

AGENDA
Postsecondary Education Working Group Meeting
September 7, 2016

Time: 10:30 AM – 1:00 PM EST
Location: Kentucky Chamber of Commerce
464 Chenault Road
Frankfort, Kentucky 40601

- I. Opening Remarks
- II. Funding Model Options
 - A. Rates and Volumes (CPE Sample, 07-19-16)
 - B. Small School Adjustment (KSU Proposal)
 - C. Volumes and Degree Productivity (NKU Proposal)
 - D. Degree Production (UK Proposal)
- III. Decision Points
 - A. Sector Differentiation
 - B. Model Structure and Components
 - C. Component Proportions
 - D. Small School Adjustment
- IV. Metrics and Weights
 - A. Metric Categories
 - B. Rates versus Volumes
 - C. Weights
- V. Next Steps



STRONGER

by degrees



PERFORMANCE FUNDING MODEL DEVELOPMENT

Kentucky Council on Postsecondary Education
Sample Comprehensive Sector Funding Model
September 7, 2016

Goal and Guiding Principles

Goal and Guiding Principles

Goal

- Develop a funding model that aligns state funding for higher education operations with desired state policy goals and appropriately reflects mission differentiation among campuses.

Guiding Principles

- Mission Sensitive - recognition that dissimilar missions may require dissimilar levels of funding.
- Outcomes Based - model should provide performance incentives by establishing a link between funding and desired state outcomes.
- Completion Driven - consider cost implications of differences in levels of credit hours earned, residency status, and program mix.
- Easily Communicated - few metrics; approach easy to understand.

Goal and Guiding Principles (Cont'd)

Guiding Principles (Cont'd)

- Sustainable - provides continuing incentives for improvement regardless of resource environment (*cuts, flat funding, or growth*).
- Reasonably Stable - will not permit large annual shifts in funding.
- Data Driven - uses data that are reliable and readily available.
- Compatible - capable of being integrated into CPE biennial budget requests; allows funding requests outside the model (*trust funds*).
- Relevant - excludes mandated programs and other activities that are not credit hour generating.
- Flexible - continuing provision of lump sum appropriations, with appropriate accountability requirements.

Sample Model

Outcomes-Based Funding

Sample Comprehensive Sector Model

Model Assumptions

- 25% of sector net General Fund assigned to performance pool
- 3 to 1 ratio of course completion to student success outcomes
- Student credit hours weighted for cost differences in:
 - Program mix (different disciplines)
 - Degree level (undergraduate, master's, doctoral)and weighted for revenue differences in:
 - Residency status (weighting of 1.0 for residents; 0.5 for nonresidents)
- Six metric categories (consistent with CPE's 2016-18 budget request)

Bachelor's degrees	Progression
Retention	Graduation
STEM+H	Educational Opportunity
- Each metric category includes volumes and rates

Outcomes-Based Funding

Sample Comprehensive Sector Model

Assessment Method

Step 1: Determine Contributed Amounts (@ Assumed 25%)

<u>Campus</u>	<u>2017-18 Net General Fund</u>	<u>Mandated Programs</u>	<u>Adjusted Net General Fund</u>	} X 25% =	<u>Contributed Amounts</u>
EKU	\$64,972,300	(\$200,000)	\$64,772,300		}
KSU	26,729,600	(6,736,000)	19,993,600	4,998,400	
MoSU	41,969,200	(2,880,000)	39,089,200	9,772,300	
MuSU	45,864,000	(2,644,700)	43,219,300	10,804,800	
NKU	51,447,600	(1,500,000)	49,947,600	12,486,900	
WKU	74,511,700	(5,594,600)	68,917,100	17,229,300	
Sector	\$305,494,400	(\$19,555,300)	\$285,939,100		

Step 2: Calculate Component Pools (@ Assumed 3:1 Ratio)

	A		B		C		D
	<u>Adjusted Net General Fund</u>		<u>Course Completion</u>		<u>Progression & Degrees</u>		<u>Contributed Sector Total</u>
Sector	\$285,939,100	X	18.75%	X	6.25%		25.00%
Component Pools		=	\$53,613,600	=	\$17,871,200		\$71,484,800

Outcomes-Based Funding

Sample Comprehensive Sector Model

Assessment Method (Cont'd)

Step 3: Distribute Course Completion Pool Among Institutions

(Based on Share of Sector Total Weighted Credit Hours Earned)

Campus	Unweighted Credit Hours		Weighted Credit Hours	Percent Share	Course Completion Distribution
EKU	354,969	} X Weight Factors =	669,935	23.9%	\$12,835,600
KSU	41,464		61,164	2.2%	1,171,900
MoSU	180,841		336,661	12.0%	6,450,200
MuSU	224,043		400,240	14.3%	7,668,400
NKU	308,982		569,203	20.3%	10,905,600
WKU	414,469		761,078	27.2%	14,581,900
Sector	1,524,768		2,798,281	100.0%	\$53,613,600

Consider Cost Differences in: Program Mix
Degree Level

Consider Revenue Differences: Residency Status

Course Completion Pool: \$53,613,600

Outcomes-Based Funding

Sample Comprehensive Sector Model

Assessment Method (Cont'd)

Step 4: Distribute Progression and Degree Pool Among Institutions

(Based on Share of Sector Total Weighted Outcomes Produced)

<u>Campus</u>	<u>Share of Bachelor's Degrees</u>	<u>Share of Progression Volume</u>	<u>Share of Graduation Volume</u>	<u>Share of STEM+H Degrees</u>	<u>Percent Share</u>	<u>Progression and Degree Distribution</u>
EKU	26.6%	24.6%	21.1%	18.3%	21.7%	\$3,883,400
KSU	1.8%	2.0%	1.0%	1.6%	4.5%	809,700
MoSU	9.6%	10.9%	10.8%	7.9%	12.0%	2,139,400
MuSU	14.0%	15.5%	19.1%	27.8%	16.9%	3,026,500
NKU	22.2%	18.3%	15.0%	19.6%	17.1%	3,060,200
WKU	25.8%	28.7%	32.9%	24.7%	27.7%	4,952,000
Sector	100.0%	100.0%	100.0%	100.0%	100.0%	\$17,871,200

Note: Retention and Educational Opportunity shares not displayed.

