more market responsive and efficient with public funding.

To evaluate the workforce responsiveness of USHE institutions, we conducted case studies of university programs that relate to four areas of high workforce demand.[4] The four areas we evaluated are Nursing, Accounting, Software Engineering, and Data Science.

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[4] Workforce demand was determined via an analysis of the Department of Workforce Services data. Specifically, case study areas were selected from a list of occupations in the 90th percentile or higher for annual openings or growth among 4- and 5-star jobs in DWS's 2020-2030 projections. These projections were the most up-to-date projections when this audit began.

We analyzed workforce demand and program completion trends among programs at both public and private degree-granting institutions in each area. In this analysis, we placed institutions into the following three categories:

- **Public Traditional**: USHE degree-granting institutions
- **Private Traditional**: BYU and Westminster
- **Private Non-Traditional**: All other institutions (Western Governor's University, BYU Pathways, Joyce University of Nursing, etc.)[5]

We identified the following trends from these case studies:

1. In some areas, USHE institutions are losing market share to private non-traditional institutions.
2. Targeted legislative funding has helped increase the number of graduates at USHE programs in some areas of high workforce need.
3. In some areas, institutions have responded to workforce demands without targeted legislative funds.

We recognize that current factors in the economy may influence these trends. As employers compete for scarce labor, it may alter their preferences for employees with training from traditional educational institutions. Whether these trends continue to endure under different economic conditions is yet to be determined.

I. Nursing

Historically, USHE institutions have struggled to meet both the student and workforce demands for nursing degrees. The report *Nursing Education in Utah: A Summary of Utah's Nurse Training Program Capacity* documented that between 2007 and 2014, 35 percent of qualified applicants for bachelor's programs were turned away from bachelor's degree nursing programs statewide.

> **In Nursing, private institutions responded to market demand without the need for taxpayer funds.**

Prospective nurses in Utah can obtain an associate or bachelor's degree prior to becoming licensed. A report by the Institute of Medicine recommended that 80 percent of the nursing workforce in the United States comprise bachelor's-degree nurses, given the increasing complexity of the nursing field. However, some local stakeholders indicate a preference to place nursing candidates in the field more quickly. This preference has led at least one institution to prioritize growth in its associate degree program.

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[5] This report combines data pulled from IPEDS and Utah-specific completion numbers for some private non-traditional institutions. The data used in this report is limited but we were still able to provide an estimate. We believe more work is needed to calculate the exact market share of students by institution type.

One consequence of not meeting previous market demand can be seen in USHE's loss of market share, or the percentage of the market a product or service the organization provides. Figure 1.2 displays the percentage of Bachelors of Science in Nursing (BSN) graduates statewide by institution type over time. Between 2016 and 2022, USHE institutions lost 14 percent of the state's student market share while non-traditional private institutions gained 24 percent. During this time period, USHE institutions increased BSN graduates from 741 to 1217 compared an estimated increase from 87 to 679 at private non-traditional institutions.

Figure 1.2 USHE Institutions Lost 14 Percent Market Share for BSN Students as Non-Traditional Private Institutions Gained 24 Percent. Between 2016 and 2022, private non-traditional institutions increased their graduation outcomes at a steeper rate than USHE institutions.
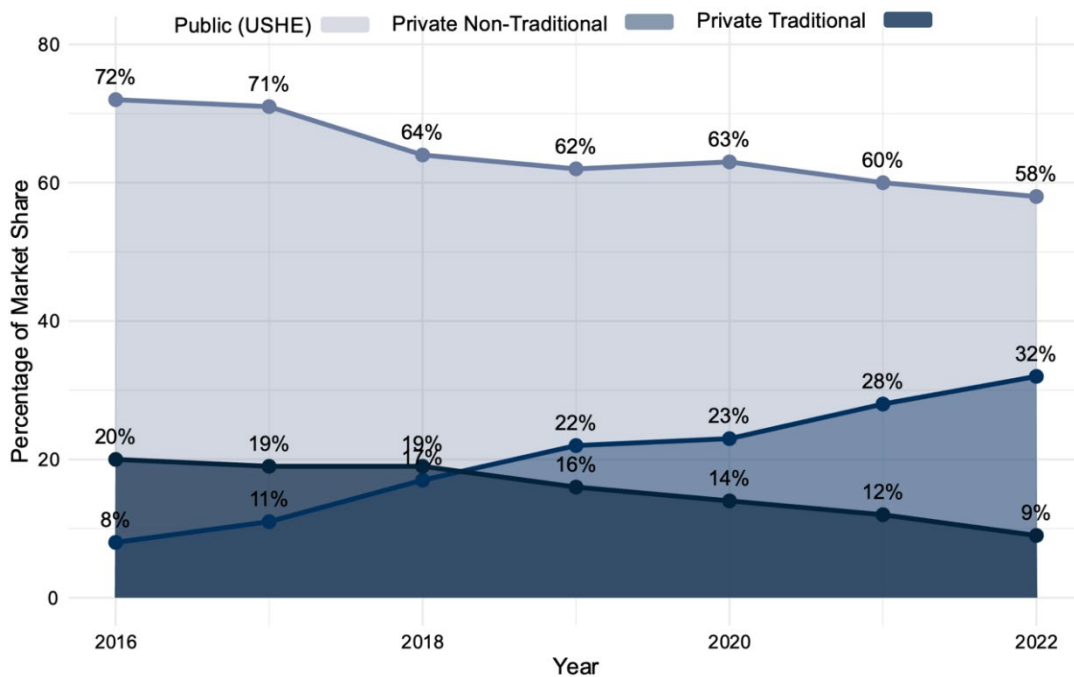
Source: Auditor generated from IPEDS, USHE, and some private institutions' completion data. Numbers may not sum to 100 due to rounding.

This demonstrates an instance where private institutions responded to market demand without the need for state incentives. For example, beginning in 2019, USHE institutions received over $9 million in ongoing funds to increase the capacity of programs related to workforce needs, which include Nursing. With the help of this additional funding, USHE institutions increased the number of BSN graduates by 476 students. Weber State and Utah Tech were the primary drivers of this growth. In the same period, non-traditional private institutions increased their output by an estimated 592 without any taxpayer funds.

USHE institutions expressed concerns regarding the growth of private non-traditional institutions. Specifically, they mentioned the following areas:

- The cost for students to attend private non-traditional institutions can be up to several times higher than attending a USHE institution.

- Private non-traditional institutions pay healthcare facilities for access to clinical hours, decreasing the supply for USHE students. They may also bring out-of-state students to Utah for clinical hours opportunities but fail to place them in Utah's workforce.

We are not suggesting private institutions are providing unhealthy or unneeded competition to provide education to Utah's people. In fact, much can be learned

USHE can learn lessons from private institutions by effectively and efficiently offering programs tied to other workforce needs.

from these institutions, and they play an important role for students looking for alternative approaches to post-secondary education. The growth of these institutions signals that cost may not be the most important factor in student choice for selecting post-secondary training. Faster graduation timelines coupled with employers' willingness to hire students from private institutions indicate that these

institutions offer strong value-propositions to students. However, the concerns raised by USHE institutions lead to questions about the impacts of decreasing student market share and USHE institutions' inability to fully respond to Utah's workforce demand. We believe if institutions are slow to meet market demand, the market will find a replacement for their services.

II. Accounting

Accounting is another industry where USHE institutions are currently not supplying the full workforce demand. The Department of Workforce Services

Accounting demonstrates an area of risk where USHE institutions may continue to lose market share.

(DWS) estimated the state needed an additional 1,800 accountants in 2022. However, USHE institutions have lost ground over the last six years. Figure 1.3 illustrates that 70 percent of accounting graduates came from USHE institutions compared to three percent from private non-traditional institutions in

2016. By 2022, USHE had lost seven percent of the market share while private non-traditional institutions gained 10 percent.

