

Performance Funding Model Principles

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.

Current Principles

- 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
- Easily Communicated
 - The distribution mechanism will be based on relatively few key metrics and be easy to understand and communicate
- Data Driven
 - The distribution mechanism will rely on data that are valid and reliable, readily available, and can be verified when necessary
- Flexible
 - 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
 - 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
- 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

- 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
- 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

New Suggested Principles

- Public Value
 - Incentivize outcomes that advance Kentucky's workforce, economy, civic well-being, and long-term competitiveness
- Predictability
 - Support responsible institutional planning and investment
- Clarity
 - Stakeholders will understand how outcomes are measured, and funding decisions are made
- Continuous Improvement
 - Periodic review and refinement of the model
- Build Capacity
 - Addresses stability, predictability, and capacity for long-term planning

- Fair Opportunity
 - Every institution, regardless of size, location, or classification, should be afforded fair opportunity to earn funds based on student outcomes
- Transparency
 - Model components, weightings, and allocation rules should be expressed in plain language stakeholders and the public can understand
- Institutional Size
 - Stress importance of recognizing differences in institutional size
- Post-Completion Employment
 - Include consideration of post-completion employment of Kentucky postsecondary graduates
- Regional Poverty Level
 - Stress importance of recognizing differences in poverty levels across services regions
- Mission Differences and Realistic Opportunity
 - Recognize differences in institutional mission, while ensuring that all institutions have a realistic opportunity to earn performance funds
- Mission Differences and Community Context
 - Recognize differences in institutional mission and community context so smaller institutions and those serving economically challenged regions have opportunity to benefit from performance funding