KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION
POSTSECONDARY EDUCATION WORKING GROUP ON PERFORMANCE FUNDING

July 31, 2026, 10:00 a.m.-12:00 p.m., ET (9:00 a.m.-11:00 a.m. CT)
Location: Council offices, 100 Airport Road, Frankfort, KY – Conf Rm AB
Livestream: https://www.youtube.com/@KentuckyCPE/streams

Revised 7/29/26

MEETING MINUTES

Draft for review/approval on July 31, 2026

Who:	Kentucky Council on Postsecondary Education
Type:	Postsecondary Education Working Group on Performance Funding
Date:	June 25, 2026
Time:	10:00 a.m. ET
Location:	Hybrid meeting: CPE Offices, 100 Airport Road, Frankfort, KY – Conf Rm AB and Microsoft Teams

CALL TO ORDER

The Postsecondary Education Working Group on Performance Funding met Thursday, June 25, 2026, at 10:00 a.m. ET. The meeting occurred in a hybrid format with in person attendees at the Council offices in Frankfort and virtual attendees by Microsoft Teams meeting. The meeting was livestreamed to the CPE YouTube page. Chair Aaron Thompson presided.

ATTENDANCE

There was a quorum of 19 members in attendance.

- Dr. Aaron Thompson, Chairman – in person
- Dr. Koffi Akakpo – in person
- Representative Chad Aull – in person
- Senator Mays Bledsoe – virtual
- Dr. Gail DePuy, designee for Dr. Gerry Bradley – virtual
- Representative Josh Bray – in person
- Dr. Tim Caboni – virtual
- Dr. Eli Capilouto – in person
- Tanlee Wasson, designee for Dr. David McFaddin – in person
- Senator David Givens – in person
- John Hicks – did not attend
- Representative Bobby McCool – in person
- Senator Chris McDaniel – did not attend
- Dr. Jay Morgan – in person
- Senator Gerald Neal – in person (arrived at 10:40)
- Paul Twigg, designee for Dr. Ron Patterson – virtual
- Representative Steve Rudy – in person
- Todd Kilburn, designee for Dr. Ryan Quarles – virtual
- Representative James Tipton – virtual
- Jenny Sand, designee for Dr. Cady Short-Thompson – in person
- Senator Steve West – virtual

The following CPE staff members facilitated and presented the meeting:

- Adam Blevins, Executive Director of Finance Policy & Programs
- Dr. Bill Payne, Vice President of Finance Policy & Programs
- Greg Rush, Assistant Vice President of Finance Policy & Programs

Brent Floyd, Senior Associate of Finance Policy & Programs, served as recorder of the meeting minutes.

NEW MEMBER ORIENTATION SESSION

Chair Thompson welcomed new members and discussed postsecondary education in the Commonwealth, both generally and as it pertains to the performance funding model. He reminded the members that the model is a product of both the Postsecondary Education Working Group and the General Assembly, and that the Council is responsible for implementing the model.

The purpose of the meeting was to provide an orientation session for new members. Council staff members Dr. Payne, Mr. Rush, and Mr. Blevins covered the following topics:

- Historical look at the impetus for the model: To accelerate progress toward state goals, address shortcomings of the prior funding method, rectify funding disparities that had developed over time, and respond to a legislative mandate that a work group be convened to develop a performance funding model.

- Development process for the original model: Including who the members were, objectives, state goals, the principles that guided the model's development, and the major decision points.

- Major decision points and timeline for the original model: Which took five months to develop and resulted in SB 153 in 2017. SB 153 became KRS §164.092, which remains the governing legislation related to performance funding.

- Original funding components and metrics: The allocations of funds assigned to each metric. It was noted that some student success metrics were cumulative, which provided a major incentive for institutions to target at-risk populations. Additional discussion was held on how adult learner metrics were added in later models and why: to drive institutional behavior toward degree production and retention.

- The mechanics of the current model: How the university and KCTCS models work and operate, as well as the steps outlined in statute and administrative regulations. This was followed by a discussion on the small-school adjustment component of the model.

- Description of fund distribution: How the total performance fund distribution is split between the universities and KCTCS, alongside a review of the major differences between the university and KCTCS models.

Chair Thompson opened the floor to questions and comments. Representative Tipton discussed several topics that had been debated over the last few years and asked that members of the working group keep an open mind as they move forward with the decision-making process. Dr. Thompson added that, according to the data and desired outcomes, the model has worked.

Dr. Capilouto commented that in the current model, institutions are competing against themselves, as proportional increases—not raw numbers—are what drive performance. Dr. Thompson concurred but noted that this was due to earned funds not rolling over into institutions' base budgets.

Dr. Caboni echoed Representative Tipton’s comments by stating that the outcomes the group needs to focus on are those that help the Commonwealth.

ADJOURNMENT

The meeting adjourned at 12:00 p.m. ET.

Funding Model Reviews

Funding Model Reviews

- How many times has the Postsecondary Education Working Group been convened? For what purposes?
- How many times have the funding models been subjected to formal comprehensive review?
- What changes to the funding models have occurred because of the reviews?

Funding Model Reviews

Postsecondary Education Working Groups

The Council on Postsecondary Education has convened the *Performance Funding Work Group* a total of four times:

Formal Reviews

- 2016 – Developed university and KCTCS funding models
  – Made major decisions and recommended model approach, components, metrics, and allocation percentages
- 2020 – Conducted a detailed review to determine if models were operating as expected, recommended changes
- 2023 – Conducted a detailed review to determine if models were operating as expected, recommended changes
- 2024 – Convened for purpose of defining "underrepresented students" in university and KCTCS models

Funding Model Reviews
2020 Working Group

The 2020 working group recommended few changes to the model:

- Established a General Fund floor, or base level of state support, for each postsecondary institution (i.e., referred to as Funding Floor 2020-21)
- Discontinued stop-loss carve outs contributed by institutions to the performance fund each year
- Required that General Fund appropriations for performance be recurring to the Performance Fund, not to the institutions
  - *This meant that, going forward, any funds appropriated to the Performance Fund would be provided by the General Assembly*
  - *Distributions from the fund would be determined using existing models and would not be recurring to the institutions*

Funding Model Reviews

2023 Working Group (Cont'd)

The 2023 working group recommended six changes to the university funding model:

1) increase the premium for low-income bachelor's degrees awarded (from 3% to 8% pool allocation)
2) decrease the course completion funding component from 35% to 30% (to provide the 5% applied to low-income bachelor's degrees)
3) add a new adult learner metric to the model
4) eliminate degree efficiency weighting (from bachelor's degree metric)
5) increase the small school adjustments for KSU and MoSU
6) increase nonresident credit hour weighting (from 0.50 to 0.75)

Funding Model Reviews

2023 Working Group (Cont'd)

The 2023 working group recommended six changes to the KCTCS funding model:

1) add a new adult learner metric to the model
2) allocate equity adjustment using a new Community Needs Index
3) reduce weighting of progression metrics (from 12% to 7%)
4) merge overlapping metrics into one credential metric tied to the economy (merge STEM+H, high-wage-demand, targeted)
5) reduce credential metric weighting (from 15% to 8%); increase weighting for URM, underprepared, low income, and transfer
6) use rolling three-year average data for all metrics except square feet

Funding Model Reviews
2024 Working Group

SB 191 (RS 24) directed the Council to convene the working group for sole purpose of defining "underrepresented students" in the model

The 2024 working group recommended the following changes to the university funding model:

- Define “underrepresented students” as first-generation college students
- Assign 3.0% of allocable resources to bachelor’s degrees earned by first-generation college students
- Apply a differential sector weighting to the first-generation bachelor’s degree metric, calculated at the midpoint between no weighting and full weighting

Funding Model Reviews
2024 Working Group (Cont’d)

The 2024 working group recommended the following changes to the KCTCS funding model:

- Adopt first-generation college student credentials as the “underrepresented students” metric
- Align allocation percentages at 4.0% each for credentials earned by:
  - first-generation college students
  - low-income students
  - underprepared students
  - nontraditional age (25+) students

Funding History

Funding History

- How much has Kentucky invested in performance funding since 2016? What were the sources of those funds?
- How have appropriations to the Performance Fund been allocated among institutions as part of annual distributions?
- What are “state funds for educating students” and how have they changed over time?
- To what extent has the adoption of performance funding moved comprehensive universities toward funding parity?

