

# POSTSECONDARY EDUCATION WORKING GROUP PERFORMANCE FUNDING MODEL REVIEW



September 6, 2023 - 1:00 PM – 3:00 PM, EST  
Virtual Meeting via Zoom

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# Overview



- 2024-2026 Operating Funds Request
- Proposed Adjustments to University Model
  - Increase Low-Income Degree Premium
  - Add New Adult Learner Metric
  - Eliminate Degree Efficiency Index Weighting
  - Modify Small School Adjustment
  - Increase Nonresident Credit Hour Weighting
- Proposed Adjustments to KCTCS Model



# **2024-2026 Operating Funds Request**

# 2024-2026 Operating Funds Request

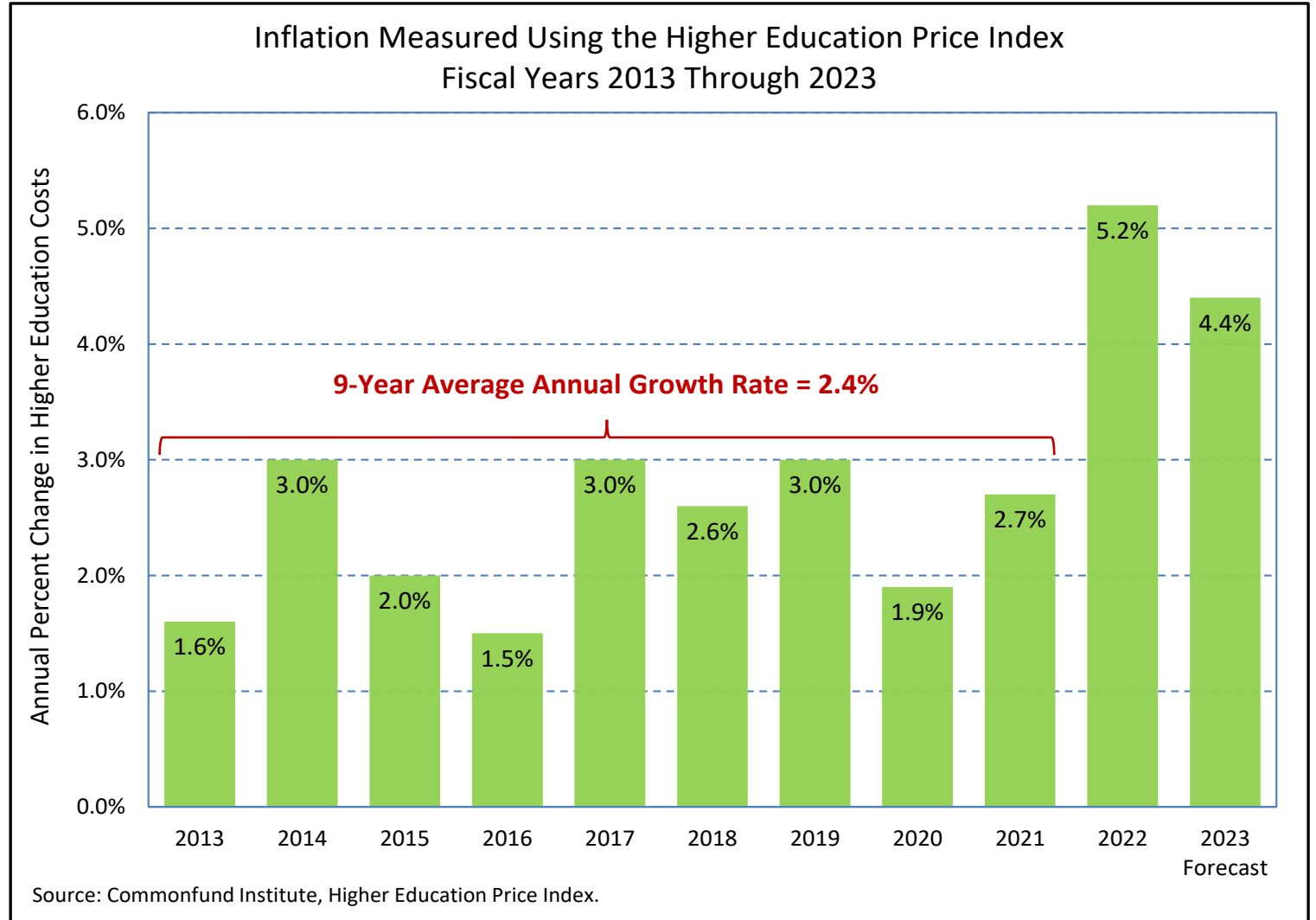
## ➤ *Background:*

- This past June, President Thompson and campus presidents reached consensus on a set of funding components and request amounts to include in the 2024-2026 operating funds request
- Recent events have caused stakeholders to revisit that proposal
  - In mid-August, the *Commonfund Institute* reported that the HEPI is expected to grow by 4.4% in 2022-23, after increasing by 5.2% the year before (i.e., 9.6% growth over two years)
  - CPE staff was notified by OSBD staff that state provided Fire and Tornado Insurance premiums will increase by 151% in 2024-25
- There are currently two options under consideration

# 2024-2026 Operating Funds Request

## *Growth in Higher Education Costs*

- Kentucky postsecondary institutions are facing some of the largest increases in higher education inflation in two decades
- The HEPI has grown by 9.6% over the past two years
- Funding is needed to offset these costs and help the Council and campus officials maintain affordability and access for Kentucky citizens



# 2024-2026 Operating Funds Request

## *Fire and Tornado Insurance Premiums*

- Fire and Tornado Insurance premiums set to increase by 151% next year
- A required cost increase without concomitant funding is  $\approx$  a budget cut
