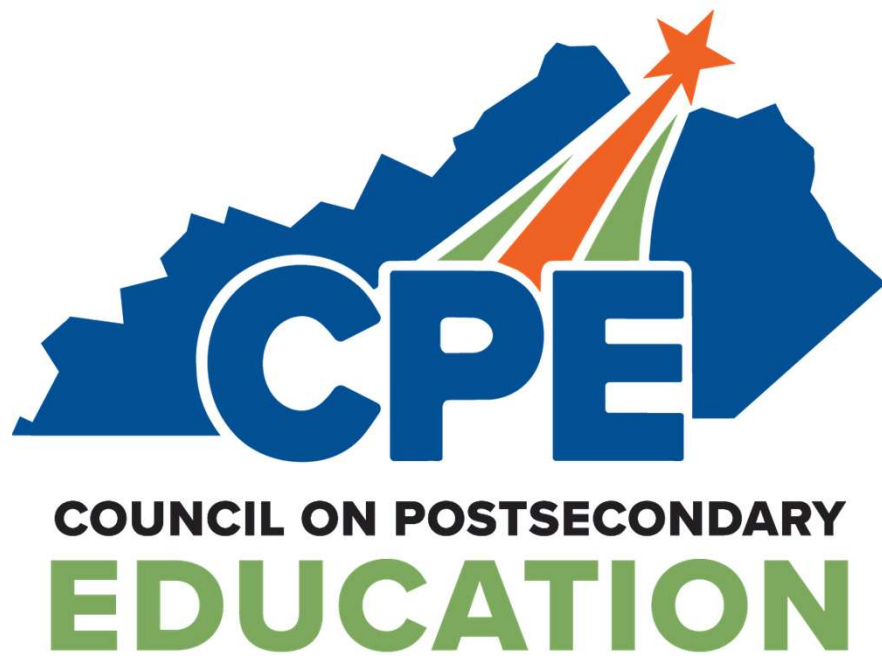




*Postsecondary Education Work  
Group on Performance Funding*

*2026 Review of Kentucky's Performance  
Funding Model*

*August 25, 2026*

# Overview

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- Guiding Principles
  - Proposed Principles
  - Action to Establish Principles
- Kentucky Student Success Outcomes
- Performance Funding Landscape (*HCM Strategists*)
- State Goals
- Next Steps

# *Guiding Principles*

## **Guiding Principles**

### ***Development Process***

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- In a survey conducted this past June, campus presidents were asked two basic questions about guiding principles:
  - 1) whether any of the existing principles should be changed; and
  - 2) whether any new principles should be considered
- Responses to these questions were shared at the July 31 work group meeting and group members discussed general concepts regarding suggested changes or additions to the principles
- In the weeks that followed CPE staff and HCM Strategists staff used feedback received from stakeholders to develop a draft set of principles for work group consideration

# Guiding Principles

## *Proposed Principles*

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### ➤ *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, and transparent funding allocations that support institutional planning and capacity-building regardless of fluctuations in overall state appropriations

# Guiding Principles

## *Proposed Principles (Cont'd)*

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### ➤ *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 Kentucky's workforce, economy, civic well-being, and long-term competitiveness

### ➤ *Opportunity*

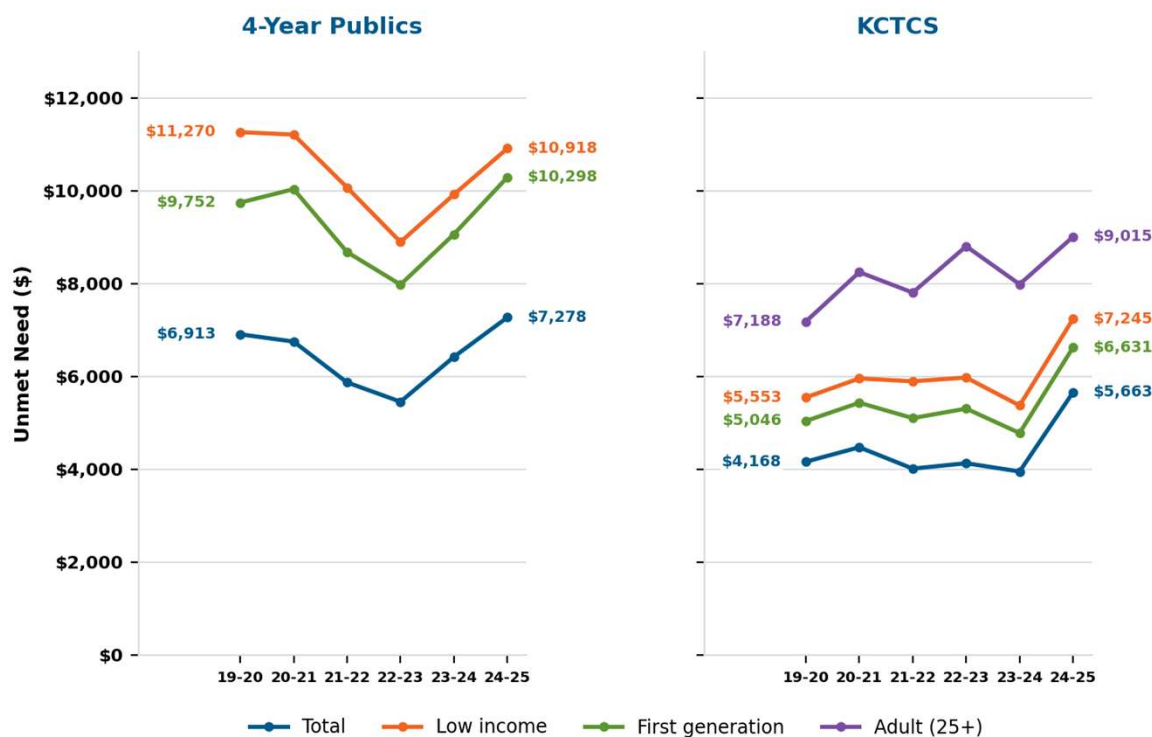
The funding model will provide every institution an opportunity to earn performance funding based on outcomes produced

# *Student Success Outcomes*

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# Unmet Financial Need for First-Time Students

▼ Lower is better



## TAKEAWAY

Unmet need fell steadily through the middle of the period as stronger advising and expanded institutional aid programs for first-time students reduced student costs. The recent uptick reflects cost of attendance and general inflation rising faster than available aid rather than any pullback in aid itself. Low-income and first-generation students at four-year publics, and adult learners at KCTCS, continue to face the widest gaps.

