

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

September 22, 2026, 12:00-4:00 p.m. ET (11:00-3:00 p.m. CT)
Location: Council offices, 100 Airport Road, Frankfort, KY – Conf Rm AB
Livestream: <https://www.youtube.com/@KentuckyCPE/streams>



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MEETING MINUTES

Draft for review/approval on September 22, 2026

Who: Kentucky Council on Postsecondary Education
Type: Postsecondary Education Working Group on Performance Funding
Date: August 25, 2026
Time: 1:00 p.m. ET (12:00 p.m. CT)
Location: CPE Offices, 100 Airport Road, Frankfort, KY – Conference Room AB
(virtual option available)

CALL TO ORDER

The Postsecondary Education Working Group on Performance Funding was called to order Tuesday, August 25, 2026, at 1:05 p.m. ET. The meeting took place at the Council offices in Frankfort, with an option to attend virtually. The meeting was livestreamed to the CPE YouTube page. Chair Aaron Thompson presided.

ATTENDANCE

There was a quorum of 20 members in attendance.

- Dr. Aaron Thompson, Chairman – in person
- Dr. Koffi Akakpo – in person
- Representative Chad Aull – in person
- Senator Amanda Mays Bledsoe – in person
- Dr. Gerry Bradley – in person
- Representative Josh Bray – in person
- Dr. Tim Caboni - virtual
- Angie Martin, designee for Dr. Eli Capilouto – in person
- Senator David Givens – in person
- John Hicks – in person
- Representative Bobby McCool – in person
- Senator Chris McDaniel – in person
- Dr. David McFaddin – in person
- Dr. Jay Morgan – in person
- Senator Gerald Neal – did not attend
- Dr. Ron Patterson – virtual
- Dr. Ryan Quarles – in person
- Representative Steve Rudy – virtual (left at 2:57 p.m. ET)
- Dr. Cady Short-Thompson - in person
- Representative James Tipton – in person
- Senator Steve West – virtual

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

ADOPTION OF MINUTES

The minutes from the July 31, 2026, meeting were approved as presented. Dr. McFaddin provided the motion to adopt and was seconded by Dr. Short-Thompson. The motion was passed unanimously.

GUIDING PRINCIPLES

Chair Thompson presented a list of proposed principles and accompanying descriptions to the working group and noted that similar suggestions previously received from stakeholders were combined to keep the list of principles as brief as possible. The proposed principles were the following:

- Recognize Mission Differences
- Outcomes Based
- Reasonably Stable
- Data Driven
- Public Value
- Opportunity

Dr. Bradley provided a list of proposed principles suggested by the University of Louisville and acknowledged that many of the proposals were already captured in the list Chair Thompson presented.

Senator McDaniel stated that the principles Chair Thompson presented did not mention student success. Senator Givens suggested adding “student success” before “workforce” within the description of the Public Value principle.

Representative Aull recommended changing “Reasonably Stable” to “Reasonably Stable and Simplistic”. Following discussion on this suggestion, it was agreed to instead add “simply communicated” after the word “stable” within the description of the Reasonably Stable principle.

Representative Bray stated that Affordability is missing from the principles. Senator Givens recommended adding “affordability” after “student success” within the description of the Public Value principle, to which Representative Bray agreed that addressed his concern.

After discussion, the proposed principles were as follows:

- Recognize Mission Differences
 - The funding model will account for differences in mission, capacity, students

served, and community contexts and provide pathways for all institutions to be rewarded based on outcomes that reflect their unique roles and contributions.

- Outcomes Based
 - The funding model will provide incentives for improved institutional and student performance by establishing an explicit link between the attainment of desired state outcomes and allocation of available resources.
- Reasonably Stable
 - The funding model will provide reasonably stable, predictable, easily communicated, and transparent funding allocations that support institutional planning and capacity-building regardless of fluctuations in overall state appropriations.
- Data Driven
 - The funding model will rely on data that are valid and reliable, readily available, and can be verified when necessary.
- Public Value
 - The funding model will incentivize outcomes that advance student success, affordability, Kentucky's workforce, economy, civic well-being, and long-term competitiveness.
- Opportunity
 - The funding model will provide every institution an opportunity to earn performance funding based on outcomes produced.