Funding History
Appropriations by Source

- For four years, funding models were implemented with *no new funding*
- Lack of funding resulted in the redistribution of the General Fund base among institutions
- In March 2021, KRS 164.092 was amended to *eliminate stop loss* carve-outs and *establish a funding floor*
- In 2022, the Kentucky General Assembly started investing in performance funding

Funding Models for the Universities and KCTCS Institutions
Implementation Schedule and Funding Sources
(Dollars in Millions)

Timeline	Fiscal Year	Institution Contribution	New State Funding	Total Funding [1]
Year 0	2017-18	$42.9	$0.0	$42.9
Year 1	2018-19	31.0	0.0	31.0
Year 2	2019-20	38.7	0.0	38.7
Year 3	2020-21	14.9	0.0	14.9
Year 4	2021-22	$0.0	$17.3	$17.3
Year 5	2022-23	0.0	97.3	97.3
Year 6	2023-24	0.0	97.3	97.3
Year 7	2024-25	0.0	105.0	105.0
Year 8	2025-26	0.0	115.0	115.0
Year 9	2026-27	0.0	115.0	115.0

[1] State appropriations, stop-loss contributions, and other campus carve outs added to the Performance Fund and distributed based on outcomes produced.

Funding History
Distributions by Institution

- The first significant allocation of state appropriations to the Performance Fund occurred in fiscal year 2022-23
- Despite increases in the Small School Adjustment in 2025, KSU and MoSU received little funding during this period
- To address this issue, CPE recommended a minimum distribution for KSU and MoSU in its 2026-28 budget request

Performance Fund Distributions by Institution
Fiscal Years 2022-23 Through 2026-27

Institution	2022-23 Distribution	2023-24 Distribution	2024-25 Distribution	2025-26 Distribution	2026-27 Distribution
UK	$30,904,300	$33,338,500	$34,737,000	$41,174,700	$44,264,500
UofL	17,523,600	17,594,600	18,752,200	21,522,000	20,749,300
EKU	4,927,900	3,222,900	4,769,400	4,880,300	5,326,400
KSU	0	0	0	0	0
MoSU	0	0	214,400	0	0
MuSU	3,296,800	3,095,000	4,759,800	5,069,300	4,808,400
NKU	11,363,500	12,683,900	13,224,300	11,811,700	10,161,400
WKU	7,777,200	5,858,400	5,460,300	5,261,000	4,392,900
KCTCS	21,513,800	21,513,800	23,082,600	25,281,000	25,297,100
Total	$97,307,100	$97,307,100	$105,000,000	$115,000,000	$115,000,000

Fiscal Impact

State Funds for Educating Students

The unit of measure that CPE staff uses to make funding comparisons across institutions over time is the *State Funds for Educating Students* metric

State Funds for Educating Students = General Fund Appropriation - Debt Service and Mandated Program Funds + Performance Fund Distribution

When divided by an enrollment measure, such as the number of full-time equivalent students, this metric allows staff to assess progress toward achieving the goal of funding parity

Fiscal Impact

State Funds for Educating Students (Cont'd)

Between 2017 and 2021, lack of funding and campus carve outs resulted in negative dollar and percent changes at six of nine institutions

Removal of stop loss, adoption of funding floor 2020-21, and infusion of new performance and inflation funds resulted in positive change numbers

Change in State Funds for Educating Students
Between Fiscal Years 2016-17 and 2020-21

(Nominal Dollars in Millions)

Institution	2016-17 State Funds	2020-21 State Funds	Dollar Change	Percent Change
UK	$181.1	$184.7	$3.5	2.0%
UofL	132.1	126.2	(5.9)	-4.4%
EKU	62.6	60.8	(1.7)	-2.8%
KSU	20.0	18.2	(1.8)	-8.8%
MoSU	38.9	34.9	(4.0)	-10.2%
MuSU	43.4	40.6	(2.8)	-6.5%
NKU	45.0	50.9	5.9	13.1%
WKU	66.4	67.6	1.2	1.8%
KCTCS	169.5	165.8	(3.7)	-2.2%
System	$759.0	$749.7	($9.3)	-1.2%

Change in State Funds for Educating Students
Between Fiscal Years 2020-21 and 2026-27

(Nominal Dollars in Millions)

Institution	2020-21 State Funds	2026-27 State Funds	Dollar Change	Percent Change
UK	$184.7	$239.5	$54.8	29.7%
UofL	126.2	152.1	25.8	20.5%
EKU	60.8	69.0	8.2	13.5%
KSU	18.2	19.3	1.1	6.1%
MoSU	34.9	36.7	1.7	5.0%
MuSU	40.6	47.2	6.7	16.5%
NKU	50.9	63.2	12.3	24.1%
WKU	67.6	75.1	7.5	11.0%
KCTCS	165.8	198.0	32.2	19.4%
System	$749.7	$900.1	$150.3	20.1%