Figure 1.3 USHE Institutions Have Lost Accounting Student Market Share to Private Institutions. Between 2016 and 2022, USHE institutions lost seven percent and non-traditional private institutions gained 10 percent of bachelor's degree accounting students statewide.
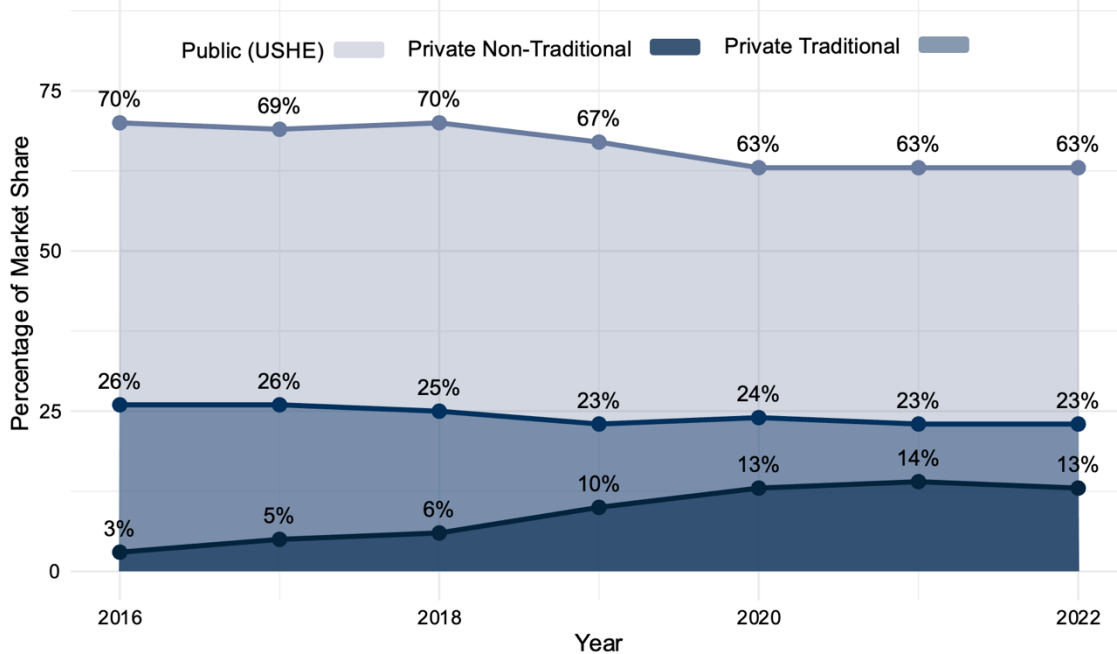
Source: Auditor generated from IPEDS, USHE, and some private institutions' completion data. Numbers may not sum to 100 due to rounding.

Public institution stakeholders described that a primary barrier to increasing accounting graduates is the low starting salary offered by accounting firms. Despite these concerns, private non-traditional institutions were able to increase their number of graduates from 28 to 123 (339 percent growth) compared to a 593 to 579 decrease (two percent decline) among USHE institutions. We do not know all the factors driving private institutions' ability to respond to workforce demands and USHE institutions' losing some relevance.[6] However, this data demonstrates an area of risk, where USHE institutions can continue to lose market share if they are not better informed or are unwilling to compete.

III. Software Development

In other areas experiencing labor shortages, USHE institutions have maintained and increased their student market share compared to private institutions.

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[6] One accounting department at a USHE institution that experienced high growth between 2016 and 2022 expressed that their primary challenge in maintaining their growth rate is limited resources. Department leaders indicated that they do not have enough resources to keep up with student and workforce demand.

Figure 1.4 displays the market share of bachelor's degree graduates in programs related to software development by institution type over time. In 2016, USHE institutions produced 74 percent of graduates compared to seven percent from private non-traditional institutions. By 2022, USHE institutions' market share decreased to 69 percent. It is worth noting that in the same time period they increased the number of graduates by 220 students compared to 76 from private non-traditional institutions.

Figure 1.4 Targeted Legislative Funds Helped USHE Institutions Increase Graduates in Software Development Programs. Although USHE institutions' student market share declined to approximately 69 percent in 2022, they increased their number of graduates by 220.
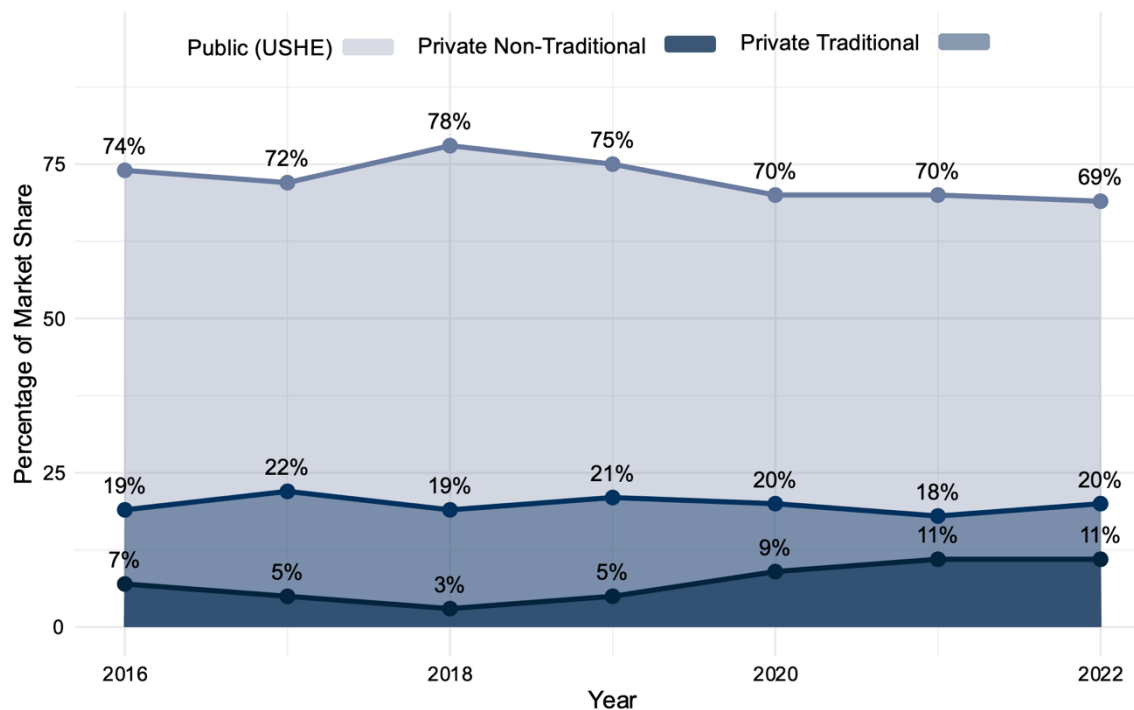
Source: Auditor generated from IPEDS, USHE, and some private institutions' completion data. Numbers may not sum to 100 due to rounding.

This is an example where we believe legislative investment has made a big difference in USHE's graduation outcomes. The strong increase of graduates among USHE institutions corresponds with the statewide Engineering and Computer Science Initiative, where the Legislature has invested over $40 million since 2001 to build the engineering and computer science workforce. In response to this funding, the annual number of computer science graduates has almost tripled since the program

Legislative investments in Computer Science have corresponded with significant growth in graduates from USHE institutions.

began. The University of Utah has received the largest proportion of the funding and has produced the largest share of graduates.

IV. Data Science

Encouragingly, our review of Data Science degrees[7] shows how USHE institutions have greatly responded to workforce demands and expanded their market share. From 2016 to 2022, private non-traditional institutions increased their data science graduates from 30 to 35 while USHE institutions increased graduates from 48 to 399. Figure 1.5 shows how USHE institutions have increased market share from 33 percent to 74 percent between 2016 and 2022, without legislatively targeted funds.