MOTION: Representative Aull moved for the working group to adopt the principles proposed by Chair Thompson as revised. The motion was seconded by Representative Tipton.

VOTE: The motion was passed.

KENTUCKY STUDENT SUCCESS OUTCOMES

Responding to a request from the prior meeting, President Thompson gave a presentation on some of the student success outcomes Kentucky has enjoyed over the last several years, driven in part by campus's efforts to perform in the performance funding model. The presentation included data and information on:

- Unmet financial need for first-time students
- Debt at graduation
- Undergraduate enrollment
- Undergraduate degrees and credentials
- 150% graduation rates
- First-to-second-year retention
- Recent student success research at CPE
- Six-year completion rate improvement

- Retention rate improvement
- Persistence rate improvement
- The percentage of graduates that graduate debt-free
- Kentucky's brag points

Questions of clarification were posed by work group members throughout.

PERFORMANCE FUNDING LANDSCAPE

Consultants from HCM Strategists, Tom Allison, Director of State Policy and Finance, and Rachel Rivas, Associate Director, presented a landscape analysis of performance funding models from other states. Information was shared on how many states have performance funding models, which of those have models in both four- and two-year sectors, the various approaches states have taken in the overall design of their models, and the approaches other states have used to address their principles and goals.

STATE GOALS

Following the analysis, Chair Thompson introduced a proposed list of goals to the group, including current goals that are either unchanged or revised as well as proposed new goals.

Given the amount of time remaining in the meeting, it was agreed that members will review the proposed goals and be ready to discuss and adopt goals at the following meeting.

NEXT STEPS

Representative Aull proposed revising the scheduled length of the next meeting from two hours to three. Chair Thompson discussed the possibility of a future all-day retreat where members could dive into the details of the model. Senator McDaniel mentioned he believes the next meeting should be four hours, to which the members agreed to amend the September 22 meeting from two scheduled hours to four.

Chair Thompson briefly spoke about the decision points the group would need to discuss at the following meeting.

ADJOURNMENT

The meeting adjourned at 3:06 p.m. ET. Representative Aull motioned to adjourn and was seconded by Representative McCool.

Recommended Funding Model Goals

2016 Current Goals	Current Language	2026 Proposed Goals	Proposed Language	Rationale
Retention and Progression	Increase the retention and progression of students toward timely credential or degree completion	Retention and Progression	Increase the retention and progression of students toward timely credential or degree completion	(None needed, unchanged)
Degree and Credential Production	Increase the number and types of credentials and degrees earned by all types of students	Degree and Credential Production	Increase the number and types of credentials and degrees earned by all types of students	(None needed, unchanged)
Targeted Degrees and Credentials	Increase the number of credentials and degrees that garner higher salaries upon graduation, such as science, technology, engineering, math, and health, and in areas of industry demand	Targeted Degrees and Credentials	Increase the number of credentials and degrees in high-demand and high-wage fields that meet state and regional workforce needs	Removed specific example of STEM+H to broaden. Almost every survey response indicated a need to better address workforce alignment and talent development
Close Achievement Gaps	Close achievement gaps by increasing the number of credentials and degrees earned by low-income students, underprepared students, underrepresented students, and nontraditional age students	Close Gaps	Close gaps by increasing the number of credentials and degrees earned by low-income students, underprepared students, underrepresented students, and nontraditional age students	Remove word “achievement” because closing gaps can be more than just closing an achievement gap, for example closing access, opportunity, and completion gaps
Transfer Pathways	Facilitate credit hour accumulation and transfer of students from KCTCS to 8 four (4) year postsecondary institutions	Transfer Pathways	Facilitate credit hour accumulation and transfer of students from KCTCS to Kentucky public and private colleges and universities	Include private institutions in addition to public and simplify language

Recommended Funding Model Goals

2016 Current Goals	Current Language	2026 Proposed Goals	Proposed Language	Rationale
Workforce Outcomes and Retention - NEW		Workforce Outcomes and Retention	Increase post-completion employment and in-state retention of students matriculating from Kentucky public and private colleges and universities	Reflects trend of recognizing importance of workforce outcomes and retaining talent in other state funding models and addresses feedback received from stakeholders
Affordability - NEW		Affordability	Increase affordability by reducing the time, credits, and cost required for students to earn a degree or credential	Addresses ongoing need to maintain affordability and operational efficiency and addresses feedback received from stakeholders

Decision Point 1 – Basic Approach for Funding Model:

Should the working group consider retaining the existing model with changes or should it consider an entirely new approach?

