

**COUNCIL ON POSTSECONDARY EDUCATION
FINANCE COMMITTEE MEETING**



January 24, 2023 - 1:00 p.m., ET

Virtual Meeting - <https://cpe-ky-gov.zoom.us/j/89129396618>

I. Call to Order and Roll Call

II. Approval of Minutes (*from September 13, 2022*) 2

III. 2023-24 Tuition Setting Process..... 6

 A. Preliminary 2023-24 Tuition Setting Timeline 7

 B. Tuition and Mandatory Fee Policy 9

 C. Key Issues

IV. Performance Funding Model Review Update 18

V. Other Business

VI. Adjournment
Next Finance Committee Meeting: March 21, 2023 @ 1:00 p.m. ET

DRAFT MINUTES
Council on Postsecondary Education

Type: Finance Committee Meeting
Date: September 13, 2022
Time: 1:00 p.m. ET
Location: Virtual Meeting via ZOOM Webinar

CALL TO ORDER

The Finance Committee met Tuesday, September 13, 2022, at 2:00 p.m., ET. The meeting occurred virtually via ZOOM webinar.

Chair Lucas Mentzer presided.

ATTENDANCE

All Committee members in attendance: Kellie Ellis (joined at 1:50), Eric Farris, Lucas Mentzer, Richard Nelson, Madison Silvert and Elaine Walker.

Student Council member, Garrison Reed, also attended the meeting as a non-voting member.

Heather Faesy, CPE's senior associate for Board Relations, served as recorder of the meeting minutes.

APPROVAL OF THE MINUTES

The minutes of the June 14, 2022, Finance Committee meeting were approved as distributed.

INNOVATIVE SCHOLARSHIP PROGRAM

Ms. Lee Nimocks, CPE' Senior Vice President and Chief of Staff, presented an overview of the Innovative Scholarship Program and staff's recommendation that the Council approve the resident rate of tuition for recipients of the Kentucky Innovative Scholarship.

The Kentucky Innovative Scholarship Pilot Project was established funding appropriated by the 2022 General Assembly and provides college access and promotes undergraduate student success for displaced students and for students participating in international exchange programs.

Funds for each campus are held in reserve by KHEAA and will be allocated based on the scholarship needs of the intended populations. The reserved amounts for Kentucky's public universities and KCTCS are based on the overall percentage of undergraduate students.

- Public Universities: \$5,877,000
- KCTCS Campuses: \$2,823,000
- Private, Non-Profit Campuses: \$1 million

Campuses are required to provide a 25% match to receive Innovative Scholarship Pilot Project grants, and Campuses receiving Innovative Scholarship Pilot funding are required to participate in the state Community of Practice and are encouraged to work with Kentucky-based or national organizations that support and/or resettle displaced populations to help identify and recruit eligible scholars.

Ms. Nimocks also stated that scholarships awarded are designed to cover the total cost of attendance for displaced students, which includes tuition, fees, books, supplies, and living expenses such as room and board. Because displaced students may or may not be considered Kentucky residents for purposes of tuition pursuant to 13 KAR 2:045, the total cost of attendance for non-resident students may be higher than the cost for resident students due to the higher tuition rate charged to non-resident students. Therefore, the recommendation to establish and approve the resident rate of tuition for the Kentucky Innovative Scholarship recipients would allow campuses to apply this lower rate, making each scholarship cost less and allowing the appropriated funds to support the maximum number of students.

MOTION: Ms. Walker moved that the Finance Committee approve that any recipient of the Kentucky Innovative Scholarship qualify for the resident rate of tuition, and recommend approval by the full Council at the September 19, 2022, meeting. Mr. Farris seconded the motion.

VOTE: The motion passed.

COVID-19 COSTS AND FORGONE REVENUE

Mr. Ryan Kaffenberger, Senior Associate of Finance and Budget, presented an update on the campus COVID-19 related awards, costs, and foregone revenue as of June 30, 2022. This included a summary from all three rounds of funding:

- Coronavirus Aid, Relief, and Economic Security Act (CARES)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

Overall, the projected eligible costs and lost revenue for Kentucky public institutions as of June 30, 2022, totaled \$712.4 million. This amount exceeded the funds available to the institutions by \$185.4 million. Additionally, institutions have identified \$33.3 million in costs that are pandemic-related, but not eligible for reimbursement per the guidelines of the funding.

WORKFORCE DEVELOPMENT TRUST FUND DISTRIBUTION

Mr. Shaun McKiernan, Executive Director of Finance and Budget, presented an update on the activities since the approval of the guidelines governing the distribution of the Workforce Development Trust Funds.

The Workforce Development Trust Fund was authorized by the 2022 Legislative Session and designated \$2.25 million of non-recurring funds for the 2022-23 fiscal year to help KCTCS increase credential production capacity for identified supply gaps and support program offerings in targeted industry sectors. The targeted industry sectors for this initiative are healthcare, advanced manufacturing, transportation and logistics, business services and information technology, and construction and trades. Areas covered in the guidelines include the use of funds requirements, allocation of funds, how to request funds, and how to report.

A list of proposed projects and award amounts by institution was provided. West Kentucky Community and Technical College was the only two-year college that did not submit an application.

STRATEGIC AGENDA IMPLEMENTATION PROJECTS

Dr. Bill Payne, CPE's Vice President for Finance and Administration discussed the various projects that the Finance unit has under development that directly support the 2022-24 statewide action plan for the strategic agenda.

ADJOURNMENT

The Finance Committee adjourned at 2:00 p.m., ET.

MINUTES REVIEWED AND APPROVED BY THE COMMITTEE: _____

DRAFT

TITLE: 2023-24 Tuition Setting Process

DESCRIPTION: Staff provides an update on the 2023-24 tuition-setting process, including copies of a Preliminary 2023-24 Tuition Setting Timeline and the Council's current Tuition and Mandatory Fee Policy for academic year 2022-23.

PRESENTERS: Shaun McKiernan, Executive Director for Finance and Budget, CPE
Bill Payne, Vice President for Finance and Administration, CPE


TUITION SETTING TIMELINE

A copy of a *Preliminary 2023-24 Tuition Setting Timeline* can be found in Attachment A to this agenda item. As can be seen in the timeline, it is anticipated that the Council will take action on staff's tuition and fee ceiling recommendation on March 31, 2023 and will take action on campus tuition and fee proposals on June 9, 2023. Staff will work with campus chief budget officers and presidents over the next six weeks to finalize the *2023-24 Tuition Setting Timeline*, the Council's *Tuition and Mandatory Fee Policy*, and ceiling recommendations for academic year 2023-24.



TUITION AND MANDATORY FEE POLICY

Included in Attachment B to this agenda item is a copy of the Council's current *Tuition and Mandatory Fee Policy* for academic year 2022-23. Typically, once the tuition policy is approved by the Council it helps guide the development of tuition and mandatory fee ceiling recommendations for the upcoming academic year and facilitates submission and evaluation of campus tuition and fee proposals. It is anticipated that changes to the tuition policy for the upcoming year will be minimal and the policy will primarily be used to facilitate the development and submission of campus tuition and fee proposals.

Council on Postsecondary Education Preliminary 2023-24 Tuition Setting Timeline

Dec – Jan	Council staff will work with campus chief budget officers (CBOs) to identify any proposed changes to the Council's <u>current</u> 2022-23 Tuition and Mandatory Fee Policy and to develop a Preliminary 2023-24 Tuition Setting Timeline.
Jan 11, 2023	<u>Presidents' Meeting</u> – Council staff will share the <u>current</u> 2022-23 Tuition and Mandatory Fee Policy and Preliminary 2023-24 Tuition Setting Timeline with campus presidents and potential changes will be discussed.
Jan 17, 2023	CBO Meeting – Council staff and CBOs will review and discuss proposed changes to the tuition and fee policy and preliminary timeline.
 Jan 24, 2023	Finance Committee Meeting – Council staff will share the <u>current</u> 2022-23 Tuition and Mandatory Fee Policy and Preliminary 2023-24 Tuition Setting Timeline with committee members and potential changes will be discussed.
Jan 27, 2023	CPE Meeting – The Chair of the Finance Committee will update the Council regarding any potential changes to the <u>current</u> 2022-23 Tuition and Mandatory Fee Policy and will share the Preliminary 2023-24 Tuition Setting Timeline.
Feb – Mar	Council staff will identify key issues that could impact the 2023-24 tuition-setting cycle and update policy relevant data in the areas of funding adequacy, shared benefits and responsibility, affordability and access, effective use of resources, and attracting and importing talent. Campus officials will collect and submit data on fixed cost increases, tuition and fee revenue estimates, potential impacts of a tuition increase, anticipated uses of tuition and fee revenue, and budgeted student financial aid expenditures.
Feb 1, 2023	<u>Presidents' Meeting</u> – Council staff will share any proposed changes to the <u>current</u> 2022-23 Tuition and Mandatory Fee Policy and will finalize the 2023-24 Tuition Setting Timeline with campus presidents.
Feb 15, 2023	CBO Meeting — Council staff and campus CBOs will review and discuss key issues and other policy relevant data that could impact the 2023-24 tuition-setting cycle and will begin discussing proposed tuition and mandatory fee ceilings for academic year 2023-24.

ATTACHMENT A

- Feb 22, 2023 **Deadline** for campus submission of fixed cost and tuition revenue data.
- Mar 1, 2023 Presidents' Meeting – Council staff and campus presidents will review key issues and other policy relevant data, discuss proposed tuition and fee ceilings for academic year 2023-24, and finalize proposed changes to the Council's Tuition and Mandatory Fee Policy.
- Mar 10, 2023 Specially Called Presidents' Meeting (If Necessary) – Finalize tuition and fee ceiling recommendation for academic year 2023-24.
-  Mar 21, 2023 Finance Committee Meeting – Council staff will present the new 2023-24 Tuition and Mandatory Fee Policy and recommended 2023-24 tuition and mandatory fee ceilings for committee review and action.
- Mar 31, 2023 **CPE Meeting** – The Finance Committee Chair will present the new 2023-24 Tuition and Mandatory Fee Policy and recommended 2023-24 tuition and mandatory fee ceilings for Council action.
- Apr 5, 2023 Presidents' Meeting – If needed, Council staff and campus presidents will debrief regarding the Council's approved 2023-24 tuition and fee parameters.
- Apr – May Campus officials will submit to the Council proposed tuition and mandatory fee rates for all categories students, including rates by degree level (undergraduate and graduate), residency (in-state and out-of-state), and attendance status (full-time and part-time). The Council president will keep Council members updated regarding campus rate proposals.
- May 3, 2023 Presidents' Meeting – Council staff will remind the presidents of an approaching deadline for submitting campus tuition and fee rate proposals.
- May 19, 2023 **Deadline** for submitting campus tuition and fee rate proposals to the Council.
-  June 6, 2023 Finance Committee Meeting – Council staff will present campus tuition and mandatory fee rate proposals for committee review and action.
- Jun 9, 2023 **CPE Meeting** – The Finance Committee Chair will present campus 2023-24 tuition and fee rate proposals for Council action.