Figure 1.5 USHE Institutions Increased Market Share Among Data Science Students Without Targeted Legislative Funds. Between 2016 and 2022, USHE institutions improved their student market share by 41 percent.
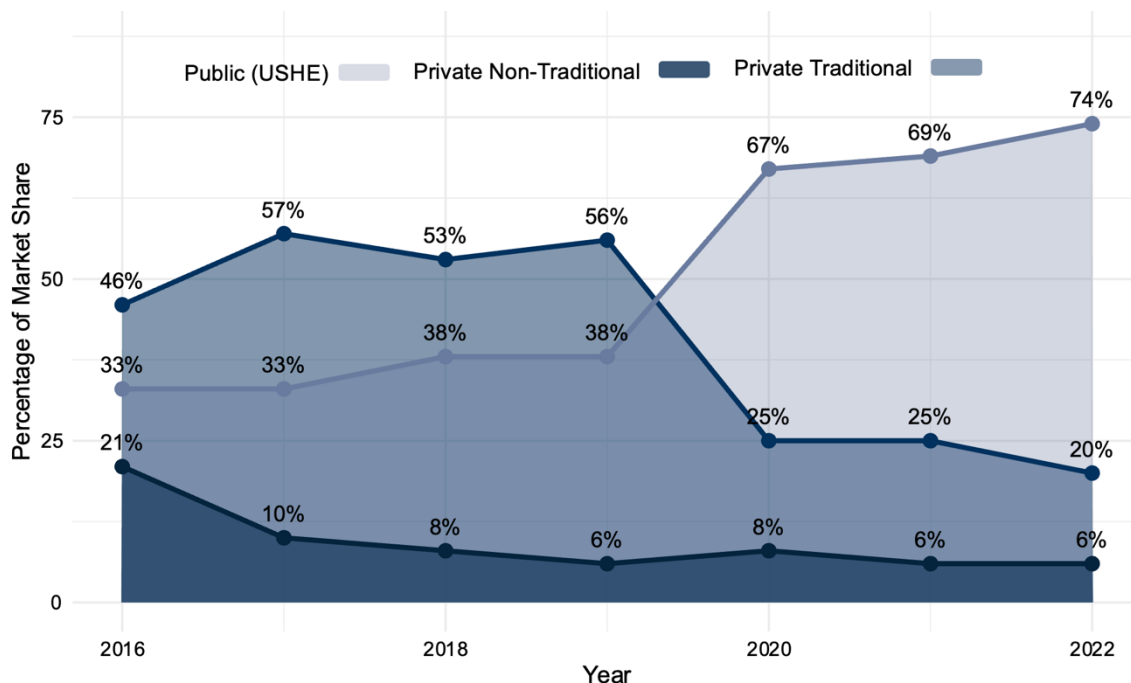
Source: Auditor generated from IPEDS, USHE, and some private institutions' completion data. Numbers may not sum to 100 due to rounding.

Focused efforts, primarily by the University of Utah and Utah State University, to respond to workforce needs and improve student employment outcomes influenced these outputs.[8]

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[7] According to the Bureau of Labor Statistics' CIP-SOC crosswalk, a variety of degrees map to data science jobs. Figure 1.5 displays graduates from each of these degrees, with the exception of Computer Science, Information Technology, and General Mathematics.

[8] For example, the Huntsman School of Business at Utah State University has created the Analytics Solutions Center (ASC). The ASC uses an instructional model where professors mentor students through data analysis consulting projects for clients. Instructional models like this

A review of these case study areas across USHE institutions led us to several important conclusions. First, USHE institutions are losing market share to the private sector in some areas. We could not identify all the reasons why USHE institutions lose market share, but we believe it starts with good data. Second, targeted funding from various sources, including the Legislature or industry, can help drive better program-level outcomes within the system. However, USHE institutions did demonstrate the ability to respond without this funding. We believe USHE can help institutions better identify and respond to workforce demands.

USHE institutions responded to Data Science workforce needs without targeted legislative funds.

RECOMMENDATION 1.3

The Office of the Commissioner of Higher Education should improve their decision making by working with institutions to identify why students choose to attend private non-traditional institutions and why institutions are losing market share for some programs.

RECOMMENDATION 1.4

The Legislature should consider the costs and benefits of providing targeted funding to areas of high workforce need and consider holding institutions more accountable for the funding they provide to these areas of high workforce need.

1.3 Better Coordination Between USHE and DWS Is Needed to Align on Workforce Demand Data

USHE and its degree-granting institutions rely on multiple sources of data to understand workforce needs. These data sources include Department of Workforce Services (DWS) occupational projections, job postings aggregated by third party providers, and qualitative feedback from local employers. Through our review of these data and in conversations with stakeholders, we believe there are strengths and weaknesses to each data source. Further, the limitations of these data are effectively described in Rutgers University's report *Aligning Higher Education and the Labor Market: Guiding Principles and Open Questions*:

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attract students and provide them with engaging academic experiences that prepare them to meet the growing data science needs of Utah's economy.

Institutions, systems, and programs use a plethora of public and private data, employer advisory groups, and other qualitative resources in order to inform their attempts to meet labor market demand. Publicly available information, while free, is often unreliable. Privately available information, for a cost, is typically acquired through "scraping" and analyzing online job posting sites, making the data current but its accuracy difficult to assess. Data obtained from focus groups with employers is, by its nature, anecdotal…. Nor is there an accurate way to assess the supply of prospective employees. As a result, while each of the data sources available provide some potentially useful clues … assessing the skill and job vacancy demand in the present, let alone the future, is more of a necessary art than a precise science.

Subjective workforce-demand data has led to disagreements between OCHE and institutions regarding whether programs correspond with workforce needs.

The partially subjective nature of interpreting workforce demand data is demonstrated in Figure 1.6, which plots DWS projections for nurses compared to third-party scraped job postings.

Figure 1.6 Workforce Demand Estimates for Nurses in Utah. DWS projections and online job postings vary in differences from ~5,000 to 18,000 positions depending on the year.
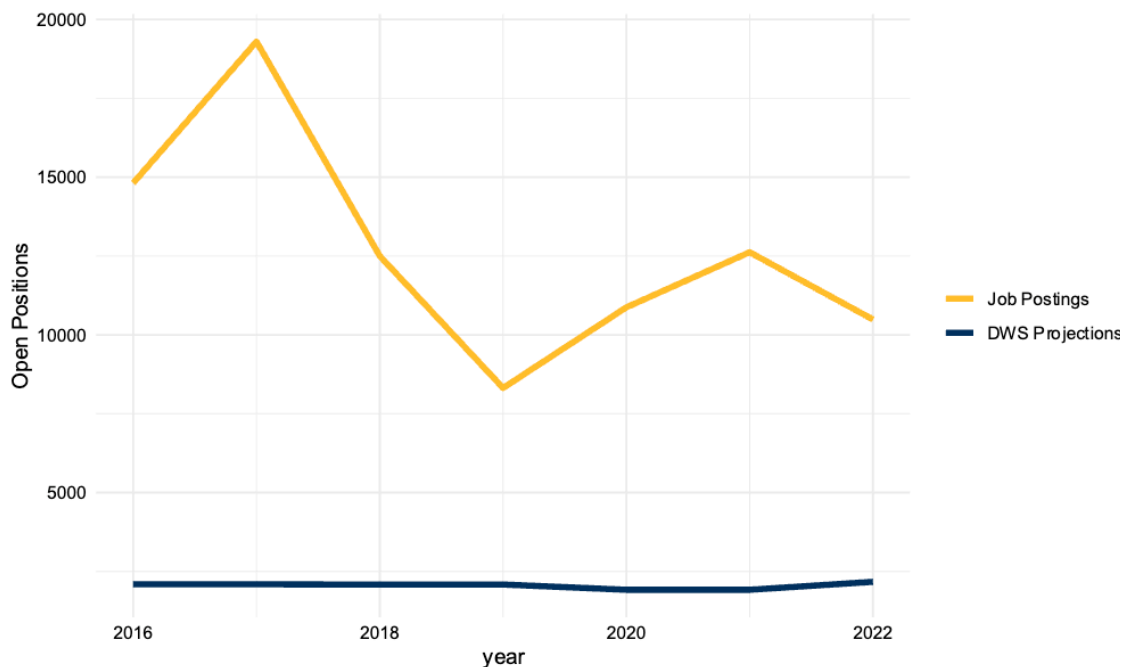
Source: Auditor generated from Department of Workforce Services' data.