Progression and Degree Pool: \$17,871,200

Outcomes-Based Funding

Sample Comprehensive Sector Model

Assessment Method (Cont'd)

Step 5: Sum Course Completion and Progression and Degree Components (To Obtain Total Formula Distribution)

Campus	Course Completion		Progression and Degrees		Total Formula Distribution
	Percent Share	Distribution	Percent Share	Distribution	
EKU	23.9%	\$12,835,600	21.7%	\$3,883,400	\$16,719,000
KSU	2.2%	1,171,900	4.5%	809,700	1,981,600
MoSU	12.0%	6,450,200	12.0%	2,139,400	8,589,600
MuSU	14.3%	7,668,400	16.9%	3,026,500	10,694,900
NKU	20.3%	10,905,600	17.1%	3,060,200	13,965,800
WKU	27.2%	14,581,900	27.7%	4,952,000	19,533,900
Sector	100.0%	\$53,613,600	100.0%	\$17,871,200	\$71,484,800



Each institution's share of sector total weighted credit hours earned



Each institution's share of sector total student success outcomes

Component Pools:

\$53,613,600

\$17,871,200

Outcomes-Based Funding

Sample Comprehensive Sector Model

Assessment Method (Cont'd)

Step 6: Calculate Difference between Contributed Amounts and Formula Distribution

Step 7: Apply Hold Harmless and Stop Loss Provisions (@ Assumed 0% KSU; 1% Others)

<u>Campus</u>	<u>Contributed Amounts</u>	<u>Formula Distribution</u>	<u>Difference</u>	<u>Stop Loss Thresholds</u>	<u>Post Stop Loss Reallocation</u>	<u>Percent of NGF Base</u>
EKU	\$16,193,100	\$16,719,000	\$525,900	(\$647,700)	\$61,100	0.09%
KSU	4,998,400	1,981,600	(3,016,800)	0	0	0.00%
MoSU	9,772,300	8,589,600	(1,182,700)	(390,900)	(390,900)	-1.00%
MuSU	10,804,800	10,694,900	(109,900)	(432,200)	(109,900)	-0.25%
NKU	12,486,900	13,965,800	1,478,900	(499,500)	171,900	0.34%
WKU	17,229,300	19,533,900	2,304,600	(689,200)	267,800	0.39%
Sector	\$71,484,800	\$71,484,800	\$0		\$0	

Outcomes-Based Funding

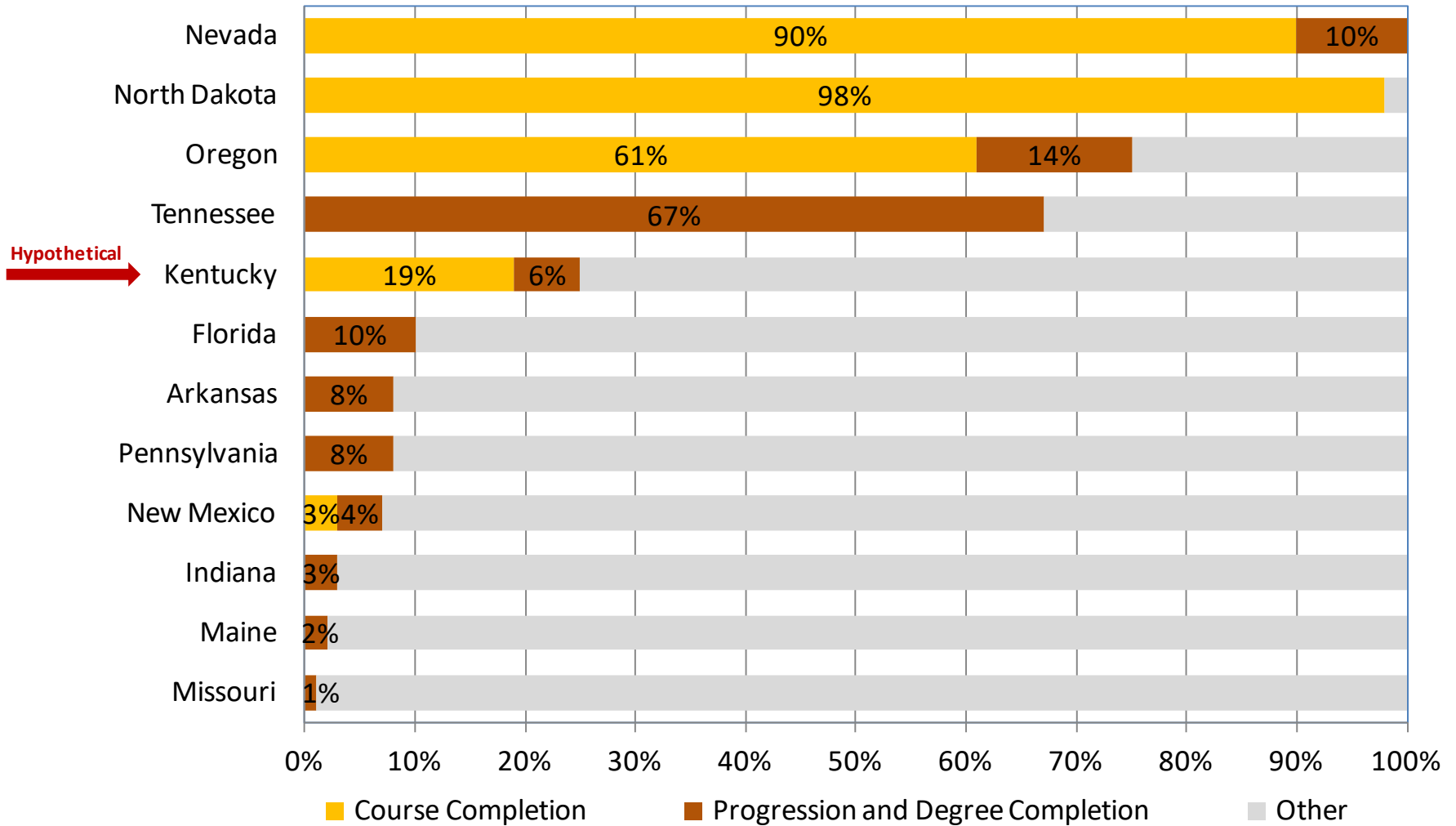
Sample Comprehensive Sector Model

Assessment Method (Cont'd)

Impact of Different Component Ratios on Formula Distribution
Assumed Contribution Level @ 25.0%

<u>Campus</u>	<u>Component Ratio @ 4 : 1</u>	<u>Component Ratio @ 3 : 1</u>	<u>Component Ratio @ 2 : 1</u>	<u>Component Ratio @ 1 : 1</u>
EKU	\$605,000	\$525,900	\$394,500	\$131,000
KSU	(3,100,700)	(3,016,900)	(2,877,400)	(2,597,900)
MoSU	(1,180,500)	(1,182,600)	(1,186,200)	(1,193,400)
MuSU	(204,100)	(109,900)	46,500	360,500
NKU	1,594,000	1,478,900	1,287,600	903,800
WKU	2,286,300	2,304,600	2,335,000	2,396,000
Sector	\$0	\$0	\$0	\$0

Outcomes-Based Funding in Four-Year Sector As a Percentage of Overall State Support July 19, 2016



Source: Snyder and Fox (2016), HCM Strategists, *Driving Better Outcomes: Fiscal Year 2016 State Status & Typology Update*.

