Kentucky Performance Funding Model
2026 Survey of Postsecondary Institution Presidents

Compiled for review -- June 25, 2026

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2026 Survey of Postsecondary Institution Presidents

➔ Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ■ Very Much

2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed.

The model has worked as legislators intended when policymakers created it. It was and is designed to reward and align dollars with outcomes. It is, in other words, designed to incentivize performance. That's precisely and objectively what it has done.

- *The model for the public universities rewards growth in degrees and earned credit hours produced as well as growth in students enrolled. As such, the model is volume-based and performance distributions have been allocated accordingly.*
- *The model requires universities to continuously improve and compete for a single pool of funds, with funds from the pool allocated according to each institution's share of the total outcomes produced.*
- *The model was constructed to achieve equilibrium and reward rates of improvement above the sector average rate. As a result, year-over-year growth is not a guarantee that an institution will receive the same or larger proportion of funds from the postsecondary education performance fund ("performance fund"). If an institution improves at a rate that is slower than the sector average, it may receive less funding than the prior year.*
- *Due to the use of 3-year rolling averages for metrics, hold-harmless and stop-loss provisions, and differential weightings, large annual transfers of funds have not occurred between the research universities and the comprehensive universities.*
- *The model has provided incentives to improve student outcomes regardless of whether additional funds were appropriated to the performance fund.*

➔ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

☐ Not at All ☐ A Little ☐ Moderately ■ Quite a Bit ☐ Very Much

4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed.

- *Strategic collaborations and partnerships between Kentucky universities have been discouraged due to the competitive nature of the model.*
- *The model ensures that any new appropriations to institutions are distributed based on outcomes; however, it does not assess whether the appropriations distributed are adequate or sufficient for institutions to accomplish their missions and advance statewide strategic goals.*
- *The model does not adequately recognize the challenges experienced by institutions that disproportionately serve particularly disadvantaged populations.*
- *Requiring General Fund appropriations for performance to be recurring to the Performance Fund, rather than to institutions, has made planning for the use of performance distributions increasingly difficult, particularly as the Performance Fund grows.*
- *Current approach to allocating base and performance funding creates some ambiguity that could be further clarified. Providing funding to institutions outside of the Performance Fund without adversely impacting institutions' performance distributions is awkward. KRS 164.092(1)(j) provides two conditions that an activity must meet to be identified as a Mandated Program with any associated state funding excluded from the performance model: (1) a research or public service activity that is not integral to the instructional mission of the institution and (2) is identified by the General Assembly in the biennial budget. As such, general additions to institutions' base funding and for specific instructional programs (e.g., EKU's Air Traffic Control Training Program) do not qualify as Mandated Programs per the definition provided in this statute and seemingly overlap with the goals of the performance funding model.*
- *The model is designed to allocate performance funds to institutions who perform better than most of the other institutions – whether that change is positive or negative. As a result, the model indirectly incentivizes progress toward the statewide goal of increased educational attainment by focusing on volume of degree production. Institutions have earned performance funds when their outcomes declined because their decline in performance (e.g., -2.5%) was less than the sector average (e.g., -3.0%). This is because what an institution earns on a given metric is based on their performance relative to peers, rather than to an established growth target.*

➔ Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

The PEWG must fully engage in the process of evaluating the existing guiding principles, the metrics, and the model prior to considering any adjustments. Overall, the model works as designed. The suggestions below are simply ideas to consider after the principles, metrics and the model are evaluated. In other words, new or additional principles – in accordance with what policymakers are articulating as goals for postsecondary education in driving the state's economy -- should directly inform changes or modifications to the model moving forward. The model should be principle driven.

- *Many of the universities have embraced the goals reflected in the model and achieved significant growth and improvement in student success measures over the past nine years. As a result, a significant percentage of these institutions' state appropriations come from the annual allocations of the performance fund. These allocations are nonrecurring to the institutions. Any significant change in the metrics or the model calculations or a decrease in the Performance Fund would likely result in unequitable reductions in state funds for the institutions that have most embraced the goals set out by Kentucky General Assembly for postsecondary education. As a result, existing statutory language should be amended such that the most recent distributions from the Performance Fund be transferred recurringly to the institutions and, thereby, included in institutions' base budgets effective July 1, 2027, prior to any significant changes in the model are implemented.*
- *The PEWG should consider approaches that separately address institutional funding adequacy and performance incentives. In accordance with KRS 164.092(13)(a), all appropriations to the Postsecondary Education Performance Fund should continue to be distributed entirely as determined by the model – based on performance. Institutions should be provided with sufficient base funding to operate (i.e., funding adequacy). Performance funds should be used to incentivize the institutions to achieve the education-attainment goals of the Commonwealth. Maintaining this distinction would preserve the incentive structure of the model while ensuring broader questions of funding adequacy are addressed through appropriate funding mechanisms.*
- *Build a more explicit connection between funding and employment outcomes to reflect state economic priorities. Several peer states have taken this approach by tracking graduate employment, graduate wages, and in-state retention of resident and nonresident graduates.*
- *The current model has operated as a share-based system and has encouraged substantial institutional improvement across many outcome measures. However, shifts in postsecondary education (e.g., demographic cliff, changing institutional missions) may make continuous year-over-year growth more difficult to achieve going forward. Given this, the PEWG could consider wholesale changes to the model. The shifts that the postsecondary education sector is experiencing may be sufficient to call for this type of significant action.*

➔ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

6. Overall, to what extent has the adoption of performance funding accelerated progress toward attainment of state goals for postsecondary education?

   ☐ Not at All ☐ A Little ☐ Moderately ■ Quite a Bit ☐ Very Much

7. To what extent have the financial incentives imbedded in the funding model motivated your institution to focus attention on state goals for postsecondary education?

   ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ■ Very Much

8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

   ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ■ Very Much

9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

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10. To what extent has the adoption of performance funding increased alignment between state goals for postsecondary education and institutional goals?

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Address Shortcomings

11. Overall, to what extent has the adoption of performance funding addressed the shortcomings of the previous base plus, base minus funding method?

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12. To what extent has the performance funding model recognized changes in enrollment, program mix, and student outcomes?

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13. To what extent has the performance funding model provided financial incentives for achieving desired state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

Rectify Funding Disparities

For about a decade, leading up to 2016, NKU and WKU argued that they were less well funded on a per-student basis than other comprehensive universities. Differing rates of enrollment growth and historical disparities in state funding had resulted in large differences in per student funding among the comprehensive institutions. One of the main objectives of the performance funding model was to rectify these disparities.

14. To what extent has the adoption of performance funding helped move the comprehensive universities toward funding parity?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

[For the purposes of this question, parity is defined as a narrowing of the gap in state funds for educating students per full-time equivalent student. It may be useful to refer to Attachment A, Chart 1, when responding to this question].

➔ Key Features

A key design feature of the funding model is that, 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 for which an institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

☒ Yes ☐ No

If not, please describe in the space below, in what way the funding model has <u>not</u> operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should <u>not</u> permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for educating students among institutions been incremental?

☒ Yes ☐ No

[It may be useful to refer to Attachment A, Chart 2, when responding to this question].

If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have <u>not</u> been incremental. Insert additional rows as needed.

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

➔ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ■ Very Much

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ■ Quite a Bit ☐ Very Much

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ■ Very Much

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ■ Very Much

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

☐ Yes ■ No

If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

■ Yes ▢ No

If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

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 goals should be consistent and in alignment with the priorities policymakers are articulating – specifically, how is postsecondary education playing an important and positive role in growing the state's population and economy.

Summary Statement: *Kentucky's performance funding goals should continue to reward students' progress and completion, but the PEWG may determine it is in the Commonwealth's best interests to modernize the principles, goals, metrics and the model calculations to better embrace workforce importance, adult learner success, transfer pathways, mission-specific contributions, and research and professional education. The model should preserve accountability while ensuring that each institution has a clear and mission-appropriate opportunity to contribute to state goals.*

- ***Add a Kentucky Workforce Retention / Brain Gain Goal.*** *Increase the number of graduates (resident and nonresident) who remain in Kentucky and contribute to the state's workforce, tax base, and civic life. Legislators have asked about return on investment for adult learners and out-of-state students, including whether Kentucky tracks if nonresident graduates remain in the state. This aligns directly with taxpayer ROI concerns raised during the initial PEWG meeting. It also provides a more nuanced way to discuss nonresident students—not simply whether they should count in the model, but whether they become part of Kentucky's workforce after graduation.*
- ***Add Goal Related to Attainment*** *Increase the number of working-age Kentuckians with a postsecondary degree or credential in alignment with the state's 60 by 30 goal.*
- ***Add Goal Related to Value.*** *Increase the number of Kentuckians earning high-quality degrees and credentials that improve economic mobility, meet employment demand, and generate public return on investment. The existing model already emphasizes more degrees and credentials, but national trends are moving toward asking whether credentials have labor-market value, align with high-demand sectors, and produce measurable return for students and taxpayers.*
- ***Add Goal Related to Access.*** *Expand access and completion for students historically underrepresented in postsecondary education while ensuring institutions are rewarded for serving, retaining, and graduating these students. National research finds that outcomes-based funding can have unintended access consequences if institutions are rewarded only for completions and not for serving higher-need populations.*

- ***Add an Adult Learner and Re-Enrollment Goal.*** *Increase credential completion, re-enrollment, and workforce advancement among adult learners, stop-outs, and working-age Kentuckians with some college but no credential. Adult learners came up in the June 25 discussion, including questions about whether adult learners remain in Kentucky's workforce and how the model recognizes their outcomes.*
- ***Add a Transfer and Pathways Goal Across Sectors.*** *Strengthen affordable, efficient pathways between KCTCS and public universities that increase bachelor's completion and reduce time and cost to degree. KCTCS already has transfer-related measures, but the university model could more explicitly reward successful transfer pathways, especially if Kentucky wants better alignment across the public system.*

➔ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews. See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

☐ Yes ☒ No

[It may be useful to refer to Attachment B, when responding to this and subsequent questions].

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

25. 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 in the space below. Insert additional rows as needed.

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 – 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"***
  - *Public Value – The model should incentivize outcomes that advance Kentucky's workforce, economy, civic well-being, and long-term competitiveness.*
  - *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.*
- ***Add "Predictability"***
  - *Predictable – Funding outcomes should be sufficiently visible and foreseeable to support responsible institutional planning and investment.*
- ***Add "Clarity"***
  - *Clarity – Institutions, policymakers, and taxpayers should be able to clearly understand how outcomes are measured and how funding decisions are made.*
- ***Add "Continuous Improvement"***
  - *Continuous Improvement – The model should be periodically reviewed and refined to address unintended consequences, evolving state priorities, and emerging evidence.*
- ***Add "Build Capacity"***
  - *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.*

➔ Potential Issues for Consideration

Over the past few months, campus officials have reached out to CPE staff to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of differential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus officials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

■ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

The numbers and the facts of how the model actually works underscore that no institution is disadvantaged. The model is based on performance and outcomes. And the numbers -- in terms of growth in degrees and other key performance indicators -- clearly reflect that. It is entirely performance based.

- *The current structure balances two important objectives: statewide accountability and mission differentiation. Research and comprehensive universities compete within the same pool and are subject to the same metrics, which encourages a shared focus on Kentucky's common attainment and workforce goals, while sector weightings and other model features recognize the higher costs, distinct missions, and unique outcomes associated with research institutions. Moving to separate pools would not necessarily solve concerns about mission differentiation; the more important policy question is whether the model appropriately values the outcomes each sector is expected to produce. If the concern is recognition of research, graduate education, regional service, or workforce contributions, those issues can be addressed through metrics, premiums, and other mission-sensitive measures without creating separate funding pools. According to our analysis, segmenting 4-year institutions by research and comprehensive sectors is not a preferred or widely used method as it often results in a small number of institutions in each pool.*

27. Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

Differential Weightings Between Sectors

Over the past two years and during the 2024 off-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

☒ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

- *The sector weightings were adopted to recognize mission-related cost differences between the research and comprehensive universities and compensate for the model's deliberate exclusion of graduate/professional degrees and research metrics. Without those adjustments, certain statewide responsibilities performed by research universities would not be reflected in the model at all. Because the weightings have remained unchanged since the model's creation, they have functioned as a longstanding structural feature rather than a mechanism that has progressively shifted resources away from comprehensive universities. As such, any shift in resources has been determined by changes in institutions' outcomes produced.*
    - ***The recognition of mission differences is consistent with the approach of peer states.*** *Benchmarking against states with performance models in the South and contiguous to Kentucky indicates that all states incorporate some mechanism to recognize differences between research and comprehensive institutions, whether through sector weightings, separate metrics, or peer segmentation (though the latter is the least common approach). While states vary in how they operationalize mission differentiation, the principle of accounting for differences is universal. As such, any consideration of changes to Kentucky's sector weights should also consider how mission differentiation would be captured within the model going forward.*

- ***The weightings were adopted to compensate for metrics the model does not include.*** *The original work group explicitly noted that the sector weights were intended to account for the exclusion of graduate-degree production and research activity from the formula. Without some adjustment, those mission-related responsibilities would receive no recognition in the model.*

- ***The model's original creators viewed sector weights as a way to create fairness, not advantage.*** *The weights were used to account for mission and cost differences and to help achieve funding parity when the model was first implemented.*

- ***The evidence does not suggest comprehensives have been structurally prevented from receiving funding.*** *Over the life of the model, several comprehensive universities have received substantial performance distributions and experienced increases in state funds per student, indicating that comprehensive institutions can and do succeed under the current framework. If some institutions have struggled, factors such as enrollment trends and performance outcomes are more relevant than the sector weights.*

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

Disproportionate Reliance on Performance Funds

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, and two have indicated they would like the 2026 working group to consider this issue.