Council Postsecondary Education Tuition and Mandatory Fee Policy

Academic Year 2022-23

The Council on Postsecondary Education is vested with authority under KRS 164.020 to determine tuition at public postsecondary education institutions in the Commonwealth of Kentucky. Kentucky's goals of increasing educational attainment, promoting research, assuring academic quality, and engaging in regional stewardship must be balanced with current needs, effective use of resources, and prevailing economic conditions. For the purposes of this policy, mandatory fees are included in the definition of tuition. During periods of relative austerity, the proper alignment of the state's limited financial resources requires increased attention to the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) and the Strategic Agenda for Kentucky Postsecondary and Adult Education.

Fundamental Objectives

- Funding Adequacy

HB 1 states that Kentucky shall have a seamless, integrated system of postsecondary education, strategically planned and adequately funded to enhance economic development and quality of life. In discharging its responsibility to determine tuition, the Council, in collaboration with the institutions, seeks to balance the affordability of postsecondary education for Kentucky's citizens with the institutional funding necessary to accomplish the goals of HB 1 and the Strategic Agenda.

- Shared Benefits and Responsibility

Postsecondary education attainment benefits the public at large in the form of a strong economy and an informed citizenry, and it benefits individuals through elevated quality of life, broadened career opportunities, and increased lifetime earnings. The Council and the institutions believe that funding postsecondary education is a shared responsibility of state and federal governments, students and families, and postsecondary education institutions.

- Affordability and Access

Since broad educational attainment is essential to a vibrant state economy and to intellectual, cultural, and political vitality, the Commonwealth of Kentucky seeks to ensure that postsecondary education is broadly accessible to its citizens. The Council and the institutions are committed to ensuring that college is affordable and accessible to all academically qualified Kentuckians with particular emphasis on adult learners, part-time students, minority students, and students from low- and moderate-income backgrounds.

The Council believes that no citizen of the Commonwealth who has the drive and ability to succeed should be denied access to postsecondary education in Kentucky because of inability to pay. Access should be provided through a reasonable combination of savings, family contributions, work, and financial aid, including grants and loans.

In developing a tuition and mandatory fees recommendation, the Council and the institutions shall work collaboratively and pay careful attention to balancing the cost of attendance—including tuition and mandatory fees, room and board, books, and other direct and indirect costs—with students' ability to pay by taking into account (1) students' family and individual income; (2) federal, state, and institutional scholarships and grants; (3) students' and parents' reliance on loans; (4) access to all postsecondary education alternatives; and (5) the need to enroll and graduate more students.

- **Effective Use of Resources**

Kentucky's postsecondary education system is committed to using the financial resources invested in it as effectively and productively as possible to advance the goals of HB 1 and the Strategic Agenda, including undergraduate and graduate education, engagement and outreach, research, and economic development initiatives. The colleges and universities seek to ensure that every dollar available to them is invested in areas that maximize results and outcomes most beneficial to the Commonwealth and its regions. It is anticipated that enactment of Senate Bill 153, the *Postsecondary Education Performance Funding Bill*, during the 2017 legislative session will provide ongoing incentives for increased efficiency and productivity within Kentucky's public postsecondary system. The Council's Strategic Agenda and funding model metrics will be used to monitor progress toward attainment of both statewide and institutional HB 1 and Strategic Agenda goals.

- **Attracting and Importing Talent to Kentucky**

It is unlikely that Kentucky can reach its 2030 postsecondary education attainment goal by focusing on Kentucky residents alone. The Council and the institutions are committed to making Kentucky institutions financially attractive to nonresident students, while recognizing that nonresident undergraduate students should pay a significantly larger proportion of the cost of their education than do resident students. Tuition reciprocity agreements, which provide low-cost access to out-of-state institutions for Kentucky students that live near the borders of other states, also serve to attract students from surrounding states to Kentucky's colleges and universities.

A copy of the Council's nonresident student tuition and mandatory fee policy is contained in the paragraphs below. Going forward, Council staff will periodically review and evaluate the policy to determine its impact on attracting and retaining students that enhance diversity and the state's competitiveness.

Nonresident Student Tuition and Fees

The Council and the institutions believe that nonresident students should pay a larger share of their educational costs than do resident students. As such, published tuition

and fee levels adopted for nonresident students shall be higher than the prices for resident students enrolled in comparable programs of study.

In addition, every institution shall manage its tuition and fee rate structures, price discounting, and scholarship aid for out-of-state students, such that in any given year, the average net tuition and fee revenue generated per nonresident undergraduate student equals or exceeds 130% of the annual full-time tuition and fee charge assessed to resident undergraduate students (i.e., the published in-state sticker price). As part of the tuition and fee setting process, staff shall monitor and report annually to the Council regarding compliance with this requirement.

The Council acknowledges that in some instances increasing nonresident student enrollment benefits both the Commonwealth and the institution. For this reason, exceptions to the 130% threshold may be requested through a Memorandum of Understanding (MOU) process and will be evaluated on a case-by-case basis by the Council. The main objective of the MOU process is to clearly delineate goals and strategies embedded in enrollment management plans that advance the unique missions of requesting institutions.

Special Use Fee Exception Policy

During the 2010-11 tuition setting process, campus officials requested that the Council consider excluding student-endorsed fees from its mandatory fee definition, thus omitting consideration of such fees when assessing institutional compliance with Council approved tuition and fee rate ceilings. Based on feedback received from institutional Chief Budget Officers (CBOs) at their December 2010 meeting, it was determined that there was general interest in treating student-endorsed fees differently from other mandatory fees.

In January and February 2011, Council staff collaborated with institutional presidents, CBOs, and their staffs in developing the following Special Use Fee Exception Policy:

- To the extent that students attending a Kentucky public college or university have deliberated, voted on, and requested that their institution's governing board implement a special use fee for the purposes of constructing and operating and maintaining a new facility, or renovating an existing facility, that supports student activities and services;
- And recognizing that absent any exemption, such student-endorsed fees, when implemented in the same year that the Council adopts tuition and fee rate ceilings, would reduce the amount of additional unrestricted tuition and fee revenue available for an institution to support its E&G operation;
- The Council may elect to award an exemption to its tuition and fee rate ceiling equivalent to all or a portion of the percentage increase resulting from imposition of the student-endorsed fee, provided said fee meets certain eligibility requirements.

Definitions

A student-endorsed fee is a mandatory flat-rate fee that has been broadly discussed, voted on, and requested by students and adopted by an institution's governing board, the revenue from which may be used to pay debt service and operations and maintenance expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers.

Maintenance and Operations (M&O) expenses are costs incurred for the administration, supervision, operation, maintenance, preservation, and protection of a facility. Examples of M&O expenses include janitorial services, utilities, care of grounds, security, environmental safety, routine repair, maintenance, replacement of furniture and equipment, and property and facility planning and management.

Eligibility Criteria

A student-endorsed fee will continue to be a mandatory fee within the context of the Council's current mandatory fee definition and may qualify for an exemption from Council approved tuition and fee rate ceilings. Campus officials and students requesting an exemption under this policy must be able to demonstrate that:

- All enrolled students have been afforded ample opportunity to be informed, voice their opinions, and participate in the decision to endorse a proposed fee. Specifically, it must be shown that fee details have been widely disseminated, broadly discussed, voted on while school is in session, and requested by students.
- For purposes of this policy, voted on means attaining:
 - a) a simple majority vote via campus-wide referendum, with a minimum of one-quarter of currently enrolled students casting ballots;
 - b) a three-quarters vote of elected student government representatives; or
 - c) a simple majority vote via campus-wide referendum, conducted in conjunction and coinciding with the general election of a student government president or student representative to a campus board of regents or board of trustees.
- The proposed fee and intended exemption request have been presented to, and adopted by, the requesting institution's governing board. It is anticipated that elected student government representatives will actively participate in board presentations.
- Revenue from such fees will be used to pay debt service and M&O expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers. The Council expects these uses to be fully explained to students prior to any votes endorsing a fee.

- In any given year, the impact of a student-endorsed fee on the overall increase in tuition and mandatory fees for students and their families will be reasonable. It may be appropriate to phase in the exemption over multiple years to maintain affordability and access.
- Requests for student-endorsed exemptions are infrequent events. The Council does not expect requests for exemptions under this policy to occur with undue frequency from any single institution and reserves the right to deny requests that by their sheer number are deemed excessive.
- A plan is in place for the eventual reduction or elimination of the fee upon debt retirement, and details of that plan have been shared with students. The Council does not expect a fee that qualifies for an exemption under this policy to be assessed at full rate in perpetuity. Such fees should either terminate upon completion of the debt or, in the case of new facilities, may continue at a reduced rate to defray ongoing M&O costs. In either case, to qualify for an exemption, students should be fully aware of the extent of their obligation prior to any votes endorsing a fee.

Exemption Process

Requests for an exemption under this policy will be evaluated on a case-by-case basis. To initiate the process:

- The requesting institution will notify Council staff of any pending discussions, open forums, referendums, or student government actions pertaining to a proposed special use fee and discuss fee details with Council staff as needed.
- After a fee has been endorsed by student referendum or through student government action and approved by the institution's governing board, campus officials and students will submit a written exemption request to the Council for its consideration.
- Council staff will review the request, assess whether or not the proposed fee qualifies for an exemption, and make a recommendation to the Council.

To facilitate the exemption request process, requesting institutions and students are required to provide the Council with the following information:

- Documents certifying that the specific project and proposed fee details have been widely disseminated, broadly discussed, voted on, and requested by students, as well as adopted by the institution's governing board.
- Documents specifying the fee amount, revenue estimates, uses of revenue, impact on tuition and fees during the year imposed (i.e., percentage points above the ceiling), and number of years the fee will be in place.

- Documents identifying the project's scope, time frame for completion, debt payment schedule, and plan for the eventual reduction or elimination of the fee upon debt retirement.

Asset Preservation Fee Exception Policy

During the 2017-18 tuition setting process, campus officials asked if the Council would consider allowing institutions to assess a new student fee, dedicated to supporting expenditures for asset preservation and renovation projects, that would be treated as being outside the tuition and fee caps set annually by the Council. Staff responded that it was too late in the process to allow for a full vetting of a proposed change to the Council's Tuition and Mandatory Fee Policy prior to the Council adopting tuition ceilings at the March 31, 2017 meeting. In addition, staff wanted to explore the possibility of adopting a system-wide asset preservation fee that would benefit and address asset preservation needs at every public postsecondary institution.

In August 2017, staff determined that there was general interest among campus officials to pursue a change in tuition policy that would allow each institution the option to implement a student fee for asset preservation, if its administrators and governing board chose to do so, that would be exempted from Council approved tuition and fee ceilings. In September and October, Council staff worked with campus presidents, chief budget officers, and Budget Development Work Group members to develop the Asset Preservation Fee Exception Policy described below.