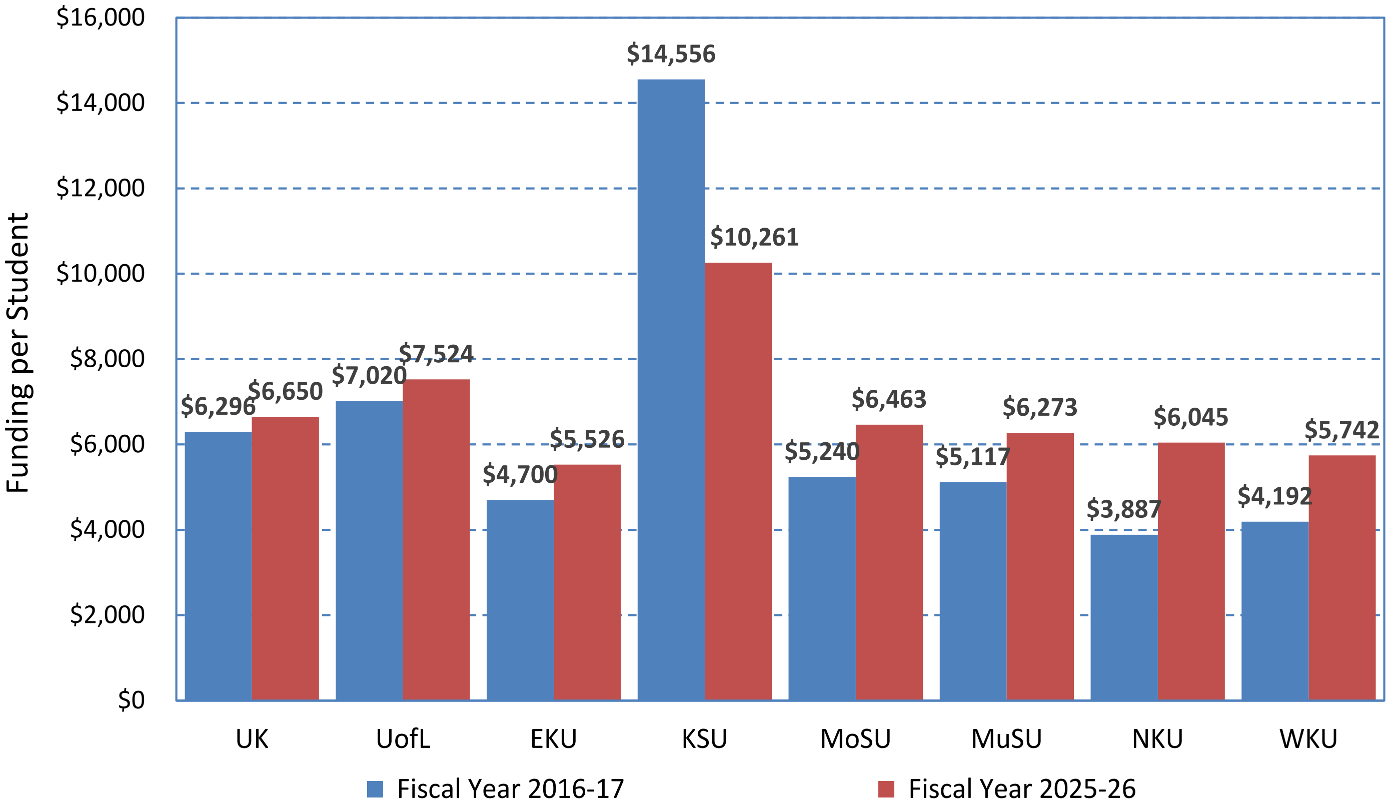
Fiscal Impact

State Funds for Educating Students (Cont'd)

- Since 2017, state funds per student increased at every university except KSU (-$4,295)
- The largest increases were at NKU (+$2,158), WKU (+$1,550), MoSU (+$1,223), and MuSU (+$1,156)
- The smallest increases were at UK (+$354) and UofL (+$504)
- A decade of enrollment decline contributed to increases among comprehensive universities

Chart 1

State Funds for Educating Students[1] per Full-Time Equivalent Student
Fiscal Years 2016-17 and 2025-26



[1] Regular General Fund appropriation, minus debt service and mandated program funding, plus performance fund distribution

Source: Council on Postsecondary Education, Finance Policy and Programs Unit, Performance Funding Database.

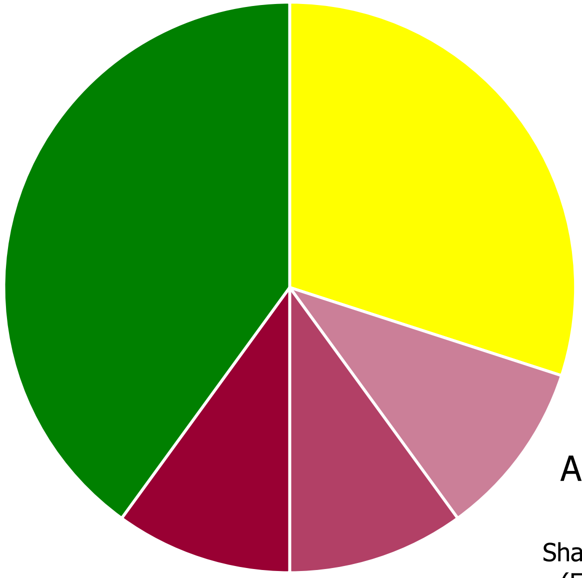
Current Status

Current Status

- How much did each institution receive as part of its fiscal year 2026-27 performance distribution?
- How did each institution's distribution change between fiscal years 2025-26 and 2026-27?
- What is the Performance Metric Scorecard and how is it used?
- How does the funding model achieve alignment between outcomes produced and funding?
- What institutions have consistently achieved growth rates above the sector average for the most metrics?

Current Status
Model Components and Metrics

Kentucky's Performance Funding Model
Distribution of Allocable Resources



University Model Metrics *(Post 2024-25)*

Student Success	Weight
• Progression (@ 30 hours)	3.0% *
• Progression (@ 60 hours)	5.0% *
• Progression (@ 90 hours)	7.0% *
• Total Bachelor's Degrees	9.0% *
• STEM+H Bachelor's	5.0%
• 1st Gen Student Bachelor's	3.0%
• Low Income Bachelor's	8.0%
Course Completion	
• Earned Student Credit Hours	30.0%
Operational Support	
• Maintenance & Operations	10.0%
• Institutional Support	10.0%
• Academic Support	10.0%

** Graduated scale to emphasize completion.*

Current Status
Fiscal 2026-27 Distribution

- The enacted state budget appropriated $115.0 M to the Performance Fund in 2026-27
- By May 1st each year, CPE staff are required to run the model and certify a distribution to OSBD
- This year, six universities and KCTCS will receive a share of the fiscal 2026-27 distribution
- Despite increases in their small school adjustments, KSU and MoSU will not receive any funds

Public Universities and KCTCS
2026-27 Performance Fund Distribution
Table 1

Institution	Distribution
University of Kentucky	$44,264,500
University of Louisville	20,749,300
Eastern Kentucky University	5,326,400
Kentucky State University	0
Morehead State University	0
Murray State University	4,808,400
Northern Kentucky University	10,161,400
Western Kentucky University	4,392,900
KCTCS	25,297,100
Total	$115,000,000

Follow-Up Analyses
Change in Annual Distribution

- Every year, CPE staff calculates the one-year change in annual Performance Fund distributions
- Between 2025-26 and 2026-27, UK (+$3.1 M), EKU (+$446,100), and KCTCS (+$16,100) increased the amount of their distributions
- Since the total distributed stayed the same, increases were mainly driven by changes in outcomes
- It is estimated that $310,000 of the increase at UK was caused by a $500,000 budget reduction

Change in Performance Fund Distributions Between Fiscal Years 2025-26 and 2026-27 — Table 2

Institution	2025-26 Distribution	2026-27 Distribution	Difference
University of Kentucky	$41,174,700	$44,264,500	$3,089,800
University of Louisville	21,522,000	20,749,300	(772,700)
Eastern Kentucky University	4,880,300	5,326,400	446,100
Kentucky State University	0	0	0
Morehead State University	0	0	0
Murray State University	5,069,300	4,808,400	(260,900)
Northern Kentucky University	11,811,700	10,161,400	(1,650,300)
Western Kentucky University	5,261,000	4,392,900	(868,100)
Subtotal	$89,719,000	$89,702,900	($16,100)
KCTCS	25,281,000	25,297,100	16,100
Total	$115,000,000	$115,000,000	$0

Follow-Up Analyses

Performance Metric Scorecard

- Every year, CPE staff produces a *Performance Metric Scorecard*
- As can be seen in Attachment C, between 2025-26 and 2026-27, four universities achieved growth rates that exceeded the sector average on six or more metrics
- UK was above the sector average on 8 out of 11 metrics, EKU on 8 metrics, UofL on 7, and KSU on 6
- There is high correlation between number of metrics with above average growth and funding