To what extent is the disproportionate reliance on nonrecurring performance funds at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

[It may be useful to refer to Attachment A, Chart 3, when responding to this question].

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

- *Performance funding is most effective when institutions can translate successful outcomes into sustainable operating resources. Under the Commonwealth's current structure, appropriations remain recurring to the Performance Fund, with annual nonrecurring distributions to the institutions. As a result, institutions may earn significant performance allocations yet remain unable to incorporate those funds into long-term staffing, academic program, financial aid, or student success plans. This creates an incentive structure where institutions are asked to make recurring investments to improve outcomes but are funded primarily through non-recurring distributions – a risk prone endeavor. A model that allows at least a portion of earned performance funding to become recurring to the institutions would better align incentives, improve predictability, and strengthen institutions' capacity to pursue the Commonwealth's attainment and workforce goals.*

30. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

[x] Yes [ ] No

Lack of Performance Distributions

Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

31. To what extent is the ongoing lack of performance distributions at some institutions problematic?

[x] Not at All [ ] A Little [ ] Moderately [ ] Quite a Bit [ ] Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

We do not view the absence of performance distributions at certain institutions, including Morehead State University, as a flaw in the model. Rather, it reflects how the model was intentionally designed to operate. The Performance Funding Model is a competitive framework that allocates limited resources based on relative performance and outcomes. As a result, not all institutions will receive performance distributions in every funding cycle, and that outcome alone does not indicate that the model is failing.

We also do not believe the evidence supports the assertion that rural institutions are inherently unable to succeed under the model. Murray State University serves a predominantly rural region of western Kentucky and has continued to earn positive performance distributions, demonstrating that rural location alone is not determinative of success within the model. Differences in outcomes are more closely related to institutional performance on the model's metrics than to geography itself.

At the same time, we recognize that Morehead State University serves a disproportionately economically disadvantaged service region, including many Appalachian counties classified as distressed or at-risk. These regional challenges are real and warrant consideration. However, concerns regarding institutional funding adequacy should be addressed through targeted state appropriations or other base-funding strategies rather than by altering the competitive structure of the Performance Funding Model. Funding adequacy and performance incentives are separate policy objectives. Maintaining that distinction preserves the integrity of the model's incentives while allowing the state to address legitimate resource needs outside the model.

32. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☒ No

Other Potential Issues

33. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

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➔ Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

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2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed.

The model generally emphasizes and reinforces the focus on student success, which mirrors our Institutional efforts.

➔ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

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4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed.

The model is quite complex, as evidenced by the layers of worksheets in the model spreadsheet. That complexity makes it difficult to monitor and message to the university community how it works and where efforts should be focused.

➔ Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

Evaluate the goal behind the operating metrics. What success measures are they driving?

➔ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

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8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

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9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

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14. To what extent has the adoption of performance funding helped move the comprehensive universities toward funding parity?

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[For the purposes of this question, parity is defined as a narrowing of the gap in state funds for educating students per full-time equivalent student. It may be useful to refer to Attachment A, Chart 1, when responding to this question].

➔ Key Features

A key design feature of the funding model is that, 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 for which an

institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

☒ Yes ☐ No

If not, please describe in the space below, in what way the funding model has not operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

Allocations of funding are linked to an institution's performance relative to the sector average. Consequently, institutions may improve performance – a desired outcome – but fail to earn any funds if below the sector average. The current model also has a curious twist in that a negative (i.e., worse performance) sector average would still allocate dollars to institutions that did "less well" than the others.

In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should not permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for educating students among institutions been incremental?

☐ Yes ☐ No

[It may be useful to refer to Attachment A, Chart 2, when responding to this question].

If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have not been incremental. Insert additional rows as needed.

It is not clear how "incremental" is or should be defined. Does incremental mean "marginal" or "unimportant"? Every dollar – whether from the state or other sources – matters.

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

See answer above for #16 regarding the definition of "incremental"

➔ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

☐ Yes ☒ No

If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

☒ Yes ☐ No

If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

To better align the formula with the evolving priorities of Kentucky's students and economy, the working group should consider incorporating metrics that incentivize the following goals:

1. **Student Debt and Affordability:** The current model heavily rewards the raw volume of degrees produced or credit hours earned. Introducing an affordability metric—such as average debt load of graduates—would ensure that institutions do not achieve higher completion numbers at the expense of student financial stability.

2. **Efficiency Toward Degree:** While the model tracks credit hour accumulation and progression milestones, it does not explicitly disincentivize excess credits. Evaluating the "time-to-degree" or degrees per FTE would help account for efficiency.

3. **Long-Term Workforce Outcomes:** The current formula utilizes "STEM+H" degree production as a proxy for economic alignment. The working group should explore tracking actual post-graduation success—leveraging longitudinal data to measure graduate employment rates and/or median wage post-graduation—ensuring the degrees funded are yielding measurable economic mobility within the Commonwealth.

➔ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews. See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

☐ Yes ☒ No

[It may be useful to refer to Attachment B, when responding to this and subsequent questions].

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

25. Should the 2026 working group consider any new guiding principles as part of their comprehensive review of Kentucky's performance funding model?

- [ ] Yes
- [x] No

If yes, please identify any suggested new guiding principles for work group consideration in the space below. Insert additional rows as needed.

➔ Potential Issues for Consideration

Over the past few months, campus oficials have reached out to CPE staf to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of diferential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus oficials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

- [x] Not at All
- [ ] A Little
- [ ] Moderately
- [ ] Quite a Bit
- [ ] Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Including both research and comprehensive universities in the same funding pool is not inherently problematic; rather, it is a feature of the model that was considered and intentionally designed. The weights integrated into the formula add complexity, but they serve a critical purpose: accounting for the fundamental cost and mission differences that exist between R1 institutions and comprehensive universities.

- One potential optimization would be moving away from a traditional "share of outputs" model toward a "performance improvement" framework. This would reward institutions based on their own year-over-year growth in key metrics, while also accounting for any potential declines.

- While bringing institutions toward funding parity is a worthy goal, true parity is exceptionally difficult to define. This challenge is compounded by the existing weights and the inherent limitations of the metrics themselves to accurately measure equity across diverse institutions.

- Looking at peers can provide valuable templates for refinement:

    - North Carolina: Their model acknowledges that distinct missions require distinct state budgets. Instead of managing this through internal formula weights, they utilize a specific "carve-out" in their state appropriations base that operates entirely outside of the statewide performance funding model.

    - Tennessee: They approach the issue by aligning distinct missions with distinct metrics, creating a framework that functions much more like a true performance improvement model.

27. Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

Differential Weightings Between Sectors

Over the past two years and during the 2024 of-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

☒ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below.

Insert additional rows as needed.

See response to # 26 above. Furthermore, differential weights are a deliberate feature of the funding model. Without these weights, the model or the state appropriations process would lack a mechanism to account for the unique operational realities of R1 institutions.

Specifically, the weights are necessary to address costs of operations and distinct missional differences between R1s and comprehensives. R1 institutions require higher-level faculty and specialized instructional infrastructure, which carry significantly higher baseline costs than undergraduate-focused instruction. Additionally, robust research activities, extensive graduate programs, and professional doctoral degrees require immense resource investments that do not exist at the same magnitude at comprehensive universities.

Eliminating these weights without creating an alternative, dedicated funding mechanism would fail to recognize these fundamental structural differences, ultimately undermining the distinct missions of both research and comprehensive campuses.

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

Disproportionate Reliance on Performance Funds

State funds for educating students are comprised of two components: (1) <u>recurring</u> adjusted net General Fund appropriations; and (2) <u>nonrecurring</u> performance distributions. Over the past few years, several institutions have become increasingly reliant on <u>nonrecurring</u> performance dollars as part of their overall operating funds, and two have indicated they would like the 2026 working group to consider this issue.

30. To what extent is the disproportionate reliance on nonrecurring performance funds at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

[It may be useful to refer to Attachment A, Chart 3, when responding to this question].

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

The nonrecurring nature of the Performance Fund creates uncertainty in institutional budget planning. As appropriations to the fund have increased, so too have the distributions to certain institutions. Although the three-year rolling average helps moderate year-to-year fluctuations, the Performance Funding Working Group should consider whether institutions would benefit from greater predictability through a recalibration of the base appropriation, allowing institutions to retain earned allocations as part of their recurring funding base. Resetting the base will ultimately help institutions compete for funds in the model going forward.

31. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

Lack of Performance Distributions

Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

32. To what extent is the ongoing lack of performance distributions at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

The performance funding model incorporates an institution's existing base appropriation when calculating performance distributions. As a result, Kentucky's model is fundamentally a "share of outputs" model, where institutions compete for a portion of the available funding based on their share of statewide outputs. This differs from a "performance improvement" model, which primarily rewards year-over-year gains relative to an institution's own historical performance. Consequently, an institution receiving little or no performance funding distribution may be a function of several factors, including the state's level of investment in the Performance Fund, institutional performance relative to peers, and the fundamental mechanics of the model itself.

33. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

Other Potential Issues

34. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

1. Complexity - simplifying the model by reducing # of metrics.

2. Efficiency - the model incentivizes volume but not efficiency.

3. Output vs Improvement - Right now the model is a "share of outputs" but should the model have a pool that allocates based off of completion of individualized goals per institution?;

4. Affordability - should there be a metric to account for affordability?

5. Workforce outcomes - modify STEM+H or develop new metric to better account for workforce outcomes or workforce alignment?

Kentucky Performance Funding Model June 25, 2026
Survey of Postsecondary Institution Presidents

Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

   ☐ Not at All ☑ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

   The model has functioned as expected in its mechanical operation by distributing funds based on performance metrics, rewarding above-average growth, and using three-year rolling averages to ensure incremental change. However, the structural outcomes of the model have not fully aligned with the policy intent of rewarding performance equitably across institution types. The application of R1 weight factors across all metrics systematically advantages UK and UofL in ways that compound rather than counterbalance existing per-FTE funding disparities. The result is a model that produces distributional outcomes that raise significant questions and concerns about whether it is rewarding actual university performance as intended by the legislature or just increasing what the R1 institutions already receive in base funding.

2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed.

   - Three-year rolling averages have successfully reduced year-to-year volatility in funding shares, as intended.
   - The model has maintained a consistent link between measurable student outcomes and funding distributions that create clearer incentives.
   - The phased implementation of the model changes across 2020 and 2023 working groups has produced gradual rather than abrupt funding shifts, consistent with the guiding principle of reasonable stability.
   - STEM+H, First Generation, and Low-Income metrics have created explicit incentives for institutions to track and invest in support efforts for these specific students, which was an intended feature of the model.
   - The model has been reasonably data-driven, relying on established CPE data systems and verified institutional reporting.
   - Institutions that previously generated student volume scale were able to utilize that volume to assist performance outcomes; institutions without the built-in volume advantage have not benefitted from the formula.

☐ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Performance funding has produced several unintended consequences, particularly for smaller and comprehensive universities. Base funding disparities and R1 weight factor advantages have created outcomes that concentrate performance dollars at the institutions already best-resourced on a per-FTE basis. Institutions serving rural communities and economically disadvantaged populations (the very students the model's metrics were intended to support) have found it difficult to compete in a shared pool dominated by R1 scale and weight-factor advantages.

4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed.

- The combination of R1 weight factors and base funding advantages has resulted in UK and UofL receiving the highest per-FTE performance distributions ($1,407 and $1,142 respectively) despite already receiving the highest allocable resources per FTE ($7,072 and $7,687). Rather than narrowing the per-FTE funding gap, performance funding has widened it.

- The current model is volume- and enrollment-based rather than percentage- or rate-based, which structurally advantages larger institutions regardless of their relative performance. Because metrics such as degrees awarded and credit hours are counted in absolute numbers, the largest university will always produce the highest raw totals and capture the greatest funding share (not because it is performing better, but because it is bigger).