Potential Metrics

Outcomes-Based Funding

Potential Metrics

KCTCS

- Credentials Awarded ▲
- Retention Rate (1st to 2nd year) ▲
- Graduation Rate (3-year) ▲ ●
- College Readiness Success
 - Complete English course (by 2nd fall)
 - Complete Math course (by 2nd fall)
- Workforce Training
- Transfers with Associates

Universities

- Baccalaureate Degrees ▲
- Retention Rate (1st to 2nd Year) ▲
- Progression ▲
- Graduation Rate (6-Year) ▲ ●
- Sector Specific
 - UK&UL: Research Expenditures
 - Comps: STEM+H Degrees
- Institution Specific

- ▲ Includes components related to closing achievement gaps for underrepresented minority and low-income students.
- Graduation rate will be included as a metric in the 2016-18 biennium, but not assigned any weight until 2018-20.



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by degrees



PERFORMANCE FUNDING MODEL DEVELOPMENT

Kentucky Council on Postsecondary Education
Sample Comprehensive Sector Funding Model
September 7, 2016

Contribution Level @ 6.25%

Metric Categories →	Bachelor's Degrees					Progression				
	Bachelor's Degree Volume	Bachelor's Degrees per 100 FTE Students	Weights	Weighted Bachelor's Degree Volume	Percent of Total	Progression Volume	Progression Rate	Weights	Weighted Progression Volume	Percent of Total
Eastern Kentucky University	2,466	20.96	1.15	2,847	26.6%	3,777	42.5%	1.07	4,060	24.6%
Kentucky State University	249	14.25	0.79	196	1.8%	399	33.1%	0.84	334	2.0%
Morehead State University	1,142	16.29	0.90	1,024	9.6%	1,863	38.3%	0.97	1,806	10.9%
Murray State University	1,460	18.72	1.03	1,505	14.0%	2,406	42.0%	1.06	2,554	15.5%
Northern Kentucky University	2,155	20.09	1.11	2,384	22.2%	3,043	39.3%	0.99	3,027	18.3%
Western Kentucky University	2,694	18.64	1.03	2,765	25.8%	4,469	42.0%	1.06	4,747	28.7%
Sector	10,167	18.16	6.00	10,722	100.0%	15,958	39.6%	6.00	16,529	100.0%
Allocation Percentages					12.5%					12.5%
Allocation Dollars					2,233,900					2,233,900
Campus					Metric Allocation					Metric Allocation
Eastern Kentucky University					593,227					548,778
Kentucky State University					40,781					45,189
Morehead State University					213,456					244,081
Murray State University					313,533					345,182
Northern Kentucky University					496,778					409,101
Western Kentucky University					576,125					641,570
Sector					2,233,900					2,233,901

Contribution Level @ **6.25%**

Metric Categories →	Retention					URM Retention				
	Retention Volume	Retention Rate	Weights	Weighted Retention Volume	Percent of Total	URM Retention Volume	URM Retention Rate	Weights	Weighted URM Retention Volume	Percent of Total
					1.00					0.50
<u>Campus</u>										
Eastern Kentucky University	1,441	72.8%	1.08	1,559	21.0%	131	62.3%	1.03	135	14.9%
Kentucky State University	179	49.8%	0.74	133	1.8%	141	47.9%	0.79	112	12.3%
Morehead State University	1,039	68.1%	1.01	1,051	14.2%	93	66.1%	1.09	102	11.3%
Murray State University	1,125	72.4%	1.07	1,209	16.3%	122	62.9%	1.04	127	14.0%
Northern Kentucky University	1,341	68.6%	1.02	1,366	18.4%	168	63.3%	1.05	176	19.4%
Western Kentucky University	1,945	72.4%	1.07	2,091	28.2%	256	60.1%	0.99	254	28.1%
Sector	7,070	67.4%	6.00	7,407	100.0%	912	60.4%	6.00	907	100.0%
Allocation Percentages					12.5%					6.3%
Allocation Dollars					2,233,900					1,116,950
<u>Campus</u>					Metric Allocation					Metric Allocation
Eastern Kentucky University					470,080					166,775
Kentucky State University					39,967					137,530
Morehead State University					316,915					125,789
Murray State University					364,481					156,763
Northern Kentucky University					411,904					216,763
Western Kentucky University					630,553					313,329
Sector					2,233,900					1,116,949

Contribution Level @ **6.25%**

Metric Categories →	Weighting					Weighting				
	Low Income Retention					Graduation				
	Low Income Retention Volume	Low Income Retention Rate	Weights	Weighted Low Income Retention Volume	Percent of Total	6-Year Grad Volume	6-Year Grad Rate	Weights	Weighted 6-Year Grad Volume	Percent of Total
Campus										
Eastern Kentucky University	613	67.4%	1.09	669	24.4%	963	42.1%	1.03	992	21.1%
Kentucky State University	129	50.8%	0.82	106	3.9%	94	20.1%	0.49	46	1.0%
Morehead State University	501	64.0%	1.04	519	19.0%	476	43.7%	1.07	509	10.8%
Murray State University	365	63.3%	1.02	374	13.6%	718	51.2%	1.25	899	19.1%
Northern Kentucky University	435	62.0%	1.00	437	15.9%	758	38.0%	0.93	704	15.0%
Western Kentucky University	620	63.1%	1.02	633	23.1%	1,262	50.1%	1.23	1,548	32.9%
Sector	2,663	61.8%	6.00	2,738	100.0%	4,271	40.9%	6.00	4,699	100.0%
Allocation Percentages					6.3%					12.5%
Allocation Dollars					1,116,950					2,233,900
Campus					Metric Allocation					Metric Allocation
Eastern Kentucky University					272,929					471,608
Kentucky State University					43,405					22,101
Morehead State University					211,762					242,017
Murray State University					152,405					427,310
Northern Kentucky University					178,078					334,844
Western Kentucky University					258,370					736,021
Sector					1,116,949					2,233,901

Contribution Level @ **6.25%**

Metric Categories →	URM Graduation					Low Income Graduation				
	URM 6-Year Grad Volume	URM 6-Year Grad Rate	Weights	Weighted URM 6-Year Grad Volume	Percent of Total	Low Income 6-Year Grad Volume	Low Income 6-Year Grad Rate	Weights	Weighted Low Income 6-Year Grad Volume	Percent of Total
Eastern Kentucky University	51	31.1%	1.01	51	16.3%	245	31.5%	1.00	245	21.3%
Kentucky State University	72	21.0%	0.68	49	15.6%	58	19.3%	0.61	35	3.1%
Morehead State University	14	31.9%	1.03	15	4.7%	151	33.4%	1.06	159	13.8%
Murray State University	45	40.5%	1.31	59	18.8%	178	40.3%	1.28	227	19.7%
Northern Kentucky University	50	26.8%	0.87	44	14.0%	137	27.7%	0.88	120	10.4%
Western Kentucky University	86	34.2%	1.11	96	30.6%	307	37.4%	1.18	363	31.6%
Sector	318	30.9%	6.00	313	100.0%	1,075	31.6%	6.00	1,148	100.0%
Allocation Percentages					6.3%					6.3%
Allocation Dollars					1,116,950					1,116,950
Campus					Metric Allocation					Metric Allocation
Eastern Kentucky University					182,118					237,988
Kentucky State University					174,154					34,316
Morehead State University					52,871					154,649
Murray State University					210,455					220,378
Northern Kentucky University					156,006					116,389
Western Kentucky University					341,346					353,229
Sector					1,116,950					1,116,949