Performance Funding Model for the Public Universities
Metrics Where Rates of Growth Exceeded Sector Average
Between Fiscal Year 2025-26 and 2026-27 Iterations

Attachment C
June 8, 2026

Performance Metric	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	Pool Size (In Millions)
Student Success Outcomes									
Bachelor's Degrees	☐	☑	☐	☑	☐	☑	☐	☑	$57.1
STEM+H Bachelor's Degrees	☐	☐	☐	☑	☐	☑	☑	☑	31.7
First-Generation Bachelor's Degrees	☑	☑	☑	☑	☐	☐	☐	☑	19.0
Low-Income Bachelor's Degrees	☐	☑	☑	☑	☐	☑	☐	☑	50.8
Student Progression @ 30 Hours	☑	☑	☑	☐	☐	☐	☐	☐	19.0
Student Progression @ 60 Hours	☑	☑	☑	☐	☐	☐	☐	☐	31.7
Student Progression @ 90 Hours	☑	☑	☑	☐	☐	☐	☐	☐	44.4
Course Completion Component									
Student Credit Hours Earned	☑	☐	☑	☑	☐	☑	☐	☐	190.5
Operational Support Activity									
Instructional Square Feet	☑	☐	☑	☑	☐	☐	☐	☐	63.5
Direct Cost of Instruction	☑	☑	☐	☐	☐	☑	☐	☐	63.5
FTE Students	☑	☐	☑	☐	☐	☐	☐	☐	63.5
Metrics Above Sector Average	8	7	8	6	0	5	1	4	
								Total Allocable Resources:	$635.0

Follow-Up Analyses

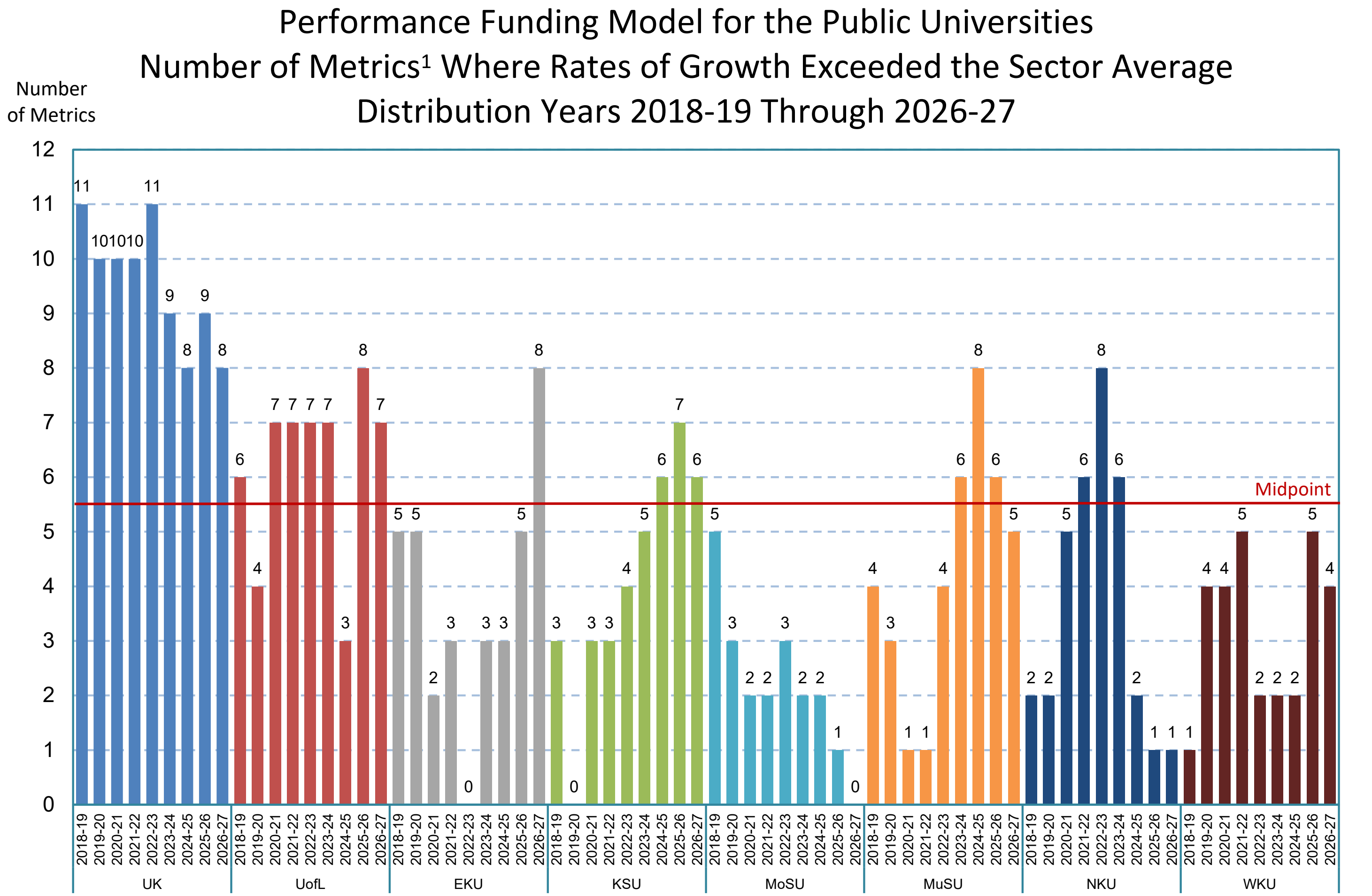
Alignment Between Outcomes and Funding

- For any given metric, if an institution achieves a growth rate above the sector average growth rate, then its share of funding for that metric will increase
- The more metrics (out of 11 total) for which an institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding
- The degree to which a metric's growth exceeds the sector average matters (i.e., 3.0 ppts above average is better than 1.0 ppt)
- The size of the metric funding pool also matters (i.e., a 1.0 ppt gain in share of a larger pool results in larger gain in funding)

Follow-Up Analyses

Alignment Between Outcomes and Funding (Cont'd)

- This chart shows the number of metrics each year where growth rates exceeded the sector average growth rate by institution
- Consistency in achieving growth rates above the sector average for a larger number of metrics over multiple years is important
- Between 2019 and 2027, UK and UofL consistently had the largest number of metrics with growth rates above the sector average
- KSU, MuSU, and NKU each had numbers of metrics above the midpoint three out of nine years