- KSU and MoSU have received zero or near-zero performance distributions for multiple years despite serving students and generating measurable outcomes. Institutions cannot improve their share of a pool when that share rounds to zero, which undermines the model's function for the institutions that need it most.

- The low-income bachelor's degree weight factor of 2.3512 for R1 institutions (the highest weight in the entire model) has produced unintended consequences of directing the most performance funding credit for low-income degree production to institutions where low-income students represent a smaller share of the overall student body, rather than to comprehensives where they are a primary population.

- The inclusion of non-performance metrics (Facilities Square Feet and Instruction & Student

Services Direct Costs) has the unintended consequence of rewarding institutions for the size and cost of their physical plant and administrative structure rather than for student outcomes.

- Most institutions have become increasingly reliant on nonrecurring performance dollars as a component of their operating budgets, creating fiscal planning vulnerability when performance distributions fluctuate.

- The most recent, notable unintended consequence is that for the 2026 iteration, one regional institution secured just one scorecard metric yet received more in performance funding than institutions with multiple scorecard metrics. An outcome like this indicates significant distortion of metrics and evaluation.

Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

- Eliminate R1 weight factor differentials across all metrics, moving all weight factors to 1.0 over a defined transition period (e.g., three years). A unit of student performance should carry equal funding value regardless of institutional type.

- Remove non-performance metrics (Facilities Square Feet and Instruction & Student Services Direct Costs) from the performance distribution pool entirely. These components measure institutional size and cost structure, not student outcomes, and their inclusion undermines the model's state commitment to outcomes-based funding.

- Consider establishing separate R1 and comprehensive funding pools, with each sector's share of the performance pool determined by its proportional share of bachelor's degree production. This eliminates cross-mission competition and ensures comprehensive universities compete against peers with comparable missions, cost structures, and student populations.

- Reduce the total number of metrics to five or fewer, with equal weighting, to improve transparency, projections and communicability with legislators, governing boards, and the public.

- Consider shifting to rate-based metrics so that all institutions compete on how well they serve their students, not how many students they enroll.

- Address the structural problem of institutions receiving zero performance distributions by examining whether minimum threshold distributions, floor guarantees, or revised metric structures would ensure all institutions with demonstrated student outcomes receive some performance funding.

- Add a Kentucky talent retention metric (graduates employed or residing in Kentucky three years post-graduation, as reported by KYSTATS) to directly link performance funding to the state's workforce and economic development interests.

☐ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

6. Overall, to what extent has the adoption of performance funding accelerated progress toward attainment of state goals for postsecondary education?

⬭ Not at All ⬭ A Little ⬭ Moderately ⬭ Quite a Bit ⬭ Very Much

Performance funding has contributed to increased focus on degree production, progression, and student success outcomes across the sector. Institutions have incorporated state goals into strategic planning and realigned academic and student support investments accordingly. However, the degree to which these improvements are attributable specifically to performance funding incentives (versus enrollment trends, federal programs, or other institutional investments) is difficult to determine. The model has accelerated progress moderately, but structural barriers in the funding formula have limited that acceleration for some institutions.

7. To what extent have the financial incentives imbedded in the funding model motivated your institution to focus attention on state goals for postsecondary education?

⬭ Not at All ⬭ A Little ⬭ Moderately ⬭ Quite a Bit ⬭ Very Much

The financial incentives have been meaningful motivators, particularly for degree production in STEM+H fields and for first-generation and low-income student completion. The model has prompted institutional investments in advising, retention programming, and course redesign aligned with progression milestones. However, the incentive effect is diminished when weight-factor advantages drive distribution outcomes. The model will be more motivating when institutions believe the competition is fair.

8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

   ⬭ Not at All ⬭ A Little ⬭ Moderately ⬭ Quite a Bit ⬭ Very Much

   State postsecondary goals are fully embedded in institutional strategic planning. Resource allocation, program development, and student success initiatives are routinely evaluated against these goals. The performance funding model has reinforced and accelerated this alignment even where funding incentives themselves may not be the primary drive of every strategic decision.

9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

   ⬭ Not at All ⬭ A Little ⬭ Moderately ⬭ Quite a Bit ⬭ Very Much

   Internal budget processes have been modified to allocate resources toward initiatives that support degree completion, student progression, and student success outcomes. Academic units are increasingly evaluated against enrollment and completion metrics, and student support services have been expanded around student populations most relevant to the model.

10. To what extent has the adoption of performance funding increased alignment between state goals for postsecondary education and institutional goals?

    ⬭ Not at All ⬭ A Little ⬭ Moderately ⬭ Quite a Bit ⬭ Very Much

    Prior to performance funding, the connection between state funding decisions and institutional performance outcomes was largely implicit. The current model has made that connection more explicit, encouraging institutions to adopt state attainment goals as operational priorities.

Address Shortcomings

11. Overall, to what extent has the adoption of performance funding addressed the shortcomings of the previous base plus, base minus funding method?

    ⬭ Not at All ⬭ A Little ⬭ Moderately ⬭ Quite a Bit ⬭ Very Much

    The performance funding model has created explicit, outcome-based incentives for degree production and student success. The shift from enrollment-driven base adjustments to performance-based distributions has improved the transparency and policy relevance of the funding mechanism. However, the model has introduced its own structural shortcomings (particularly weight factors and the shared funding pool) that warrant change in the current review.

12. To what extent has the performance funding model recognized changes in enrollment, program mix, and student outcomes?

    ⬭ Not at All ⬭ A Little ⬭ Moderately ⬭ Quite a Bit ⬭ Very Much

The three-year rolling average methodology and the multiple metric structure does a reasonable job of capturing changes in institutional performance over time. The model recognizes shifts in degree production, STEM+H completions, and outcomes as they occur, and rolling averages prevent single-year anomalies from producing disproportionate funding shifts. However, a significant limitation is that the model is volume-based rather than rate-based. Metrics are calculated using absolute counts rather than rates relative to each institution's enrolled population. The largest university in the system will produce the highest raw totals in nearly every metric and therefore receive the greatest share of performance funding. The model rewards scale as much as it rewards performance.

13. To what extent has the performance funding model provided financial incentives for achieving desired state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

The model provides meaningful financial incentives for the goals it measures. The primary limitation is that weight factors and shared pool structure can distort those incentives for comprehensive universities, where performance improvements may not translate into funding share gains.

Rectify Funding Disparities

For about a decade, leading up to 2016, NKU and WKU argued that they were less well funded on a per student basis than other comprehensive universities. Differing rates of enrollment growth and historical disparities in state funding had resulted in large differences in per student funding among institutions. One of the main objectives of the performance funding model was to rectify these disparities.

14. To what extent has the adoption of performance funding helped move the comprehensive universities toward funding parity?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

[For the purposes of this question, parity is defined as a narrowing of the gap in state funds for educating students per full-time equivalent student. It may be useful to refer to Attachment A, Chart 1, when responding to this question].

While some movement toward parity has occurred, particularly for NKU and WKU, the performance funding model has not been an effective mechanism for closing the per-FTE funding gap between R1 and the comprehensives. As shown in Attachment A, Chart 1, per-FTE funding for UK grew from $6,296 to $7,524 between FY 16-17 and FY 25-26, while comprehensive generally saw smaller increases. The performance distribution component, which applies the highest R1 weight factors in the model, has compounded rather than corrected the structural per-FTE gap. UK now receives $1,407 per FTE in performance distribution (more than four times the $346 per FTE received by WKU). Performance funding is not creating parity; it is rewarding institutions already positioned best by base funding.

☐ Key Features

A key design feature of the funding model is that, 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 for which an institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

☐ Yes ☐ No

If not, please describe in the space below, in what way the funding model has not operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

The model has not fully operated as intended in this regard for comprehensive universities. The application of R1 weight factors means that even when a comprehensive achieves above average growth on a metric, the weighted output of the R1s can prevent that growth from translating into a meaningful share increase. Additionally, because this is a volume-based model, smaller volume institutions will never be able to successfully compete with large volume research institutions. Comprehensive universities are effectively competing against R1 volume performance multiplied by a structural advantage.

In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should not permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for

educating students among institutions been incremental?

- [x] Yes
- [ ] No

[It may be useful to refer to Attachment A, Chart 2, when responding to this question].

If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have not been incremental. Insert additional rows as needed.

Changes in overall share of state funds have generally been incremental across the sector, as shown in Attachment A, Chart 2. The three-year rolling average methodology and the phased implementation of model changes have prevented large annual funding swings. The concern is that the gradual and incremental shifts are maintaining or growing R1 shares while the comprehensives have remained largely flat or declined. The model is stabilizing an inequitable baseline rather than moving toward a more equitable distribution.

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

- [ ] Not at All
- [ ] A Little
- [x] Moderately
- [ ] Quite a Bit
- [ ] Very Much

Three-year rolling averages and phased model changes have been effective at ensuring incremental funding shifts and preventing institutions from experiencing severe budget changes due to a single-year performance.

☐ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going

forward?

Not at All A Little **Moderately** Quite a Bit Very Much

Increasing retention and progression toward timely completion remains an important state goal, but it is questionable whether the 30, 60, 90 credit hour progression metrics are the right mechanism to measure within performance funding. Degree completion is itself the most direct and comprehensive measure of retention and progression. A student who earns a degree has been retained and progressed through to completion. The three progression metrics are therefore largely redundant with the degree-awarded metric and do not add independent information about institutional performance.

Furthermore, because progression metrics count students at each milestone in absolute numbers, they function as additional volume metrics that further compound the enrollment-size advantage already present in the degrees awarded metric. A large institution will produce high progression counts at every checkpoint simply by virtue of its enrollment, not because it is moving a higher proportion of students forward.

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

Not at All A Little Moderately Quite a Bit **Very Much**

Degree and credential production remains the most direct and measurable goal. The model should be designed to ensure every institution has a genuine opportunity to earn performance funding credit for degree production. The model currently only recognizes bachelor's degree attainment, but consideration for also including graduate degrees may be warranted.

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

Not at All A Little **Moderately** Quite a Bit Very Much

High-demand (via STEM+H) degrees remain a high priority state goal and should be retained with equal weight factors across institution types. However, it can be argued that defining high-demand degrees as a sub-metric of overall degree production simply counts the same degrees twice without introducing a true independent measure of performance. This compounds the volume dilemma as institutions with larger enrollments will naturally produce more degrees in absolute numbers.

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

Not at All A Little **Moderately** Quite a Bit Very Much

Closing achievement gaps for first-generation and low-income students is still relevant and should be retained with equal weight factors across institution types. However, similarly to STEM+H degrees, it can be argued that defining these degrees as a sub-metric of overall degree production simply counts the same degrees twice without introducing a true independent measure of performance. This continues to compound the volume dilemma as institutions with larger enrollment will naturally produce more degrees in absolute numbers.

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

☐ Yes ☐ No

If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

- The three progression metrics at 30, 60, and 90 credit hours should be removed from the Student Success component. Degree completion is the most direct and comprehensive evidence that a student was retained and progressed through to completion. Retaining separate progression metrics along with degrees awarded is redundant, and because they are volume-based counts rather than rates, they function as additional enrollment-size metrics that further compound the structural advantage held by larger institutions.

- The sub-metrics of degrees awarded (STEM+H, First Generation, Low Income) could also be reconsidered. While the underlying goals of closing achievement gaps and producing workforce ready graduates are valid, operationalizing them as additional degree count sub-metrics creates two related problems. First, it counts the same degree multiple times which adds layers of emphasis without having genuinely independent measures of performance. Second, because these sub-metrics are volume-based, larger institutions will naturally produce higher raw counts degrees. As a result, the metrics reward scale rather than institutional commitment to serving these populations. An alternative would be to measure the share/percentage of the sub-metric degrees to total degrees awarded.

- All operational support metrics (Facilities Square Feet and Instruction and Student Services Direct Costs) should be removed entirely. These components measure the size of an institution's physical plant and the cost of its administrative structure, neither of which is a measure of what an institution achieves for its students and is inconsistent with the model's primary purpose.

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

☐ Yes ☐ No

If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

- The working group should consider adding a Kentucky talent retention goal that measures the percentage of graduates who remain employed or residing in Kentucky three years after degree completion (as reported through KYSTATS). This goal addresses keeping educated workers in Kentucky and would reward institutions whose graduates contribute to the state's economy.

- The working group should also consider an affordability goal that recognizes institutions that maintain lower in-state tuition relative to sector peers. This is an indication of institutional commitment to access, not just completion.

☐ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews.
See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

⬭ Yes ⬭ No

[It may be useful to refer to Attachment B, when responding to this and subsequent questions].