Summary:

Funding under the current model is driven by calculations designed to simultaneously accomplish two purposes: (a) achieve funding parity; and (b) distribute funds based on share of outcomes produced. The funding parity component determines the extent to which an institution is overfunded or underfunded relative to peer institutions given its current level of outcomes produced and allocates funding to move institutions toward parity. The share of outcomes component is designed to distribute funds based on growth in outcomes produced and rewards growth above the sector average.

Factors to Consider:

- Share of outcomes models can be easy to understand and can provide clear incentives for chosen metrics
- Share of outcomes models are easy to align with statewide strategic goals
- The current model prioritizes growth and the metric data used in the model is volume based (i.e., counts of degrees produced or students progressed, not graduation or retention rates) making it difficult for smaller institutions to fully participate
- A targets and goals model can be more directly tailored to individual institutions and promote mission differentiation. However, if goals are negotiated, care must be taken to ensure that the goals are designed to meet state needs and not just the needs of the institution. Goals set by the legislature can avoid this challenge.
- A relative growth model can be more easily understood, and all institutions would be able to participate, but as they reward growth, challenges persist for those institutions that see flat or declining enrollment unless carefully designed
- An outcomes-based model that distributes funds based on share of outcomes produced can become a zero-sum game and limit cooperation between institutions
- Given the December 1, 2026 deadline for the working group to produce recommendations, time may be a constraint on developing an entirely new model.

Decision Point 2 – Share of Outcomes Only or Include Base Appropriation to Equalize Funding

Should the funding model distribute performance funds based only on each institution's share of outcomes produced, or should it continue to include base funding in the calculations?

Summary:

The current model structure attempts to equalize funding across institutions based on outcomes. Once stop-loss provisions were phased out, money could shift between institutions based on outcomes produced and to achieve funding parity. Subsequent changes to the performance funding model statute prevented these funding shifts. Smaller institutions in general struggle to “earn back their base” and are unlikely to receive funding under the model without significant growth in enrollment.

Factors to Consider:

- The current model accounts for all state funds that are available for educating students. All funding is distributed through the model (adjusted for mandated programs and debt service).
- Funding can flow based on changes in enrollment and outcomes (with limitations based on funding floor).
- The model includes strong incentives for increased enrollment, retention, and degree production.
- Growth in enrollment (earned credit hours and FTE students), student progression, and degree production are primary drivers in the model. Given demographic changes in some regions of the state and projections for declining numbers of high school graduates it is likely that not all institutions will be able to continue to increase enrollment.
- Flat or declining enrollment will make it difficult for some institutions to continue to receive funding, even if they improve in some metrics.
- Changes to the base funding of the institutions by the legislature can have unexpected consequences as the model tries to equalize funding.
- The dual aims of trying to achieve funding parity and rewarding institutions for outcomes produced make the model complex and difficult to explain as funding flows are not solely based on outcomes

Decision Point 3 – Use of a Common Funding Pool in the University Model:

Should the university model continue to include research and comprehensive sector institutions in the same funding pool, or should the sectors be separated into two pools?

Summary:

As part of the 2023 funding model review process, several campus presidents argued that including both research and comprehensive sector institutions in the same funding pool placed comprehensive universities at a competitive disadvantage. Along those lines, they recommended establishing a three-tier model, one for research universities, one for comprehensive universities, and one for KCTCS. This is an issue for 2026, as well.