Contribution Level @ 6.25%

Metric Categories →	Weighting					Weighting				
	STEM+H					Educational Opportunity				
Campus	STEM+H Degree Volume	STEM+H Degrees per 100 FTE Students	Weights	Weighted STEM=H Degree Volume	Percent of Total	Educational Opportunity Volume	Educational Opportunity Rate	Weights	Weighted Educational Opportunity Volume	Percent of Total
Eastern Kentucky University	624	25.2%	0.89	555	18.3%	1,155	49.0%	1.00	1,159	23.7%
Kentucky State University	58	24.2%	0.85	50	1.6%	349	72.0%	1.47	515	10.5%
Morehead State University	279	24.4%	0.86	241	7.9%	817	52.3%	1.07	876	17.9%
Murray State University	590	40.4%	1.42	841	27.8%	600	38.3%	0.78	471	9.6%
Northern Kentucky University	602	27.9%	0.98	593	19.6%	836	38.7%	0.79	662	13.5%
Western Kentucky University	756	28.0%	0.99	747	24.7%	1,377	42.7%	0.87	1,203	24.6%
Sector	2,910	28.4%	6.00	3,026	100.0%	5,135	48.8%	6.00	4,886	100.0%
Allocation Percentages					12.5%					12.5%
Allocation Dollars					2,233,900					2,233,900
Campus					Metric Allocation					Metric Allocation
Eastern Kentucky University					409,910					530,029
Kentucky State University					36,687					235,488
Morehead State University					177,563					400,310
Murray State University					620,767					215,220
Northern Kentucky University					437,715					302,649
Western Kentucky University					551,257					550,204
Sector					2,233,899					2,233,900

Council on Postsecondary Education
 Sample Progression and Degree Completion Distribution for the Comprehensive Sector

Draft - For Discussion Purposes Only
 Attachment 1
 July 19, 2016

→ Option A: Rates and Volumes (Includes Access, Retention, Progression, Graduation, Bachelor's Degree, and STEM+H Degree Metrics)

Aggregate
 Weighting
 8.00

Model Inputs	
Contribution Percentage	6.25%
Sector Total	17,871,200

Campus	Metric Pool Totals		A	B	C	D	E	F	G
	Allocation Percentages	Allocation Dollars							
	100.0%	17,871,200			(A x B)	(D - C)	(C ÷ ΣC)	(D ÷ ΣD)	
	2017-18 Adjusted NGF	Contribution Percentage	Contribution Amounts	Formula Amounts	Dollar Difference	Contribution Share	Formula Share		
Eastern Kentucky University	64,772,300	X 6.25%	= 4,048,300	3,883,400	(164,900)	22.7%	21.7%		
Kentucky State University	19,993,600	X 6.25%	= 1,249,600	809,600	(440,000)	7.0%	4.5%		
Morehead State University	39,089,200	X 6.25%	= 2,443,100	2,139,400	(303,700)	13.7%	12.0%		
Murray State University	43,219,300	X 6.25%	= 2,701,200	3,026,500	325,300	15.1%	16.9%		
Northern Kentucky University	49,947,600	X 6.25%	= 3,121,700	3,060,200	(61,500)	17.5%	17.1%		
Western Kentucky University	68,917,100	X 6.25%	= 4,307,300	4,952,000	644,700	24.1%	27.7%		
Sector	285,939,100		ΣC = \$17,871,200	ΣD = \$17,871,100	(100)	100.0%	100.0%		

Contribution Level @ **25.0%**; Component Ratio @ **3 : 1**

Campus	2017-18 Adjusted Net General Fund	Course Completion					Progression & Degree Completion					Total Outcomes				
		Contributed Amounts @ 18.75%	Percent of Total	Formula Amounts	Percent of Total	Difference	Contributed Amounts @ 6.25%	Percent of Total	Formula Amounts	Percent of Total	Difference	Contributed Totals	Percent of Total	Formula Totals	Percent of Total	Difference
EKU	\$64,772,300	\$12,144,800	22.7%	\$12,835,600	23.9%	\$690,800	\$4,048,300	22.7%	\$3,883,400	21.7%	(\$164,900)	\$16,193,100	22.7%	\$16,719,000	23.4%	\$525,900
KSU	19,993,600	3,748,800	7.0%	1,171,900	2.2%	(2,576,900)	1,249,600	7.0%	809,600	4.5%	(440,000)	4,998,400	7.0%	1,981,500	2.8%	(3,016,900)
MoSU	39,089,200	7,329,200	13.7%	6,450,300	12.0%	(878,900)	2,443,100	13.7%	2,139,400	12.0%	(303,700)	9,772,300	13.7%	8,589,700	12.0%	(1,182,600)
MuSU	43,219,300	8,103,600	15.1%	7,668,400	14.3%	(435,200)	2,701,200	15.1%	3,026,500	16.9%	325,300	10,804,800	15.1%	10,694,900	15.0%	(109,900)
NKU	49,947,600	9,365,200	17.5%	10,905,600	20.3%	1,540,400	3,121,700	17.5%	3,060,200	17.1%	(61,500)	12,486,900	17.5%	13,965,800	19.5%	1,478,900
WKU	68,917,100	12,922,000	24.1%	14,581,900	27.2%	1,659,900	4,307,300	24.1%	4,952,000	27.7%	644,700	17,229,300	24.1%	19,533,900	27.3%	2,304,600
Sector	\$285,939,100	\$53,613,600	100.0%	\$53,613,700	100.0%	\$100	\$17,871,200	100.0%	\$17,871,100	100.0%	(\$100)	\$71,484,800	100.0%	\$71,484,800	100.0%	\$0

Campus	2017-18 Adjusted Net General Fund	Formula Difference	Percent of NGF Base	Pre Stop Loss Figures
EKU	\$64,772,300	\$525,900	0.81%	
KSU	19,993,600	(3,016,900)	-15.09%	
MoSU	39,089,200	(1,182,600)	-3.03%	
MuSU	43,219,300	(109,900)	-0.25%	
NKU	49,947,600	1,478,900	2.96%	
WKU	68,917,100	2,304,600	3.34%	
Sector	\$285,939,100	\$0		

Council on Postsecondary Education

Sample Funding Model for the Comprehensive Sector

→ Option A: Impact of Different Component Ratios on Formula Distribution

Contribution Level @ **25.0%**

<u>Campus</u>	<u>Component Ratio @ 4 : 1</u>	<u>Component Ratio @ 3 : 1</u>	<u>Component Ratio @ 2 : 1</u>	<u>Component Ratio @ 1 : 1</u>
EKU	\$605,000	\$525,900	\$394,500	\$131,000
KSU	(3,100,700)	(3,016,900)	(2,877,400)	(2,597,900)
MoSU	(1,180,500)	(1,182,600)	(1,186,200)	(1,193,400)
MuSU	(204,100)	(109,900)	46,500	360,500
NKU	1,594,000	1,478,900	1,287,600	903,900
WKU	<u>2,286,300</u>	<u>2,304,600</u>	<u>2,335,000</u>	<u>2,396,000</u>
Sector	\$0	\$0	\$0	\$100

Note: Ratios reflect amounts designated to Course Completion and to Progression and Degree Completion components, respectively (i.e., the Course Completion component shares equal 4, 3, 2, and 1 above).