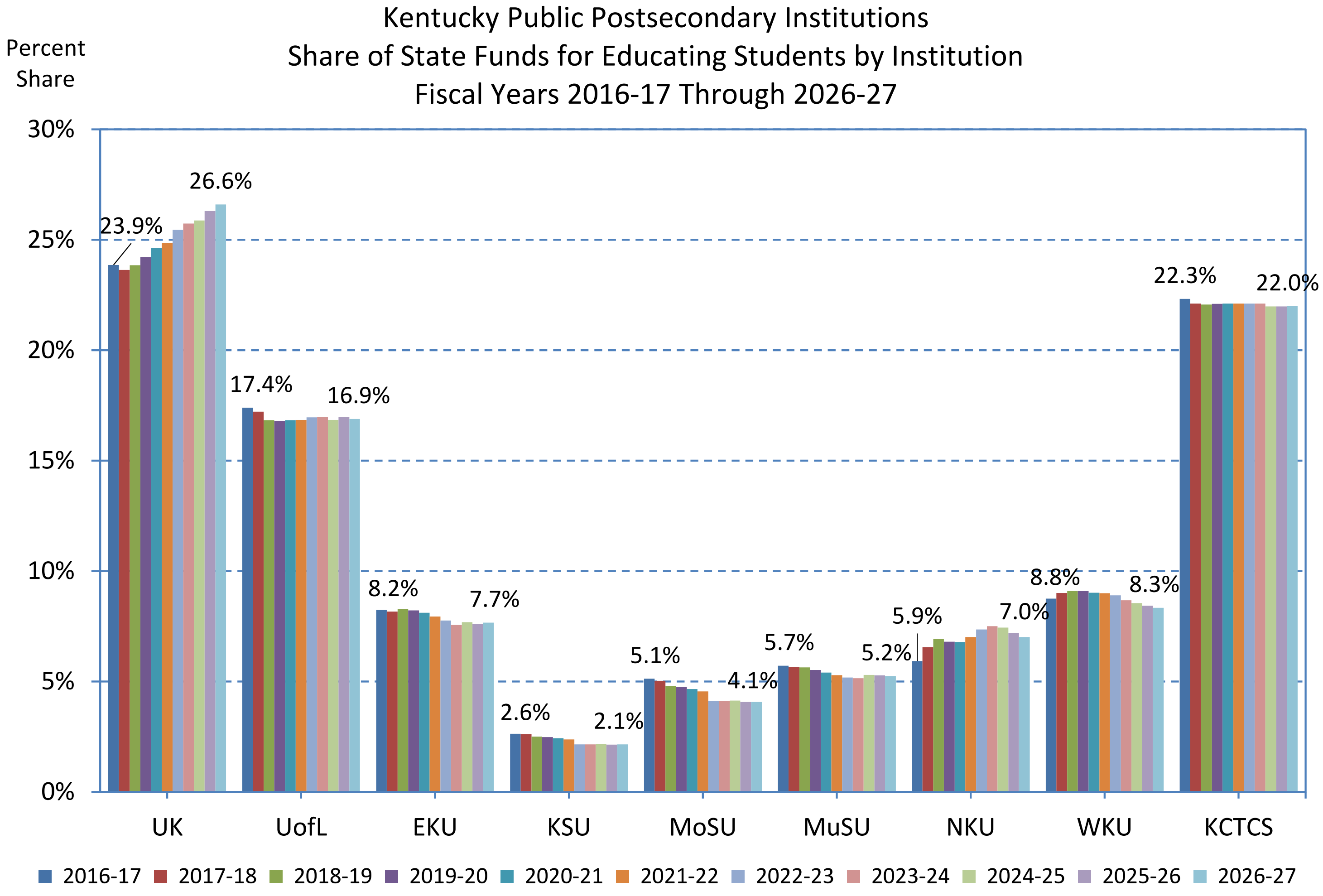


[1] There has been a total of 11 metrics every year that the funding model has been in operation, except for 2024-25, when there were 10.

Source: Kentucky Council on Postsecondary Education, Performance Funding Model Database.

Follow-Up Analyses
Alignment Between Outcomes and Funding (Cont'd)

- This chart shows the change in each institution's share of state funds for educating students
- Between 2017 and 2027, two institutions UK (+2.7 ppt) and NKU (+1.1 ppt) increased their proportionate share of funds
- The largest decline in state funds share was at MoSU (-1.0 ppt)
- UofL, EKU, KSU, MuSU, and WKU had the same decline (-0.5 ppt)
- Annual changes in the share of state funds have been gradual



Sources: Kentucky Budgets of the Commonwealth; Council on Postsecondary Education, Performance Funding Database.

Background Information

Background Information

WKU President Emeritus, Dr. Gary A. Ransdell

- Impetus for the Model
- Development Process
- Reaching Consensus

2026 Funding Model Work Group

2026 Funding Model Work Group

Working Group's Charge

➡ KRS 164.092, 11(b)(c), as amended by HB 96 (26 RS)

Beginning in calendar year 2026 and every four (4) calendar years thereafter, the postsecondary education working group shall convene to:

- determine if the comprehensive funding model is functioning as expected
- identify any unintended consequences of the model
- recommend any adjustments to the model

The results of the review and recommendations of the working group shall be reported to the Governor, the Interim Joint Committee on Appropriations and Revenue, and the Interim Joint Committee on Education by December 1 of each year the working group convenes

2026 Funding Model Work Group
Timeline and Meetings

New Member Orientation June 25

Working Group Recommendations Due by Dec 1

Jul 31 – First Full Meeting of PEWG

Nov 10 – Final Meeting of PEWG

Meeting Dates and Times:

- Tuesday, August 25, 1:00 – 3:00 PM
- Tuesday, September 22, 1:00 – 3:00 PM
- Tuesday, October 27, 1:00 – 3:00 PM
- Tuesday, November 10, 10:00 AM – 12:00 PM

These dates and times are tentative until adopted by the work group

2026 Funding Model Work Group
Questions and Information Requests

- For data/information requests and meeting information, please contact: Regan.Satterwhite@ky.gov

- All requests for student success metric data or finance data and analysis will be shared with all working group members

- Any proposals for adjustments in the models will be shared with all working group members

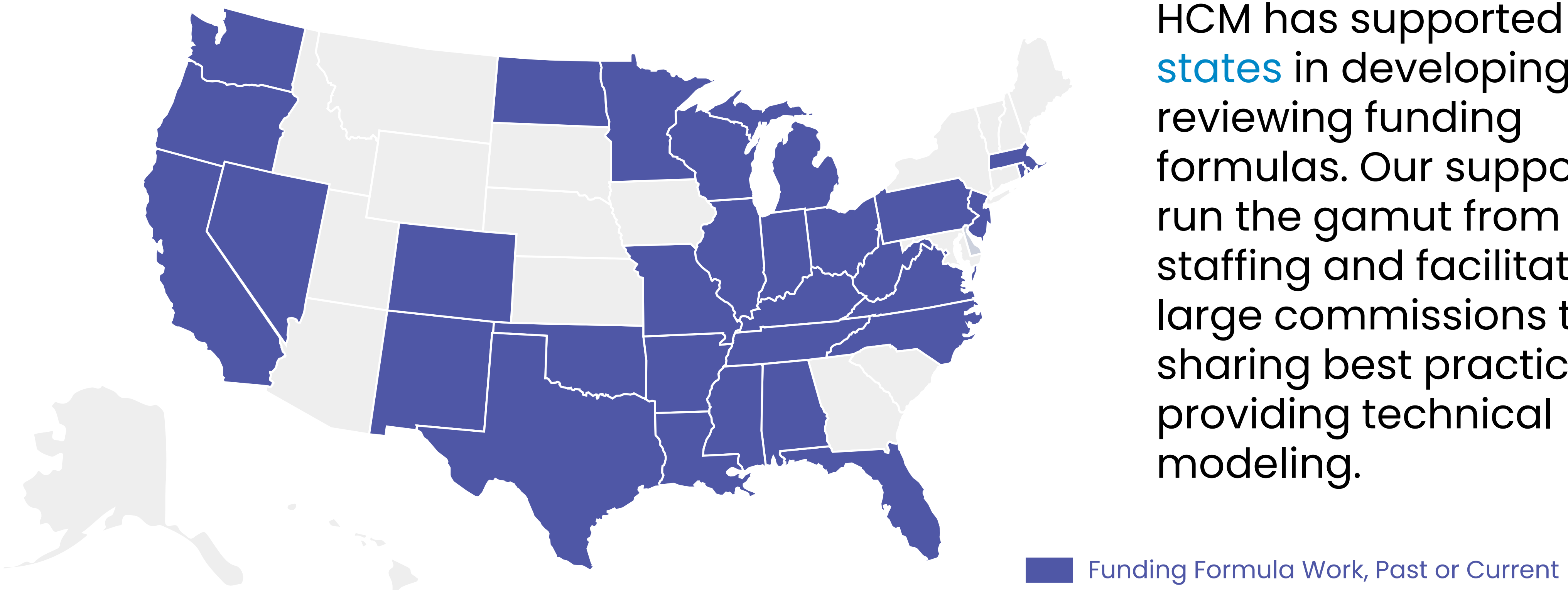
2026 Funding Model Work Group

HCM Strategists Introduction

HCM is a woman-owned, impact-driven consulting firm with a 15-year track record of influence and innovation in education. HCM exists to champion accessible, affordable, equitable, and student-centered education and work-based learning across all 50 states.