These different data sources indicate dramatically different levels of workforce demand for nurses in Utah. We found that other occupational areas experience similar discrepancies. These discrepancies have sometimes led to disagreements between the Office of the Commissioner of Higher Education (OCHE) and

institutions regarding whether newly proposed programs corresponded with workforce needs.

As OCHE, DWS, and USHE institutions are engaged in collecting and interpreting workforce-demand data, we see the need for a more coordinated approach to collecting and interpreting workforce demand. Therefore, we recommend OCHE work with DWS to lead the curation and coordinated use of workforce data at both the state-wide and regional levels. We also recommend that this coordinated data be used to evaluate proposed and existing programs.

Recently, the Utah Data Research Center (UDRC), on behalf of OCHE, conducted a study to better understand the nursing industry in the state. We see this as an example of OCHE working to understand the workforce and encourage additional studies in other areas of the labor market.

RECOMMENDATION 1.5

The Office of the Commissioner of Higher Education should work with the Department of Workforce Services to curate and coordinate use of regional and state workforce data to drive proper programmatic investment of taxpayer funds.

LEGISLATIVE AUDITOR GENERAL

BACKGROUND

The Utah Legislature desires a coordinated system of higher education. This chapter focuses on areas where the system and institutions can help USHE be successful, including providing stronger clarity and oversight of institutional roles, improved long-term planning, and expanded scrutiny of programs.

FINDING 2.1
USHE Can Further Improve Its Efficiency

NO RECOMMENDATION

FINDING 2.2
With Improved Governance, the Utah Board of Higher Education Should Enhance Efficiency Through Better Role Oversight

RECOMMENDATION 2.1
The Utah Board of Higher Education (UBHE) and Office of the Commissioner of Higher Education (OCHE) should promote stronger system coordination by more clearly specifying institution roles and providing stronger oversight of those roles.

RECOMMENDATION 2.2
UBHE should create a long-term plan outlining the unique roles each degree-granting institution will fulfill over the next 20 years.

RECOMMENDATION 2.3
UBHE should utilize their audit resources to perform systemwide accountability reviews, ensuring institutions act within their long-term roles and identifying further system efficiencies, including areas where better data systems are needed.

FINDING 2.3
Presidents Should Make Decisions With the System in Mind

RECOMMENDATION 2.4
UBHE should compile a report of unnecessarily duplicative programs across the system, programs with low student outcomes, and programs that no longer serve a market or systemwide need, then place this report on a President's Council agenda for further discussion and coordination.

FINDING 2.4
The Legislature Has Policy Options for Further Systemwide Leadership

RECOMMENDATION 2.5
The Legislature should consider requiring UBHE to perform ongoing review of programs, administration, and other operational efficiencies within the Utah System of Higher Education.

RECOMMNEDATION 2.6
The Legislature should consider the policy question of whether it is desirable to provide performance funding at the system level, to incentivize a more coordinated system.

CONCLUSION

The system, institutions, and the Legislature can provide added work and leadership to ensure a more coordinated system of higher education.

Chapter 2
Higher Education Governance Has Improved, But the System Needs to Be Better Coordinated

Our office has found, through various recent governance audits dating back to 2018, that the Utah Legislature has desired a coordinated system of higher education. The audit findings in this chapter, therefore, support this policy. Further, we found there are varying governance structures in other states, but we found only a few examples of strong systemwide coordination. We draw upon some of these for areas where Utah's system can improve.

With this lens, we find that the Utah System of Higher Education (USHE) is not operating as a fully coordinated system, and we are concerned that some institutions are not positioned to be efficient in this competitive environment. In conversation with board members, OCHE leadership and staff, institutional presidents and stakeholders, and in our review of practices in other states, we found that greater clarity and a systematic approach are needed at every level to prepare for changes in the higher education landscape. This chapter is structured to address 1) what can be improved at the state board and office level, 2) what can be improved at the institutional president and trustee level, and 3) areas where the Legislature can provide policy guidance.

> **The Legislature has desired a coordinated system of higher education. This chapter focuses on areas where the system and institutions can help institutions to be successful.**

2.1 USHE Can Further Improve Its Efficiency

In 2022 we reported that the board can "improve its oversight of systemwide operational efficiency."[9] In this audit we found that the Utah Board of Higher Education (UBHE or board) and the Office of the Commissioner of Higher Education (OCHE or office) have positioned the system to provide stronger oversight and accountability. We are encouraged by these actions to improve system efficiency and find that USHE has improved on key metrics we reported in our last audit. We believe greater focus can now be placed on programs offered at USHE institutions to further maximize systemwide efficiency.

In 2022, we found that Utah can improve its return on investment (ROI) for higher education by ensuring tax dollars invested are maximized. We calculated a simple return on investment, showing that Utah was close to the national

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[9] *A Performance Audit of Utah's System of Higher Education Governance (*Report 2022–11): p. 16-22.

average for higher education spending but comparatively low for graduation rates. During the current audit we found that Utah has made some progress on graduation rates and the board has discussed academic return on investment. Though Utah holds a similar position relative to other states, this appears to be a very positive trend.

Figure 2.1 Updated to Current Data, USHE Outcomes to Funding Continue to be Low Compared with Other States. Compared to Utah's outcomes reported in our 2022 audit, USHE institutions have increased student graduation rates from 47 to 50 percent.
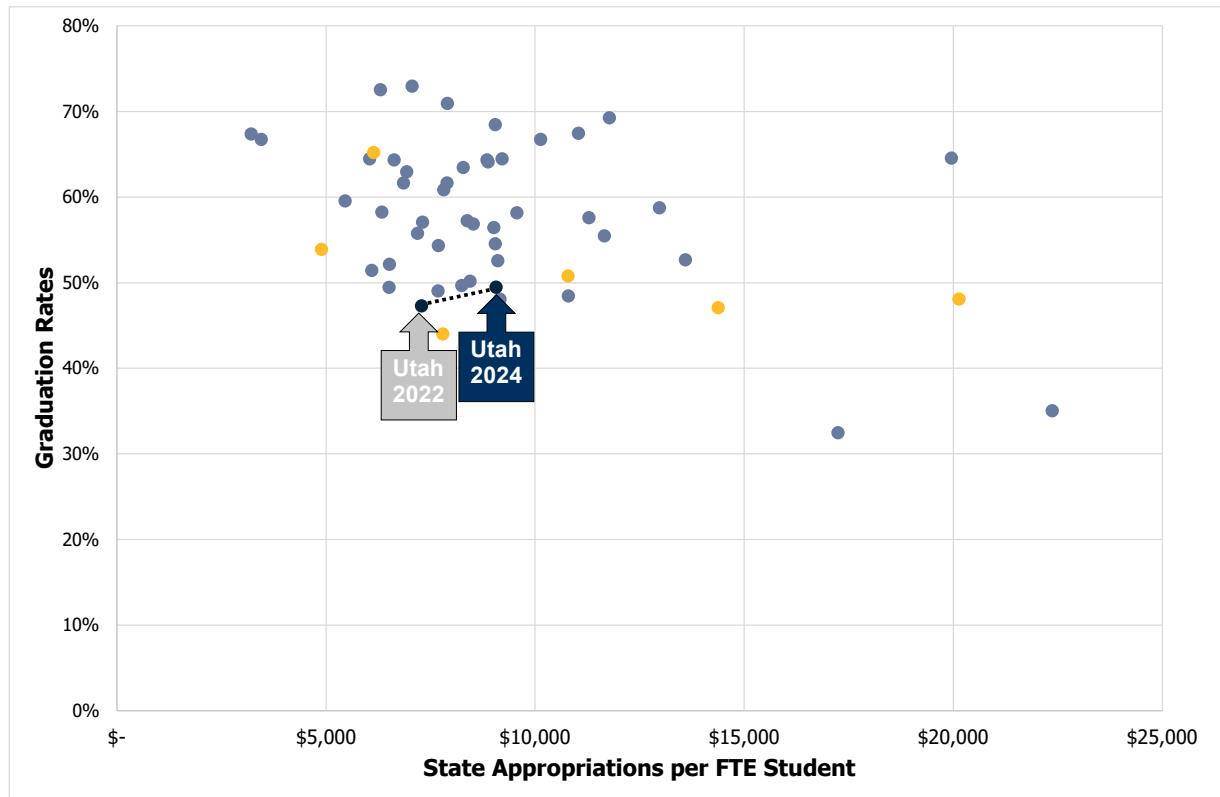