- Given that in 2007, Council and postsecondary institution staffs contracted with Vanderweil Facilities Advisors, Inc. (VFA) and Paulien and Associates to conduct a comprehensive assessment of Kentucky's public postsecondary education facilities to determine both system and individual campus needs for new and expanded space, asset preservation and renovation, and fit-for-use capital projects;
- Given that in 2013, VFA adjusted the data from its 2007 study to account for continuing aging of postsecondary facilities and rising construction costs, and projected that the cumulative need for asset preservation and fit-for-use expenditure would grow to \$7.3 billion within the 2017 to 2021 timeframe;
- Given that over the past five biennia, 2008-10 through 2016-18, the Commonwealth of Kentucky has appropriated a total of \$262.0 million for its public colleges and universities to address asset preservation and renovation and fit-for-use projects, representing about 3.6% of the total cumulative need identified by VFA;
- Given that in late summer 2017, the Council and postsecondary institutions concluded that one reasonable course of action to begin to address the overwhelming asset preservation and renovation and fit-for-use needs was through sizable and sustained investment in existing postsecondary facilities, which could be accomplished through a cost sharing arrangement involving the state, postsecondary institutions, and students and families;

- Given that the best way to ensure the ongoing commitment and participation of students and families in a cost-sharing partnership to address asset preservation and renovation needs is through the implementation of an optional dedicated student fee;
- Given that such an asset preservation fee, when implemented in the same year that the Council adopts a tuition and fee rate ceiling, would reduce the amount of additional unrestricted tuition and fee revenue available for an institution to support its E&G operation;
- The Council may elect to award an exemption to its tuition and fee rate ceiling of up to \$10.⁰⁰ per credit hour at the public universities, capped at 15 credit hours per semester for undergraduate students, for a dedicated student fee that supports asset preservation and renovation projects related to the instructional mission of the institution;
- The Council may elect to award an exemption to its tuition and fee rate ceiling of up to \$5.00 per credit hour at KCTCS institutions, capped at 15 credit hours per semester, for a dedicated student fee that supports asset preservation and renovation projects related to the instructional mission of the institution.

Definition

An asset preservation fee is a mandatory, flat-rate fee that has been approved by an institution's governing board, the revenue from which shall either be expended upon collection on asset preservation and renovation and fit-for-use capital projects or used to pay debt service on agency bonds issued to finance such projects, that support the instructional mission of the institution. Thus, by definition, fee revenue and bond proceeds derived from such fees shall be restricted funds for the purposes of financing asset preservation and renovation projects. As a mandatory fee, an asset preservation fee may be assessed to students regardless of degree level or program or full-time or part-time status.

Eligibility Criteria

An asset preservation fee may qualify for an exemption from Council approved tuition and fee rate ceilings, provided the following criteria are met:

- The proposed asset preservation project(s) and related fee shall be approved by the requesting institution's governing board.
- Revenue from the fee may either be expended upon collection on asset preservation and renovation or fit-for-use projects, accumulated to meet a specific project's scope, or used to pay debt service on agency bonds or other instruments used to finance such projects.
- Both the direct expenditure of fee revenue and the expenditure of agency bond funds generated by the fee may be used to meet matching requirements on state

bond funds issued for asset preservation projects. In previous biennia, state leaders have required a dollar-for-dollar institutional match on state-funded asset preservation pools.

- In any given academic year, the impact of implementing an asset preservation fee, when combined with a tuition and fee increase supporting campus operations, will be reasonable for Kentucky students and families. For the purposes of this policy exemption, the Council shall determine whether a proposed asset preservation fee, in combination with a tuition and fee increase allowed under a Council-approved tuition ceiling, is reasonable. This assessment will be made within the context of state economic and budgetary conditions, institutional resource needs, and affordability concerns at the time.
- Depending on the outcome of the aforementioned assessment, it may be appropriate to phase in a requested fee over multiple years to maintain affordability and access.
- The Council does not expect a fee that qualifies for an exemption under this policy to remain in effect in perpetuity. To be eligible for an exemption, the requesting institution must have a plan in place for the eventual elimination of a proposed asset preservation fee within 25 years of its initial implementation date.

Exemption Process

The Council will evaluate requests for a fee exemption under this policy on a case-by-case basis. To initiate the process:

- An institution's governing board must approve the proposed asset preservation project(s) and related student fee.
- Campus officials must submit to the Council a copy of that board approval, along with a written request to exempt the asset preservation fee from Council tuition and fee ceilings.
- Council staff will review the request, assess whether or not the proposed project(s) and related fee qualify for an exemption, and make a recommendation to the Council.

To facilitate the exemption-request review process, a requesting institution shall provide the Council with the following information:

- Documents certifying that the specific asset preservation project(s) financed and proposed fee details have been approved by the institution's governing board.
- Documents specifying the fee amount, anticipated implementation date, revenue projections, uses of revenue, number of years the fee will be in place, and impact on tuition in year imposed (i.e., percentage points above ceiling).

- Documents identifying the project's scope, its timeframe for completion, debt payment schedule, and plan for the eventual elimination of the fee upon debt retirement.

Periodic Reporting

- Upon request by the Council, the postsecondary institutions will provide documentation certifying the date an asset preservation fee was implemented, annual amounts of fee revenue generated to date, uses of fee revenue, the amount of fee revenue or agency bond funds used to meet state matching requirements on asset preservation project appropriations, and the number of years the fee will remain in place.

Ongoing Usage

- Once an Asset Preservation Fee is approved by the Council, revenue generated from the fee may be used for ongoing asset preservation, renovation and fit-for-use projects with institutional board approval.
- Asset preservation, renovation and fit-for-use project(s) financed with asset preservation fee revenue shall comply with all statutory requirements pertaining to the approval of capital projects (KRS 45.750, KRS 45.763, KRS 164.020 (11) (a), KRS 164A.575).

TITLE: Performance Funding Model Review Update

DESCRIPTION: Staff provides an update on the 2023 Performance Funding Model Review process and shares copies of the Postsecondary Education Working Group's membership and a preliminary meeting schedule.

PRESENTERS: Bill Payne, Vice President for Finance and Administration, CPE
Shaun McKiernan, Executive Director for Finance and Budget, CPE

FUNDING MODEL REVIEW

Kentucky's performance funding statute, KRS 164.092 *Comprehensive Funding Model for the Public Postsecondary Education System*, directs the Council to convene a Postsecondary Education Working Group beginning in 2020-21 and every three fiscal years thereafter to determine if the comprehensive funding model is functioning as expected, identify any unintended consequences of the model, and recommend any adjustments to the model. The statute allows the Council to assemble the working group prior to the start of the required fiscal year to afford sufficient time for the group to complete its work.

The working group was last convened on July 30, 2020 and met four additional times between September 2 and December 2 of that year, before reporting the results of its review and recommendations to the Governor, the Interim Joint Committee on Appropriations and Revenue, and the Interim Joint Committee on Education by January 5, 2021. At this time, Council staff is planning to reconvene the working group to undertake a second comprehensive review of the funding models (i.e., university and KCTCS models).

By statute, the Postsecondary Education Working Group is comprised of the president of the Council, the president or designee of each public postsecondary institution, including the president of KCTCS, the Governor or designee, the Speaker of the House or designee, and the President of the Senate or designee (KRS 164.092). The membership of the 2023 iteration of the working group has been determined and can be found in Attachment A to this agenda item.

A copy of a preliminary *Performance Funding Work Group Meeting Schedule* can be found in Attachment B. As can be seen in the schedule, the first meeting of the work group will take place on Wednesday, January 25, 2023. Council staff anticipates an additional six meetings (one about every six weeks) over the next nine months. The last meeting of the working group is scheduled to take place on October 18, 2023, at which time it will complete its work and finalize recommendations. The results of the working group's review and recommendations to the Governor and General Assembly are due by close of business Friday, December 1, 2023.

2023 Performance Funding Work Group Members

Name	Representing
Dr. Aaron Thompson	KY Council on Postsecondary Education
Secretary John Hicks	Governor's Office
Representative James Tipton	House
Senator David Givens	Senate
Dr. Eli Capilouto	University of Kentucky
Dr. Lori Gonzalez	University of Louisville
Dr. David McFaddin	Eastern Kentucky University
Dr. Ronald Johnson	Kentucky State University
Dr. Jay Morgan	Morehead State University
Dr. Bob Jackson	Murray State University
Eric Gentry	Northern Kentucky University
Dr. Tim Caboni	Western Kentucky University
Dr. Paul Czarapata	KCTCS

Commonwealth of Kentucky
 Performance Funding Work Group Meeting Schedule
 Calendar Year 2023

ATTACHMENT B

Draft - For Discussion Purposes

<u>Meeting</u>	<u>Day of Week/Month</u>	<u>Date/Time</u>	<u>Planned Activities</u>
1	4th Wednesday in January	01/25/23 10:00 AM EST	Background Information <ul style="list-style-type: none"> • Impetus for the Model • Guiding Principles • Desired State Goals • Major Decision Points Components and Metrics Model Mechanics Distributions and Impact Trends in Student Outcomes
2	1st Wednesday in March	03/01/23 1:00 PM EST	Environmental Scan <ul style="list-style-type: none"> • Performance Funding Landscape Performance Funding Survey <ul style="list-style-type: none"> • Campus Responses • CPE Staff Responses Major Decision Points
3	3rd Wednesday in April	04/19/23 1:00 PM EDT	TBD
4	1st Wednesday in June	06/07/23 1:00 PM EDT	TBD
5	3rd Wednesday in July	07/19/23 1:00 PM EDT	TBD
6	1st Wednesday in September	09/06/23 1:00 PM EDT	TBD
7	3rd Wednesday in October	10/18/23 1:00 PM EDT	Finalize recommendations of the work group in preparation for submission to the Governor and General Assembly
®	1st Friday in December	12/01/23 COB	The results of the review and recommendations of the work group are due to the Governor, the Interim Joint Committee on Appropriations and Revenue, and the Interim Joint Committee on Education

TBD - To be determined
 COB - Close of business



Performance Funding Model Review Fiscal Years 2017-18 Through 2022-23

Postsecondary Education Working Group
January 25, 2023



Overview



- Introduction
- Background Information
- Components and Metrics
- Model Mechanics
- Distributions and Impact
- Student Outcomes
- Next Steps



Introduction

Introduction



- What is the working group's charge? What are their primary responsibilities?
- What is the timeline for completion of work? How frequently should the working group meet?
- Which CPE staff will support the work group? How can they be contacted?
- What resource materials may be helpful for group members as they perform their work?

Introduction

Working Group's Charge

➔ KRS 164.092, 11(b)(c)

Beginning in fiscal year 2020-21 and every three fiscal years thereafter, the postsecondary education working group shall convene to:

- determine if the comprehensive funding model is functioning as expected
- identify any unintended consequences of the model
- recommend any adjustments to the model

The results of the review and recommendations of the working group shall be reported to the Governor, the Interim Joint Committee on A&R, and the Interim Joint Committee on Education (by December 1)

Introduction

Timeline and Meetings

First Performance
Work Group Meeting
January 25, 2023



▲
Oct 18 - PEWG
Report Finalized

Report to Governor
and General Assembly
December 1, 2023

Proposed Meeting Dates:

- Wednesday, March 1
- Wednesday, April 19
- Wednesday, June 7
- Wednesday, July 19
- Wednesday, September 23
- Wednesday, October 18

Half of these dates correspond
with previously scheduled
presidents' meetings

Proposed 1:00 PM start time for
all future meetings

Introduction

Staff Contacts

- For data validation or information requests:

Travis Muncie, Executive Director
Data and Advanced Analytics
(502) 892-3044 / travis.muncie@ky.gov



CPE data staff will
work with campus
IR Directors

- For model calculations or scenario requests:

Bill Payne, Vice President
Finance and Administration
(502) 892-3052 / bill.payne@ky.gov

Shaun McKiernan, Executive Director
Finance and Budget
(502) 892-3039 / shaun.mckiernan@ky.gov



CPE finance staff
will work with
campus CBOs

- Any requests for metric data or funding scenarios, and responses to such requests, will be shared with all working group members, as will proposals for adjustments in the models.