Contribution Level @ **25.0%**; Component Ratio @ **3 : 1**; Small School Adjustment @ **25.0%**

Course Completion								Progression & Degree Completion				Total Outcomes					
		(A x 18.75%)	(ΣB x 25.00%)	(B - C)	E	(ΣD x E)	(C + F)	(G - B)	(A x 6.25%)	J	(ΣI x J)	(K - I)	(B + I)	(M ÷ ΣM)	(G + K)	(O ÷ ΣO)	(O - M)
Campus	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	2017-18 Adjusted Net General Fund	Contributed Amounts @ 18.75%	Base Amounts @ 25.00%	Allocable Residual	Percent of Total	Formula Allocation	Formula Amounts	Difference	Contributed Amounts @ 6.25%	Percent of Total	Formula Amounts	Difference	Contributed Totals	Percent of Total	Formula Totals	Percent of Total	Difference
EKU	\$64,772,300	\$12,144,800	\$2,233,900	\$9,910,900	23.9%	\$9,626,700	\$11,860,600	(\$284,200)	\$4,048,300	21.7%	\$3,883,400	(\$164,900)	\$16,193,100	22.7%	\$15,744,000	22.0%	(\$449,100)
KSU	19,993,600	3,748,800	2,233,900	1,514,900	2.2%	878,900	3,112,800	(636,000)	1,249,600	4.5%	809,600	(440,000)	4,998,400	7.0%	3,922,400	5.5%	(1,076,000)
MoSU	39,089,200	7,329,200	2,233,900	5,095,300	12.0%	4,837,700	7,071,600	(257,600)	2,443,100	12.0%	2,139,400	(303,700)	9,772,300	13.7%	9,211,000	12.9%	(561,300)
MuSU	43,219,300	8,103,600	2,233,900	5,869,700	14.3%	5,751,300	7,985,200	(118,400)	2,701,200	16.9%	3,026,500	325,300	10,804,800	15.1%	11,011,700	15.4%	206,900
NKU	49,947,600	9,365,200	2,233,900	7,131,300	20.3%	8,179,200	10,413,100	1,047,900	3,121,700	17.1%	3,060,200	(61,500)	12,486,900	17.5%	13,473,300	18.8%	986,400
WKU	68,917,100	12,922,000	2,233,900	10,688,100	27.2%	10,936,400	13,170,300	248,300	4,307,300	27.7%	4,952,000	644,700	17,229,300	24.1%	18,122,300	25.4%	893,000
Sector	\$285,939,100	ΣB = \$53,613,600	\$13,403,400	ΣD = \$40,210,200	100.0%	\$40,210,200	\$53,613,600	\$0	ΣI = \$17,871,200	100.0%	\$17,871,100	(\$100)	ΣM = \$71,484,800	100.0%	ΣO = \$71,484,700	100.0%	(\$100)

Course Completion Base Calculation	
Sector Contribution	\$53,613,600
X Base Percentage	X 25.00%
= Sector Base Amount	\$13,403,400
÷ Number of Institutions	÷ 6
= Campus Base Amount	\$2,233,900

Council on Postsecondary Education
 Sample Funding Model for the Comprehensive Sector

Draft - For Discussion Purposes Only
 Attachment 5
 August 30, 2016

→ Option B: Impact of Different Small School Adjustment Base Amounts on Formula Distribution

Contribution Level @ **25.0%**; Component Ratio @ **3:1**

Institution	Small School Adjustment Base @ 0.0% ECH CP	Small School Adjustment Base @ 5.0% ECH CP	Small School Adjustment Base @ 10.0% ECH CP	Small School Adjustment Base @ 15.0% ECH CP	Small School Adjustment Base @ 20.0% ECH CP	Small School Adjustment Base @ 25.0% ECH CP
Eastern Kentucky University	\$525,900	\$330,900	\$135,900	(\$59,100)	(\$254,100)	(\$449,100)
Kentucky State University	(3,016,900)	(2,628,700)	(2,240,500)	(1,852,400)	(1,464,200)	(1,076,000)
Morehead State University	(1,182,600)	(1,058,400)	(934,100)	(809,900)	(685,600)	(561,300)
Murray State University	(109,900)	(46,600)	16,800	80,200	143,500	206,900
Northern Kentucky University	1,478,900	1,380,400	1,281,900	1,183,400	1,084,900	986,400
Western Kentucky University	2,304,600	2,022,200	1,739,900	1,457,600	1,175,300	893,000
Comprehensive Sector	\$0	(\$200)	(\$100)	(\$200)	(\$200)	(\$100)
Campus Base Amounts:	\$0	\$446,800	\$893,600	\$1,340,300	\$1,787,100	\$2,233,900
ECH Component Pool Total:	\$53,613,600	\$53,613,600	\$53,613,600	\$53,613,600	\$53,613,600	\$53,613,600
Sector Base Amounts:	0	2,680,800	5,361,600	8,041,800	10,722,600	13,403,400
ECH Pool Allocable Residual:	\$53,613,600	\$50,932,800	\$48,252,000	\$45,571,800	\$42,891,000	\$40,210,200

ECH = Earned Credit Hour
 CP = Component Pool

Comprehensive Outcomes- Based Funding Formula

KENTUCKY PERFORMANCE FUNDING WORK GROUP

SEPTEMBER 7, 2016 MEETING

PRESENTATION BY NKU PRESIDENT GEOFFREY MEARNS

History of CPE Biennial Funding Recommendations

Pre-1997 → formula-driven (adequacy, equity, performance)

1998-2000 → incremental budgeting (base plus)

2000-2004 → formula (benchmark) funding

2004-2006 → formula (benchmark) funding recommended ***but not funded***

2006-2008 → benchmark, special initiatives, performance pools recommended ***but not funded***

2008-2010 → inflationary adjustments, performance funding pool recommended ***but not funded***

2010-2012 → incremental and strategic initiatives funding pools recommended ***but not funded***