Source: Auditor generated with data from the State Higher Education Executive Officers Association and the National Center of Education Statistics, Integrated Postsecondary Education Data System. Note that this analysis used the most up-to-date dataset which was from 2022. "Utah 2022" used 2019 data and is the only data represented from the past audit. Neighboring states are shown in yellow dots.

We also observed improvements in some institutions' graduation rates and rates compared with their peers. However, the graduation rates of most USHE institutions continue to be lower than peers or the national average.

Figure 2.2 Some USHE Institutions Have Improved Graduation Rates. Yet institutions and the system must continue to find ways to serve Utah's students in a shifting landscape.
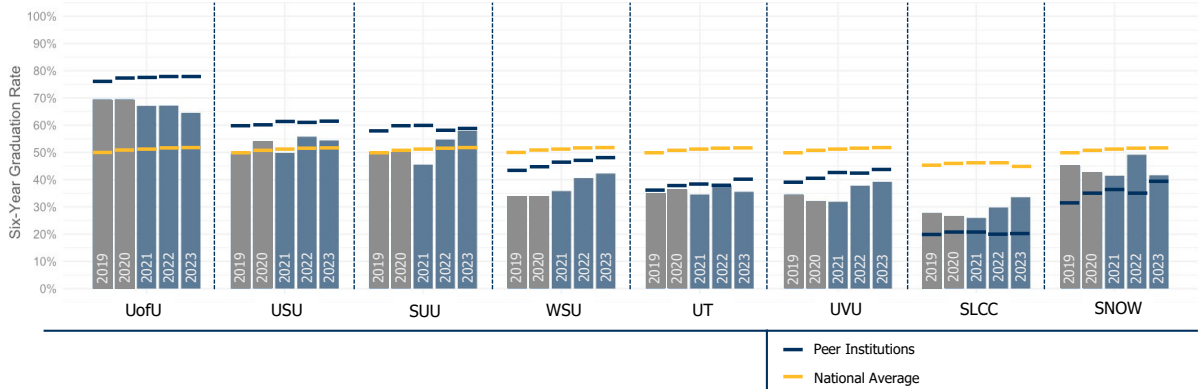
Source: College Score Card Data. Gray bars represent outcomes since we last reported this analysis in our 2022 audit.

We believe the board can do more to ensure the system is maximizing tax dollars and operating efficiently in various ways. This chapter highlights areas where UBHE, the Commissioner's Office, and institutional presidents and trustees could improve system direction and efficiency.

2.2 With Improved Governance, the Utah Board of Higher Education Should Enhance Efficiency Through Better Role Oversight

We found that UBHE has improved its systemwide governance in many ways and observed several positive steps toward more coordination. However, we still have not reached system level coordination, as USHE institutions are still, at times, operating in their best interest without full regard for the system. In short, Utah's system can more collaboratively operate to maximize taxpayer dollars. One way the board can accomplish this is to provide added clarity on roles, oversight, and planning for higher education, in a shifting landscape.
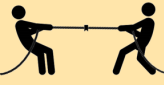
> **UBHE has improved its systemwide governance, but USHE has still not reached system coordination.**

Utah's Degree-Granting Institutions Are Not Operating as a System

The system of higher education is not operating as a coordinated system and, as a result, we do not believe some institutions are positioned to be successful if the current competitive environment persists. By "competitive environment" we do not imply that institutions should not strive to excel and achieve. Our concern rather, is where individual institutional interests work against creating the most efficient use of public funds. Considering this definition, we have identified examples below where institutions are operating in their best interests and

competing among themselves, or where UBHE/OCHE should provide better oversight.

Competition – We heard reports of competition, including institutions marketing on the campus or in the service region of other institutions, two institutions hiring recruiters within the same region, and further competition for programs across USHE.

Mission Creep – Without strong systemwide direction, at least one regional institution has expanded its online programs to serve a broader in-state and out-of-state demographic. These efforts create competition between institutions for out-of-service-region students. We are not commenting on the policy to expand online programs, rather we question the lack of coordination within the system.

Mission Clarity – Two adjacent regional institutions offer many of the same programs. The board helped by removing some requirements for institutions to provide comprehensive education but could provide clarity on what emphases each institution offers over the long-term.

Focus on Growth – We generally observed that high enrollment seems to be a significant driving force among institutions. The system has not defined what the commensurate taxpayer subsidy is for this growth or how an institution should measure success. Institutions report feeling pressure from stakeholders to increase enrollment.

Many of the stakeholders we spoke with shared the reality of this competition,[10] with some saying they still feel well positioned to succeed. We acknowledge that competition can be an important driver of efficiency; however, it can also produce inefficient use of taxpayer funds when institutions are not well equipped to compete.

> **Competition among institutions is not inherently bad; however, some institutions are not positioned to succeed in this evolving landscape.**

We believe the board can position institutions to succeed in a coordinated system. From our research, a coordinated system can provide oversight of institutional roles and can hold institutions accountable for those roles, coordinate institutional degrees and program offerings, and regularly review for systemwide efficiencies. In short, a coordinated system could position USHE

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[10] OCHE's response to our 2022 audit also acknowledged the presence of competition by saying, "The Legislature's directive is clear: this is a system where each institution has a critical role and mission, and collaboration—not competition—is required. The Board will govern to those roles..."

institutions to succeed and maximize public funds in this shifting higher education landscape.

The Utah Board of Higher Education Should Provide Stronger Clarity of Roles, Long-Term Planning, and Oversight

When institutional roles are not followed in a coordinated way, inefficiencies can develop at the cost of the taxpayer and the student. A role provides guidance on which type of degrees and programs a USHE institution can offer and can provide further direction on how institutions develop over the long-term. Institutions competing for programs has led to some potentially unnecessarily duplicative programs. *Utah Code* authorizes the UBHE to set and oversee institutional roles[11] and to connect the system through a long-term vision.

> ### *Utah Code* 53B-1-402(2)
>
> *The [Utah Board of Higher Education] shall establish and promote a state-level vision and goals for higher education that emphasize data-driven retrospective and prospective system priorities . . ., establish, approve, and oversee each institution's mission and role … [and] assess an institution's performance in accomplishing the institution's mission and role.*

From our research we believe strong clarity and oversight over institutional roles is an important element to the development of a well-planned and coordinated system.[12] We reviewed some statutes, policies, and had conversations with representatives from many states on this topic. We highlight examples of how the systems in North Carolina and Texas provide role clarity and oversight:

North Carolina provides strong state-level policy, enforcement, and monitoring of institutional roles. For example, they review all new program proposals to ensure they are not unnecessarily duplicative of "effort and resources" or are outside mission. They add clarity by designating institutions' roles for providing degrees in medical, engineering, science, agriculture, and liberal arts, among others. In addition to the system providing clear long-term roles, we were told the UNC System reviews

> Strong clarity and oversight of institutional roles is an important element to a well-planned and coordinated system.