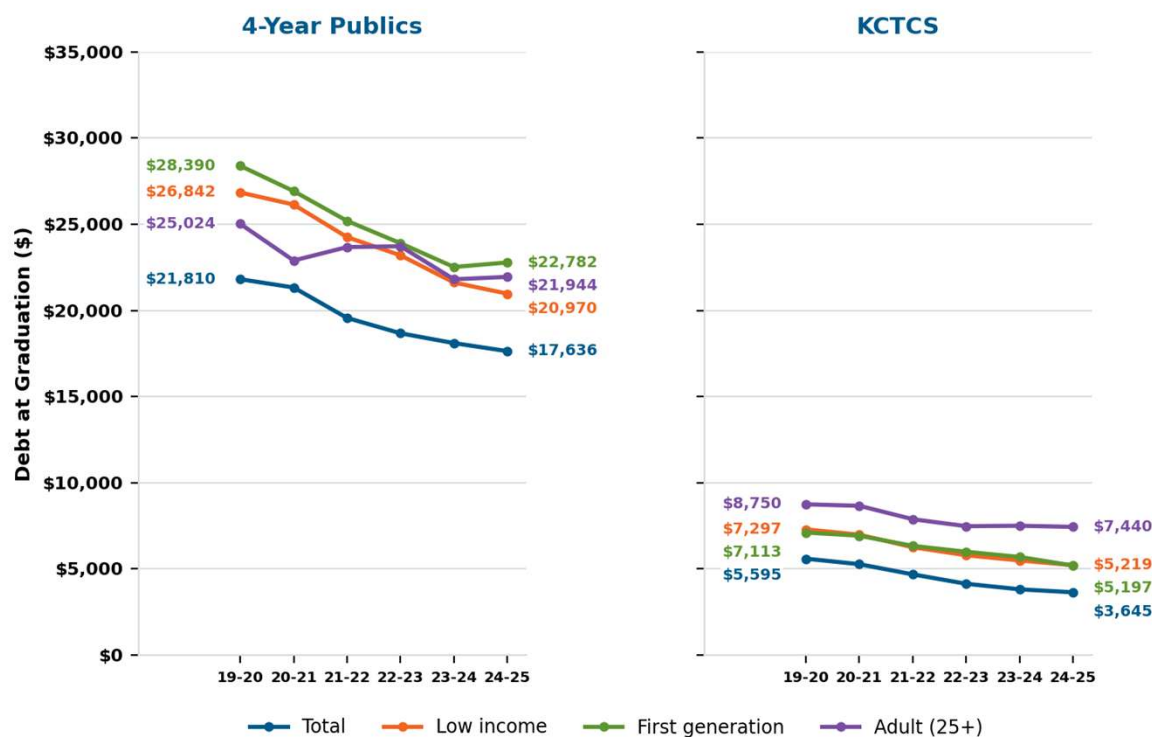
# \$7,278

Four-year public unmet need, 2024-25 (first gen: \$10,298)

Source: Kentucky Postsecondary Education Data System (KPEDS).

# Debt at Graduation

▼ Lower is better



Source: Kentucky Postsecondary Education Data System (KPEDS).

Kentucky Council on Postsecondary Education

## TAKEAWAY

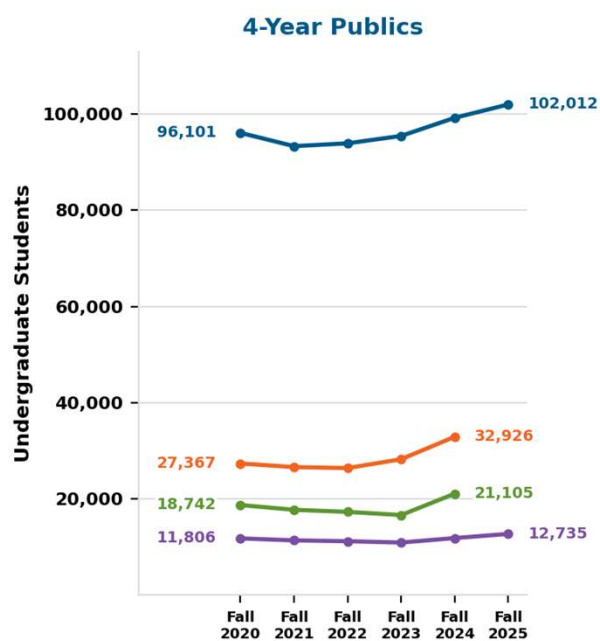
Borrowing is down for every group in both sectors, and the declines are steady rather than driven by any single year. Greater participation in early postsecondary opportunities, shorter time to degree, and increased institutional aid are all contributing to the trend. At KCTCS, adult learners remain the group with the most room to gain and represent the clearest opportunity for targeted aid and advising to move the number further.