HCM's leadership on strategic finance

HCM has established a typology of outcomes-based funding models and created a state-by-state classification of funding systems according to the typology. We are also supporting states tackling emerging issues like adequacy, equity, and value through their funding formulas.



HCM has supported 30 states in developing or reviewing funding formulas. Our support has run the gamut from staffing and facilitating large commissions to sharing best practices and providing technical modeling.

2026 Funding Model Work Group

HCM Strategists Introduction (Cont'd)

HCM Team

Martha Snyder
Partner
Advice & Counsel

Will Carroll
Principal, State Policy and Finance
Team Lead, Client POC

Tom Allison
Director of State Policy and Finance
Facilitation, Content, & Analysis Lead

Rachel Rivas
Associate Director
Facilitation, Content, & Analysis Support

Katie Lynne Morton
Director of Project Management and Client Relations
Project Management Lead

2026 Funding Model Work Group
Resource Materials

- Goal and Guiding Principles (September 2016)
- Postsecondary Education Working Group Report (December 2016)
- Kentucky Performance Funding Statute (KRS 164.092)
- 2020 and 2023 Funding Model Review Recommendations
- Fiscal 2026-27 Performance Fund Distribution (Transmittal Letter)
- Trends in Student Success Metrics
- Performance Funding Survey and Attachments (June 2026)
- Completed Funding Model Surveys

2026 Funding Model Work Group

Rules of Order

- Roberts Rules of Order
  - Work group will generally use Robert's Rules of Order as a meeting guide
- Quorum is a Majority of Voting Members
  - 11 voting members must be present to conduct business
- Motions
  - After being recognized by the chair, any member can introduce a motion when no other motion is on the table
  - A motion requires a second to be considered
- Voting
  - An affirmative vote of 11 voting members is required to pass a motion
  - Voting will be conducted by roll call

Guiding Principles

Guiding Principles
Definitions (Principle versus Goal)

- ***Principle***

  A principle is a broad foundational rule or value-oriented guideline that identifies items for consideration during funding model development or review and defines how the model will act once implemented

  For example, a principle is that the model will be outcomes-based

- ***Goal***

  A goal is a finite, outcomes-oriented target that defines what you want to achieve through the operation of the model

  For example: A goal that is aligned with the outcomes-based principle would be to increase the educational attainment of working-age adults (i.e., produce more degrees)

Guiding Principles
Current Principles

- ***Mission Sensitive***

  The distribution mechanism will be based on shared recognition that dissimilar missions may require different levels of funding

- ***Outcomes-Based***

  The [model] will provide incentives for improved institutional and student performance by establishing a link between attainment of desired state outcomes and allocation of available resources

- ***Completion Driven***

  The impact of differing levels of earned credit hours, variations in program mix, residency status, and dissimilarities in disciplines and course offerings across institutions will be considered in the development of the distribution mechanism

Guiding Principles
Current Principles (Cont'd)

- ***Easily Communicated***

  The distribution mechanism will be based on relatively few key metrics and be easy to understand and communicate

- ***Reasonably Stable***

  The distribution mechanism will not permit large, annual shifts in funding to occur

- ***Sustainable***

  The distribution mechanism will continue to provide incentives for improved institutional and student performance, regardless of whether state appropriations for postsecondary education increase, decrease, or remain stable

Guiding Principles

Current Principles (Cont'd)

- ***Data Driven***

  The distribution mechanism will rely on data that are valid and reliable, readily available, and can be verified when necessary

- ***Flexible (Functional)***

  The distribution mechanism will not limit future budget requests. The Council will be free to recommend additions to base funding and supplemental requests provided such requests do not circumvent or otherwise diminish the integrity of the [model]

- ***Allow Appropriate Exclusions (Targeted)***

  The model will exclude mandated public service and research programs which are not student credit hour generating from the allocable resources distributed by the funding mechanism

Guiding Principles
Current Principles (Cont'd)