Introduction

Resource Materials

- Goal and Guiding Principles (September 2016)
- Postsecondary Education Working Group Report (December 2016)
- Kentucky Performance Funding Statute (KRS 164.092)
- 2020 Work Group Recommendations (December 2020)
- Fiscal Year 2022-23 Performance Fund Distribution (April 2022)
- Performance Funding Surveys (September 2022)
- Student Outcomes (Universities and KCTCS)



Background Information

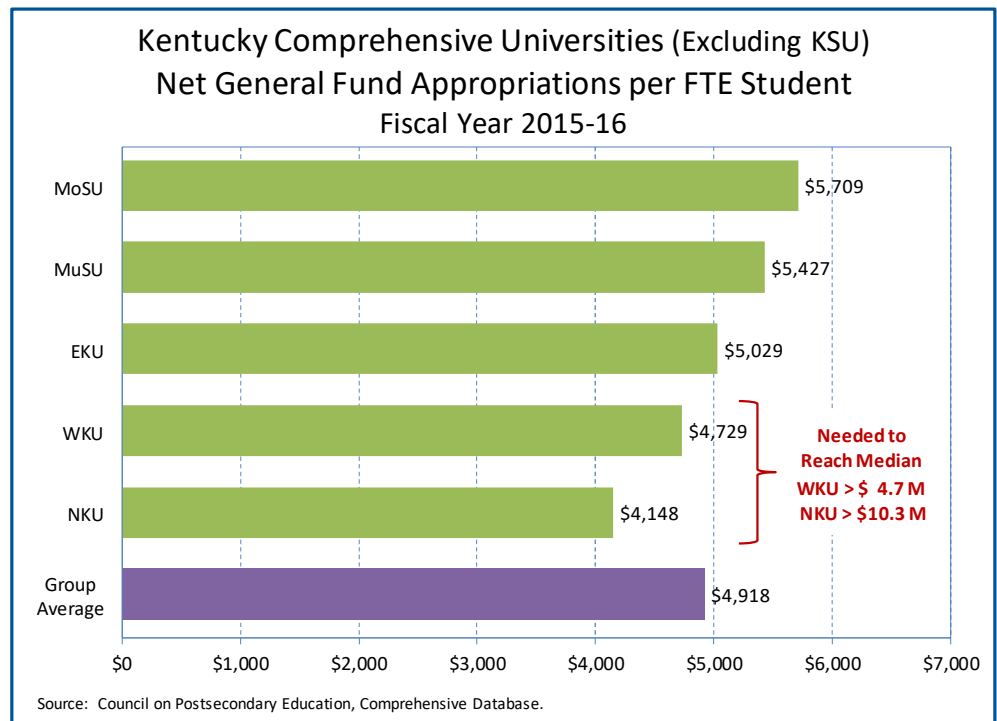
Background Information

- What was the main impetus for developing the funding models?
- What was the stated goal of the initial working group?
- What were the underlying principles that guided model development?
- What state goals for higher education were the models designed to achieve?
- What major decisions were made to achieve consensus?

Background Information

Impetus for the Model

- Respond to legislative mandate to convene working group and develop model (HB 303, 2016)
- Accelerate progress toward attainment of state goals for postsecondary education
- Address shortcomings of the previous method (base +, base -)
- Rectify funding disparities that had developed over time



Background Information

Overarching Goal

The stated goal of the Postsecondary Education Working Group was to:

- Develop a funding model that aligns state funding for higher education operations with desired state policy goals and appropriately reflects differences in mission among campuses

Background Information

Guiding Principles

Outcomes Based

- Provide incentives for improved performance by creating a link between state funding and desired state goals

Targeted

- Exclude funding for debt service, mandated programs, and other activities that are not credit hour generating

Mission Sensitive

- Recognize that different missions may require different levels of funding

Sustainable

- Provide ongoing incentives for improvement regardless of resource environment

Background Information

Guiding Principles (Cont'd)

Cost Sensitive

- Consider differences in the costs of credit hours produced by course level and discipline

Stable

- Not permit large annual shifts in funding to occur

Data Driven

- Use reliable and readily available data

Functional

- Capable of being integrated into biennial budget requests

Simple

- Use relatively few metrics, and be easy to understand

Background Information

Desired State Goals

- Increase retention and progression of students toward timely completion
- Increase numbers of degrees and credentials earned by all students
- Produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H, high-demand, and targeted industries)
- Close achievement gaps by growing degrees and credentials earned by minority, low income, and underprepared students

Background Information

Major Decision Points

The first working group had to make many critical decisions to reach consensus and construct the model:

- Type of model → targets and goals, or outcomes based
- Number of sectors → research and comprehensives together, or separate
- Main components → student success, course completion, M&O, institutional support, academic support
- Component weights → 35% student success, 35% course completion, 10% for each operational support component

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Background Information

Major Decision Points (Cont'd)

- Model metrics → degree types, premiums, student progression, operational support
- Degree types → bachelor's only, all degrees
- Metric weights → graduated to emphasize completion yes, no
- Measures → numbers of degrees, graduation rate
 hours earned (progression), retention rate
- Earned credit hours → undergraduate, graduate, HS
- Nonresident hour weight → 0%, 35%, 50%, 100%



Components and Metrics

Components and Metrics

- What are the main components used in the model? What allocation percentage was assigned to each component?
- How were the components and allocation percentages determined?
- What metrics are used in the model? What allocation percentage was assigned to each metric?
- How were the metrics and allocation percentages determined?

Components and Metrics

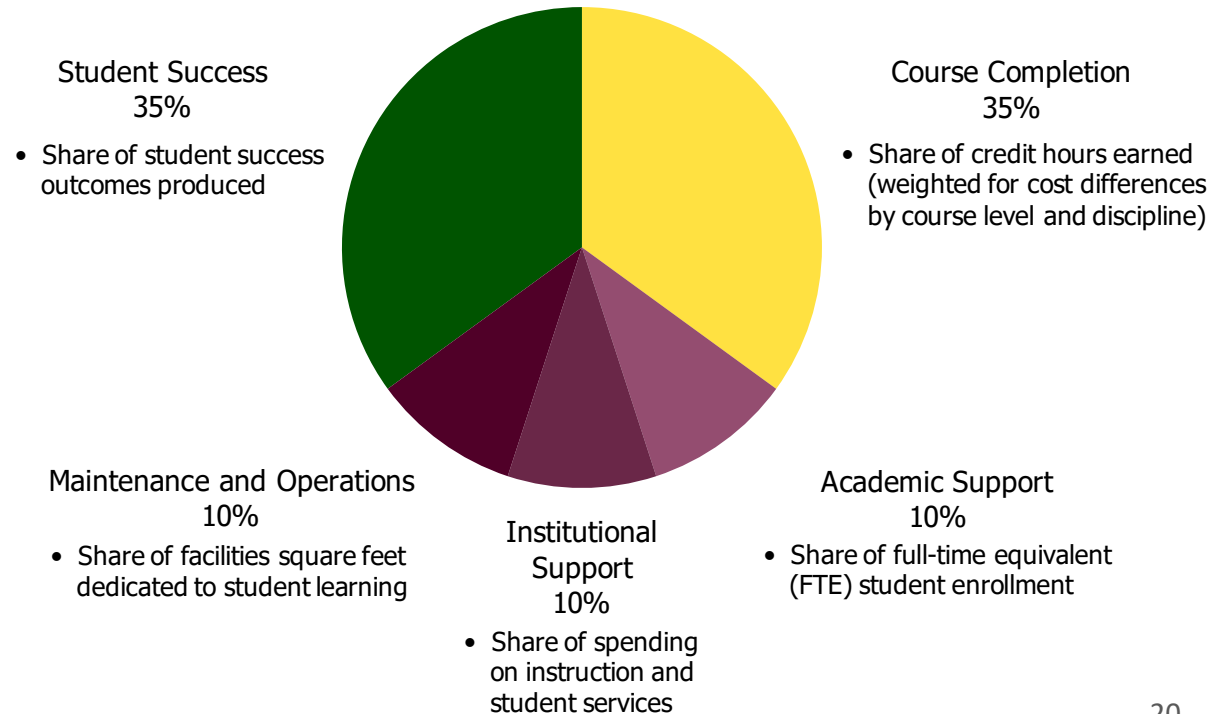
Components and Allocation Percentages

Kentucky's funding model contains five main components:

- Outcomes Based Components
 - Student Success
 - Course Completion
- Operational Support Components
 - M&O
 - Institutional Support
 - Academic Support

The components are the same for both university and KCTCS models

Kentucky's Performance Funding Model Distribution of Allocable Resources



Components and Metrics

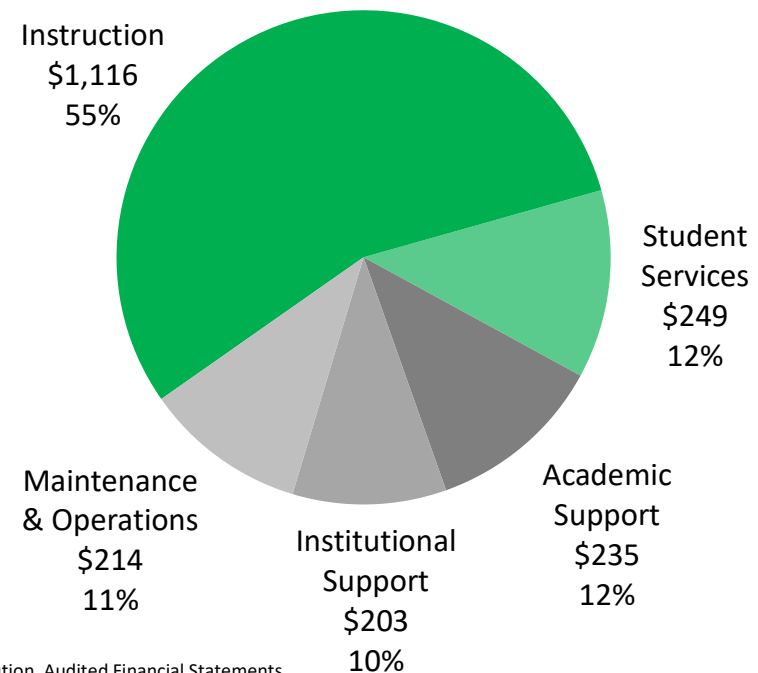
Components and Allocation Percentages (Cont'd)

CPE staff proposed and the working group accepted an approach that:

- Aligned funding model components with components of postsecondary system E&R spending
- The weighting of operational support components closely mirrored spending on indirect costs
- Spending on direct costs formed the basis for a 70% allocation to student success (35%) and course completion (35%) in the model

Education and Related Spending by Component Fiscal Year 2019-20

Total = \$2,016 Million



Source: Postsecondary Institution, Audited Financial Statements.