Factors to Consider:

- A single pool:
 - reinforces idea that all public universities are contributing to same statewide goals
 - maintains broader competition for performance funding
 - makes statewide comparisons more transparent
- Including institutions with different missions, different cost structures, and different opportunities to generate outcomes in a single funding pool overly complicates the model
- A single pool may require weights, scaling factors or differentiated metrics to make comparisons equitable
- Larger institutions can capture a significant share of the pool due to scale
- Can be hard to explain why institutions with dramatically different missions compete for the same dollars
- Transitioning to two pools within the university model would eliminate the need for differential weightings between research and comprehensive sectors
- A two-pool approach would allow for the selection of different metrics that are designed to better represent the unique missions of each sector
- If a three-tier system is adopted the working group must identify a method for allocating performance funds among research, comprehensive, and KCTCS sectors

Decision Point 4 – Reliance on Nonrecurring Performance Funds:

Should the working group consider whether any earned performance funds should be recurring to the base of the institutions?

Summary:

Beginning in 2021, distributions from the Performance Fund were no longer recurring to institutions that earned the funds. Instead, appropriations for performance were recurring to the Performance Fund itself. As a result, state funds for educating students are comprised of two components: (1) recurring adjusted net General Fund appropriations; and (2) nonrecurring performance distributions. Over the past few years, several institutions have become increasingly reliant on nonrecurring performance dollars as part of their overall operating funds. Having a large proportion of nonrecurring state funding complicates the ability of campus officials to engage in institutional planning and capacity building activities because these dollars are more at risk.

Factors to Consider:

- Nonrecurring funding provides strong ongoing incentives because institutions must produce results every year to continue earning the funds
- Larger portion of state funding remains available to changes in outcomes, state priorities, etc.
- If earned funds become recurring to campus base budgets, additional appropriations would be needed to maintain the performance pool at a level sufficient to incentivize outcomes and those appropriations would be subject to resource availability each budget cycle
- The financial consequences of declining performance would be mitigated if earned funds become recurring
- Institutions that rely more heavily on nonrecurring performance distributions as part of their overall General Fund base are at greater risk to state budget fluctuations
- Lack of certainty in funding may discourage institutions from investing in programs and services that support student success, thus reducing the intended impact of the model
- Improving retention, completion, advising, or academic programs often require recurring expenditures. Institutions may be reluctant to invest in important services or new programs using nonrecurring funds

Decision Point 5 – Treatment of Earned Performance Fund Dollars:

How will the current performance fund be treated going forward if the existing model is replaced or substantially modified?

Summary:

The working group recently approved a guiding principle that calls for the funding model to provide reasonably stable and predictable funding allocations. If the group decides to adopt an entirely new funding approach or decides to make substantial changes to the existing model, large shifts in funding could occur between sectors and among institutions that are not directly related to changes in performance as currently defined within the model.

Factors to Consider:

This is an issue for consideration by the working group if substantial changes are made to the model.

Decision Point 6 (Contingent on Other Decision Points) – Differential Weightings Between Sectors:

Should the differential weightings between the research and comprehensive sectors within the university funding model be retained, modified, or removed? If the weightings are removed, should metrics be considered that would reflect institutional missions?

Summary:

The differential metric weightings are used in the university model to account for differences in mission and instructional costs between research and comprehensive sectors. As implemented, these weights are intended to compensate for the higher cost of instruction at research institutions and key operational outcomes that are not otherwise included in the model (i.e., graduate degree production, research).

Factors to Consider:

- The weightings recognize differences in mission and cost structures between sectors
- They allow institutions in both sectors to compete for the same pool of funds using a common set of metrics
- Retaining existing weights prevents significant shifts in funding from occurring between sectors and among institutions that are not related to changes in performance
- The weightings add complexity to the model, which complicates the ability to communicate results and diminishes transparency
- The weightings do not directly address all mission differences between research and comprehensive institutions, and therefore only serve as proxy measurements
- There is a perception among some stakeholders that the differential sector weightings disadvantage comprehensive institutions
- Any significant changes to the existing weights would cause major and sudden shifts in funding distributed through the model, unless other model adjustments are made or additional funding external to the model is provided to address this issue