# -19%

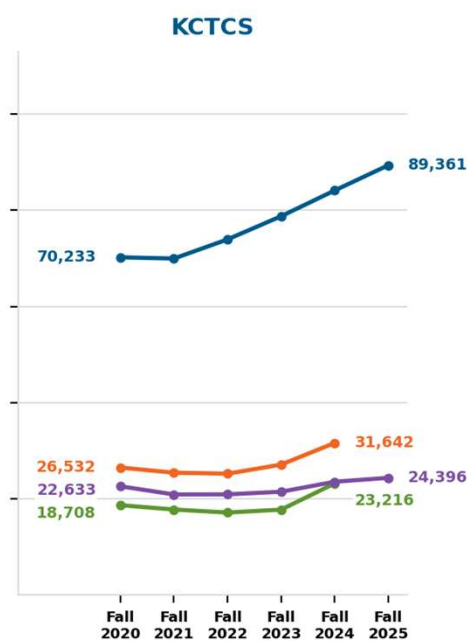
Decline in four-year public debt at graduation since 2019-20

# Undergraduate Enrollment

▲ Higher is better



Financial aid indicators lag a year due to collection cycles.



Financial aid indicators lag a year due to collection cycles.

— Total — Low income — First generation — Adult (25+)

Source: Kentucky Postsecondary Education Data System (KPEDS).

## TAKEAWAY

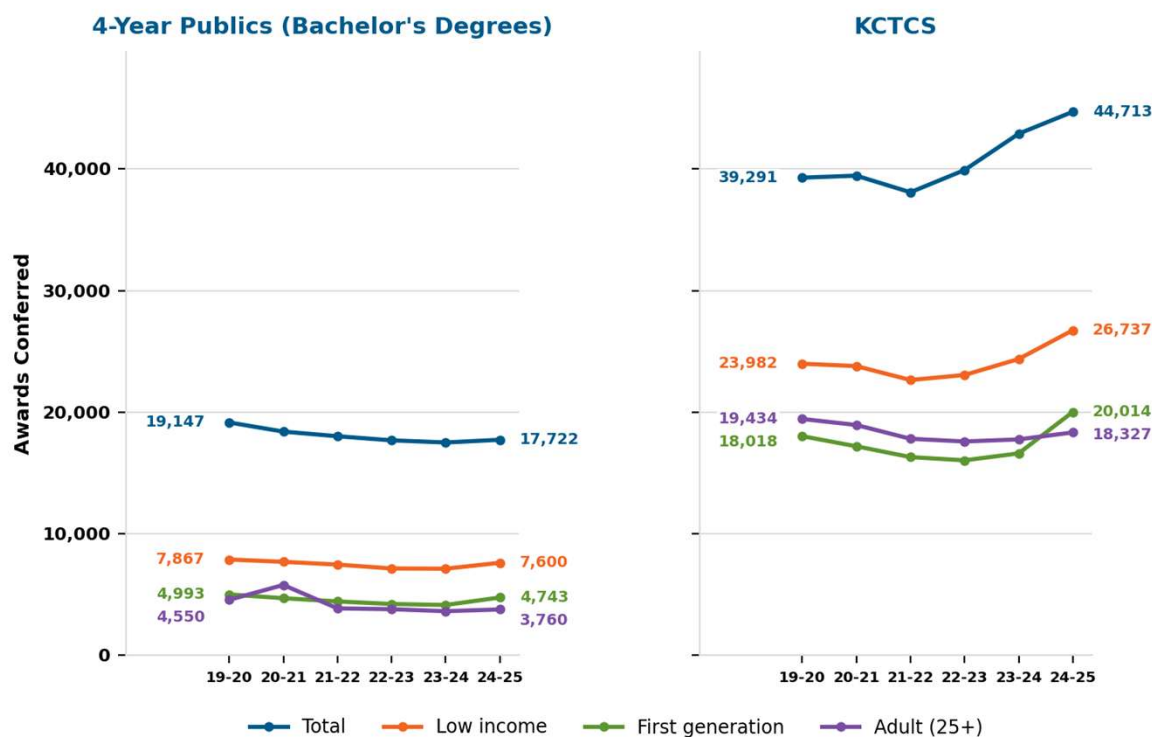
Enrollment bottomed out during the pandemic but has risen since, with KCTCS growing fastest. Growth is broad rather than concentrated, and the subgroup lines turn upward in the most recent years, with the sharpest movement among first-generation students in both sectors.

**+27%**

KCTCS undergraduate growth since Fall 2020 (publics: +6%)

# Undergraduate Degrees and Credentials

▲ Higher is better



Source: Kentucky Postsecondary Education Data System (KPEDS).