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

- Mission Sensitive: As currently implemented, 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. The principle should be clarified to mean that the model accounts for genuine, documented mission difference (e.g., R1 research graduate programs) in a targeted and transparent way, rather than applying broad multipliers across all metrics regardless of whether a mission difference is relevant to the specific outcome being measured. The R1s have argued that due to the higher cost of their research graduate programs, weights are necessary. But this argument is disingenuous. All public universities have academic programs that are more costly to offer, some at the undergraduate level and some at the graduate level. In many cases, the R1s charge higher tuition for their graduate programs and also receive federal and other funding for their research mission. Comprehensive universities are offering doctoral programs and also have undergraduate programs that are more costly to offer - i.e. EKU's Aviation program, yet comprehensive universities are not given weights to offset those costs.
- Completion Driven: This principle should also be strengthened to ensure the model rewards student completion outcomes, not just activity metrics such as square footage and direct costs that have been included in the rationale.
- Easily Communicated and Understood: One of the original aims was to have a simple formula that could be explained in a basic way, that in its current form is completely untenable and has grown to a high level of complexity.

25. 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 in the space below. Insert additional rows as needed.

- 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.
- Proportionality of Differential Treatment: Where differential weight factors of sector specific adjusts are applied, they should be limited to metrics where institutional mission

difference 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.

☐ Potential Issues for Consideration

Over the past few months, campus officials have reached out to CPE staff to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of differential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus officials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Including R1 and comprehensive universities in the same performance funding pool is Very Much problematic, for several reasons.

- R1 and comprehensive institutions have fundamentally different missions, student populations, cost structures, and program mixes. Comparing them on shared metrics is an error that no weight factor system can fully correct.

- The scale advantages of R1s in enrollment, credit hour production, and degree volume combined with weight factors that multiply those advantages, make it difficult for comprehensives to improve their funding share even when their performance improves meaningfully.

- The shared pool structure means comprehensive universities are not competing based on their performance, rather they are competing against a multiplied version of R1 performance. The sector model approach of splitting the performance pool based on bachelor's degree production and having each sector complete internally would address this problem directly and produce a distribution that more accurately reflects each sector's contribution to Kentucky's postsecondary goals.

27. Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?

▢ Yes ▢ No

Differential Weightings Between Sectors

Over the past two years and during the 2024 of-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Differential weight factors are Very Much problematic as currently applied, and arguably the largest and most significant issue of the performance model. The current model applies R1 weight factors from 0.90 to 2.35 across all 11 metrics, including metrics measuring outcomes where no mission-based rationale for differential treatment is evident. The effect is to systematically amplify R1 funding shares across every dimension of the model. A single low-income degree from UK earns 2.35 times the performance funding credit of a low-income degree from EKU, even though EKU enrolls a higher proportion of low-income students.

A further concern is the lack of transparency around how the specific values were determined. There is no publicly available methodology that explains why the R1 low-income weight is 2.3512 versus 1.67301 for First Generation degrees, or what analytical basis distinguishes a weight of 1.67345 for bachelor's degrees from 1.54105 for STEM+H degrees. The precision of the numbers implies a rigorous derivation, but the rationale behind the differentials between metrics is not clear or documented in a way that allows for independent verification. Without a transparent, reproducible methodology for how these weights were set and why they differ from one another, it is difficult to evaluate whether they are appropriate.

Differential weights should not be applied, and all metrics should be set at 1.0.

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

▢ Yes ▢ No

Disproportionate Reliance on Performance Funds

State funds for educating students are comprised of two components: (1) <u>recurring</u> adjusted net General Fund appropriations; and (2) <u>nonrecurring</u> performance distributions. Over the past few years, several institutions have become increasingly reliant on <u>nonrecurring</u> performance dollars as part of their overall operating funds, and two have indicated they would like the 2026 working group to consider this issue.

30. To what extent is the disproportionate reliance on <u>nonrecurring</u> performance funds at some institutions problematic?

▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

[It may be useful to refer to Attachment A, Chart 3, when responding to this question].

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Disproportionate reliance on nonrecurring performance funds is a concern. As shown in Attachment A, Chart 3, the percentage of performance distributions of state education funds creates real budgetary risk if performance distributions fluctuate year to year. Because performance dollars are nonrecurring, institutions cannot safely budget them as permanent operating revenue, yet they have become structural components of operating budgets at some institutions. This concern could be partially addressed by a model that produces more stable and predictable performance distributions through more equitable metric weights and pool structures.

31. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

Lack of Performance Distributions

Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

32. To what extent is the ongoing lack of performance distributions at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

The persistent failure of certain institutions to receive any performance distributions is Very Much problematic. KSU and MoSU have received little, if any, distributions; yet they serve students, produce degrees, and generate credit hours. These are the activities the model is designed to reward. A funding model that excludes certain institutions from performance distributions cannot be described as outcomes based. The working group should consider whether the sector model, revised weight factors, minimum distribution thresholds, or a combination of approaches would ensure that all institutions with demonstrated student outcomes have a true opportunity to receive performance funding.

33. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

Other Potential Issues

34. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

- Non-Performance Metrics: The inclusion of Facilities Square Feet and Instruction & Student Services Direct Costs should be examined for removal from the model. These are measures of institutional size and cost structure, not student outcomes. Their presence in a performance funding model is inconsistent with the model's goals.

- Affordability as a Performance Metric: The model currently provides no mechanism to reward institutions for maintaining affordable tuition. As the state's postsecondary attainment goals depend on access and affordability, the working group should consider including a tuition affordability metric that rewards institutions that maintain lower in-state tuition relative to sector peers or limits tuition growth.

- Kentucky Talent Retention: The working group should consider adding a metric measuring the percentage of graduates employed or residing in Kentucky three years post-graduation, as reported by KYSTATS. This metric would directly connect performance funding to the state's economic development.

- Model Transparency and Parameter Justification: The working group should establish a formal process for requiring that each weight factor, component weight, and allocation parameter in the model be accompanied by an explicit, document policy rationale. Parameters that cannot be justified with evidence to a specific mission difference, cost differential, or policy priority should be set to 1.0 or equal weighting.

- Three-Year Degrees: CPE has established a task force to examine the feasibility of three-year degree pathways. If the state moves forward with this initiative, the performance funding model will need to explicitly address how these credentials are counted and credited. The current model is structured around traditional four-year bachelor’s degree production and progression at 30, 60, and 90 credit hours. A three-year degree operating on an accelerated timeline of 90 credit hours raises questions about whether it is counted equivalently to a traditional bachelor’s degree, how progression applies to students on a compressed timeline, and whether the funding credit assigned to a three-year degree should be the same as a traditional four-year degree.

Kentucky Performance Funding Model June 25, 2026
Survey of Postsecondary Institution Presidents

➔ Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed. KSU was not expected to receive funding based upon the model.

   ___

   ___

➔ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed. _Small institutions are meeting most of the metrics in the model and are not being rewarded for those metrics achieved.___

   ___

➔ Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

   __A revised model that recognizes the contribution of small institutions to the Commonwealth.___

   ___

➔ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

6. Overall, to what extent has the adoption of performance funding accelerated progress toward attainment of state goals for postsecondary education?

Not at All | A Little | Moderately | Quite a Bit | Very Much

7. To what extent have the financial incentives imbedded in the funding model motivated your institution to focus attention on state goals for postsecondary education?

Not at All | A Little | Moderately | Quite a Bit | Very Much

8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

Not at All | A Little | Moderately | Quite a Bit | Very Much

9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

Not at All | A Little | Moderately | Quite a Bit | Very Much

10. To what extent has the adoption of performance funding increased alignment between state goals for postsecondary education and institutional goals?

Not at All | A Little | Moderately | Quite a Bit | Very Much

Address Shortcomings

11. Overall, to what extent has the adoption of performance funding addressed the shortcomings of the previous base plus, base minus funding method?

Not at All A Little Moderately Quite a Bit Very Much

12. To what extent has the performance funding model recognized changes in enrollment, program mix, and student outcomes?

Not at All A Little Moderately Quite a Bit Very Much

13. To what extent has the performance funding model provided financial incentives for achieving desired state goals for postsecondary education?

Not at All A Little Moderately Quite a Bit Very Much

Rectify Funding Disparities

For about a decade, leading up to 2016, NKU and WKU argued that they were less well funded on a per student basis than other comprehensive universities. Differing rates of enrollment growth and historical disparities in state funding had resulted in large differences in per student funding among institutions. One of the main objectives of the performance funding model was to rectify these disparities.

14. To what extent has the adoption of performance funding helped move the comprehensive universities toward funding parity?

Not at All A Little Moderately Quite a Bit Very Much

[For the purposes of this question, parity is defined as a narrowing of the gap in state funds for educating students per full-time equivalent student. It may be useful to refer to Attachment A, Chart 1, when responding to this question].

➔ Key Features

A key design feature of the funding model is that, 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 for which an

institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

    ☐ Yes ☐ No

    If not, please describe in the space below, in what way the funding model has not operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

    _KSU was not expected to receive funding based on the model.

    ____

    In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should not permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for educating students among institutions been incremental?

    ☐ Yes ☐ No

    [It may be useful to refer to Attachment A, Chart 2, when responding to this question].

    If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have not been incremental. Insert additional rows as needed.

    _The data provided shows mostly flat change for the majority of the institutions in the chart provided.______

____

____

____

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

➔ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going forward?

▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

   ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

   ☐ Yes ☐ No

   If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

   ____

   ____

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

   ☐ Yes ☐ No

   If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

   _In order to be in alignment with the proposed negotiated rules of AIM and anticipated related changes to accreditation standards regarding job placement rates, this metric might be considered to capture the data at all levels.____

➔ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the

Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews. See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

Yes No

[It may be useful to refer to Attachment B, when responding to this and subsequent questions].

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

_Guiding principles did not incorporate institutional sizes.____

25. 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 in the space below. Insert additional rows as needed.

_Please incorporate institutional sizes in the model, for example if the funding model is based on achieved metric rather than volume.____

➔ Potential Issues for Consideration

Over the past few months, campus officials have reached out to CPE staff to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of differential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus officials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

_As a nationally recognized research university, KSU agrees that it does require more funding to produce research findings and degrees.

27. ~~Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?~~

- [ ] Yes
- [ ] No

Differential Weightings Between Sectors

Over the past two years and during the 2024 off-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

- [ ] Not at All
- [ ] A Little
- [ ] Moderately
- [ ] Quite a Bit
- [ ] Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

_The weightings would benefit from simplification. ____
____
_

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

- [ ] Yes
- [ ] No

Disproportionate Reliance on Performance Funds

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, and two have indicated they would like the 2026 working group to consider this issue.

30. To what extent is the disproportionate reliance on nonrecurring performance funds at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

[It may be useful to refer to Attachment A, Chart 3, when responding to this question].

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

__Reliance on disproportionate funding creates unintended consequences and has an impact the budget development ____

____

31. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

Lack of Performance Distributions

Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

32. To what extent is the ongoing lack of performance distributions at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

_The funding model as it is does not reward institutions who are achieving metrics defined in the model.____________________

____

____

33. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

Other Potential Issues

34. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

__Please see previous explanations.___

June 25, 2026

Kentucky Performance Funding Model

Survey of Postsecondary Institution Presidents

➔ Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

   ▢ Not at All X A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed.

   The PFM has increased awareness and focus on the number of degrees awarded. However, since the model is volume driven, a smaller university could experience the greatest % change in their graduation rate when compared to other public universities but received little to no distribution from the model. (see exhibit 1 – Percentage of Total Performance Fund Distributions by Institution July 2019-June 2025 Compared to Percentage Change in Graduation Rates)

➔ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit X Very Much

4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed.

   Kentucky taxpayers are funding degree production of non-resident students who are leaving the state once they graduate – therefore, little to no economic benefit is gained by the non-resident enrollment and degree production.

   Since the model is volume driven, many universities have increased their non-resident student enrollment to “win” in the model. This is evident when reviewing the change in undergraduate resident enrollment since the model was implemented for in-state (exhibit 2) vs out-of-state students (exhibit 3). There has been a decline in the number of in-state students enrolled while out-of-state student enrollment has increased.

   Based on data from kystats.ky.gov, the percentage of non-resident students who are employed in the Commonwealth 3 years after graduation varies greatly between universities and therefore should be considered in the model so that incentives are not given to enroll and graduate students who provide no economic benefit to the state.

➔ Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

   The model should be adjusted to focus on the economic impact graduates have on the service region and the commonwealth not just volume. This can be done simply by utilizing data from KYSTATS to weight Credit Hour Share, bachelor’s degree metrics, Student Progression metrics by the percentage of graduates who are employed in the commonwealth 3 years after graduation. This will not only incentivize universities to increase enrollment, but it will foster an environment of collaboration with employers to ensure universities are meeting their workforce needs. These weights should be used rather than the research weights currently in place.