---

[11] *Utah Code* 53B-16-101 provides broad institutional roles and authorizes the board to 1) oversee those roles and 2) clarify the level of program that the institution generally offers.
[12] In this audit we reviewed states that require approval of new programs at the highest governing body. From a systems perspective, this assists in effectively planning for institution development without unnecessary duplication. This model authorizes the state board to withdraw programs it deems unnecessarily duplicative, costly, or unproductive to create a more coordinated system.

existing programs, including for unnecessary duplication, which helps their goal of providing a coordinated, well-functioning system.

Texas has multiple higher education systems and has codified unique institutional roles in their state statue. For example, institutions are guided with formalized and specific language to provide various emphases in state supported programs in public service, medicine, maritime studies, mechanical arts, among others.

We could not find this same level of clarity for the unique, long-term roles each institution is to play in **Utah Code** or *Administrative Rule*.

Institution Roles	Texas	North Carolina	Utah
Role Formalized	State Statute	Board Meeting then Publicly Reported	Broadly in **Utah Code**, *Admin Rule*
Role Specificity	Legislative Directed Very Detailed	Board Approved Detailed	Board Approved Guiding Principles
Role Oversight	Moderate	Very Strong	Moderate

Source: Auditor Generated

It appears that from this review, Texas provides strong role clarity and North Carolina provides strong role oversight. Similarly, Maryland's goal is to be an efficient and collaborative system, and its institutions have unique roles to develop over time. We are not suggesting Utah specify institutional roles such that a single institution offers a single program within the state. In fact, many institutions offering programs that align with high workforce demand is one way to meet some statewide demands. However, improved role clarity and oversight for institutions can provide better system coordination that eliminates unnecessary duplication and limits unhealthy competition for resources.

> **We do not suggest two institutions cannot offer the same program. In fact, this is how USHE often supplies important areas in Utah's workforce. However, improved role clarity and oversight can provide better coordination that eliminates unnecessary duplication and limits unhealthy competition.**

UBHE could also use long-term planning and their internal audit function to promote better institutional coordination. We are encouraged with UBHE's adoption of a strategic plan in August 2024 that aligns the system on common priorities and goals. A further improvement that could be made with the strategic

plan is to include what unique role institutions will fulfill over the next 10-20 years.

> ### RECOMMENDATION 2.1
>
> The Utah Board of Higher Education and Office of the Commissioner of Higher Education should promote stronger system coordination by more clearly specifying institutional roles and providing stronger oversight of those roles.

> ### RECOMMENDATION 2.2
>
> The Utah Board of Higher Education should create a long-term plan outlining the unique roles each degree-granting institution will fulfill over the next 20 years.

Board Needs to Utilize Its Tools to Bolster Oversight by Requesting Objective Information and Ensuring Efficiency and Accountability

UBHE must be the oversight body of higher education efficiency. While UBHE has some authority over programs,[13] they have not always acted on their authority. An important feature of governance and policymaking, the board needs accurate, ongoing, and independent data. We believe this data should come, in part, from ongoing accountability reviews.

Since our last audit in 2022, the board has not utilized its internal audit function to review for any systemwide efficiencies. Instead, it has primarily been a shared service audit resource for select institutions or been utilized to perform compliance-based, IT, or policy-required audits. Most audits performed on behalf of the board over the last three years have been used to review for controls in technical colleges.[14]

UBHE should perform system-level reviews to identify efficiencies and ensure existing processes operate effectively.

We note the South Dakota and Illinois legislatures have required accountability reviews. Specifically, starting in 2020 South Dakota has reviewed for program and administrative efficiencies and in 2021 made 35 recommendations for system improvement. Some of these recommendations highlighted the need for stronger mission clarity, system collaboration, and the removal of program duplication. These

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[13] In addition to UBHE's authority over some program creation, the Legislature has given OCHE responsibility to review all programs at least every seven years.

[14] We are not commenting on the quality of these reports or suggesting these reviews should not have happened. We are simply highlighting the need for the board to establish a strong performance accountability office to ensure systemwide efficiency.

reviews for efficiency present a policy option for the Utah Legislature to consider and will be discussed later in this chapter.

The USHE audit function is responsive to and provides work based on board requests. For UBHE and OCHE to ensure a more coordinated system and to maximize taxpayer and student funds, these entities must utilize the resources the Legislature has given them. We believe performance auditing can play an important part in 1) reviewing for systemwide efficiencies, 2) ensuring institutions act and develop within their unique roles, 3) determining whether the processes for program creation and review are operating well and following best practices, and 4) ensuring data and data systems are current and they are collecting meaningful information.

> **RECOMMENDATION 2.3**
>
> The Utah Board of Higher Education should utilize their audit resources to perform systemwide accountability reviews, ensuring institutions act within their long-term roles and identifying further system efficiencies, including areas where better data and data systems are needed.

2.3 Presidents Should Make Institutional Decisions With the System in Mind

Utas Code[15] authorizes presidents to create, merge, or eliminate academic units at their institution. In doing so, they are also required by board policy to

Presidents understand the higher education landscape and there is an opportunity for presidents to act with a more systemwide perspective.

prioritize the system's needs above an individual institution's needs. However, institutions appear to be making decisions that benefit the institution without full regard for the system. This has, in part, created inefficiencies and some competition among institutions. Therefore, more can be done at the institutional level to support system goals and improve processes related to program creation and program review.

Institutions Should Build a Culture of Working Within a System

USHE presidents of degree-granting institutions understand many of the risks facing higher education, are innovative, and have identified ways to improve

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[15] *Utah Code* 53B-2-106(5)(c)

their overall value[16] within their communities and in the state. We are encouraged by many of the actions institutions are taking to keep their institutions strong and serve students. Overall, there is an opportunity for presidents to act with a more systemwide perspective. UBHE policy states the following:

Presidents are required in UBHE policy to prioritize the system ahead of institutions. This section identifies areas where this can occur to a greater degree.

Institutions Should Review Areas Where Program Inefficiencies Exist

Responsibility for new program creation starts with institutional presidents. Institutions must be accountable for how programs impact Utah's higher education system. During this audit we found some potentially unnecessary duplication in some programs, including programs with low student enrollment and graduations. We conclude that institutions must be more detailed and discerning in their justified need for programs.

Institutions Offer Duplicative Programs, Some With Low Student Graduation. We analyzed the enrollment of university bachelor's degree programs that have graduated low numbers of students annually in consecutive years and found several examples of program duplication among institutions. For example, in 2022 four institutions graduated a total of 14 students in one program, while four institutions graduated 20 students in another.

We did not audit specific programs and therefore are not taking a position on any individual program; rather, our concern is that the cost of program duplication is not known[17]

> **The Legislature has authorized presidents and trustees to create and eliminate programs. Institutions should use program-level data in their decision making.**

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[16] We found examples where institutions are striving to adapt to new student demands by shortening the time to finish some degrees, using applied learning, creating public/private partnerships, among other actions.

[17] Chapter 1 highlights how institutions have not been assessing program costs at the program level and we recommend that a common, ongoing methodology be developed to calculate these costs going forward.

and taxpayers and students pay the price of inefficiency.[18] Institutions may wish to offer a program that is offered at another institution, and some can do so without the need for added staff. We are not suggesting that because one institution has a program that another institution cannot have it. We are suggesting that OCHE and institutions understand the cost and deliberate ways they can partner with other institutions to effectively and efficiently deliver similar learning across the system. We believe UBHE and OCHE should provide guidance on duplicative programs, including areas where maximizing institutional staff and online learning can be achieved.