## TAKEAWAY

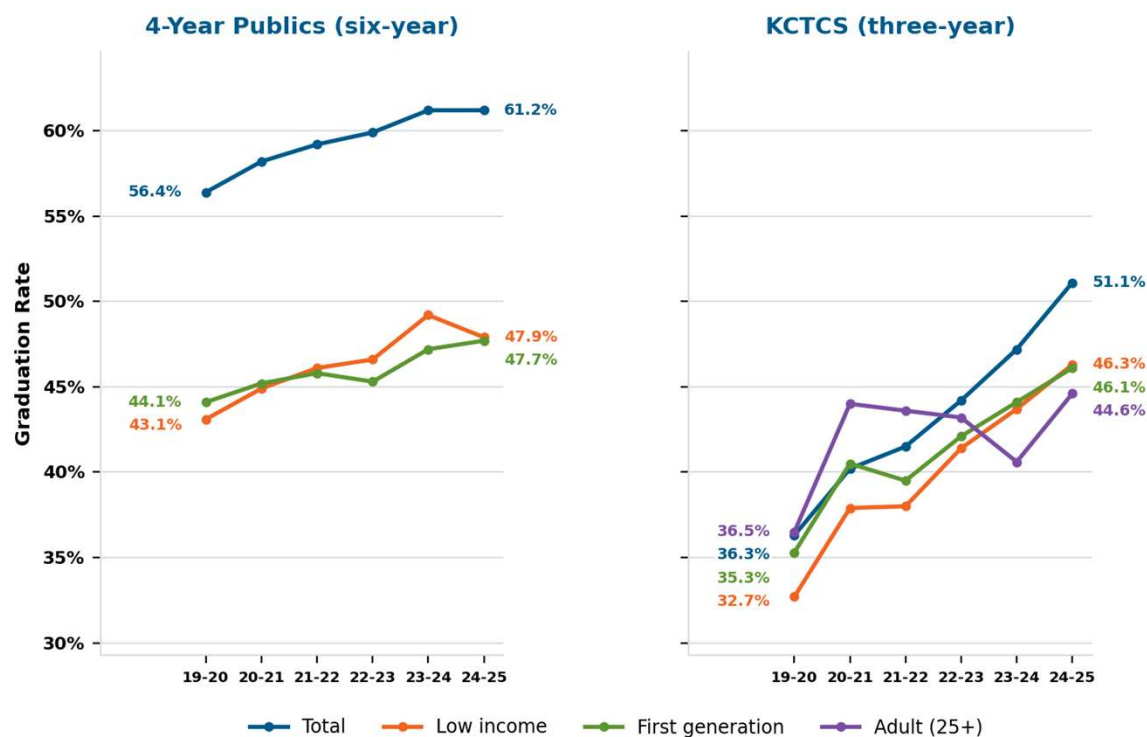
Undergraduate credential production diverges by sector. KCTCS has grown steadily since its low point, with gains across every group, while bachelor's degree production at four-year publics declined for several years before turning upward in the most recent year. Stronger advising and shorter time to degree are helping students reach completion, and first-generation students posted the sharpest gains in both sectors.

# 44,713

KCTCS degrees and credentials awarded, 2024-25

# 150% Graduation Rates

▲ Higher is better



Source: Kentucky Postsecondary Education Data System (KPEDS).

## TAKEAWAY

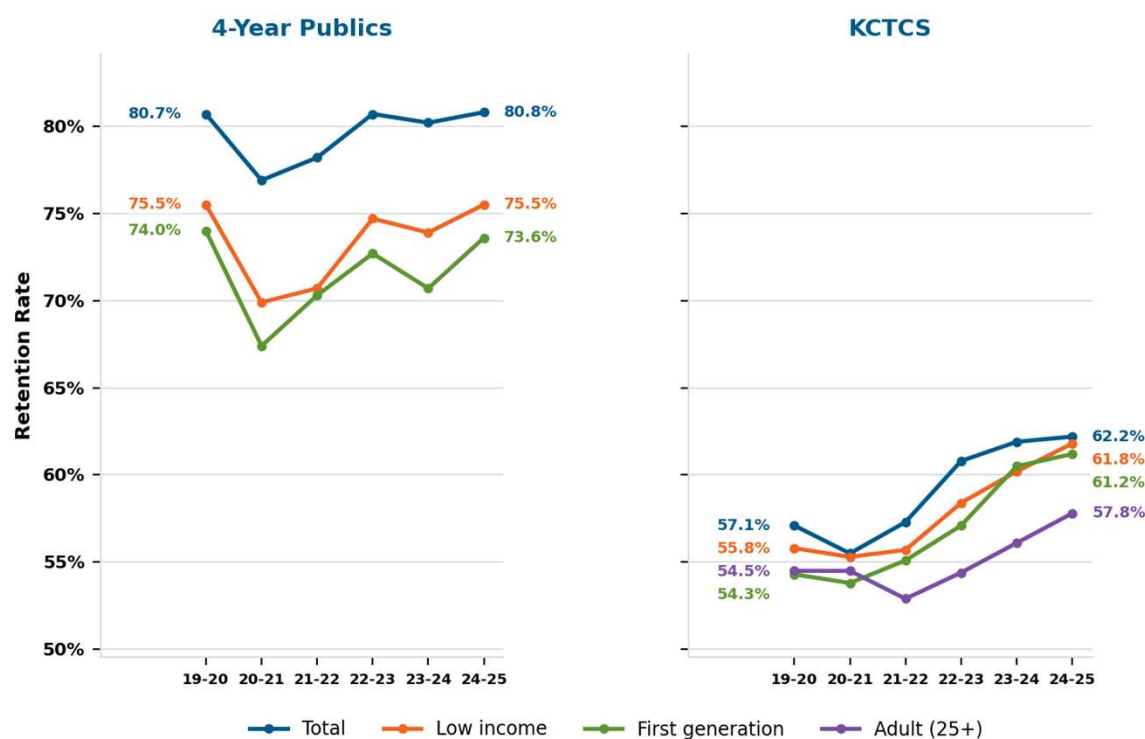
Completion is rising across the board, with KCTCS improving faster than four-year publics. Improved advising, institutional aid supports, and shorter time to degree are lifting outcomes for every group, particularly low-income and first-generation students.

# +14.8pp

Gain in the KCTCS three-year graduation rate since 2019-20

# First-to-Second-Year Retention

▲ Higher is better



Source: Kentucky Postsecondary Education Data System (KPEDS).

Kentucky Council on Postsecondary Education

## TAKEAWAY

Retention dipped during the pandemic and has recovered in both sectors. Stronger first-year supports, advising, institutional aid, and attention to program quality are reflected in the trend. At KCTCS the picture is one of convergence, with first-generation students gaining fastest and closing most of the gap with the sector average.

# 80.8%

Four-year public retention, 2024-25 (KCTCS: 62.2%)

# Recent Student Success Research at CPE



## Educated in Kentucky, Employed Elsewhere

Graduate migration and workforce outcomes | 2026

Tracks how many Kentucky graduates are working in the Commonwealth a year after completion, by credential level and field, and where retention breaks down.