The small school adjustment should be replaced with a service region poverty level adjustment based on the service region of each university. This will help to recognize the significantly greater dependence on state appropriations by universities who service and enroll students from more impoverished counties as well as the economic impact that higher education has in those impoverished regions.

➔ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

6. Overall, to what extent has the adoption of performance funding accelerated progress toward attainment of state goals for post-secondary education?

   ☐ Not at All X A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

   There has been a decline in the number of Kentucky residents obtaining degrees rather than an increase since 2019-20 per CPE Degrees and Credentials database website

7. To what extent have the financial incentives imbedded in the funding model motivated your institution to focus attention on state goals for postsecondary education?

   ☐ Not at All ☐ A Little X Moderately ☐ Quite a Bit ☐ Very Much

8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

   ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit X Very Much

9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

   ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit X Very Much

10. To what extent has the adoption of performance funding increased alignment between state goals for postsecondary education and institutional goals?

    ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit X Very Much

➔ *Address Shortcomings*

11. Overall, to what extent has the adoption of performance funding addressed the shortcomings of the previous base plus, base minus funding method?

X Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

12. To what extent has the performance funding model recognized changes in enrollment, program mix, and student outcomes?

▢ Not at All X A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

13. To what extent has the performance funding model provided financial incentives for achieving desired state goals for postsecondary education?

▢ Not at All X A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Rectify Funding Disparities

For about a decade, leading up to 2016, NKU and WKU argued that they were less well funded on a per student basis than other comprehensive universities. Differing rates of enrollment growth and historical disparities in state funding had resulted in large differences in per student funding among institutions.
One of the main objectives of the performance funding model was to rectify these disparities.

14. To what extent has the adoption of performance funding helped move the comprehensive universities toward funding parity?

X Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

[For the purposes of this question, parity is defined as a narrowing of the gap in state funds for educating students per full-time equivalent student. It may be useful to refer to Attachment A, Chart 1, when responding to this question].

Model fails to consider the differences in net tuition revenue from students enrolled – this has led to greater disparity in funding of comprehensive universities who service more impoverished counties in the state.

➔ Key Features

A key design feature of the funding model is that, 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 for which an institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

   ▢ Yes   X No

   If not, please describe in the space below, in what way the funding model has not operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

   As shown in the table on exhibit 1, universities can insignificantly improve their graduation rates but depending on the size of the university – they may or may not "win" in the model due to their overall size.

   Smaller universities will never be able to "win" in the model regardless of much they improve their graduation rates – this is evident by the level of distributions received from Morehead State and Murray State over the past 6 years.

In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should not permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for educating students among institutions been incremental?

   X Yes   ▢ No

   [It may be useful to refer to Attachment A, Chart 2, when responding to this question].

   If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have not been incremental. Insert additional rows as needed.

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

☐ Not at All ☐ A Little ☐ Moderately X Quite a Bit ☐ Very Much

➔ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit X Very Much

This is an important goal however the current model does not reward institutions who achieve the greatest improvement in their graduation rates – see exhibit 1.

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit X Very Much

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit X Very Much

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit X Very Much

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

☐ Yes X No

If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

No change to existing goals needed, however the model must change to ensure goals are being met.

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

X Yes ☐ No

If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

Employment of graduates in the Commonwealth of Kentucky should become a focus to ensure that taxpayer dollars are going to work for the Commonwealth and not benefit other states. This will ensure that every university is responsive to the employer's needs within its service region and the state.

Additionally, the poverty level of each university's service region and the percentage of students enrolled in the university's service region should also become a factor.

➔ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews.
See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

X Yes ⬭ No

[It may be useful to refer to Attachment B, when responding to this and subsequent questions].

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

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 student enroll who graduate (ie: retention and graduation rate improvements).

25. Should the 2026 working group consider any new guiding principles as part of their comprehensive review of Kentucky's performance funding model?

X Yes ⬭ No

If yes, please identify any suggested new guiding principles for work group consideration in the space below. Insert additional rows as needed.

Employment of graduates in the Commonwealth of Kentucky should become a focus to ensure that taxpayer dollars are going to work for the Commonwealth and not to benefit other states. This will ensure that every university is responsive to the employer's needs within its service region and the state.

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

➔ Potential Issues for Consideration

Over the past few months, campus officials have reached out to CPE staff to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of differential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus officials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

X Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Including research and comprehensive universities in the same pool is not problematic but doing so and providing unfair weighting that benefits research universities does not work. If factors are used in the model, they should be reflective of the nature of the metric and not just a historical factor used to ensure there is not a shift from one sector to another.

Research factors should be removed so that everyone benefits equally from their progress on each metric. Currently, research universities benefit from the research factors AND they also benefit from the small school adjustment which doubles the unfair advantage over a comprehensive university.

27. Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?

▢ Yes X No

Differential Weightings Between Sectors

Over the past two years and during the 2024 of-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit X Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Research factors should be removed so that everyone benefits equally from their progress on each metric. Currently, research universities benefit from the research factors AND they also benefit from a larger "small school adjustment" which doubles the unfair advantage over a comprehensive university.

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

X Yes ▢ No

Disproportionate Reliance on Performance Funds

State funds for educating students are comprised of two components: (1) <u>recurring</u> adjusted net General Fund appropriations; and (2) <u>nonrecurring</u> performance distributions. Over the past few years, several institutions have become increasingly reliant on <u>nonrecurring</u> performance dollars as part of their overall operating funds, and two have indicated they would like the 2026 working group to consider this issue.

30. To what extent is the disproportionate reliance on nonrecurring performance funds at some institutions problematic?

X Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

[It may be useful to refer to Attachment A, Chart 3, when responding to this question].

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

____

____

____

____

31. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

☐ Yes X No

Lack of Performance Distributions

Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

32. To what extent is the ongoing lack of performance distributions at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit X Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

As shown on exhibit 1 – Morehead State had one of the most significant improvements in its graduation rate than any other university however the university has received basically no funding from the model. The model must either change so that smaller universities can compete or there needs to be a guaranteed minimum distribution for all universities.

33. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

X Yes ☐ No

Other Potential Issues

34. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes X No

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

Exhibit 1

Kentucky Public Universities

Percentage of Total Performance Fund Distributions by Institution July 2019-June 2025

Compared to Percentage Change in Graduation Rates

University	Total 2019-2025 Distribution	
UK	$126,180,300	43.7%
UofL	63,125,100	21.9%
NKU	45,466,900	15.7%
WKU	25,631,700	8.9%
EKU	17,013,000	5.9%
MuSU	11,151,600	3.9%
MoSU	214,400	0.1%
KSU	0	0.0%
6-year Total	288,783,000	100.0%

The two Universities with the greatest improvement in graduation rates since Fall 2019 received the least amount of Performance Funding Distributions

University	Fall 2014 Cohort 6-year Graduation Rate	Fall 2019 Cohort 6-year Graduation Rate	Change in 6-year Graduation Rates 2020(Fall 2014 cohort) to 2025 (Fall 2019 cohort)	% change in Graduation Rate
MuSU	53.1%	62.2%	9.1%	17.2%
MoSU	42.6%	48.9%	6.4%	15.0%
NKU	48.2%	55.2%	7.0%	14.5%
EKU	52.3%	56.6%	4.3%	8.3%
UK	66.0%	71.1%	5.1%	7.7%
WKU	55.1%	59.1%	4.0%	7.3%
UofL	60.4%	59.6%	-0.8%	-1.3%
KSU	30.3%	26.2%	-4.1%	-13.5%

Exhibit 2

Resident Student Enrollment

Transitions

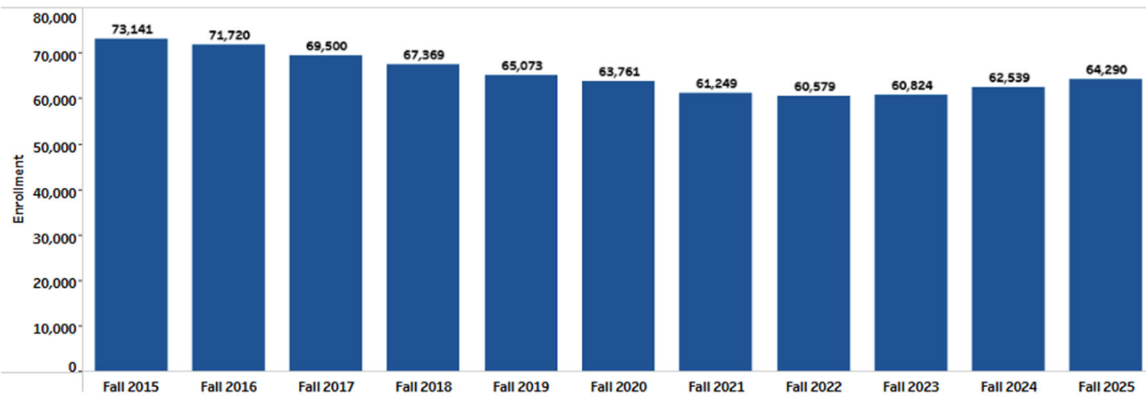
Kentucky will ensure more students transition to college prepared to succeed.

Student Enrollment

Sector		Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Fall 2023	Fall 2024	Fall 2025
4 year public	Enrollment	73,141	71,720	69,500	67,369	65,073	63,761	61,249	60,579	60,824	62,539	64,290
	Percent Change		-1.94%	-3.10%	-3.07%	-3.41%	-2.02%	-3.94%	-1.09%	0.40%	2.82%	2.80%
Total	Enrollment	73,141	71,720	69,500	67,369	65,073	63,761	61,249	60,579	60,824	62,539	64,290
	Percent Change		-1.94%	-3.10%	-3.07%	-3.41%	-2.02%	-3.94%	-1.09%	0.40%	2.82%	2.80%

Sector: 4 year public
Institution: (All)
Enrollment Level: Undergraduate (inc. HS)
Degree Level: (All)
Full or Part Time: (All)
Dual Credit Student: No
First Time in College: (All)
Recent Graduate: (All)
Gender: (All)
Low Income: (All)
Age Range: (All)
Residency: In-State
Major: (All)
Program: (All)

Institution Table



Source: Kentucky Council on Postsecondary Education's Data and Advanced Analytics Team. http://cpe.ky.gov/data/ Accessed 7/13/2026.

Counts are for the fall semester. Counts below or equal to 10 are shown as blank.

According to the Kentucky Council on Postsecondary Education's, there has been a 10% decline in Kentucky resident Undergraduate (excluding dual credit) enrollment since the implementation of the performance funding model.

Non-resident Student Enrollment

Transitions

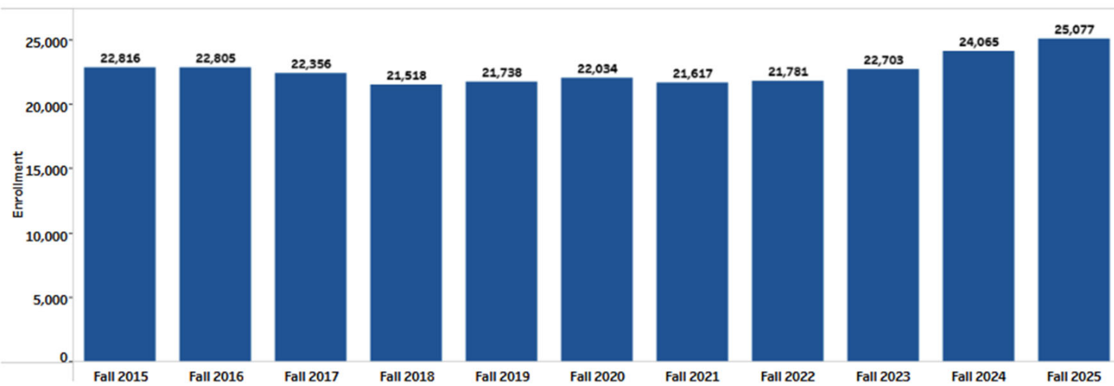
Kentucky will ensure more students transition to college prepared to succeed.

Student Enrollment

Sector		Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Fall 2023	Fall 2024	Fall 2025
4 year public	Enrollment	22,816	22,805	22,356	21,518	21,738	22,034	21,617	21,781	22,703	24,065	25,077
	Percent Change		-0.05%	-1.97%	-3.75%	1.02%	1.36%	-1.89%	0.76%	4.23%	6.00%	4.21%
Total	Enrollment	22,816	22,805	22,356	21,518	21,738	22,034	21,617	21,781	22,703	24,065	25,077
	Percent Change		-0.05%	-1.97%	-3.75%	1.02%	1.36%	-1.89%	0.76%	4.23%	6.00%	4.21%

Sector: 4 Year Public
Institution: (All)
Enrollment Level: Undergraduate (inc. HS)
Degree Level: (All)
Full or Part Time: (All)
Dual Credit Student: No
First Time in College: (All)
Recent Graduate: (All)
Gender: (All)
Low Income: (All)
Age Range: (All)
Residency: (Multiple values)
Major: (All)
Program: (All)

Institution Table



Source: Kentucky Council on Postsecondary Education's Data and Advanced Analytics Team. http://cpe.ky.gov/data/ Accessed 7/13/2026.