Programs with Varying Student Outcomes. We observed data that highlight that some programs produce graduates with poorer student outcomes, including lower pay and lower attachment to the workforce. In conjunction with this audit, OCHE staff analyzed the employment outcomes of each academic program offered across all USHE institutions. OCHE has historically not performed this study, but we acknowledge progress in their recent efforts. It is unclear if presidents are reviewing similar data.

Specifically, some programs have graduates being paid near the federal poverty line for a family of four, while others had low job placement in the workforce five years after graduation. We acknowledge that some programs may provide a social good that transcends pay considerations. However, it is also worth noting that USHE institutions offer programs that lead to poorer student outcomes than other programs. With better data (see Chapter 1), presidents can position their institutions to make data informed decisions and act more collaboratively within the system.

Improved Justification for New and Ongoing Programs. We reviewed a random sample of over 60 program proposals (for new programs or programs with a new emphasis) issued by USHE degree-granting institutions from 2015 to current. We found that institutions in some cases failed to demonstrate market need for the program or justified a program because it is a program offered by a peer or other institution. There are many factors institutions consider when creating a new program, and many proposals OCHE reviewed had detailed information to document their need.

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[18] Low enrollment may not be the only important factor when considering a program. For example, it was reported that although one program at an institution produces few graduates each year, that program contributes to a significant portion of the industry's national workforce. We note nuances exist and also highlight that other programs may not serve a similar demand and should be reviewed.

We did not review individual programs and more work is needed to determine inefficiencies among programs. We believe OCHE's program reviews can review for inefficiencies. In addition to this process, we recommend UBHE compile a report detailing unnecessarily duplicative programs across the system (including those with low enrollment), programs with low student outcomes, and programs that no longer meet a market or systemwide need, then place this report on a President's Council agenda for further discussion and coordination.

> **RECOMMENDATION 2.4**
>
> The Utah Board of Higher Education should compile a report of unnecessarily duplicative programs across the system, programs with low student outcomes, and programs that no longer serve a market or systemwide need, then place this report on a President's Council agenda for further discussion and coordination.

2.4 The Legislature Has Policy Options for Further Systemwide Leadership

From our review of best practices for systemwide collaboration, we identified a need for further policy consideration within USHE. It can be difficult to shift an entire system to be cohesive and collaborative, in ways this report highlights. We recommend the Legislature consider ways to make the system more cohesive. Below are some policy options that can be considered.

- *Ongoing Review and Reporting for System Efficiency and Effectiveness*—In 2020 the South Dakota Legislature passed a bill that requires their higher education board to assemble a task force to examine efficiencies among program and administrative cost areas. This task force includes at least four legislators and is required to present their findings to their governor and a joint legislative committee. Specifically, South Dakota's legislation requires them to examine possible action in the following areas:

  > The Legislature could consider requiring ongoing review for system efficiencies and could utilize system-level funding to encourage stronger alignment.

  - Combining program administration, operations, and functions across multiple institutions

  - Review duplication of programs and academic majors with low enrollments and low number of graduates

  - Any other possible cost-effective measures the task force determines are worthy of examination

Illinois passed similar legislation to ensure ongoing review of program-level efficiencies. Utah's Legislature has already signaled a desire for shared services within the system. We believe the board can do more to ensure the system operates efficiently and effectively with taxpayer funds.

- *System-Level Performance Funding to Strengthen USHE Alignment and Outcomes*—We found that last year the UNC System provided incentives to the state's executive officer over higher education for meeting metrics set by the board. These align with areas identified in this report and include providing systemwide oversight of institutional roles, program alignment, decreasing institutional debt, and flattening tuition increases. North Carolina has seen improved outcomes through this funding. The Legislature could consider whether bonus funding could help lead to stronger and quicker system alignment and coordination.

RECOMMENDATION 2.5

The Legislature should consider requiring the Utah Board of Higher Education to perform ongoing review of programs, administration, and other operational efficiencies within the Utah System of Higher Education.

RECOMMENDATION 2.6

The Legislature should consider the policy question of whether it is desirable to provide performance funding at the system level, to incentivize a more coordinated system.

Complete List of Audit Recommendations

Complete List of Audit Recommendations

This report made the following 11 recommendations. The numbering convention assigned to each recommendation consists of its chapter followed by a period and recommendation number within that chapter.

Recommendation 1.1
We recommend the Office of the Commissioner of Higher Education should work with institutions to develop and oversee a uniform methodology to calculate program-level return on investment, including program costs and completion rates.

Recommendation 1.2
We recommend the Office of the Commissioner of Higher Education and institution Presidents should use program costs, enrollments, completion rates, employment outcomes, and workforce demand to determine if programs should be expanded, reduced, or discontinued.

Recommendation 1.3
We recommend the Office of the Commissioner of Higher Education should improve their decision making by working with institutions to identify why students choose to attend private non-traditional institutions and why institutions are losing market share for some programs.

Recommendation 1.4
We recommend the Legislature should consider the costs and benefits of providing targeted funding to areas of high workforce need and consider holding institutions more accountable for the funding they provide to these areas of high workforce need.

Recommendation 1.5
We recommend the Office of the Commissioner of Higher Education should work with the Department of Workforce Services to curate and coordinate use of regional and state workforce data to drive proper programmatic investment of taxpayer funds.

Recommendation 2.1
We recommend the Utah Board of Higher Education and Office of the Commissioner of Higher Education should promote stronger system coordination by more clearly specifying institutional roles and providing stronger oversight of those roles.

Recommendation 2.2
We recommend the Utah Board of Higher Education should create a long-term plan outlining the unique roles each degree-granting institution will fulfill over the next 20 years.

Recommendation 2.3
We recommend the Utah Board of Higher Education should utilize their audit resources to perform systemwide accountability reviews, ensuring institutions act within their long-term roles, and identifying further system efficiencies including areas where better data and data systems are needed.

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Agency Response Plan

November 11, 2024

Kade Minchey, CIA, CFE
Legislative Auditor General
W315 State Capitol Complex
Salt Lake City, Utah 84114

Dear Legislative Auditor General Minchey,

Thank you for the opportunity to review and respond to Audit 2024-22, A Review of System Collaboration, Efficiency, and Workforce Alignment. We appreciate Jesse Martinson, Matthias Boone, Nick Varney, and Abi Maccabee for their diligent, collaborative, and professional work.

Higher education locally and nationally faces unprecedented challenges and uncertainty. The Utah Board of Higher Education is charged with setting a vision for the Utah System of Higher Education and charting a course to navigate forward in an unclear future, and while that responsibility is daunting, having this audit's critical insight and direction provides invaluable guideposts that ensure excellence and success. The Board and the Commissioner's Office agree with the auditors' recommendations, and we will continue to work with our legislative leaders, the Governor, the boards of trustees, and the presidents to build and maintain a thriving innovative system of higher education.

Sincerely,

Geoffrey Landward
Commissioner of Higher Education

Amanda Covington
Chair, Utah Board of Higher Education

Utah Board of Higher Education Response to Audit 2024-22, A Review of System Collaboration, Efficiency, and Workforce Alignment.

Recommendation 1.1

We recommend the Office of the Commissioner of Higher Education work with institutions to develop and oversee a uniform methodology to calculate program-level return on investment, including program costs and completion rates.

Board Response

We agree. Indeed, our approach to findings 1.1, 1.2, 1.5, and 2.4 are interwoven. We are already in the process of developing criteria by which to measure program-level performance and have worked in collaboration with our institutions to gather data associated with those criteria to better assess return on investment. We started this work for several reasons. First, the Board is statutorily obligated to review all programs by discipline as well as at an individual level. Second, the Board's strategic plan established creating financial value for students and the state as a strategic priority, which includes incentivizing more investments in high-yield programs, with particular interest in program funding decisions based on missions and roles. Third, legislative leadership expressed interest in exploring appropriation approaches that respond to programs demonstrating high performance or meeting a strategic state need. Lastly, this audit process helped shape and accelerate our work.