## A State-Level Framework for Re-engaging Adult Learners

Some College, No Credential | 2026

Profiles Kentucky's stopped-out adults by credit load and demographics, and sets out state and campus strategies for bringing them back.



## Beyond Participation

Dual credit delivery and postsecondary enrollment | 2026

Tests whether dual credit raises college-going and how course modality changes the size of that effect.

Source: Kentucky Postsecondary Education Data System (KPEDS).

Kentucky Council on Postsecondary Education

## WHY IT MATTERS

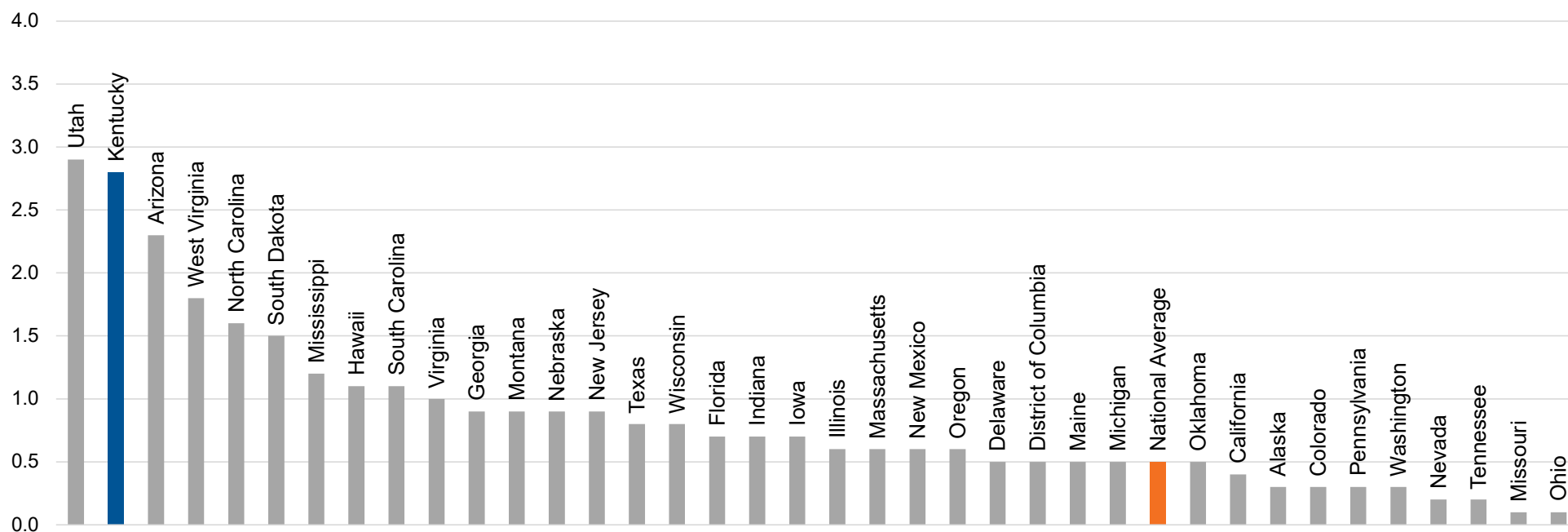
CPE pairs the statewide indicators with inferential research that tests what actually moves student outcomes. Current work focuses on strengthening workforce opportunity for Kentucky graduates, re-engaging adults who left without a credential, and improving how dual credit is delivered so that early college experience translates into enrollment and completion.

## 3 reports

Published in 2026 by CPE Data and Advanced Analytics

# Second for Six-year Completion Rate Improvement

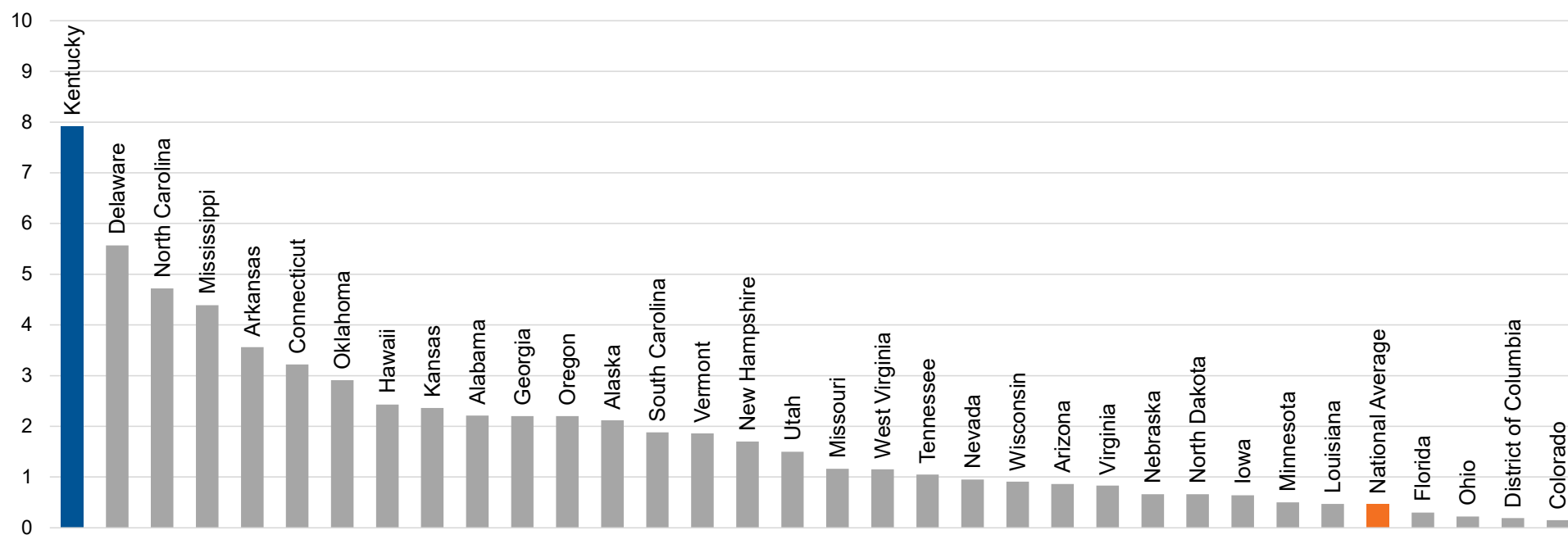
Six-year Completion Rates: Year-to-Year Percentage Point Improvement, Fall 2017 and 2018 Cohorts