Components and Metrics

Metrics and Allocation Percentages

University Metrics

<i>Student Success</i>	<u>Weight</u>
• Progression (@ 30 hours)	3.0%
• Progression (@ 60 hours)	5.0%
• Progression (@ 90 hours)	7.0%
• Total Bachelor's Degrees	9.0%
• STEM+H Bachelor's	5.0%
• URM Bachelor's Degrees	3.0%
• Low Income Bachelor's	3.0%
• Course Completion	35.0%
<i>Operational Support</i>	
• Maintenance & Operations	10.0%
• Institutional Support	10.0%
• Academic Support	10.0%

* Graduated scale to emphasize completion.

KCTCS Metrics

<i>Student Success</i>	<u>Weight</u>
• Progression (@ 15 hours)	2.0%
• Progression (@ 30 hours)	4.0%
• Progression (@ 45 hours)	6.0%
• Total Credentials	10.0%
• URM Credentials	2.0%
• Low Income Credentials	2.0%
• Underprepared Credentials	2.0%
• STEM+H Credentials	2.0%
• High Wage High Demand	1.0%
• Targeted Industry Sectors	2.0%
• Transfers	2.0%
• Course Completion	35.0%

Operational Support (Same as Universities)

Components and Metrics

Metrics and Allocation Percentages (Cont'd)

The main objectives of the working group were to select metrics and allocation percentages that:

- were aligned with desired state goals for higher education and commonly used in other states
- would provide incentives for institutions to accelerate progress toward identified goals
- assign progressively greater weight the further a student progressed toward completion (i.e., use a graduated scale)
- provide premiums for high priority populations



Model Mechanics

Model Mechanics

- What is the formula base? How is it calculated?
- What are the allocable resources run through the model? How are they calculated?
- What is the small school adjustment? How was it determined?
- How does the model work? What are the basic mechanics?

Model Mechanics

Allocable Resources

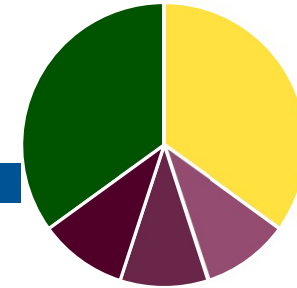
Performance Funding Model for the Public Universities
 Calculate Allocable Resources by Institution
 Fiscal Year 2022-23

	A	B	C	(A - B - C) D	E	(D - E) F
Institution	Fiscal 2022-23 General Fund	Adjustments to General Fund	2022-23 Mandated Program Funding	2022-23 Adjusted Net General Fund	Small School Adjustment	Allocable Resources
UK	\$289,108,300	(\$2,777,500)	(\$101,668,800)	\$184,662,000	(\$16,999,300)	\$167,662,700
UofL	129,031,800	(1,475,000)	(1,345,200)	126,211,600	(12,391,500)	113,820,100
EKU	76,640,900	(2,117,000)	(13,681,600)	60,842,300	(4,451,200)	56,391,100
KSU	28,165,600	(290,000)	(9,640,100)	18,235,500	(4,451,200)	13,784,300
MoSU	45,714,100	(634,500)	(10,148,100)	34,931,500	(4,451,200)	30,480,300
MuSU	48,708,900	(850,000)	(7,305,100)	40,553,800	(4,451,200)	36,102,600
NKU	53,090,500	(843,000)	(1,323,900)	50,923,600	(4,451,200)	46,472,400
WKU	79,173,100	(1,226,500)	(10,327,600)	67,619,000	(4,451,200)	63,167,800
Total	\$749,633,200	(\$10,213,500)	(\$155,440,400)	\$583,979,300	(\$56,098,000)	\$527,881,300

Source: Council on Postsecondary Education, Finance and Budget Unit, Performance Funding Database.

Model Mechanics

Component Funding Pools

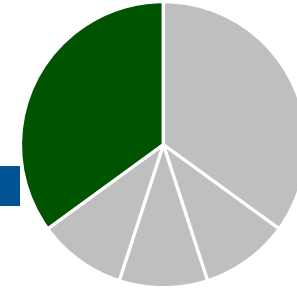


Funding Model for the Public Universities
 Assign Allocable Resources to Component Funding Pools
 Fiscal 2022-23 (Dollars in Millions)

<u>Model Component</u>	<u>Allocation Percentages</u>	<u>Component Funding Pools</u>	<u>Distribution Method</u>
Student Success	35%	\$184.8	Share of student success outcomes produced
Course Completion	35%	184.8	Share of weighted student credit hours earned
Maintenance and Operations	10%	52.8	Share of facilities square feet dedicated to student learning
Institutional Support	10%	52.8	Share of instruction and student services spending
Academic Support	10%	52.8	Share of FTE student enrollment
Total Allocable Resources	100%	\$527.9	

Model Mechanics

Success Metric Pools



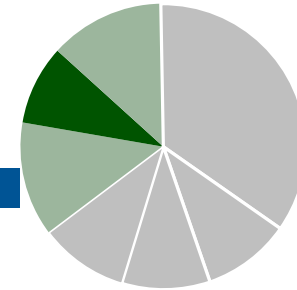
Funding Model for the Public Universities
 Assign Student Success Component to Metric Funding Pools
 Fiscal 2022-23 (Dollars in Millions)

Student Success Metric	Allocation Percentages	Success Metric Pools
Progression @ 30 Hours	3%	\$15.8
Progression @ 60 Hours	5%	26.4
Progression @ 90 Hours	7%	37.0
Bachelor's Degrees	9%	47.5
STEM+H Degrees	5%	26.4
URM Bachelor's Degrees	3%	15.8
Low Income Bachelor's Degrees	3%	15.8
Total Student Success Component	35%	\$184.8

- Student success metric allocation percentages are applied to \$527.9 million in allocable resources to determine the amount of each success metric pool
- The allocation percentages and metric pool amounts add to 35% and \$184.8 million, respectively, which equal student success funding component totals

Model Mechanics

Share of Outcomes Produced



Funding Model for the Public Universities
Distribute Bachelor's Degree Component Funds
Fiscal Year 2022-23

Bachelor's Degree Funding Pool \$47,509,300

Institution	Weighted Bachelor's Degrees ¹	Percent Share	Distribution
UK	8,616	35.2%	\$16,702,800
UofL	5,152	21.0%	9,987,600
EKU	2,677	10.9%	5,189,800
KSU	95	0.4%	185,000
MoSU	1,053	4.3%	2,041,000
MuSU	1,702	6.9%	3,299,400
NKU	2,228	9.1%	4,318,800
WKU	2,984	12.2%	5,784,900
Total	24,507	100.0%	\$47,509,300

- The model uses a three-year rolling average of bachelor's degrees produced, weighted by a degrees per 100 FTE student index to promote efficiency
- It calculates each institution's percent share of total weighted bachelor's degrees and applies that percent to the total pool
- This "percent share of total" approach is performed on all metrics throughout the model

Model Mechanics

Current Share versus Formula Share

- The model compares current and formula distributions and allocates funds to institutions to minimize differences
- Due to adoption of the 2021 funding floor and elimination of stop loss carve outs base funds no longer redistributed
- Rather, appropriations to the Performance Fund are distributed to help close gaps

Performance Funding Model for the Public Universities

Calculate Difference Between Current Share and Formula Derived Distributions
Fiscal Year 2022-23

Bachelor's Degree Pool \$47,509,300

Institution	Current Share Distribution		Formula Derived Distribution		Dollar Difference
	Percent Share	Current Distribution	Percent Share	Formula Distribution	
UK	31.8%	\$15,089,600	35.2%	\$16,702,800	\$1,613,200
UofL	21.6%	10,243,800	21.0%	9,987,600	(256,200)
EKU	10.7%	5,075,200	10.9%	5,189,800	114,600
KSU	2.6%	1,240,700	0.4%	185,000	(1,055,700)
MoSU	5.8%	2,743,200	4.3%	2,041,000	(702,200)
MuSU	6.8%	3,249,200	6.9%	3,299,400	50,200
NKU	8.8%	4,182,500	9.1%	4,318,800	136,300
WKU	12.0%	5,685,100	12.2%	5,784,900	99,800
Total	100.0%	\$47,509,300	100.0%	\$47,509,300	\$0

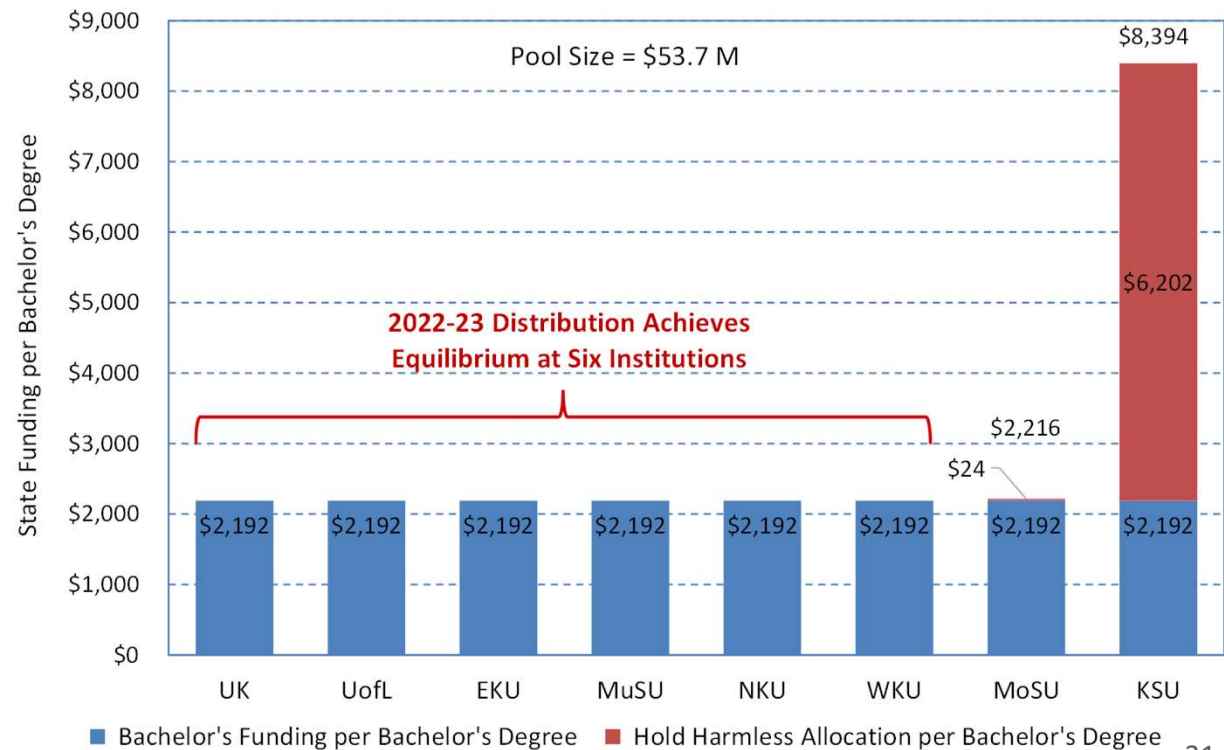
Source: Council on Postsecondary Education, Finance and Budget Unit, Performance Funding Database.