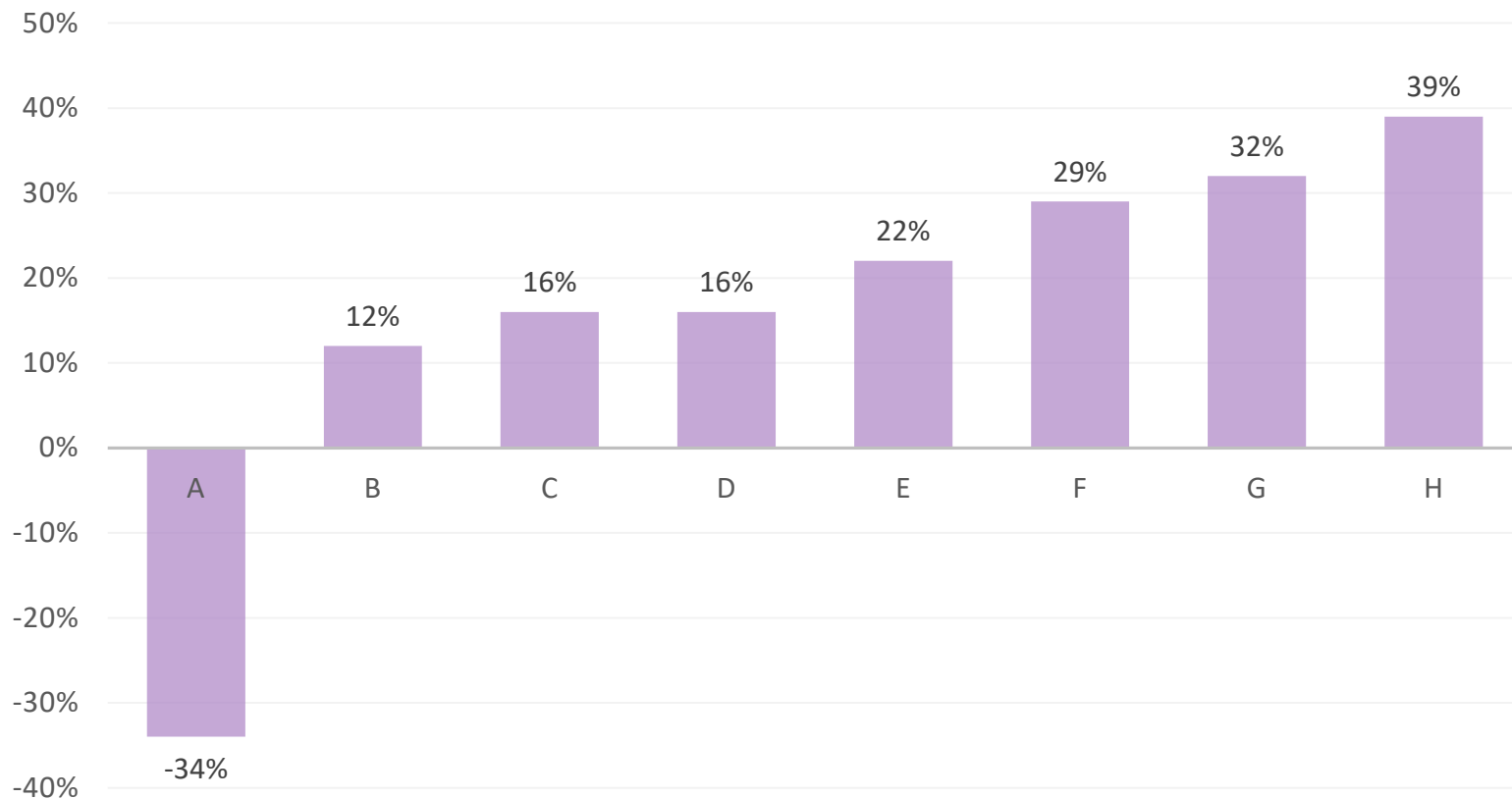
2012-2014 → performance and other strategic initiatives funding pools recommended ***but not funded***

2014-2016 → performance funding and other investment pools recommended ***but not funded***

2016-2018 → performance funding pool (restoration of prior year cuts) recommended ***but not funded***

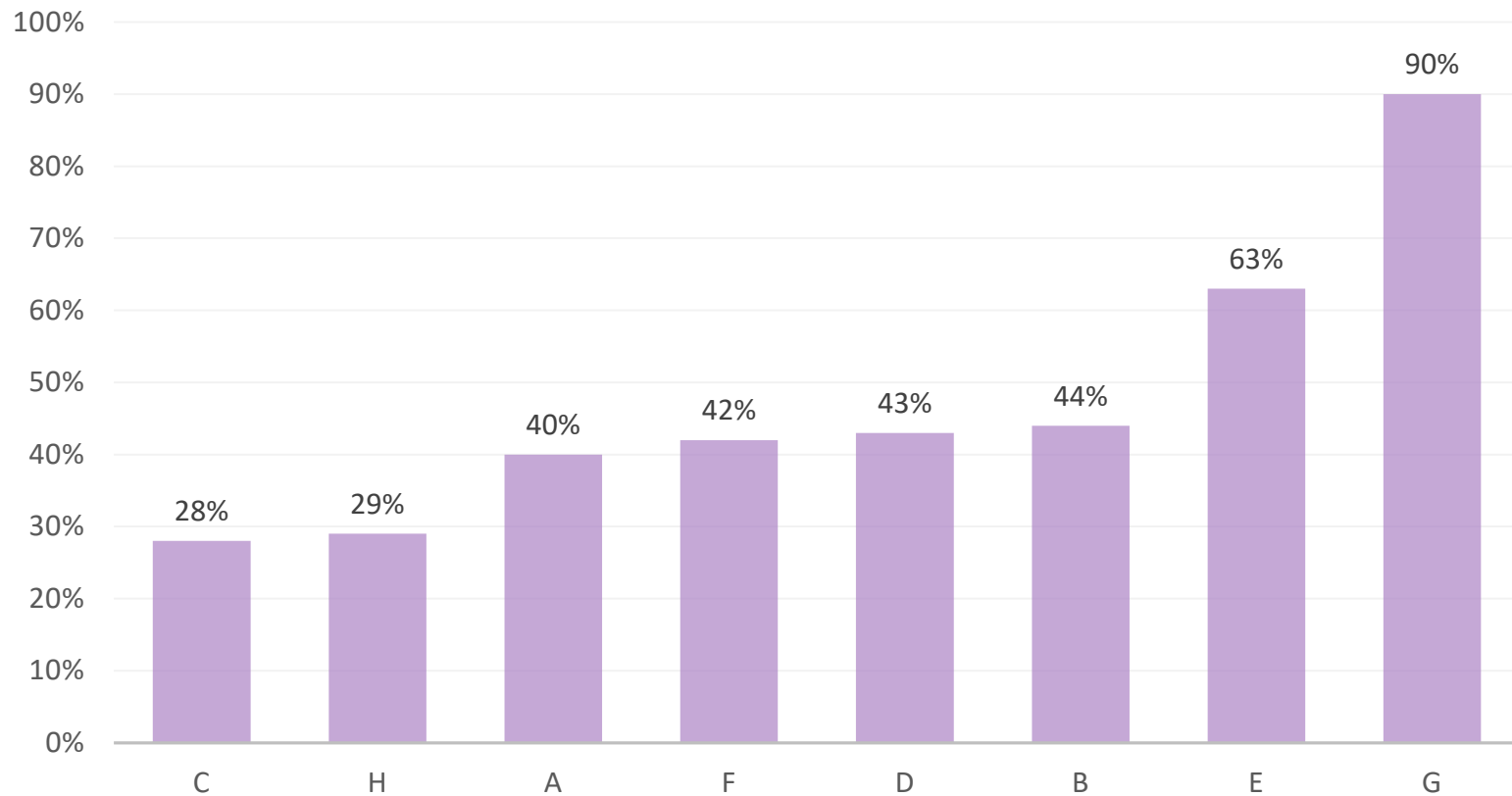
University Student Enrollment

16-year FTE Growth (1999-2015)