Source: National Student Clearinghouse

# First in the Nation for Retention Rate Improvement

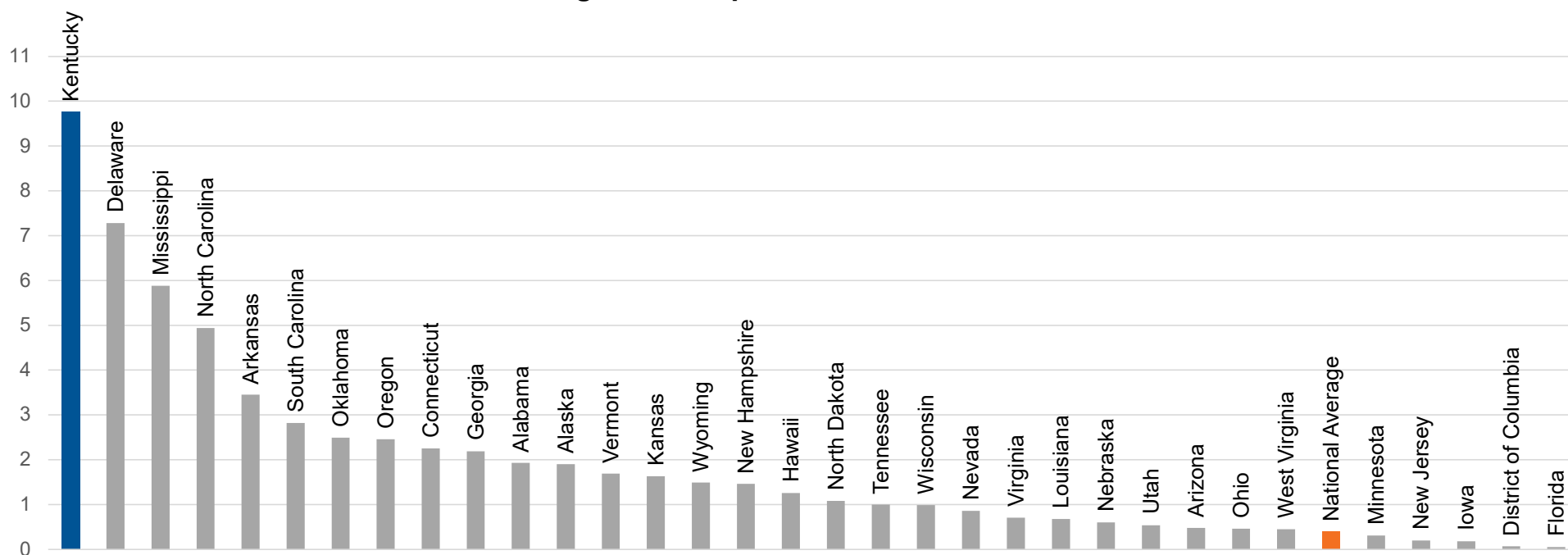
Retention Rates: Year-to-Year Percentage Point Improvement, Fall 2022 and 2023 Cohorts



Source: National Student Clearinghouse

# First in the Nation for Persistence Rate Improvement

Persistence Rates: Year-to-Year Percentage Point Improvement, Fall 2022 and 2023 Cohorts



Source: National Student Clearinghouse

## Six Out of 10 Graduate Debt-Free

### Percentage of graduates from Kentucky public institutions with zero debt

#### All Graduates (KCTCS and Four-Year)



Up 14.0 percentage points

#### KCTCS Graduates



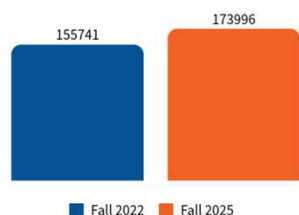
Up 13.4 percentage points

#### Four-Year Public University Graduates



Up 7.9 percentage points

## Kentucky's Brag Points



**POSTSECONDARY  
ENROLLMENT IS UP 18,200+  
SINCE THE 2022  
PANDEMIC LOW.**

**ENROLLMENT IS UP 5% SINCE 2024.**



**IN 2024-25 KENTUCKIANS  
EARNED 12,320**



**MORE CREDENTIALS  
& DEGREES  
THAN IN 2019-20.**



**6 OUT OF 10 STUDENTS GRADUATE  
WITHOUT DEBT**

# *Performance Funding Landscape*

# Performance Funding Landscape

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Presentation:

*National Landscape of Higher Education Funding Formulas*

HCM Strategists staff:

- Tom Allison – Director of State Policy and Finance
- Rachel Rivas – Associate Director

# *State Goals*

## State Goals

### *Current State Goals*

The goals for Kentucky's funding model are codified in statute (KRS 164.092)

- Increase the retention and progression of students toward timely credential or degree completion
- Increase the number and types of credentials and degrees earned by all types of students
- 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
- Close achievement gaps by increasing the number of credentials and degrees earned by low-income students, underprepared students, underrepresented students, and nontraditional age students
- Facilitate credit hour accumulation and transfer of students from KCTCS to 8 four (4) year postsecondary institutions