Model Mechanics

Progress Toward Parity

- After the distribution of 2022-23 performance funds, the model ultimately allocates \$53.7 million to the universities for degrees
- As a result, six universities are at funding parity (\$2,192 per degree) and a 7th is very close
- The red bars represent hold harmless amounts assigned to bachelor's degree production at MoSU and KSU
- The floor 2020-21 protects these funds from being redistributed

Kentucky Performance Funding Model
Bachelor's Degree Component Funding per Weighted Bachelor's Degree
Fiscal Year 2022-23



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Distributions and Impact

Distributions and Impact

- How much has been appropriated to the Performance Fund? What was the source of that funding?
- How much has each institution received? Was the funding recurring or nonrecurring?
- Does there seem to be alignment between outcomes produced and funding distributions?
- What are state funds for educating students? How have they changed since adopting performance funding?

Distributions and Impact

Appropriations by Source

- For four years, models were applied with *no new funding*
- Lack of state support resulted in redistribution of the General Fund base among institutions
- In March 2021, KRS 164.092 was amended to eliminate stop loss carve outs and establish a funding floor 2020-21
- Beginning in 2021-22, the General Assembly began appropriating new operating funds to the Performance Fund

Funding Models for the Universities and KCTCS Institutions
Implementation Schedule and Funding Sources
(Dollars in Millions)

<u>Timeline</u>	<u>Fiscal Year</u>	<u>Institution Contribution</u>	<u>State Funding</u>	<u>Total Funding</u> ¹
Year 0	2017-18	\$42.9	\$0.0	\$42.9
Year 1	2018-19	31.0	0.0	31.0
Year 2	2019-20	38.7	0.0	38.7
Year 3	2020-21	14.9	0.0	14.9
Year 4	2021-22	0.0	17.3	17.3
Year 5	2022-23	\$0.0	\$97.3	\$97.3

¹ Represents state appropriations, stop-loss contributions, and other campus carve outs added to the Performance Fund, which were then distributed among institutions based on outcomes produced.

Distributions and Impact

Distributions and Metric Scorecards

- Performance funds distributed in 2017-18, 2019-20, and 2020-21 ultimately became recurring to the institutions
- This occurred as the General Assembly enacted budgets in each subsequent year and adjusted the base budgets of institutions that received performance funds
- Beginning March 18, 2021, distributions from the performance fund to the institutions are nonrecurring (KRS 164.092)

Kentucky Performance Funding Models

Annual Distributions from the Postsecondary Education Performance Fund
Fiscal Years 2017-18 Through 2022-23

Institution	2017-18 Distribution	2018-19 Distribution	2019-20 Distribution	2020-21 Distribution	2021-22 Distribution	2022-23 Distribution
UK	\$13,411,800	\$9,119,000	\$14,492,500	\$6,621,600	\$6,086,400	\$30,904,300
UofL	6,580,500	2,507,100	3,343,300	2,938,900	2,972,500	17,523,600
EKU	3,321,500	3,387,300	3,578,400	394,200	120,200	4,927,900
KSU	-- NA -- ¹	0	0	0	0	0
MoSU	1,742,900	0	0	0	0	0
MuSU	2,231,300	557,800	0	0	0	3,296,800
NKU	2,745,900	4,837,200	4,325,500	967,000	2,902,700	11,363,500
WKU	3,830,200	3,748,600	4,379,100	757,900	1,398,800	7,777,200
Subtotal	\$33,864,100	\$24,157,000	\$30,118,800	\$11,679,600	\$13,480,600	\$75,793,300
KCTCS	9,080,300	6,843,000	8,547,000	3,315,200	3,826,500	21,513,800
Total	\$42,944,400	\$31,000,000	\$38,665,800	\$14,994,800	\$17,307,100	\$97,307,100

¹ KSU was excluded from participation in performance funding in fiscal year 2017-18.

Distributions highlighted in yellow ultimately became recurring to institutions that received the funds.

Source: Council on Postsecondary Education, Finance and Budget Unit, Performance Funding Database.

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Distributions and Impact

Distributions and Metric Scorecards (Cont'd)

Kentucky Performance Funding Models Distribution of Performance Funds Fiscal Year 2022-23

Institution	Distribution
University of Kentucky	\$30,904,300
University of Louisville	17,523,600
Eastern Kentucky University	4,927,900
Kentucky State University	0
Morehead State University	0
Murray State University	3,296,800
Northern Kentucky University	11,363,500
Western Kentucky University	7,777,200
Subtotal	\$75,793,300
KCTCS	21,513,800
Total	\$97,307,100

The enacted 2022-2024 Budget of the Commonwealth appropriated \$97.3 to the Postsecondary Education Performance Fund in fiscal year 2022-23. These funds were distributed among institutions in accordance with provisions of KRS 164.092.

Performance Funding Model for the Public Universities Metrics Where Rates of Growth Exceeded Sector Average Between Fiscal Years 2021-22 and 2022-23

Performance Metric	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	Pool Size (In Millions)
Student Success Outcomes									
Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$53.7
STEM+H Bachelor's Degrees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	29.8
URM Bachelor's Degrees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	17.9
Low Income Bachelor's Degrees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	17.9
Student Progression @ 30 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	17.9
Student Progression @ 60 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	29.8
Student Progression @ 90 Hours	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	41.8
Earned Credit Hours	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	208.9
Operational Support Activity									
Instructional Square Feet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	59.7
Direct Cost of Instruction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	59.7
FTE Students	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	59.7
Metrics Above Sector Average	11	7	0	4	3	4	8	2	
Total Allocable Resources:									\$596.8

Distributions and Impact

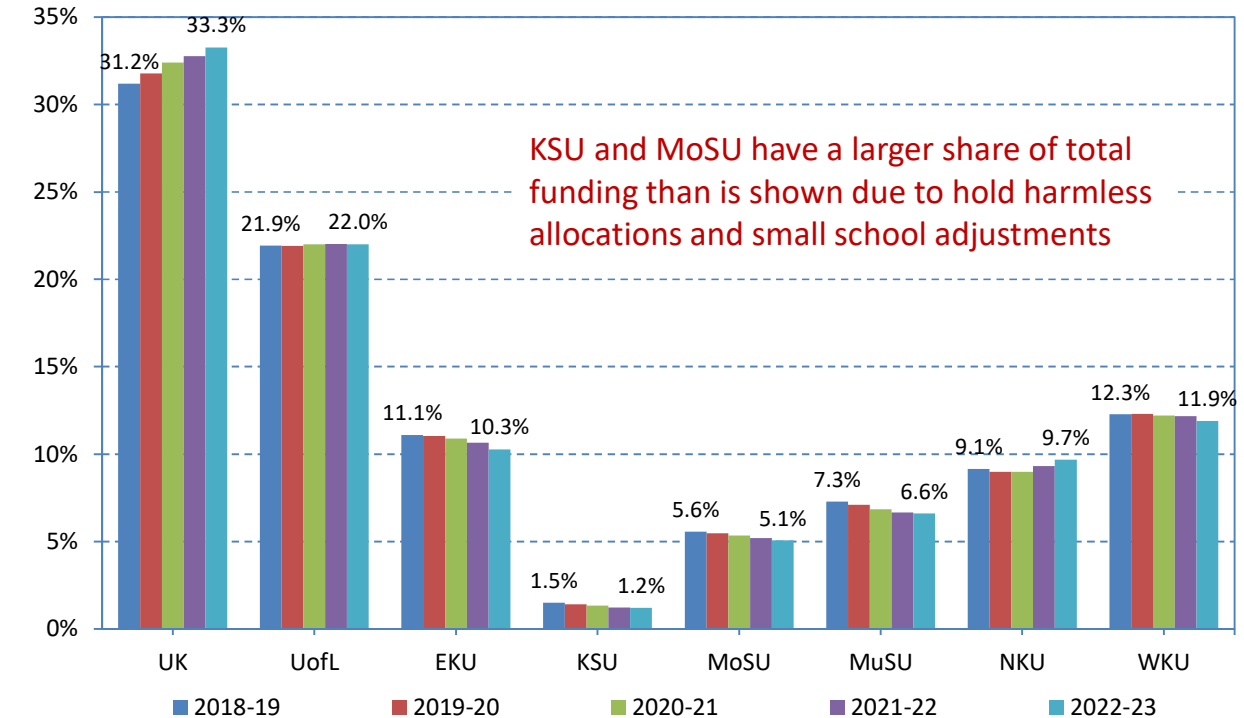
Formula Share of Allocable Resources

Funding Model for the Public Universities
Formula Share of Allocable Resources
Change Between 2018-19 and 2022-23

Institution	Fiscal 2018-19	Fiscal 2022-23	% Point Change
UK	31.2%	33.3%	2.1%
UofL	21.9%	22.0%	0.1%
EKU	11.1%	10.3%	-0.8%
KSU	1.5%	1.2%	-0.3%
MoSU	5.6%	5.1%	-0.5%
MuSU	7.3%	6.6%	-0.7%
NKU	9.1%	9.7%	0.5%
WKU	12.3%	11.9%	-0.4%
Total	100.0%	100.0%	0.0%

- This table shows the change in share of allocable resources after the distribution of performance funds. The percentages are based on amounts that do not include debt service, mandated programs, small school adjustments, or hold harmless funds.

Kentucky Funding Model for the Public Universities
Formula Share of Allocable Resources by Institution
Fiscal Years 2018-19 Through 2022-23



Source: Council on Postsecondary Education, Finance and Budget Unit, Performance Funding Database.

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Distributions and Impact

State Funds for Educating Students

Kentucky Public Postsecondary Institution
 Calculated State Funds for Educating Students
 Fiscal Year 2022-23

Institution				(A - B - C)		
	A	B	C	D	E	(D + E)
	Enacted Total General Fund	Debt Service Adjustment	Mandated Programs	Adjusted Net General Fund ¹	Performance Distribution	State Funds for Education
University of Kentucky	\$289,108,300	(\$2,777,500)	(\$101,668,800)	\$184,662,000	\$30,904,300	\$215,566,300
University of Louisville	129,031,800	(1,475,000)	(1,345,200)	126,211,600	17,523,600	143,735,200
Eastern Kentucky University	76,640,900	(2,117,000)	(13,681,600)	60,842,300	4,927,900	65,770,200
Kentucky State University	28,165,600	(290,000)	(9,640,100)	18,235,500	0	18,235,500
Morehead State University	45,714,100	(634,500)	(10,148,100)	34,931,500	0	34,931,500
Murray State University	48,708,900	(850,000)	(7,305,100)	40,553,800	3,296,800	43,850,600
Northern Kentucky University	53,090,500	(843,000)	(1,323,900)	50,923,600	11,363,500	62,287,100
Western Kentucky University	79,173,100	(1,226,500)	(10,327,600)	67,619,000	7,777,200	75,396,200
KCTCS	180,464,900	(3,229,000)	(11,474,300)	165,761,600	21,513,800	187,275,400
Total	\$930,098,100	(\$13,442,500)	(\$166,914,700)	\$749,740,900	\$97,307,100	\$847,048,000

¹ The adjusted net General Fund appropriation is also referred to as the "Formula Base" in statute (KRS 164.092).