Counts are for the fall semester. Counts below or equal to 10 are shown as blank.

According to the Kentucky Council on Postsecondary Education's, there has been a 10% increase in Non-resident Undergraduate (excluding dual credit) enrollment since the implementation of the performance funding model.

Based on data from the KYstats Posetsecondary Feedback Report, updated August 2024, a very low percentage of non-resident students are employed in the Commonwealth 3 years after their graduation and the percentages vary greatly between institutions.

Kentucky Performance Funding Model June 25, 2026
Survey of Postsecondary Institution Presidents

➔ Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ ✓Quite a Bit ▢ Very Much

2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed.

   The particular aspects related to student success for undergraduate students with progression to graduation have created focus for campuses. The model with the weight factors and volume emphasis is creating the expected effect which is not beneficial for smaller campuses who may, indeed, have shown improvements. The volume of a larger school and the weights disadvantage the comprehensives. In those respects, the model is running as expected.

➔ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ ✓Very Much

4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed.

   Performance funding is predicated on the volume impact and the influx of the weight factors that exacerbate the volume influence.

   - Note that the impact is sizable. For example, the research universities receive 2.3512 times the number for every low-income graduate and the comprehensives have a weight of 1.

   An institution may not attain the sector percent change and yet can receive significant performance dollars while other institutions perform above the sector percent change in multiple metrics and receive no funding. This does not meld with idea of improved performance.

   The model creates competition rather than collaboration.
   For the smallest school to receive any money, this requires substantial investment of the institution as that school may have to increase the number of graduates, number of students

progressing or credit hours by a factor of 2 or 3 to obtain even a small increase in total performance dollars.

➔ Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

Recommended Adjustments

- Remove the weights and use of volume-centric ideas in the model. All weights should be one. If performance is truly measured, then augmentation of the weights should not significantly change the performance funding dollars. See the example below with the current PF dollars for FY27 and changing only the low-income weight to 1 for all institutions. **None of the data was changed – only the weight.**

PF for FY27

Universities	PF Dollars
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
Total	$89,702,900

PF for FY27 with LI weights 1

Universities	PF Dollars
University of Kentucky	$39,012,800
University of Louisville	$16,255,900
Eastern Kentucky University	$8,268,500
Kentucky State University	$129,900
Morehead State University	$0
Murray State University	$6,509,200
Northern Kentucky University	$12,172,800
Western Kentucky University	$7,353,800
Total	$89,702,900

- Use of percents of metrics with the three-year rolling average can produce a model that is simpler, more easily explainable and stabilizes the dramatic funding reallocations between universities.

- Remove the additional weights on the level and discipline concepts in the credit hours and do not penalize an institution for educating non-resident students with a weight of 75% of the value of the credit hour for resident students. The Council on Postsecondary Education has been supportive of tuition models for non-resident students and this will align with that.

- Include dual credit hours in the model. These are collegiate hours for the students that are penalizing the smaller institutions who teach a significant number of these students to enhance the opportunity for degree attainment at a lower cost for our Kentuckians.

- Investigate using a percent of the three-year average per metric instead of a three-year average of the numerical values with the corresponding 11 or fewer metrics. The comparisons of the percentages would offset some of the problems with the volume criteria.

- Understand that a three-level system (research, comprehensives and KCTCS) of performance funding will have the **same consequences on smaller-sized institutions as the current model, especially with no, significant additional state monies.**

- Revisit the use of square footage as being good stewards as a university should not be penalized for less instructional space. The premise of this metric was to recognize the need for operational and maintenance funding for each campus; however, this element does not recognize schools that become more efficient with operating fewer facilities and overall square footage.

- If different metrics are added, ensure that the data can be collected.

- Run any augmented model three to five years in the future with assumptions on state dollars and reasonable change in institutional metrics to forecast the effects, prior to implementation.

➔ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

6. Overall, to what extent has the adoption of performance funding accelerated progress toward attainment of state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ ✓Moderately ☐ Quite a Bit ☐ Very Much

7. To what extent have the financial incentives imbedded in the funding model motivated your institution to focus attention on state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ Moderately ☐ ✓Quite a Bit ☐ Very Much

8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

☐ Not at All ☐ A Little ☐ ✓Moderately ☐ Quite a Bit ☐ Very Much

9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

☐ Not at All ☐ A Little ☐ Moderately ☐ ✓Quite a Bit ☐ Very Much

10. To what extent has the adoption of performance funding increased alignment between state goals for postsecondary education and institutional goals?

☐ Not at All ☐ A Little ☐ ✓Moderately ☐ Quite a Bit ☐ Very Much

Address Shortcomings

11. Overall, to what extent has the adoption of performance funding addressed the shortcomings of the previous base plus, base minus funding method?

☐ Not at All ☐ ✓A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

12. To what extent has the performance funding model recognized changes in enrollment, program mix, and student outcomes?

☐ Not at All ☐ ✓A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

13. To what extent has the performance funding model provided financial incentives for achieving desired state goals for postsecondary education?

☐ Not at All ☐ ✓A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Rectify Funding Disparities

For about a decade, leading up to 2016, NKU and WKU argued that they were less well funded on a per student basis than other comprehensive universities. Differing rates of enrollment growth and historical disparities in state funding had resulted in large differences in per student funding among institutions. One of the main objectives of the performance funding model was to rectify these disparities.

14. To what extent has the adoption of performance funding helped move the comprehensive universities toward funding parity?

☐ Not at All ☐ ✓A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

[For the purposes of this question, parity is defined as a narrowing of the gap in state funds for educating students per full-time equivalent student. It may be useful to refer to Attachment A, Chart 1, when responding to this question].

➔ Key Features

A key design feature of the funding model is that, 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 for which an

institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

   ▢ Yes ▢ ✓No

   If not, please describe in the space below, in what way the funding model has <u>not</u> operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

   An institution may not attain the sector percent change and yet can receive significant performance dollars while other institutions perform above the sector percent change in multiple metrics and receive little to no funding. We have completed multiple iterations of given metrics. For the smaller schools, they have to increase their absolute numbers of the metric by factors as large as 5 to be able to increase funding per that metric – even if they were above the sector change originally.

   In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should <u>not</u> permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for educating students among institutions been incremental?

   ▢ Yes ▢ ✓No

   [It may be useful to refer to Attachment A, Chart 2, when responding to this question].

   If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have <u>not</u> been incremental. Insert additional rows as needed.

The funding has not been incremental for multiple schools as some have received no funding at all, even though they are performing. Other schools have received incremental funding compared to their previous year funding at the expense of others.

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

☐ Not at All ☐ A Little ☐ ✓Moderately ☐ Quite a Bit ☐ Very Much

➔ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ ✓Quite a Bit ☐ Very Much

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ ✓Quite a Bit ☐ Very Much

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ ✓Quite a Bit ☐ Very Much

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

   ☐ Not at All ☐ A Little ☐ Moderately ☐ ✓Quite a Bit ☐ Very Much

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

   ☐ ✓Yes ☐ No

   If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

   Please see the recommendations noted on pages 2 and 3 of this document.

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

   ☐ ✓Yes ☐ No

   If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

   If the model wants to truly recognize valuable aspects, then dual credit hours should be included to reflect the benefit we are offering Kentuckians to move toward degrees at a lower cost.

➔ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the

Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews. See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

☐ ✓Yes ☐ No

[It may be useful to refer to Attachment B, when responding to this and subsequent questions].

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

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.

25. 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 in the space below. Insert additional rows as needed.

A guiding 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.

➔ Potential Issues for Consideration

Over the past few months, campus officials have reached out to CPE staff to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of differential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus officials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

☐ Not at All ☐ ✓A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

The answer given here is based on the <u>current</u> model with the weights and volume. We have run models in which the model is three tiered. UK will receive almost all the funds from UofL. For the comprehensives, the larger three schools will still receive funds and the smaller three receive little to none. Since KCTCS is already in its own tier, their funding would remain as it has.

27. Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ ✓No

We are answering no here with the assumption that the model does not change. If the model remains the same, then the larger schools will still receive the majority of the funds – leaving very little for the smaller schools to obtain even with significant increases in their metrics. If the model changes, then using the model to determine its effects in the succeeding three to five years would be useful.

Differential Weightings Between Sectors

Over the past two years and during the 2024 of-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ ✓Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Please revisit the example given of the change in the Low-Income weight to one for all universities on page 2. This alone shows that the weight rather than the performance is driving the model.

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ ✓Yes ☐ No

Disproportionate Reliance on Performance Funds

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, and two have indicated they would like the 2026 working group to consider thisissue.

30. To what extent is the disproportionate reliance on nonrecurring performance funds at some institutions problematic?

▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ ✓Very Much

[It may be useful to refer to Attachment A, Chart 3, when responding to this question].

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Planning and expectations of funding are difficult with nonrecurring funds. It is an estimate annually until all the data is available for each institution. One institution can work diligently for one to three years on increasing metrics and do so. The impact can be nominal – even though they perform above the sector change in multiple elements. Therefore, funds used to increase those metrics are not recouped.

31. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

▢ ✓Yes ▢ No

Lack of Performance Distributions

Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

32. To what extent is the ongoing lack of performance distributions at some institutions problematic?

▢ Not at All ▢ A Little ▢ Moderately ▢ ✓Quite a Bit ▢ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Each university is producing strong graduates with excellent student success opportunities. Competing in a volume and weight-impacted model should not lessen their abilities to receive funding. Yet, it does for several.

33. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ ✓Yes ☐ No

Other Potential Issues

34. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☐ ✓Yes ☐ No

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

If the view is that there has been considerable work on this model and it is not to be changed, then there is one aspect of the model that can create stability for each institution in budget terms. Run the model until the last step in which the percentage distribution for each university is determined. Then proportion the performance funding dollars based on that. Each university and community college would receive funding **every** time. For example, for the current FY27 funding, see the impact below.

PF for FY27 with Percent Share Model

Universities	Percent Earned	**Percent Share Model**
University of Kentucky	35.0%	31,430,601
University of Louisville	22.0%	19,731,363
Eastern Kentucky University	10.2%	9,123,965
Kentucky State University	1.3%	1,122,943
Morehead State University	4.4%	3,974,498
Murray State University	6.7%	6,044,491
Northern Kentucky University	9.2%	8,296,102
Western Kentucky University	11.1%	9,978,938
Total		89,702,900

Changing the model can produce impactful results. Please review the recommendations on page 3. Including dual credit hours in the model would allow for the legislative guidance to be realized with enhanced educational opportunities in play. Since the dual credit rate is half the community college rate, the opportunity to receive performance funding for dual credit hours would be a benefit. The weights do not tell the story of performance and must be carefully re-examined. If new data is chosen, ensuring that the data can be collected in a timely and transparent manner is critical.

Kentucky Performance Funding Model June 25, 2026
Survey of Postsecondary Institution Presidents

➔ Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

   ☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed.

   Rewarded performance in student success (ie: retention, graduation) well

   Various schools have earned additional funding.

   Degree competion in KY has increased, including among underserved populations.

   Performance funding is sound public policy to incentivize desired outcomes.

➔ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

   ☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed.

   Rewarded volume more than performance alone.

   Rewarded Research 1 institutions disproportionately with weights, square footage,etc.

➔ Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

   Remove the weighting. If this funding model is to reward undergraduate student performance, all public institutions (R1/comprehensives) should be treated the same.

Reward education of academically underprepared students since there are so many.

➔ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

6. Overall, to what extent has the adoption of performance funding accelerated progress toward attainment of state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

7. To what extent have the financial incentives imbedded in the funding model motivated your institution to focus attention on state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

10. To what extent has the adoption of performance funding increased alignment between state goals for postsecondary education and institutional goals?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

Address Shortcomings

11. Overall, to what extent has the adoption of performance funding addressed the shortcomings of the previous base plus, base minus funding method?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

12. To what extent has the performance funding model recognized changes in enrollment, program mix, and student outcomes?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

13. To what extent has the performance funding model provided financial incentives for achieving desired state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

Rectify Funding Disparities

For about a decade, leading up to 2016, NKU and WKU argued that they were less well funded on a per student basis than other comprehensive universities. Differing rates of enrollment growth and historical disparities in state funding had resulted in large differences in per student funding among institutions. One of the main objectives of the performance funding model was to rectify these disparities.

14. To what extent has the adoption of performance funding helped move the comprehensive universities toward funding parity?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

[For the purposes of this question, parity is defined as a narrowing of the gap in state funds for educating students per full-time equivalent student. It may be useful to refer to Attachment A, Chart 1, when responding to this question].