## State Goals

### *Survey Responses*

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- The survey completed by campus presidents this past June included questions that asked:
  - 1) whether current goals for the funding model were still relevant;
  - 2) whether any of the existing goals should be changed; and
  - 3) whether any new goals should be considered

### *Relevance*

- The results showed that an overwhelming majority of respondents believe the current goals for the funding model are still relevant
  - Eight out of 9 indicated that **increasing retention and progression** of students toward timely credential or degree completion is “Quite a Bit” or “Very Much” relevant going forward

## State Goals

### *Survey Responses (Cont'd)*

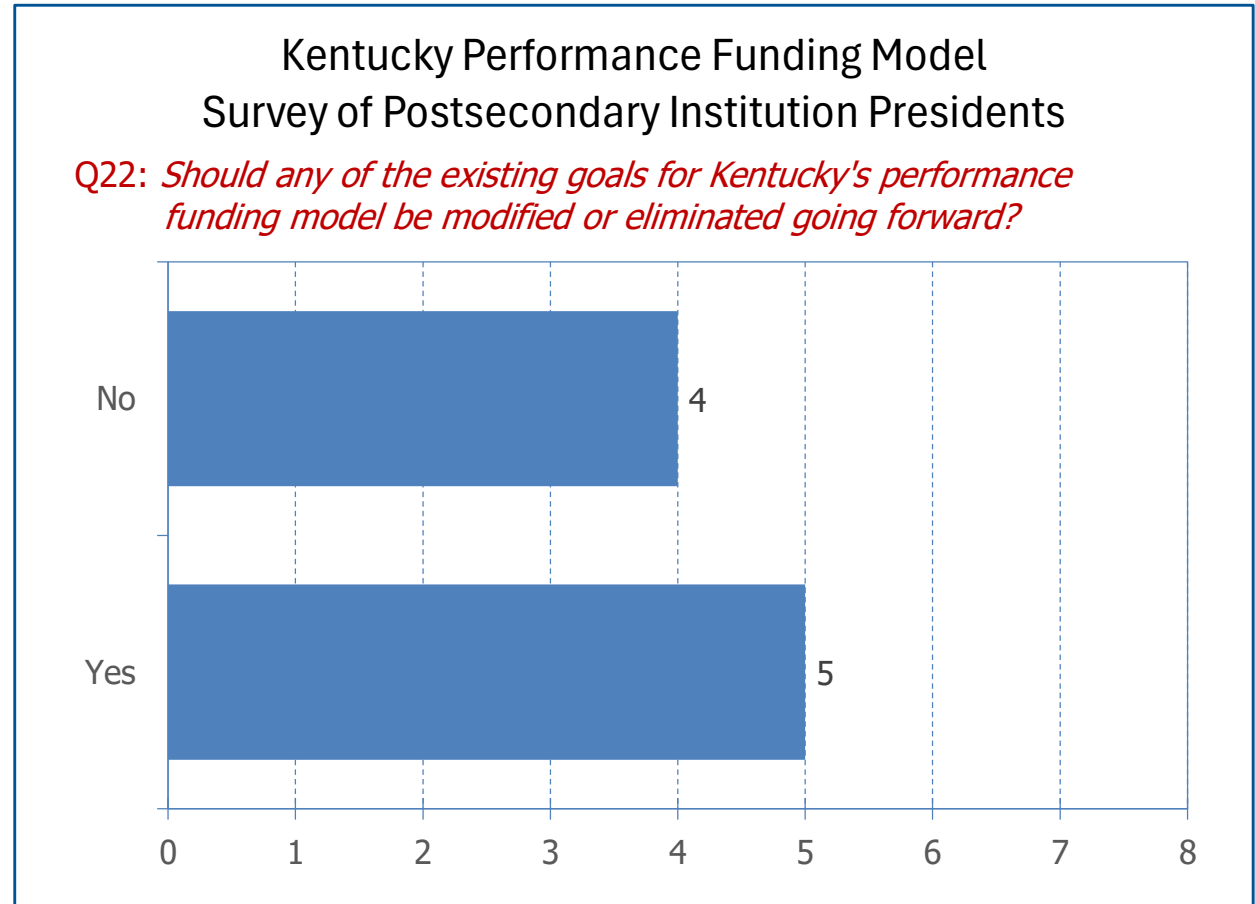
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- Nine out of 9 indicated that the goal of **increasing the number and types of credentials and degrees earned by all students** is “Quite a Bit” or “Very Much” relevant going forward
- Eight out of 9 indicated that the goal of **producing more credentials and degrees in fields that garner higher wages upon completion** is “Quite a Bit” or “Very Much” relevant going forward
- Eight out of 9 indicated that the goal of **closing achievement gaps** by growing credentials and degrees earned by underrepresented, underprepared, and low-income students is “Quite a Bit” or “Very Much” relevant going forward