With the significant number of programs in the system, the Board needed a data-driven approach to assess individual program performance that could be used to generate reports within larger statewide disciplines. Using performance criteria and associated data, our staff developed a dashboard that shows program performance across disciplines system wide. Decision makers like the Board, presidents, legislators, or other leaders can generate instant reports using many variables to explore program performance. We have launched the first version of this dashboard and will expand and revise it as we receive feedback from institutions and stakeholders. Carrie Mayne, chief economist, has primary responsibility for this dashboard.

Building on the program performance criteria and data, the Board is working with legislative leadership, legislative staff, the Governor's office, and institutions to develop a framework for making strategic appropriations and budget investments in programs based on performance outcomes. We are grateful to our institutions' finance staff for working to create budget sightlines at a program level that allow the Board and institutions to assess not only program performance, but also program fiscal health and impact within an institution and across the system. This will be critical for making informed budget and appropriations decisions. Nate Talley, deputy commissioner and CFO, has primary responsibility for developing this framework in response to these findings, with specific attention to Recommendation 1.5. We anticipate a completed framework by Spring 2025.

Regarding Recommendation 1.1 specifically, because we are implementing this data-driven approach at the system level, the methodology and criteria are uniform and consistent across institutions.

Recommendation 1.2

We recommend the Office of the Commissioner of Higher Education and institution Presidents use program costs, enrollments, completion rates, employment outcomes, and workforce demand to determine if programs should be expanded, reduced, or discontinued.

Board Response

Please see the Board's response to Recommendation 1.1

Recommendation 1.3

We recommend the Office of the Commissioner of Higher Education improve their decision making by working with institutions to identify why students choose to attend private non-traditional institutions and why institutions are losing market share for some programs.

Board Response

We agree. As the Office of the Commissioner advances system coordination and cohesion initiatives as articulated in response to Recommendation 2.1, identifying the main explanatory factors of student demand for USHE-provided programs will drive opportunities for USHE investment and specialization. Better understanding within-system and external sources of competition, including from private non-traditional institutions, will be critical to informing how and where improvements are implemented. We expect that progress toward these goals will begin with coupling analyses and methodologies established in response to Recommendation 1.1 with public-facing non-traditional institutional data to investigate possible drivers of market leakages by Spring 2025. To the extent necessary, findings from this exercise could be supplemented with primary data collection from students and local employers. Ultimately, understanding current and projected market conditions/competition dynamics should heavily inform efforts to secure System institutional efficiencies in response to Recommendation 1.2, and areas of institutional specialization in response to Recommendation 2.1 over the next 12 months. Carrie Mayne and Nate Talley have primary responsibility for this recommendation.

Recommendation 1.4

We recommend the Legislature consider the costs and benefits of providing targeted funding to areas of high workforce need and consider holding institutions more accountable for the funding they provide to these areas of high workforce need.

Board Response

N/A

Recommendation 1.5

We recommend the Office of the Commissioner of Higher Education work with the Department of Workforce Services to curate and coordinate use of regional and state workforce data to drive proper programmatic investment of taxpayer funds.

Board Response

We Agree. In addition to our response to recommendation 1.1, the Office of the Commissioner of Higher Education will draw on its partnership with the Department of Workforce Services to further expand the use of regional and state workforce data to inform program investments. OCHE's data team, led by Carrie Mayne, will work with the academic affairs and technical education teams to systematize the use of DWS's projections, wage estimates, job postings, and regional economic analysis in reviewing the performance of existing programs, the approval of out-of-mission new programs, the design of talent development initiatives, and the overall performance of the system in providing a prepared workforce for the state of Utah. Carrie Mayne and Nate Talley have primary responsibility for this recommendation. This work is already underway, and while it will be ongoing, we anticipate demonstrated improvements within the next 12 months.

Recommendation 2.1

We recommend the Utah Board of Higher Education and Office of the Commissioner of Higher Education should promote stronger system coordination by more clearly specifying institutional roles and providing stronger oversight of those roles.

Board Response

We agree. The Board identified establishing a more cohesive and efficient system of higher education in its recently adopted strategic plan, especially since this has been an issue that has generated concern for several years. Although recent policy revisions have improved mission and role clarity, we believe a more fundamental reimagining of the system is now urgent and critical for all the institutions to thrive in the coming dramatic demographic shifts. To that end, and at the direction of the Board, the Commissioner has convened the institutions' presidents to begin the process of redesigning the system, with the belief that there are no others more qualified or positioned to remake Utah's higher education system. We have identified establishing a seamless student experience and creating return on investment as the guiding principles to drive this endeavor.

Redesigning this system requires us to establish institutional missions and roles that go beyond broad categorization based only on degree type. Rather, institutions should

specialize in unique subject areas such as health professions, deep technology, business, education, and others and offer their programs throughout the state by forming partnerships with other institutions. Performance funding and other incentives should be developed to recognize these unique missions, roles, and specialties, and should reward innovation, value, and collaboration rather than growth for growth's sake. Lastly, targeted enrollment, institutional size, and student body characteristics should be differentiated by mission and role. The result will be a system that is strategically designed to thrive for the next 20-plus years where success is assessed by how the *system* serves Utah students and competes nationally and globally, not how individual institutions compete against each other to the possible detriment of student experience and taxpayer value.

This process will take time not only to design but to implement. We will work to complete a framework and long-term plan within the next 12 months. Geoff Landward, Commissioner of Higher Education, will have primary responsibility for this recommendation.

Recommendation 2.2

We recommend the Utah Board of Higher Education create a long-term plan outlining the unique roles each degree-granting institution will fulfill over the next 20 years.

Board Response

Please see the Board's response to Recommendation 2.1

Recommendation 2.3

We recommend the Utah Board of Higher Education should utilize their audit resources to perform systemwide accountability reviews, ensuring institutions act within their long-term roles, and identifying further system efficiencies including areas where better data and data systems are needed.

Board Response

We directionally agree. The Office of the Commissioner recently finished a significant reorganization that reduced its size and its budget while refocusing resources on the Board's strategic priorities. As part of this reorganization, the Commissioner created a new compliance unit with responsibility to assess institutional compliance with state law and Board policy. This specific audit recommendation was not necessarily within the span of those decisions. The Board will need to implement this recommendation by either adjusting the scope of the compliance unit, expand the mission and resources of its internal audit unit, or expand the capacity and roles of both units—the best approach is unclear at this time.

We anticipate appraising possible approaches and selecting a preferred organizational tactic following the conclusion of the 2025 legislative session, at which time we will identify needed resources and establish a timeline for implementation. Geoff Landward will have primary responsibility for this recommendation.

Geoff Landward will have primary responsibility for implementing this recommendation.

Recommendation 2.4

We recommend the Utah Board of Higher Education compile a report of unnecessarily duplicative programs across the system, programs with low student outcomes, and programs that no longer serve a market or systemwide need, then place this on a President's Council agenda for further discussion and coordination.

Board Response

We agree. Our approach to this recommendation is addressed primarily in our response to Recommendations 1.1 and 2.1. However, we appreciate the auditor recognizing the critical importance and role of presidents in determining which programs they offer and their shared responsibility in leading the system. Presidents have clear authority to eliminate programs, restructure academic units, and adjust academic budgets. Making decisions about which programs each institution offers is a shared obligation and should be done collaboratively and guided by the clear missions, roles, and performance criteria referenced in the responses to this audit.

Recommendation 2.5

We recommend the Legislature should consider requiring the Utah Board of Higher Education to perform ongoing review of programs, administration, and other operational efficiencies within the Utah System of Higher Education.

Board Response

N/A

Recommendation 2.6

We recommend the Legislature should consider the policy question of whether it is desirable to provide performance funding at the system level, to incentivize a more coordinated system.

Board Response

N/A

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