➔ Key Features

A key design feature of the funding model is that, 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 for which an

institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

☐ Yes ☒ No

If not, please describe in the space below, in what way the funding model has not operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

The funding levels of NKU and WKU were modestly increased with PF. However, their base funding remains lower than the median of other regional comprehensives. This means other schools have more generous bases per FTE than NKU and WKU. These two schools then have to perform their way up to a better base and "re-earn" their base each year.

In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should not permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for educating students among institutions been incremental?

☒ Yes ☐ No

[It may be useful to refer to Attachment A, Chart 2, when responding to this question].

If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have not been incremental. Insert additional rows as needed.

____

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____

____

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

➔ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

☒ Yes ☐ No

If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

1. Modify from STEM+H to include additional industry sectors of greatest demand (ie: education, logistics/supply chain, financial services, etc.)

2. Add dual credit enrollment population into calculations to reflect goal of timely completion

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

☒ Yes ☐ No

If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

Broaden goals to include professional graduate degrees and certification completion because they meet workforce needs

➔ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the

Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews. See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

☒ Yes ☐ No

[It may be useful to refer to Attachment B, when responding to this and subsequent questions].

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

Mission sensitive should be removed--if we remain focused upon undergraduate student performance, all missions and costs are highly similar.

If "easily communicated" is a guiding principle, the metrics are easy, the rest isn't.

25. 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 in the space below. Insert additional rows as needed.

➔ Potential Issues for Consideration

Over the past few months, campus officials have reached out to CPE staff to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of differential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus officials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

☒ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

The common funding pool is not problematic, the uneven treatment via weighting is.

Let us compete without the weights. Advantage all public universities, not just the Research 1 institutions.

27. Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☒ No

Differential Weightings Between Sectors

Over the past two years and during the 2024 off-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

If all sector weights were 1.0, the distribution would be significantly different in that it would place all research and comprehensives on an equal playing field. Currently, the weights significantly advantage R1s without being guided by any principle. All outcomes (e.g., degrees) at all public institutions should count the same.

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

Disproportionate Reliance on Performance Funds

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, and two have indicated they would like the 2026 working group to consider this issue.

30. To what extent is the disproportionate reliance on nonrecurring performance funds at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

[It may be useful to refer to Attachment A, Chart 3, when responding to this question].

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

If all base funds were equal (per FTE), it would help. Having to rely on nonrecurring performance funds is highly problematic as it creates instability.

31. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

Lack of Performance Distributions

Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

32. To what extent is the ongoing lack of performance distributions at some institutions problematic?

☒ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Small schools get a small school adjustment and higher bases. Large R1s get advantage of weighting. Medium-sized comprehensives do not receive advantage or adjustment; in fact, NKU and WKU start from a lower base than their comprehensive peers in addition. These factors are a disincentive to grow which is not desirable.

33. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☒ No

Other Potential Issues

34. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

Increase adult learner weights to encourage completion. Include time to degree metrics.

Increase non-resident weights to encourage migration into KY for workforce.

Increase first generation emphasis for access. Include dual credit enrollment for timely completion.

Broaden STEM+H to sector demand CIPs. Add professional grad degrees/certificates.

Kentucky Performance Funding Model June 25, 2026
Survey of Postsecondary Institution Presidents

➔ Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

   ☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed.

   The performance funding model has been successful in signaling the priorities that are important to the Commonwealth and has encouraged institutions to focus greater attention on student success, degree production, and workforce-aligned outcomes. It has provided a common framework for discussing institutional performance and has increased alignment between state priorities and institutional planning.

➔ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

   ☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed.

While the model has succeeded in focusing institutional attention on state priorities, the incentive structure does not always operate as intended. Some institutions face significant structural barriers to earning additional performance funding, making it increasingly difficult for them to compete for new resources regardless of meaningful improvements in performance. The emphasis on relative performance rather than institutional improvement can discourage institutions that consistently perform well but have less opportunity for large percentage gains.

➔ Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

The model should continue emphasizing outcomes that advance Kentucky's postsecondary goals, but several changes would improve fairness and effectiveness:

- Reconsider the differential weighting system. Current weights applied to many metrics before comparison to sector averages significantly disadvantage comprehensive universities. Institutions producing record numbers of degrees and credentials should not be penalized because of weighting methodologies.
- Consider creating separate performance funding pools for research universities, comprehensive universities, and KCTCS institutions so institutions compete against peers with similar missions.
- Reward institutional improvement toward established targets rather than primarily rewarding institutions that exceed sector averages.
- Increase the proportion of stable recurring base funding while maintaining a more modest performance incentive.
- Expand recognition of institutions successfully serving high numbers of low-income, rural, adult, first-generation, and underprepared students.
- Consider incorporating measures of institutional efficiency and educational quality. The current model primarily rewards producing more outcomes, but it does not recognize institutions that produce excellent outcomes efficiently.
- Allow some opportunity for institutional differentiation by recognizing mission-specific priorities that may not be reflected in statewide metrics.
- Change the Progression Metrics from counts of students to the percentage of students who progress to 30/60/90 credit hours. Counts are another measure of enrollment, not progression.
- Expand undergraduate credential recognition beyond bachelor’s degrees

➔ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

6. Overall, to what extent has the adoption of performance funding accelerated progress toward attainment of state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

7. To what extent have the financial incentives imbedded in the funding model motivated your institution to focus attention on state goals for postsecondary education?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

10. To what extent has the adoption of performance funding increased alignment between state goals for postsecondary education and institutional goals?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very

Address Shortcomings

11. Overall, to what extent has the adoption of performance funding addressed the shortcomings of the previous base plus, base minus funding method?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

12. To what extent has the performance funding model recognized changes in enrollment, program mix, and student outcomes?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

13. To what extent has the performance funding model provided financial incentives for achieving desired state goals for postsecondary education?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

Rectify Funding Disparities

For about a decade, leading up to 2016, NKU and WKU argued that they were less well funded on a per student basis than other comprehensive universities. Differing rates of enrollment growth and historical disparities in state funding had resulted in large differences in per student funding among institutions. One of the main objectives of the performance funding model was to rectify these disparities.

14. To what extent has the adoption of performance funding helped move the comprehensive universities toward funding parity?

☐ Not at All ☐ A Little ☒ Moderately ☐ Quite a Bit ☐ Very Much

[For the purposes of this question, parity is defined as a narrowing of the gap in state funds for educating students per full-time equivalent student. It may be useful to refer to Attachment A, Chart 1, when responding to this question].

➔ Key Features

A key design feature of the funding model is that, 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 for which an institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

☐ Yes ☒ No

If not, please describe in the space below, in what way the funding model has not operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

Although institutions technically have the opportunity to increase funding by exceeding sector averages, the model does not function equally across institutions. Structural differences, metric weighting, and the common funding pool can make it extremely difficult for some institutions to realize meaningful funding gains despite sustained improvements in performance.

In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should not permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for educating students among institutions been incremental?

☒ Yes ☐ No

[It may be useful to refer to Attachment A, Chart 2, when responding to this question].

If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have not been incremental. Insert additional rows as needed.

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

➔ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

☒ Yes ☐ No

If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

Expand goal #2 (increase the number of degrees and credentials earned by all students) to include undergraduate credential recognition beyond bachelor's degrees to better align with workforce outcomes. Undergraduate credentials, including certificates and associates degrees, are primary entry points into the workforce.

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

☒ Yes ☐ No

If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

Consider adding measures that recognize institutional efficiency, educational quality, and mission differentiation. The current model primarily rewards volume but does not recognize institutions that achieve excellent outcomes while efficiently utilizing public resources or pursuing distinctive institutional missions.

➔ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews. See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

☐ Yes ☒ No

[It may be useful to refer to Attachment B, when responding to this and subsequent questions].

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

25. 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 in the space below. Insert additional rows as needed.

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.

➔ Potential Issues for Consideration

Over the past few months, campus officials have reached out to CPE staff to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of differential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus officials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Research universities, comprehensive universities, and community colleges serve different missions, student populations, and resource environments. Competing within a common funding pool creates inherent disadvantages for some institutions. Separate pools would better align incentives while preserving accountability. It would also get rid of the need to weight metrics in favor of research institutions.

27. Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

Differential Weightings Between Sectors

Over the past two years and during the 2024 of-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

Please provide a written explanation for your response in the space below.

Insert additional rows as needed.

Differential weighting is one of the most significant issues requiring attention. While the intent is understandable, applying weights before sector comparisons significantly disadvantages comprehensive universities. Institutions producing record numbers of graduates should not lose competitiveness because of weighting methodologies rather than actual performance. Additionally, weighting progression, enrollment, and already weighted student credit hours sends the message that success on almost all metrics is more valuable for research institutions than it is at comprehensive universities.

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

Disproportionate Reliance on Performance Funds

State funds for educating students are comprised of two components: (1) <u>recurring</u> adjusted net General Fund appropriations; and (2) <u>nonrecurring</u> performance distributions. Over the past few years, several institutions have become increasingly reliant on <u>nonrecurring</u> performance dollars as part of their overall operating funds, and two have indicated they would like the 2026 working group to consider this issue.

30. To what extent is the disproportionate reliance on <u>nonrecurring</u> performance funds at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☒ Quite a Bit ☐ Very Much

[It may be useful to refer to Attachment A, Chart 3, when responding to this question].

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Institutions need predictable recurring funding to support long-term investments in faculty, facilities, technology, and academic programs. Performance funding works best as an incentive layered on top of stable base appropriations rather than becoming an increasingly important portion of recurring operating support.

31. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

    ☒ Yes ☐ No

    Lack of Performance Distributions

    Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

32. To what extent is the ongoing lack of performance distributions at some institutions problematic?

    ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☒ Very Much

    Please provide a written explanation for your response in the space below. Insert additional rows as needed.

    If some institutions rarely or never receive performance distributions, the incentive structure is not functioning as intended. Every institution should have a realistic opportunity to earn additional funding through meaningful improvement, regardless of size, location, or mission.

33. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

    ☒ Yes ☐ No

Other Potential Issues

34. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☒ Yes ☐ No

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

- Rewarding institutional improvement toward established targets rather than primarily rewarding institutions that exceed sector averages.
- Measuring institutional efficiency and educational quality in addition to production.
- Providing opportunities for institutions to demonstrate excellence in mission-specific areas.
- Changing the Progression Metrics from counts of students to the percentage of students who progress to 30/60/90 credit hours. Counts are another measure of enrollment, not progression.

➔ Model Operating as Expected

1. Overall, to what extent has the performance funding model functioned as expected?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: Moderately

2. What aspects of the performance funding model have operated as expected? Please provide your written response in the space below. Add rows as needed.

The model has operated as expected in several important respects. It has provided a clear performance-based structure, reinforced accountability for student outcomes, and encouraged colleges to align planning with state goals. The model works best when performance funding is supported with new dollars and when the structure recognizes differences in college mission, scale, and community context.

➔ Unintended Consequences

3. Overall, to what extent has the adoption of performance funding resulted in unintended consequences?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: Quite a Bit

4. What unintended consequences have occurred due to the implementation of performance funding in Kentucky? Please provide your written response in the space below. Insert additional rows as needed.

Performance funding has produced unintended consequences that should be addressed in the next review. Because distributions are nonrecurring and uneven, colleges cannot reliably use them for recurring operational needs or long-term program development. The model also tends to favor larger-enrollment colleges and communities with stronger labor markets, which can disadvantage smaller and rural colleges even when they are improving outcomes and serving important regional workforce needs. In addition, because performance is based improvement compared to the sector rather than the institution's historical trend, some KCTCS colleges have failed to receive performance funds even though their outcomes suggest strong performance, including being recognized among the top community colleges in the nation by the Aspen Institute.

➔ Recommended Changes

5. What adjustments to the funding model would you recommend? Please provide your response in the space below. Insert additional rows as needed.

Recommended adjustments should preserve the statutory distinction between the sectors, keeping KCTCS separate from the four-year model. KCTCS also recommends allowing institutions to either **a.** Retain earned performance funding within their base (allowing institutions to invest in innovation, programs, and college initiatives and move to funding equilibrium) or **b.** Remove base funding from the KCTCS performance model calculation and shift to 100% outcomes-based model. This action should include adequate funding to bring KCTCS in line with national averages for community and technical colleges and streamline the metrics to focus on meaningful outcomes, including course completion, high-value credentials, transfers, employment outcomes, and workforce and technical education. This recommendation with recommendations KCTCS made in the SJR179 (RS24) report. Finally, measure KCTCS based on system performance, block grant funds to the KCTCS President for subsequent distribution to the 16 colleges based on a secondary set of college-specific performance measures that align with the state's model.