## State Goals

### *Survey Responses (Cont'd)*

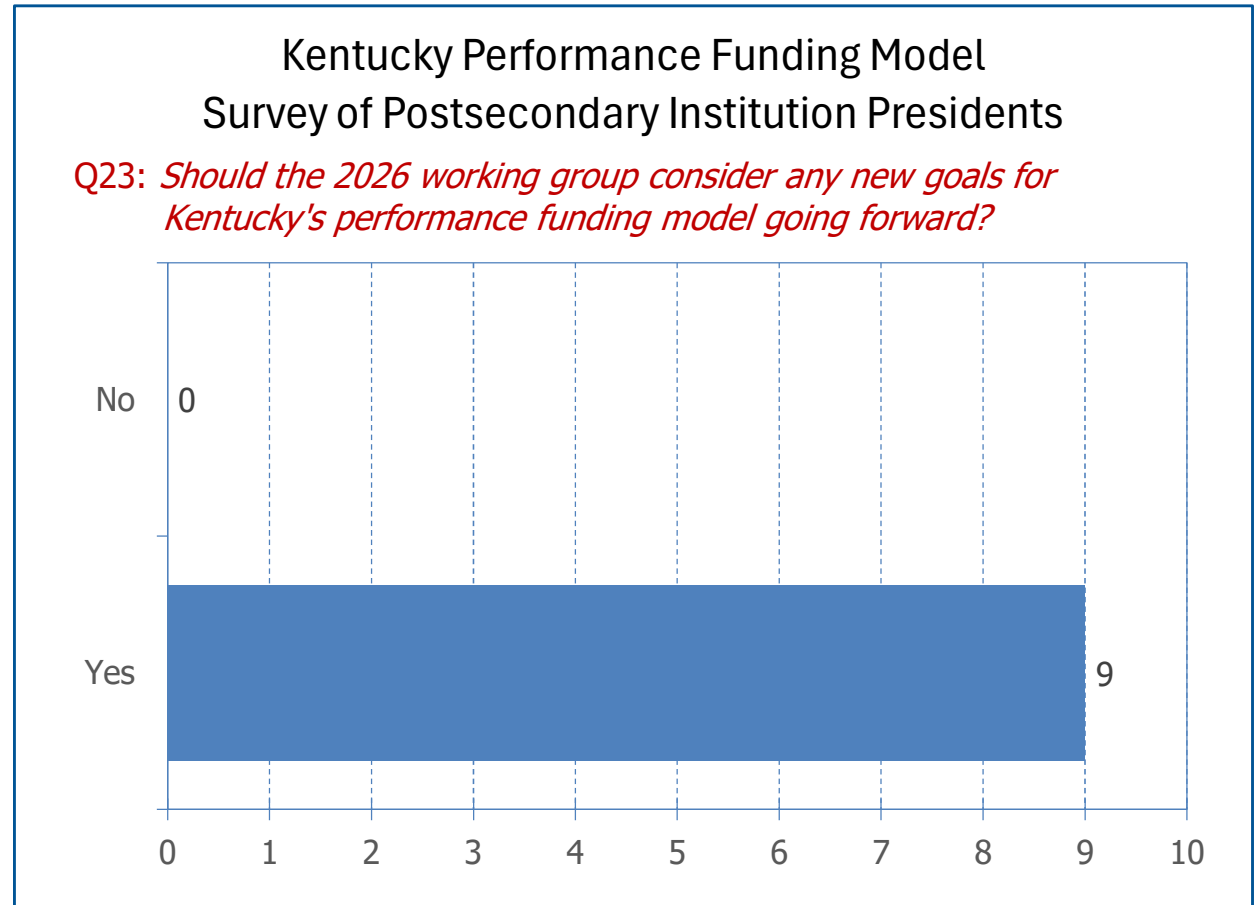
- Five out of nine campus presidents indicated that some of the existing goals for the model should change going forward
- Both research university presidents responded “No”
- KSU and MoSU presidents responded “No”
- Four comprehensive university presidents and KCTCS responded “Yes”



## State Goals

### *Survey Responses (Cont'd)*

- All nine postsecondary institution presidents indicated that the 2026 working group should consider new goals for the performance funding model going forward



## State Goals

### *Summary of Suggested Changes or Additions*

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- In their descriptive responses, campus officials identified numerous suggested changes or additions to the funding model goals, which generally fit into one of the ten broad categories listed below
  - Dual Credit Enrollment
  - Workforce Retention
  - College Attainment
  - Student Access
  - Adult Learners
  - Affordability
  - Degree Efficiency
  - Workforce Outcomes
  - Educational Quality
  - Transfer Pathways
- Based stakeholder feedback, CPE and HCM staff collaborated to develop a draft set of goals for work group consideration

# State Goals

## *Proposed State Goals*

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- Increase the retention and progression of students toward timely credential or degree completion
- Increase the number and types of credentials and degrees earned by all types of students
- Increase the number of credentials and degrees in high-demand and high-wage fields that meet state and regional workforce needs
- Close achievement gaps by increasing the number of credentials and degrees earned by low-income students, underprepared students, underrepresented students, and nontraditional age students
- Facilitate credit hour accumulation and transfer of students from KCTCS to Kentucky public and private colleges and universities

## State Goals

### *Proposed State Goals (Cont'd)*

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- Increase dual credit enrollment and course completion to support reduced time to degree and generate cost savings for Kentucky students and their families
- Increase post-completion employment and in-state retention of students matriculating from Kentucky public and private colleges and universities
- Increase the number of Kentucky working-age adults, ages 25-64, with a postsecondary education credential or degree to support the state's 60x30 college attainment goal
- Increase enrollment, progression, and credential and degree completion among nontraditional age students
- Increase affordability by reducing the time, credits, and cost required for students to earn a degree or credential

# *Next Steps*

## Next Steps

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- Major Decision Points (For review and discussion at September 22 meeting)
  - Basic Approach
    - Existing model with changes
    - Entirely new direction
  - Issues with Current Model
    - Use of common pool in university model
    - Weighting between sectors
    - Disproportionate reliance on nonrecurring funds
    - Lack of distributions at small schools
    - Possible addition of new metrics
    - Treatment of funds earned using existing model

## Next Steps (Cont'd)

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- Decision Points Related to Possible New Model
  - Type of model
  - Major components and allocations
  - Metrics and allocations
  - Degree types
  - Premiums for underserved populations
  - Types of measures (counts, rates, hybrid)
  - Treatment of funds earned using existing model
- Based on outcomes produced only or continue to have base funding influence the distributions under the model
- Designed to drive regional and statewide excellence



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*Matters*



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