Bachelor's Degrees Awarded

16-year Growth (1999-2015)



Kentucky hasn't had a rational funding formula in nearly two decades—since the Postsecondary Improvement Act of 1997 (HB1)

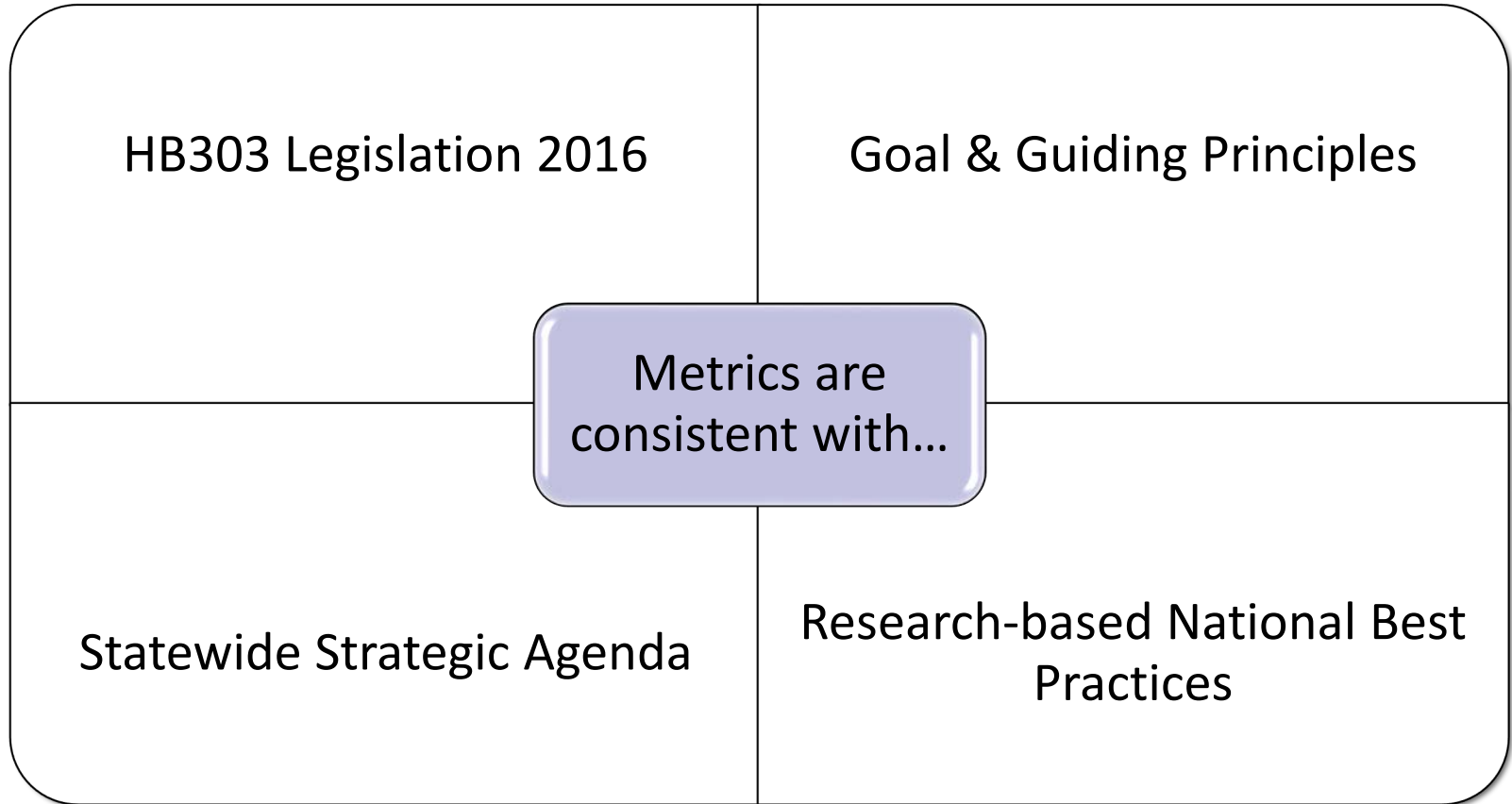
Kentucky's Need

A comprehensive, simple, easy-to-understand formula that determines adequate and equitable funding for our institutions so that we:

Have the resources
we need to do the
jobs we've been
asked to do

Are rewarded for
delivering outcomes
the Commonwealth
expects

Formula Alignment



Language in HB303 (2016)

- The working group shall be established for the purpose of developing a **comprehensive funding model for the allocation of state General Fund appropriations for institutional operations.**
- The funding model shall incorporate elements of **campus performance, mission, and enrollment**, as well as any other components as determined through the process.
- The model shall include metrics that align with the goals of the Postsecondary Education Improvement Act of 1997 with appropriate **differentiation that reflects the missions of the Commonwealth's research universities, comprehensive regional universities, and community and technical colleges.**

Formula Assumptions

1

100% of comprehensive sector net General Fund distributed using the funding formula (less mandated programs)

2

A portion of the funds should be distributed in consideration of **major institutional cost-drivers**, including size of the student body, size of physical plant, and administrative infrastructure

3

A portion of the funds should be distributed to provide **incentives and rewards** for the institutions to contribute to desired state outcomes

Outcomes-Based Metrics

INTERMEDIATE OUTCOMES

Student milestones that show progression & momentum toward a degree

Course Completion (1 metric)

Completed student credit hours weighted by discipline & level

Student Progression & Momentum (3 metrics)

Students accumulating at least 30, 60 and 90 credit hours toward a Bachelor's degree

ULTIMATE OUTCOMES

Degree production that helps contribute to increased educational attainment (4 metrics)

Total Bachelor's degrees

Priority weighting for high demand degrees (STEM+H)

Priority weighting for targeted subpopulations (Low Income, Underrepresented Minorities)

DEGREE PRODUCTIVITY

A measure that indicates the extent to which institutions are helping ALL students earn a degree, regardless of whether they are recent high school graduates, working adults, returning veterans, community college transfers, students entering as part-time or Spring semester entrants. (1 metric)

Bachelor's degrees per 100 FTE

Note: The infrastructure component would provide a rational, formula-driven basis for administrative infrastructure costs, such as operations and maintenance of physical plant (square footage) and Academic Support (headcount).