➔ Impetus for Model

Kentucky designed and implemented performance funding models for several reasons, including: (1) to accelerate progress toward attainment of state goals for postsecondary education; (2) to address shortcomings of the previous funding method; (3) to rectify funding disparities among institutions that had developed over time; and (4) to respond to a legislative mandate to convene the working group and develop the model.

Accelerate Progress

6. Overall, to what extent has the adoption of performance funding accelerated progress toward attainment of state goals for postsecondary education?

   ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Selected response: Quite a Bit

7. To what extent have the financial incentives imbedded in the funding model motivated your institution to focus attention on state goals for postsecondary education?

   ☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Selected response: Quite a Bit

8. To what extent has your institution incorporated pursuit of state goals for postsecondary education in strategic planning processes?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: Very Much

9. To what extent has your institution adopted or modified internal budget allocation models to facilitate pursuit of state goals?

   ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: Quite a Bit

10. To what extent has the adoption of performance funding increased alignment between state goals for postsecondary education and institutional goals?

    ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: Quite a Bit

Address Shortcomings

11. Overall, to what extent has the adoption of performance funding addressed the shortcomings of the previous base plus, base minus funding method?

    ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: Moderately

12. To what extent has the performance funding model recognized changes in enrollment, program mix, and student outcomes?

    ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: Moderately

13. To what extent has the performance funding model provided financial incentives for achieving desired state goals for postsecondary education?

    ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: Moderately

Rectify Funding Disparities

For about a decade, leading up to 2016, NKU and WKU argued that they were less well funded on a per student basis than other comprehensive universities. Differing rates of enrollment growth and historical disparities in state funding had resulted in large differences in per student funding among institutions.
One of the main objectives of the performance funding model was to rectify these disparities.

14. To what extent has the adoption of performance funding helped move the ~~comprehensive universities~~ KCTCS colleges toward funding parity?

    ▢ Not at All ▢ A Little ▢ Moderately ▢ Quite a Bit ▢ Very Much

Selected response: A Little

➔ Key Features

A key design feature of the funding model is that, 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 for which an institution achieves growth rates above the sector average, the better chance it has of increasing its overall share of funding.

15. Has the funding model operated as intended in terms of institutions being afforded the opportunity to increase their share of funding for a given metric, if they achieve a growth rate that exceeds the sector average?

    ▢ Yes ▢ No

Selected response: No

If not, please describe in the space below, in what way the funding model has <u>not</u> operated as intended in terms of providing institutions with the opportunity to increase their share of funding for a given metric by achieving above average growth rates. Insert additional rows as needed.

The model has supported incremental change, but it has not consistently afforded all colleges a meaningful opportunity to increase their share of performance funding. The model has created situations where an institution performed better in one year, yet because we measure performance vs. the sector, the college that is improving did not see a corresponding increase (or any increase) in performance funds. When the model measures against historical base funding levels (without allowing earned funding to change base funding levels) some colleges will continue to have no access to distributions even when meeting local needs or improving outcomes.

In 2016, one of the agreed-upon principles that guided model development was that the distribution mechanism should not permit large annual shifts in funding to occur. Toward that end, the working group included elements in the model, such as use of three-year rolling averages of metric data, to ensure that any changes in funding among institutions would be incremental. In addition, subsequent working groups phased in changes to the model, so any resulting shifts would be gradual.

16. For the most part, have changes over time in the share of state funds for educating students among institutions been incremental?

☐ Yes ☐ No

Selected response: Yes

If not, please describe in the space provided below, in what way changes in the share of state funds for educating students among institutions have not been incremental. Insert additional rows as needed.

Though incremental, the chart demonstrants that KCTCS has lost ground as a percentage of funding despite significant positive growth in enrollment, graduate rates and credentials conferred. This outcome is counterintuitive to the purpose of the model.

17. To what extent has the use of three-year rolling averages of metric data and the phasing in of changes to the funding model helped to ensure that changes in the share of state funds for educating students among institutions have been incremental?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Selected response: Very Much

➔ State Goals

The 2016 performance funding work group identified four state goals that the funding model was designed to achieve: (1) increase retention and progression of students toward timely completion; (2) increase the number of degrees and credentials earned by all students; (3) produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries); and (4) close achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students.

18. To what extent is increasing retention and progression of students toward timely completion still a relevant goal for Kentucky's funding model going forward?

Not at All A Little Moderately Quite a Bit Very Much

Selected response: Very Much

19. To what extent is increasing the number of degrees and credentials earned by all students still a relevant goal for Kentucky's funding model going forward?

Not at All A Little Moderately Quite a Bit Very Much

Selected response: Very Much

20. To what extent is producing more degrees and credentials in fields that garner higher wages upon completion still a relevant goal for Kentucky's funding model going forward?

Not at All A Little Moderately Quite a Bit Very Much

Selected response: Very Much

21. To what extent is closing achievement gaps by growing degrees and credentials earned by underrepresented, underprepared, and low-income students still a relevant goal for Kentucky's funding model going forward?

Not at All A Little Moderately Quite a Bit Very Much

Selected response: Very Much

22. Should any of the existing goals for Kentucky's performance funding model be modified or eliminated going forward?

Yes No

Selected response: Yes

If yes, please identify any suggested changes or deletions to the goals for work group consideration in the space below. Insert additional rows as needed.

The existing goals remain relevant and should not be eliminated, but they should be modified in a separate KCTCS model to more explicitly recognize KCTCS's workforce mission. The goal related to producing degrees and credentials in higher-wage fields should be retained, but it should be refined so that workforce value is not defined solely by wage level. For KCTCS, workforce impact includes high-value credentials, workforce and technical education (including non-credit), industry-recognized training, employment outcomes, transfer success, adult learner success, and responsiveness to regional labor market needs.

23. Should the 2026 working group consider any new goals for Kentucky's performance funding model going forward?

Yes   No

Selected response: Yes

If yes, please identify any suggested new goals for work group consideration in the space below. Insert additional rows as needed.

The work group should consider adding a distinct workforce outcomes goal for KCTCS. This goal should directly recognize workforce and technical education, high-value credentials, industry training, employment outcomes, transfer success, adult learner success, and responsiveness to regional labor market needs. While degrees and credentials in higher-wage fields should remain an important priority, the model should recognize that workforce value includes more than wage level alone. KCTCS serves students, employers, and communities through multiple workforce pathways, including short-term credentials, technical programs, customized industry training, transfer pathways, and programs aligned to local and regional labor market needs. Additional metrics relevant to KCTCS's mission but not included in the current model are adult education (GED), non-credit training and dual credit.

➔ Guiding Principles

In 2015, a Funding Strategy Steering Committee comprised of Council members, the president of the Council, and nine postsecondary institution presidents achieved consensus on a set of principles that would be used to guide development of a new funding mechanism and form the basis for the Council's 2016-2018 institutional operating funds request. In 2016, those principles were shared with, and ultimately adopted by, the Postsecondary Education Working Group, where they provided a framework for construction of Kentucky's performance funding model.

Those same principles were reviewed and discussed by both the 2020 and 2023 working groups as part of statutorily required funding model reviews. No changes to the guiding principles were made during either of those reviews.

See Attachment B for the list of guiding principles.

24. Should any of the guiding principles that were used to develop Kentucky's performance funding model be modified or eliminated going forward?

Yes   No

Selected response: Yes

If yes, please identify any suggested changes or deletions to the guiding principles for work group consideration in the space below. Insert additional rows as needed.

The existing guiding 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. “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. “Outcomes Based” should include high-value credentials, industry training, employment outcomes, transfer success, and post-completion success. “Reasonably Stable” and “Sustainable” should address the limitations of nonrecurring performance distributions and the need for predictable base funding.

25. Should the 2026 working group consider any new guiding principles as part of their comprehensive review of Kentucky’s performance funding model?

Yes No

Selected response: Yes

If yes, please identify any suggested new guiding principles for work group consideration in the space below. Insert additional rows as needed.

The work group should consider adding a contextual performance principle. This principle should ensure statewide comparisons include KCTCS, recognize 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. 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. For example, elements of workforce outcomes as included in both the new Workforce Pell and STATS Accountability framework.

➔ Potential Issues for Consideration

Over the past few months, campus officials have reached out to CPE staff to identify several issues that they see as potentially important for consideration by the 2026 performance funding work group, including use of a common funding pool for research and comprehensive universities, application of differential metric weightings between sectors, disproportionate reliance on performance funds at some institutions, and lack of performance distributions at some institutions. Listed below are survey questions that will help identify sentiments of campus officials toward these issues.

Common Funding Pool

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. Several institutions have indicated that this is still an important issue for the work group to consider as part of the 2026 funding model review.

26. To what extent is including both research and comprehensive universities in the same funding pool problematic?

Not at All A Little Moderately Quite a Bit Very Much

Selected response: Moderately

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

The common funding pool issue should be placed on the 2026 work group agenda, but the discussion should be broadened beyond the research/comprehensive university question. Kentucky's performance funding structure includes distinct university and KCTCS sector formulas, and, at a minimum, that structure should persist. KCTCS should be evaluated as a sector with its own statutory model, mission, and cost structure.

27. Should the common funding pool issue be placed on the agenda for consideration by the 2026 performance funding work group?

Yes No

Selected response: Yes

Differential Weightings Between Sectors

Over the past two years and during the 2024 off-cycle funding model review, several campus presidents argued that differential weightings between sectors within the university funding model place comprehensive universities at a competitive disadvantage. Several have indicated to CPE staff that this is an issue they would like the performance funding work group to address as part of the 2026 comprehensive funding model review.

28. To what extent is the application of differential weightings between research and comprehensive sectors problematic?

Not at All A Little Moderately Quite a Bit Very Much

Selected response: N/A

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

This question does not pertain to KCTCS.

29. Should the differential weightings between sectors issue be placed on the agenda for consideration by the 2026 performance funding work group?

Yes No

Selected response: N/A

Disproportionate Reliance on Performance Funds

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, and two have indicated they would like the 2026 working group to consider this issue.

30. To what extent is the disproportionate reliance on nonrecurring performance funds at some institutions problematic?

Not at All A Little Moderately Quite a Bit Very Much

Selected response: Quite a Bit

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

Reliance on nonrecurring performance funds is problematic because it limits responsible planning for recurring operations, program development, student support, and workforce responsiveness. This issue is especially important for KCTCS because colleges must plan for technical programs, employer partnerships, facilities, equipment, and student support services that require predictable funding. Performance funding works best when it is supported by new dollars and when the relationship between performance distributions and recurring base funding is clear, sustainable, and aligned with the sector's mission.

31. Should the issue of disproportionate reliance on performance funds at some institutions be put on the agenda for consideration by the 2026 performance funding work group?

Yes No

Selected response: Yes

Lack of Performance Distributions

Since the funding model's inception, smaller institutions and those located in rural, economically challenged regions have found it difficult to compete with larger institutions and those located in urban areas. For example, KSU has not received a distribution from the Performance Fund and in the one year that MoSU received a distribution it was relatively small. Similarly, four community colleges have not received a performance distribution for multiple years. KSU, MoSU, and KCTCS officials have indicated that they would like this issue to be reviewed and discussed by the 2026 working group.

32. To what extent is the ongoing lack of performance distributions at some institutions problematic?

☐ Not at All ☐ A Little ☐ Moderately ☐ Quite a Bit ☐ Very Much

Selected response: Very Much

Please provide a written explanation for your response in the space below. Insert additional rows as needed.

The ongoing lack of performance distributions at some institutions is highly problematic. If colleges serving rural or economically challenged communities are unlikely to receive distributions under the current model, then the model may not be providing equitable access to performance funding or adequately recognizing mission, improvement, and community need. The challenge with this issue is that in the current model institutions compete against each other rather than against their historic performance. For KCTCS, this issue should be considered alongside the Community Needs Index, college size, regional labor markets, and the need to distinguish performance incentives from base funding adequacy. The work group should review whether the model allows all KCTCS colleges a meaningful opportunity to benefit from performance funding while continuing to serve their local communities.

33. Should the lack of performance distributions issue be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

Selected response: Yes

Other Potential Issues

34. Are there any other potential issues that should be placed on the agenda for consideration by the 2026 performance funding work group?

☐ Yes ☐ No

Selected response: Yes

If yes, please identify other issues that should be reviewed and discussed by the 2026 working group in the space below. Insert additional rows as needed.

Additional issues for the work group should include whether statewide assessment materials fully include KCTCS and accurately reflect the statutory two-sector structure. The work group should also consider whether the model adequately recognizes high-cost, high-demand workforce and technical programs; industry training; high-value credentials; transfer; employment outcomes; adult learners; and contextual improvement over time. Finally, the group should evaluate whether base funding adequacy and performance incentives should be addressed separately so that KCTCS colleges can sustain operations while continuing to improve outcomes.