Kentucky Council on Postsecondary Education

Andy Beshear
Governor

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President

December 1, 2023

The Honorable Andy Beshear, Governor, Commonwealth of Kentucky
The Honorable Robert Stivers, President, Kentucky State Senate
The Honorable David Osborne, Speaker, Kentucky House of Representatives
The Honorable Stephen West, Co-Chair, Interim Joint Committee on Education
The Honorable James Tipton, Co-Chair, Interim Joint Committee on Education

Kentucky Leaders,

Pursuant to KRS 164.092 (11)(b), the Council on Postsecondary Education (CPE) convened a Postsecondary Education Working Group (PEWG) in calendar year 2023 to determine if the comprehensive funding models for the public universities and Kentucky Community and Technical College System (KCTCS) were functioning as expected, to identify any unintended consequences of the models, and to recommend any adjustments to the models. This letter communicates the recommendations of the PEWG, which was comprised of the Council president, the public university presidents and KCTCS president, and Cabinet Secretary John Hicks representing the Governor, Senator David Givens representing the President of the Senate, and Representative James Tipton representing the Speaker of the House.

The work group met five times between January 25, 2023 and September 6, 2023. During the course of those meetings, they reviewed and discussed trends in student success outcomes data, financial impact information, and campus and CPE staff responses to performance funding surveys before arriving at their recommendations. Work group members ultimately agreed to propose incremental changes to the models, which collectively will address many of the issues identified by the group during their review. For more information regarding the process and activities by which the working group conducted their review, methods and data sources used in the review, and the rationale for group recommendations see the attached Summary Report.

The working group recommends five changes to the university model:

- Increase the premium in the model for low-income bachelor's degrees from 3% to 8% of allocable resources, and reduce the credit hours earned component from 35% to 30%
- Add an adult learner metric to the model within the credit hours earned component

- Eliminate the degree efficiency index currently used to weight bachelor's degrees
- Modify the small school adjustments at KSU and MoSU to bring those institutions to funding parity with peers and allow them to fully compete in the model
- Increase the weighting for nonresident credit hours earned from 50% to 75% to help institutions maintain enrollment and better align the model with CPE's tuition policy

The work group recommends six changes to the KCTCS model. These changes were endorsed by KCTCS's college presidents:

- Add an adult learner metric to the model that rewards credential production and assign it 4% of allocable resources
- Reallocate the model's equity adjustment using a Community Needs Index that takes into account a service region's poverty and employment rates (10% of Formula Base)
- Increase weightings for credentials earned by URM, underprepared, and low-income students and increase the weighting for transfer students (from 2% each to 4% each)
- Reduce the total weighting of three student progression metrics from 12% to 7% to allow for increases in weightings described in the first and third bullets above
- Merge overlapping credential metrics (i.e., weighted credentials, STEM+H, high-wage high-demand, and targeted industries) into one credential metric tied to the economy and reduce the total weighting from 15% to 8% to clarify incentives, simplify the model, and accommodate increased weightings in the first and third bullets above
- Use rolling three-year average data for all metrics except square feet to provide additional stability to the model

The first review of the funding models, conducted in 2020, established a funding floor for all institutions and eliminated stop-loss carve outs of campus base funds. This meant that, going forward, state appropriations rather than campus contributions would be the source of funding for the performance fund. In addition, distributed performance funds would no longer be recurring to institutions that earned the funds but would be recurring to the performance fund itself. These adjustments were not changes to the funding models, per se, but rather changes in the way the models are applied.

If authorized by the General Assembly, the recommendations of the 2023 working group cited above would constitute incremental but constructive changes to the funding models. These proposals, agreed to in their entirety by all stakeholders, represent the working group's best thinking on how to create financial incentives and leverage the funding models to advance state goals for postsecondary education. Work group members, therefore, respectfully request that policymakers accept the recommended adjustments and make the necessary changes in statute and regulation to implement those adjustments.

In coming weeks, Council on Postsecondary Education staff will contact legislators and LRC staff regarding the working group's recommendations and will be available as needed to assist bill drafters and LRC staff to incorporate these changes into law.

I want to thank each of our campus presidents for their thoughtful advocacy on behalf of their respective institutions, and for their willingness to make helpful compromises. I also want to thank Senator David Givens, Representative James Tipton, and Executive Cabinet Secretary John Hicks for their thoughtful comments, patience, and support during this second review of Kentucky's comprehensive funding models.

I believe the proposed changes will allow our postsecondary institutions to continue making progress toward the state's college attainment goals, while providing additional stability during this challenging time for higher education.

Thank you,

Aaron Thompson

Aaron Thompson
President, Council on Postsecondary Education

C: University Presidents
KCTCS President
Senator David Givens, PEWG member
Secretary John Hicks, PEWG member
Senator Christian McDaniel, Chair, Senate Appropriations and Revenue Committee
Representative Jason Petrie, Chair, House Appropriations and Revenue Committee
Madison Silvert, CPE Chair
Carla Wright, OSBD staff
Jay Hartz, LRC Director