Primary Differences

CPE Example

25 performance metrics, not all aligned with the statewide strategic agenda

Large portion of State Appropriation remains distributed without a rational basis

Through weighting, rewards institutions that have a greater proportion of traditional students (first-time, full-time, degree-seeking students that enter in the Fall semester)

SCH production is the only institutional cost-driver

Comprehensive Formula

9 performance metrics aligned with statewide strategic agenda

Total of existing and new State Appropriation distributed on a rational basis

Counts all students equally, including traditional, non-traditional, part-time, transfer, working adults, students entering in the Spring

Uses array of cost-drivers, including SCH production, size of student body, size of physical plant, and administrative infrastructure to better reflect non-academic operational costs

Kentucky's Need

A comprehensive, simple, easy-to-understand formula that determines adequate and equitable funding for our institutions so that we:

Have the resources we
need to do the jobs
we've been asked to do

Are rewarded for
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Commonwealth expects

University of Kentucky/CPE Performance Funding Model Concept

Purpose

A robust Kentucky economy and healthy populace is closely correlated with higher educational attainment. To reach this goal, the following model is designed to incentivize higher degree production among Kentucky's four-year public universities.

Guiding Principles

- Simple, understandable, and focused on institutional and collective goal – award more degrees
- Aligned with state goals for postsecondary education and workforce needs
- All public postsecondary education institutions have the ability to earn funds in accordance with statewide agenda

Model Components

Performance Funds distributed based on relative share of funds placed at risk, adjusted by improvement factor of change in number of degrees produced

- All four-year institutions contribute 5% of existing state appropriation (net of mandated programs) to PFP in the first year.
- Additional state investment in future years expected to match institution's contributed funds to PFP
- PFP funds allocated based on each institution's share of contributed funds adjusted by improvement in degree production (Production Factor):
 - Bachelor's Degrees
 - Master's Degrees
 - Doctoral Degrees
 - Professional Degrees
- Production Factor based on annual growth rate of 3-year rolling institutional average to smooth changes over time
- All degrees are treated equally in the first year

Model Outcomes

Measured outcome focuses solely on increased educational attainment of Kentucky's workforce

- Single Desired Outcome: Increased degree production
- Allows for model refinement in future years
 - Model weights
 - Premiums for specific populations
- Rewards outcomes not already incentivized by other revenue sources
- Elevates performance funding philosophy by placing emphasis entirely on output
- All postsecondary performance funds stay with the public postsecondary education institutions
- A performance funding formula which can be calculated on a single page

Kentucky Public Postsecondary System
Sample Funding Model for the Public Four-Year Universities
Degree Production Approach

Draft - For Discussion Purposes Only
Attachment 7
September 1, 2016

	A	B	C	(C ÷ B)	(A x D)	(E ÷ ΣE)	(F x ΣA)	(G - A)	(H ÷ A)
Institution/ Sector	Contributed ^(a) Dollars	Year 1 ^(b) Degrees	Year 2 ^(b) Degrees	Production Factor	Formula Allocation	Percent Share	Formula Distribution	\$ Difference	% Difference
University A	\$15,000,000	5,000	5,050	1.01	\$15,150,000	37.0%	\$15,183,329	\$183,329	1.2%
University B	7,500,000	3,000	2,900	0.97	7,250,000	17.7%	7,265,950	(234,050)	-3.1%
University C	4,000,000	2,500	2,600	1.04	4,160,000	10.2%	4,169,152	169,152	4.2%
University D	10,000,000	4,000	3,900	0.98	9,750,000	23.8%	9,771,450	(228,550)	-2.3%
University E	2,000,000	1,000	1,050	1.05	2,100,000	5.1%	2,104,620	104,620	5.2%
University F	2,500,000	1,500	1,500	1.00	2,500,000	6.1%	2,505,500	5,500	0.2%
Sector Total	ΣA= \$41,000,000				ΣE= \$40,910,000	100.0%	\$41,000,000	(\$0)	0.0%
New Funding	\$0								

^(a) Mandated programs are excluded from the Performance Fund Pool.

^(b) Three year average. Baccalaureate and above.

Performance Funding Metric Definitions

Sample Funding Model Shared at July 19 Work Group Meeting

Metric	Definition	Notes
Baccalaureate Degrees	Number of baccalaureate degrees earned in an academic year.	Total number of degrees awarded during and academic year (July 1 through June30).
Baccalaureate Degrees per 100 FTE	Number of baccalaureate degrees earned in an academic year divided by undergraduate FTE students, multiplied by 100.	
Progression Volume (30+ Credit Hours)	Number of fulltime undergraduate students earning 30+ credit hours during a fall, spring, and summer semester sequence.	The number of undergraduate, degree and credential seeking students enrolled full-time at some point during the fall, spring and summer semesters.
Progression Rate (30+ Credit Hours)	Percent of fulltime undergraduate students earning 30+ credit hours during a fall, spring and summer semester sequence.	The percentage of undergraduate, degree and credential seeking students enroll full time at some point during the fall, spring and summer semesters.
Progression (30, 60, 90 Credit Hours)	30: Number of freshman students achieving sophomore status at the same institution by beginning of following fall semester. 60: Number of freshman/sophomore students achieving junior status at the same institution by beginning of following fall semester. 90: Number of freshman/sophomore/ junior students achieving senior status at the same institution by beginning of following fall semester.	
Retention Volume	Number of first-time, full-time, degree-seeking undergraduates retained from first to second year	
Retention Rate	Percent of full-time, first-time, degree-seeking undergraduates retained from first to second year	
6 Year Grad Volume	Number of first-time, full-time, Bachelor's degree-seeking students entering in the fall semester (or entering in the summer and returning in the fall), who graduate with a Bachelor's degree within four, five or six years from their institution of entry.	
6 Year Graduation Rate	Percent of first-time, full-time, Bachelor's degree -seeking students entering in the fall semester (or entering in the summer and returning in the fall), who graduate with a Bachelor's degree within four, five or six years from their institution of entry.	

Performance Funding Metric Definitions
Sample Funding Model Shared at July 19 Work Group Meeting

STEM+H Baccalaureate Degrees	Number of STEM+H baccalaureate degrees earned in an academic year.	STEM+H = degree fields of science, technology, engineering, mathematics and health related fields
STEM+H Degrees per Baccalaureate Degrees	Number of STEM+H baccalaureate degrees earned in an academic year divided by the total number of baccalaureate degrees earned in the same academic year.	
Educational Opportunity-Volume	Number of first-time, full-time, degree-seeking undergraduates receiving Pell grants	
Educational Opportunity-Rate	Percent of first-time, full-time, degree seeking undergraduates receiving Pell grants	
Undergraduate FTE	Fall undergraduate student credit hours divided by 15	<i>FTE calculation is different by level of student</i> FTE= (undergraduate student credit hours/15) + (graduate SCH/12) + (law SCH/12) + (headcount of medical, dental, and pharmacy students) + (headcount of doctoral dissertation students) + (headcount of post-doctoral students) + (headcount of house staff)
URM	Underrepresented minority students - URM includes students who categorized themselves as a) Hispanic or Latino, b) American Indian or Alaska Native , c) Black or African American , d) Native Hawaiian or Other Pacific Islander, or e) Two or more Races.	
Low Income	Low income = Pell recipients at entry or during specific semesters (varies depending on the specific metric)	