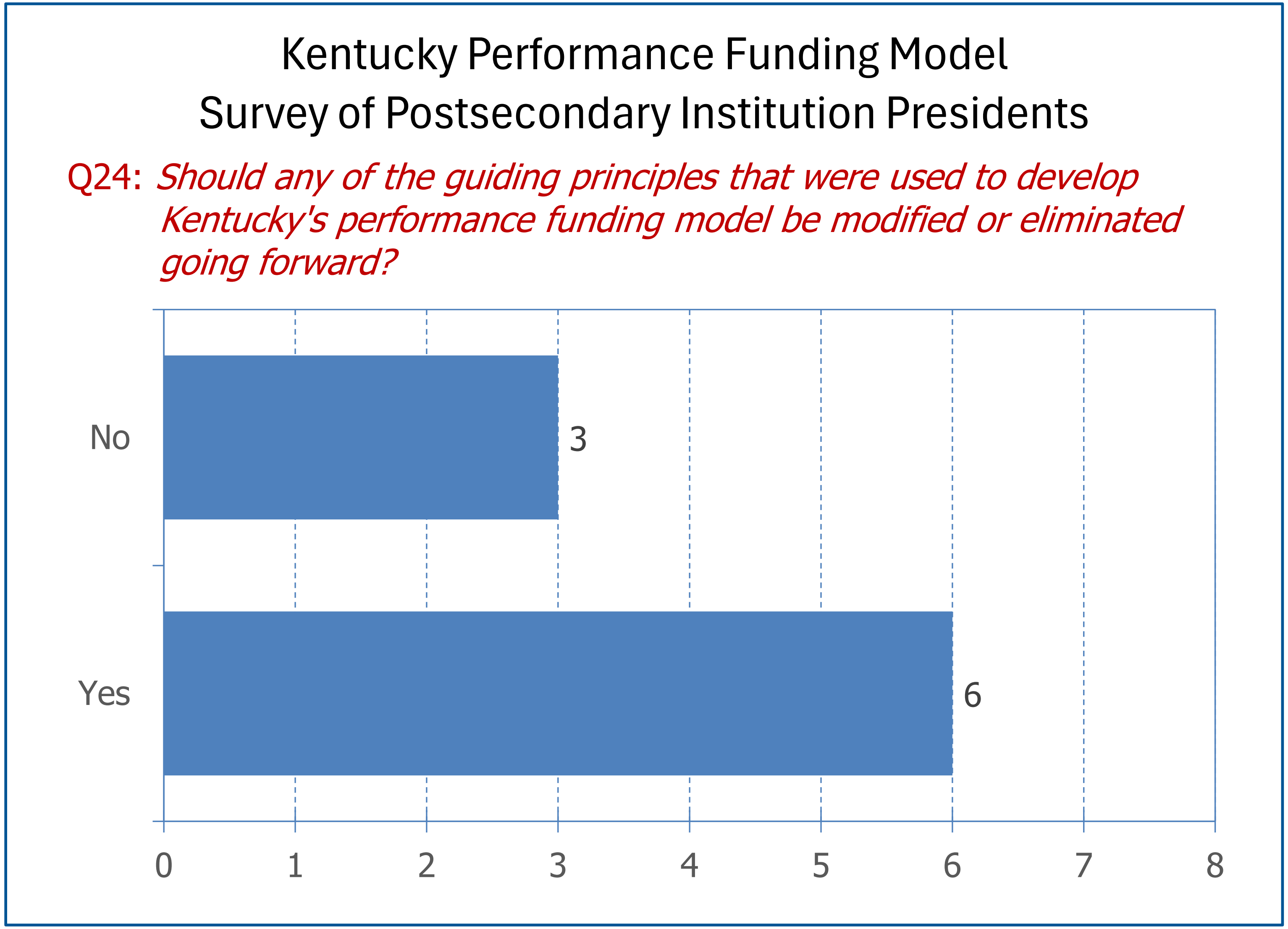
- ***Efficient***

  The distribution mechanism and funding recommendation will provide the postsecondary institutions maximum fiscal and management flexibility to be effective, efficient, and meet the needs of Kentucky, including continuing provision of lump sum appropriations with necessary accountability requirements

Survey Responses

Guiding Principles
Survey Responses

- Six out of nine campus presidents indicated that some existing principles should change
- Both research university presidents responded “No”
- Five comp university presidents and KCTCS responded “Yes”



Guiding Principles
Suggested Changes or Deletions

Q24: Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward? Yes ☐ No ☐

- If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration

Responses:

- UK – Yes ☐ No ☑ – No suggested changes or deletions
- UofL – Yes ☐ No ☑ – No suggested changes or deletions
- EKU – Yes ☑ No ☐

Guiding Principles

Suggested Changes or Deletions (Cont'd)

GS = General Statement

- EKU (Cont'd)

  GS *[Mission Sensitive – This principle has been interpreted to justify applying differential weight factors to every metric across all institution types. This produces a model that is not merely mission sensitive, but structurally mission determinative, where institutional classification drives funding outcomes as much as performance.]*

  – This principle should be clarified to mean that the model accounts for genuine, documented mission differences (e.g., R1 research graduate programs) in a targeted and transparent way

  MM *[Completion Driven – This principle should be strengthened to ensure the model rewards student completion outcomes, not activity metrics such as square footage and direct costs.]*

Guiding Principles
Suggested Changes or Deletions (Cont'd)

MM = Mechanics & Metrics

- EKU (Cont'd)

GS

[Easily Communicated – An original aim was to have a simple formula that could be explained in a basic way, but in current form is completely untenable and has grown to a high level of complexity.]

- KSU – Yes ☑ No ☐

GS

[The guiding principles did not incorporate institutional sizes.]

- MoSU – Yes ☑ No ☐

MM

[The model should clearly focus on graduation rates (not volume) – the model should not focus on increased volume of degrees produced but rather the percentage of students enrolled who graduate (i.e., retention and graduation rate improvements).]

Guiding Principles
Suggested Changes or Deletions (Cont'd)

R = Rationale

Responses (Cont'd):

- MuSU – Yes ☑ No ☐

GS

MM

[Although the guiding principles are sufficient, the actions produced by the model do not necessarily align with the principles upon the running of the model. The completion driven aspect of the model in which given disciplines receive higher weights should be removed.]

- NKU – Yes ☑ No ☐ – "Mission Sensitive" should be removed

R

[If we remain focused on undergraduate student performance, all missions and costs are highly similar.]

GS

[If "Easily Communicated" is a guiding principle, the metrics are easy the rest isn't.]

Guiding Principles

Suggested Changes or Deletions (Cont'd)

Responses (Cont'd):

- WKU – Yes ☐ No ☑ – No suggested changes or deletions
- KCTCS – Yes ☑ No ☐

  [The existing principles remain generally appropriate and should not be eliminated. However, the 2026 work group should clarify several principles so they fully reflect the statutory two-sector structure of the funding models.]

  GS

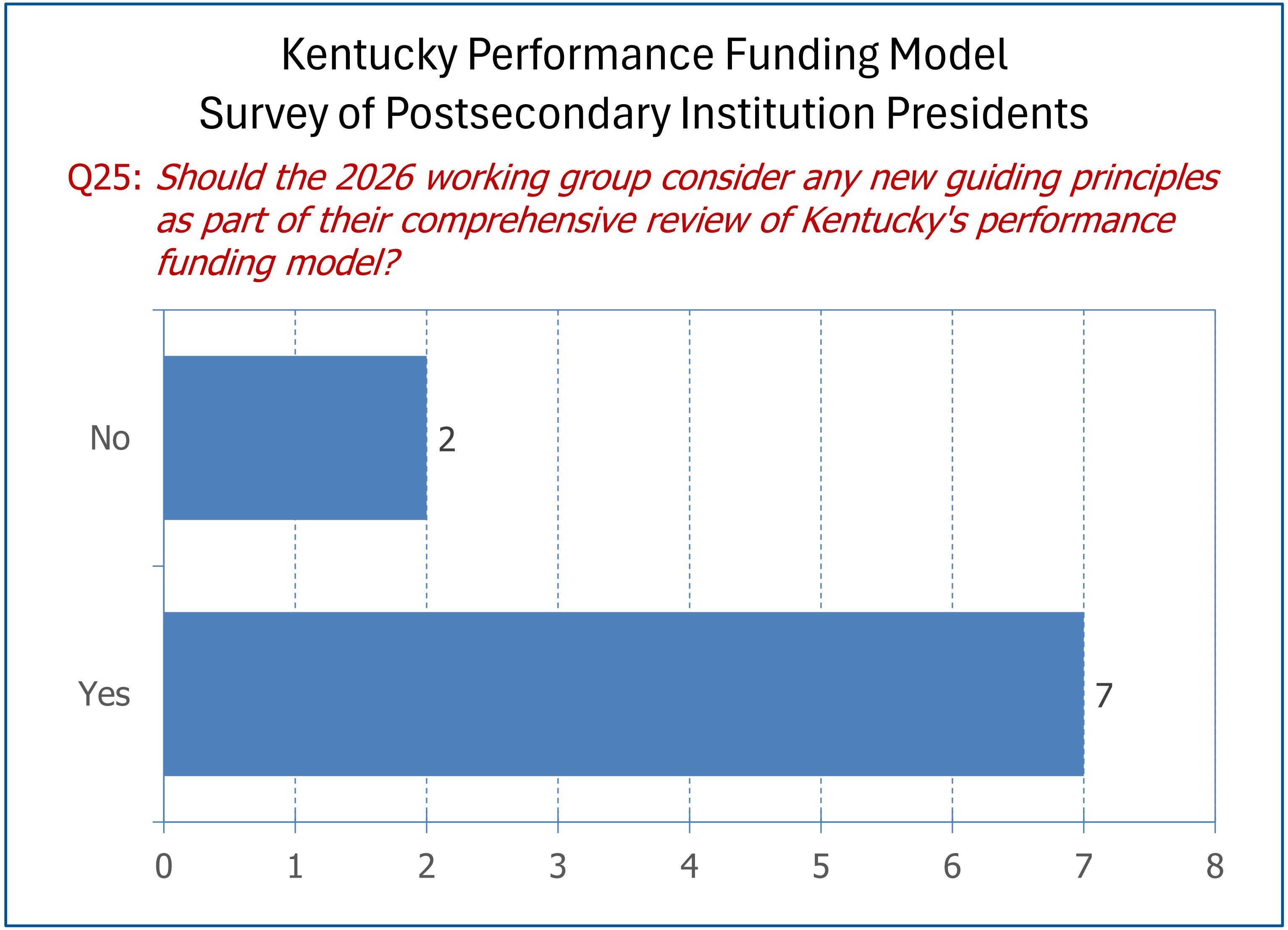
  – "Mission Sensitive" should explicitly recognize the distinct role of KCTCS, including workforce and technical education, transfer, adult learners, regional access, and service to communities with different economic conditions