Source: Kentucky Performance Funding Model, Fiscal 2022-23 Iteration, Final Verified Calculations.

Distributions and Impact

State Funds for Educating Students (Cont'd)

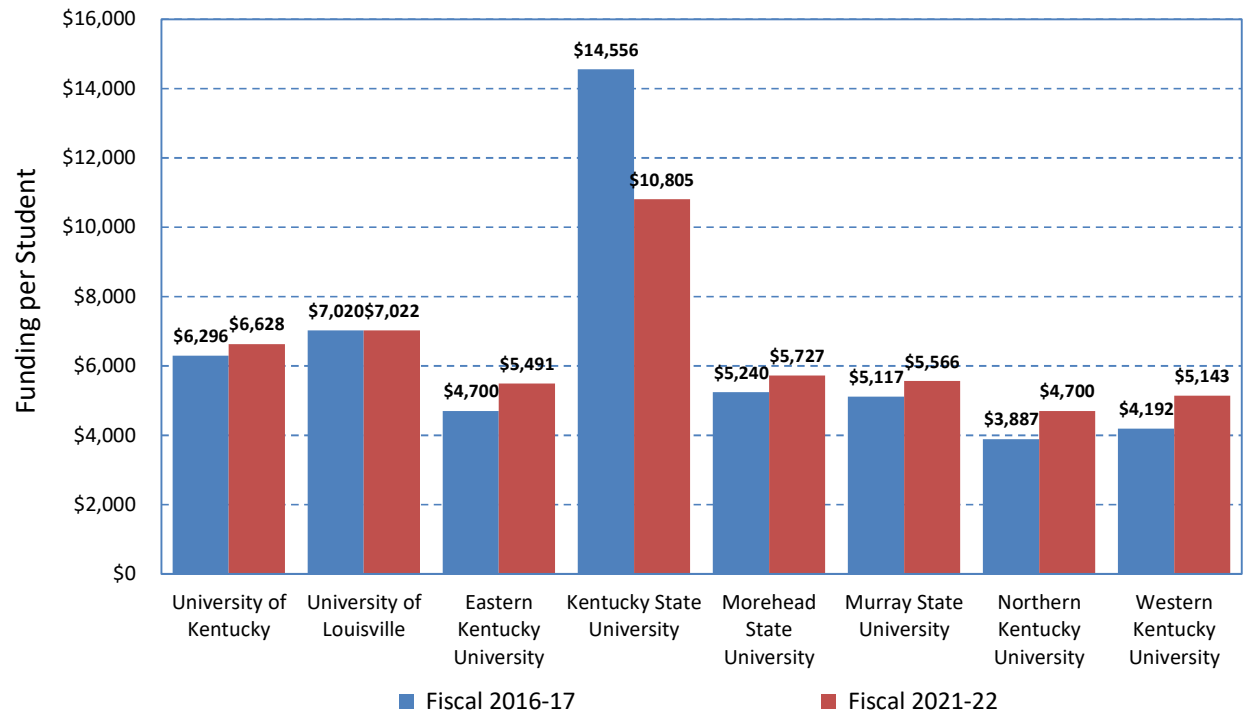
Kentucky Public Postsecondary Institution
Change in State Funds for Educating Students¹
Between Fiscal Years 2016-17 and 2022-23

Nominal Dollars in Millions

Campus	2016-17	2022-23	Dollar Change	Percent Change
UK	\$181	\$216	\$34	19%
UofL	132	144	12	9%
EKU	63	66	3	5%
KSU	20	18	(2)	-9%
MoSU	39	35	(4)	-10%
MuSU	43	44	0	1%
NKU	45	62	17	38%
WKU	66	75	9	13%
KCTCS	170	187	18	10%
Total	\$759	\$847	\$88	12%

¹ Defined as each institution's regular General Fund appropriation plus any performance fund distribution, minus debt service and mandated program funding.

State Funds for Educating Students¹ per Full-Time Equivalent Student
Fiscal Years 2016-17 and 2021-22



¹ Regular General Fund appropriation plus performance fund distribution, minus debt service and mandated program funding.
Source: Council on Postsecondary Education, Finance and Budget Unit, and Data and Advanced Analytics Unit.



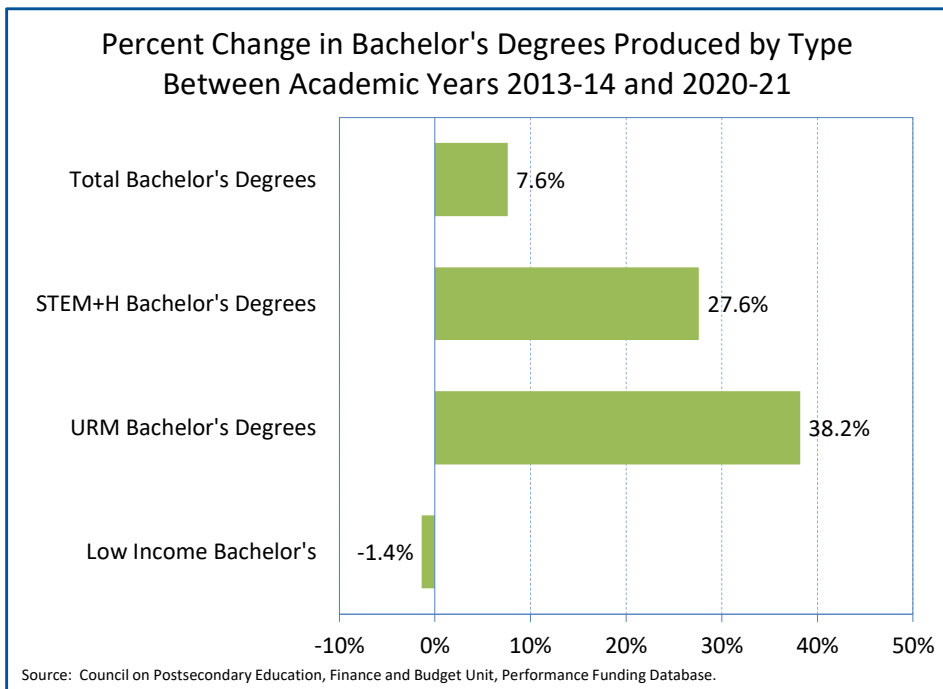
Student Outcomes

Student Outcomes

- Have public universities increased numbers of students progressing and bachelor's degrees produced?
- Are there differences by degree type and threshold?
- Have KCTCS institutions increased numbers of students progressing and credentials produced?
- Are there differences by credential type and threshold?
- Is Kentucky still on track to achieve its 60% attainment goal by the year 2030?

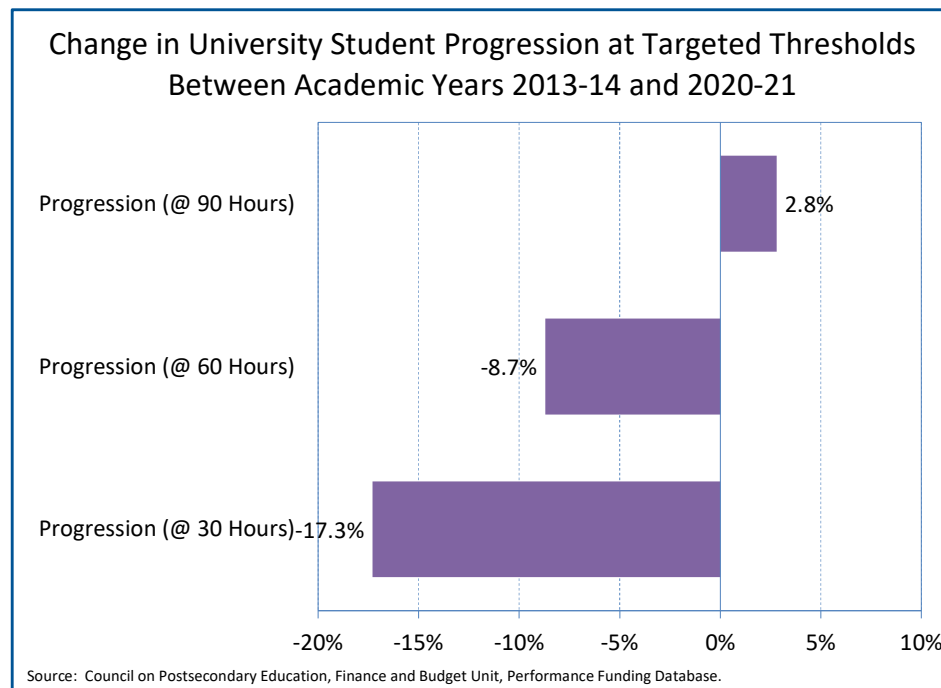
Student Outcomes

University Degrees and Progression



- ↑ Over the past seven years, STEM+H and URM bachelor's degrees grew by 28% and 38%, respectively
- Despite a premium in the model, bachelor's degrees awarded to low-income students decreased by -1.4%

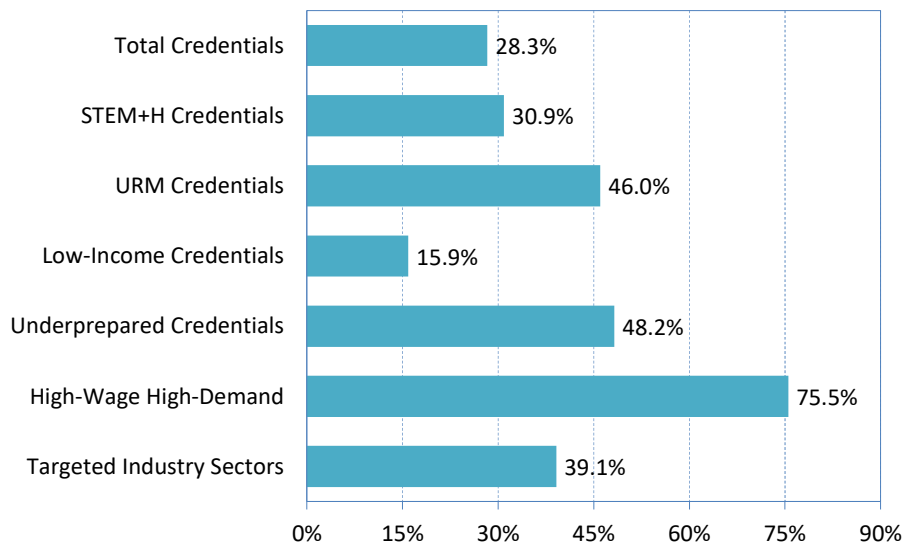
- Since 2014, numbers of students who reached 30 and 60 credit hours decreased by -17% and -9%, respectively
- The number of students who progressed beyond 90 credit hours increased by +2.8%