Guiding Principles
Suggested Changes or Deletions (Cont’d)

- KCTCS (Cont’d)
  - “Outcomes Based” should include industry training, transfer success, high-value credentials, employment outcomes, and post-completion success
  - “Reasonably Stable” and “Sustainable” should address limitations of nonrecurring performance distributions and the need for predictable base funding

Guiding Principles
Survey Responses (Cont'd)

- Seven out of nine campus presidents believe that new principles are needed
- Only two university presidents (UofL and NKU) responded "No"
- Five comprehensive university presidents and KCTCS president responded "Yes"



Guiding Principles
Proposed New Principles

Q25: Should the 2026 working group consider any new guiding principles as part of their comprehensive review of Kentucky's performance funding model? Yes ☐ No ☐

- ➢ If yes, please identify any suggested new guiding principles for work group consideration

Responses:

- UK – Yes ☑ No ☐

  [UK's preference is to engage in the full process of evaluating the guiding principles, existing metrics and goals with the PEWG prior to making recommendations. Those principles should be consistent and in alignment with the priorities policymakers are articulating.]

GS

Guiding Principles

Proposed New Principles (Cont'd)

- UK (Cont'd)

GS

[Specifically, how is postsecondary education playing an important and positive role in growing the state's population and economy.]

Additional guiding principles follow:

– Add "Public Value" – The model should incentivize outcomes that advance Kentucky's workforce, economy, civic well-being, and long-term competitiveness

R

[Many legislators discussed taxpayer return, workforce outcomes, adult learners, and retention of graduates in Kentucky. Nationally, states increasingly connect funding formulas to labor-market outcomes, workforce shortages, and economic development needs.]

Guiding Principles
Proposed New Principles (Cont'd)

- UK (Cont'd)
  - Add "Predictability" – Funding outcomes should be sufficiently visible and foreseeable to support responsible institutional planning and investment
  - Add "Clarity" – Institutions, policymakers, and taxpayers should be able to clearly understand how outcomes are measured and how funding decisions are made
  - Add "Continuous Improvement" – The model should be periodically reviewed and refined to address unintended consequences, evolving state priorities, and emerging evidence

Guiding Principles

Proposed New Principles (Cont'd)

- UK (Cont'd)
  - Add "Build Capacity" – The model should provide meaningful incentives while preserving institutional stability, predictability, and strengthening institutions' capacity for long-term planning and investment

    [CPE staff acknowledged that UK, NKU, and others rely increasingly on non-recurring performance dollars because earned performance distributions do not become recurring institutional base funds.]

R

- UofL – Yes ☐ No ☑ – No suggested new guiding principles

Guiding Principles

Proposed New Principles (Cont'd)

Responses (Cont'd):

- EKU – Yes ☑ No ☐
  - Fair Opportunity – The distribution should be designed so that every institution, regardless of size, location, or Carnegie classification, has a genuine and structurally fair opportunity to earn performance funding based on its student outcomes

    [No institution should be structurally precluded from receiving a performance distribution due to weight factor advantages or pool composition effects that operate independently of actual performance.]

GS

Guiding Principles
Proposed New Principles (Cont'd)

- EKU (Cont'd):

MM

[Proportionality of Differential Treatment: Where differential weight factors of sector specific adjustments are applied, they should be limited to metrics where institutional mission differences are directly and demonstrably relevant to the cost of nature of the outcome being measured. Blanket multipliers applied across all metrics are inconsistent with a performance funding philosophy.]

  - Transparency of Parameters – All weight factors, component weights, and allocation rules should be expressed in plain language that non-technical stakeholders and the public can understand, verify, and evaluate

Guiding Principles

Proposed New Principles (Cont'd)

Responses (Cont'd):

- KSU – Yes ☑ No ☐ – Please incorporate institutional sizes in the model, for example, if the funding model is based on achieved metric rather than volume
- MoSU – Yes ☑ No ☐ – Employment of graduates in Kentucky should become a focus to ensure that taxpayer dollars are going to work for the Commonwealth and not to benefit other states

R *[This will ensure that every university is responsive to employer needs within its service region and the state.]*

MM Additionally, the poverty level of each university's service region *[and percentage of students enrolled from the university's service region]* should also become a factor

Guiding Principles

Proposed New Principles (Cont'd)

Responses (Cont'd):

- MuSU – Yes ☑ No ☐ – A principle should be that performance of each institution to produce graduates should be valued

  [An institution that has enhanced progression from a previous year, increased graduate numbers, etc. should receive increased funds for their improvements, even if it does not rise to a level that overrides those with larger volume of students.]

MM

- NKU – Yes ☐ No ☑ – No suggested new guiding principles
- WKU – Yes ☑ No ☐ – The funding model should recognize differences in institutional mission, while ensuring that all institutions have a realistic opportunity to earn performance funding through measurable improvement

Guiding Principles

Proposed New Principles (Cont'd)

Responses (Cont'd):

- KCTCS – Yes ☑ No ☐ – The work group should consider adding a contextual principle that *[ensures statewide comparisons include KCTCS,]* recognizes differences in institutional mission and community context, and provide colleges serving rural, economically-challenged, or smaller-population regions with a meaningful opportunity to benefit from performance funding

GS

[In addition, the model should recognize and respect other state and federal accountability metrics to which higher education is and will be held. Those metrics do not necessarily need to be adopted outright, but respecting the fidelity of other accountability metrics will help institutions align priorities and achieve performance.]

Establish Guiding Principles

Guiding Principles
Establish Guiding Principles

Current Principles

- ➢ Based on survey responses, campus officials did <u>not</u> explicitly suggest changes or deletions to the following principles:
  - Completion Driven
  - Easily Communicated
  - Data Driven
  - Flexible
  - Allow Appropriate Exclusions
  - Efficient

Suggested Changes or Deletions (Cont'd)

- ➢ Based on survey responses, campus officials suggested changes or deletions to the following principles:
  - Mission Sensitive
  - Outcomes Based
  - Reasonably Stable
  - Sustainable

Guiding Principles

Establish Guiding Principles (Cont'd)

Proposed New Principles (Cont'd)

➢ Based on survey responses, campus officials proposed the following new principles:

- Public Value
- Predictability
- Clarity
- Continuous Improvement
- Build Capacity
- Fair Opportunity
- Institutional Size
- Post-Completion Employment
- Regional Poverty Level
- Mission Differences
- Realistic Opportunity
- Community Context

Next Steps

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