Student Outcomes

KCTCS Credentials and Progression

Percent Change in KCTCS Credentials Produced by Type Between Academic Years 2015-16 and 2020-21



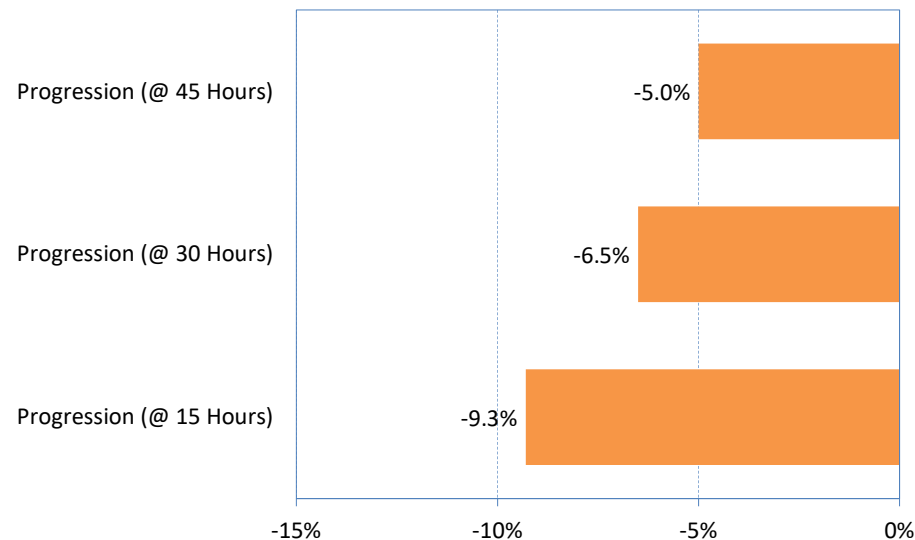
Source: Council on Postsecondary Education, Finance and Budget Unit, Performance Funding Database.

- At KCTCS, STEM+H (+31%) and URM (+46%) credentials grew at a faster pace than did total credentials (+28%)
- Despite a premium in the model, credentials awarded to low-income students grew far less than other credentials

- Declining enrollment contributed to reduced student progression at every credit hour threshold
- Growth in transfers also contributed to the decrease in student progression at 45 credit hours



Change in KCTCS Student Progression at Targeted Thresholds Between Academic Years 2015-16 and 2020-21

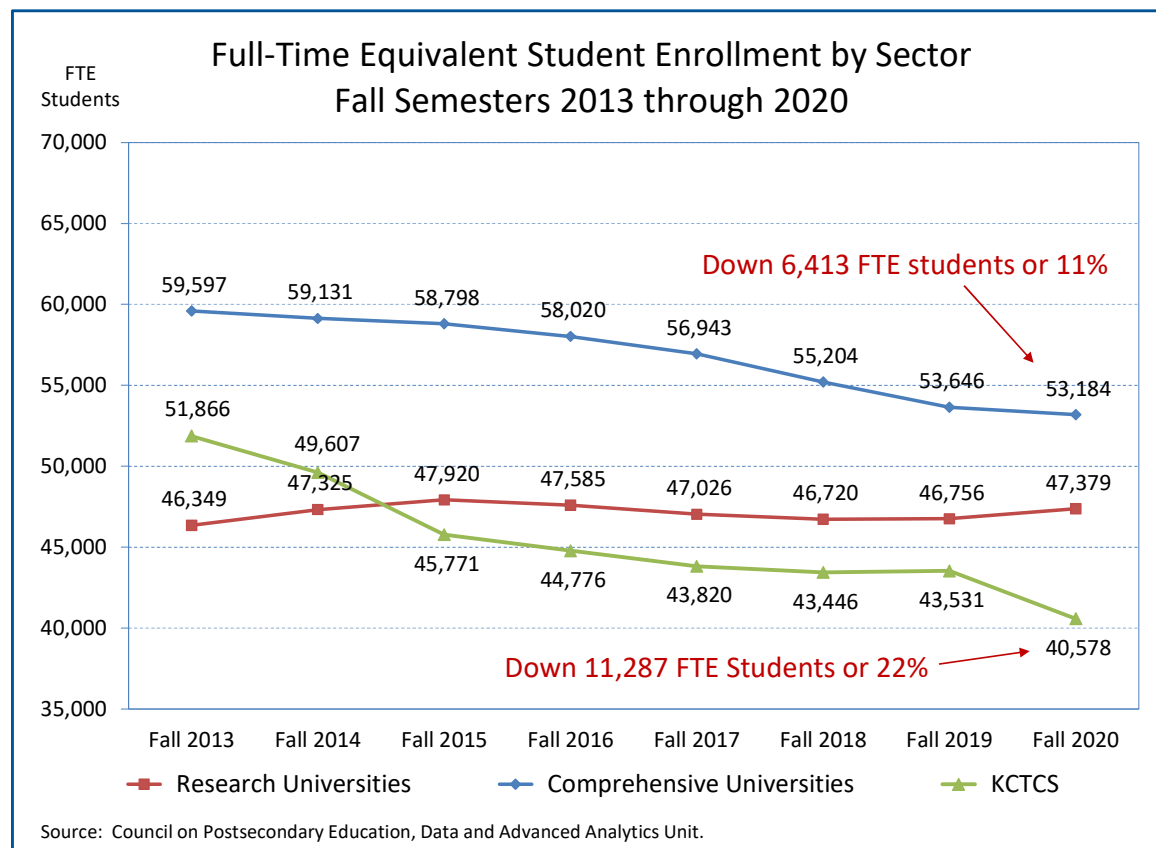


Source: Council on Postsecondary Education, Finance and Budget Unit, Performance Funding Database.

Student Outcomes

FTE Student Enrollment

- Between fall semesters 2013 and 2020, FTE student enrollment decreased by -6,413 or -11% at the comprehensives (-1.6 AAGR)
- KCTCS enrollment fell by -11,287 students or -22% (-3.4% AAGR)
- Enrollment in the research sector grew by +1,030 students or +2% during this period
- UK was the only university that had an increase in enrollment (+1,094 students or 4.0%)



Student Outcomes

Council Resolution

- In February 2021, the Council adopted a resolution calling on education leaders to take decisive action to combat enrollment declines
- Data at the time showed that undergraduate enrollment was down 7.3% at the universities and down 12.3% at KCTCS, compared to five years earlier
- In response, system average increases in tuition over the past three years were the lowest in two decades (0.7% in 2021, 1.2% in 2022, 1.5% in 2023)
- The downward trend in enrollment is something the working group may want to keep in mind as it considers possible changes to the funding models
- Responses to the Performance Funding Survey indicate some support for adjustments to the model that encourage enrollment, persistence, and completion of nonresident students, adult learners, and low-income students

Student Outcomes

Progress Toward 60x30 Goal

Although degree and credential growth slowed in 2020-21, Kentucky is still on track to achieve its 60% college attainment by 2030 goal:

Category	2016-17	2017-18	2018-19	2019-20	2020-21	5-Year Average
Needed Progress	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Actual Progress	4.7%	2.8%	3.5%	3.3%	0.5%	3.0%

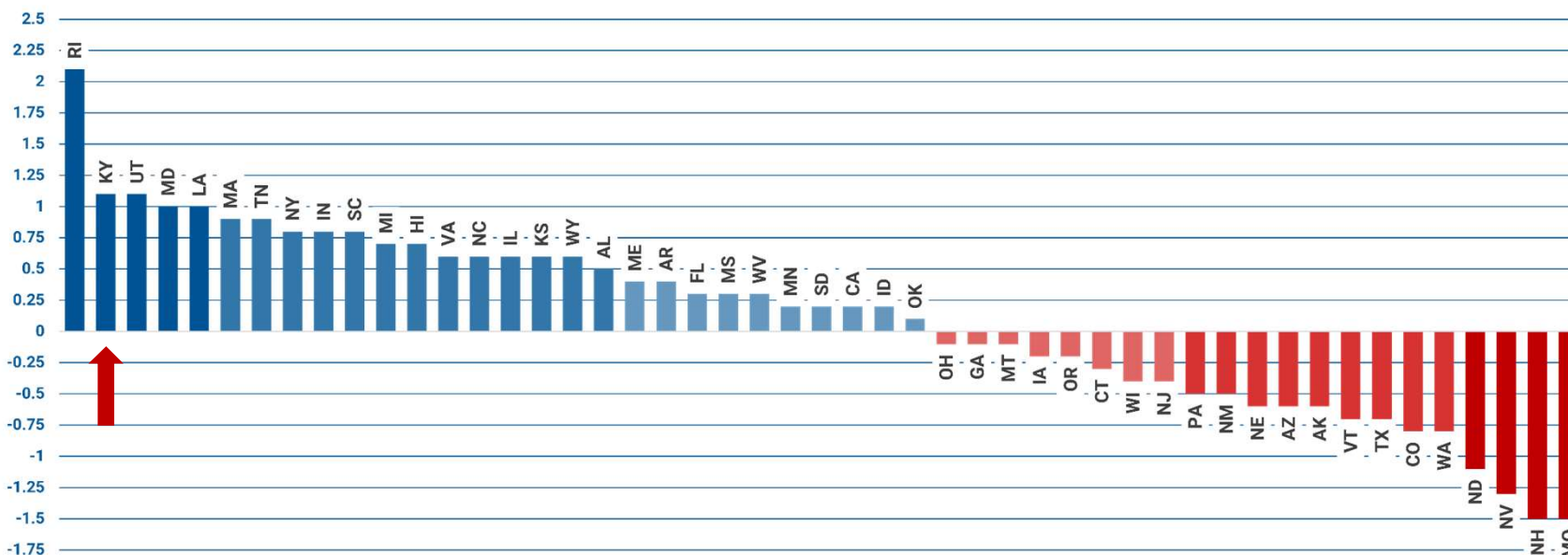
- Degrees and credentials need to grow by 1.7% per year to reach the 60x30 goal
- Over the past five years, the annual number of degrees and credentials awarded grew by about 3.0% per year
- Performance funding and other CPE initiatives have encouraged degree and credential production despite recent enrollment declines

Student Outcomes

College Completion Rates

Kentucky leads the way in improving college completion rates

Change from Previous Year in Six-Year Completion Rate by State, All Sectors



Completing College: National and State Reports with Longitudinal Data Dashboard on Six- and Eight-Year Completion Rates. National Student Clearinghouse Research Center.

- Kentucky's gain in six-year college completion rates tied for second best in the nation
- It was one of only five states with a gain of 1.0 percentage point or more (+1.1 ppt)



Next Steps

Next Steps

Student Outcomes (Cont'd)

- Public Universities
- KCTCS Institutions

Environmental Scan

Performance Funding Survey

- Campus Responses
- CPE Staff Responses

Major Decision Points

Questions?



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