- The budgetary impact is largest at MuSU -4.4% and smallest at KCTCS -2.7%
- The system average impact is -3.4% or \$31.3 M in total

### Kentucky Public Postsecondary Institution Change in State Mandated Fire and Tornado Insurance Premiums Between Fiscal Years 2023-24 and 2024-25

Institution	2023-24 Net General Fund <sup>1</sup>	State Fire and Tornado Insurance Premiums <sup>2</sup>				Budget Impact
		2023-24 Premium	2024-25 Premium	Dollar Change	Percent Change	
UK	\$286,330,800	\$6,606,000	\$16,550,600	\$9,944,600	151%	-3.5%
UofL	127,456,800	3,206,200	8,032,800	4,826,600	151%	-3.8%
EKU	73,437,300	2,076,300	5,201,800	3,125,500	151%	-4.3%
KSU	27,820,800	546,100	1,368,100	822,000	151%	-3.0%
MoSU	44,328,400	1,179,000	2,954,000	1,775,000	151%	-4.0%
MuSU	47,517,600	1,374,800	3,444,400	2,069,600	151%	-4.4%
NKU	52,247,500	1,263,500	3,165,500	1,902,000	151%	-3.6%
WKU	77,591,300	1,448,700	3,629,500	2,180,800	151%	-2.8%
KCTCS	173,546,500	3,080,500	7,718,000	4,637,500	151%	-2.7%
Total	\$910,277,000	\$20,781,100	\$52,064,700	\$31,283,600	151%	-3.4%

<sup>1</sup> Each institution's enacted General Fund appropriation minus debt service (HB 1, 22 RS) and minus \$1,799,700 at KCTCS to reflect reorganization of Kentucky Board of Emergency Medical Services as an independent agency of state government (HB 777, 22 RS).

<sup>2</sup> Premiums paid by postsecondary institutions for Fire and Tornado Insurance will increase by more than 150% between 2023-24 and 2024-25. Although the General Assembly provides funding to cover increased costs at state agencies, they typically do not provide such relief for state colleges and universities.

# 2024-2026 Operating Funds Request

## *Option 1: Inflation Adjustment and Earned Funds*

- Inflation Adjustment
  - 6% in 2024-25
  - 6% in 2025-26  
(of net General Fund)
- Earned Funds
  - \$48.7 M in 2024-25
  - \$48.7 M in 2025-26  
(50% of earned funds)
- Performance Fund
  - \$22.7 M in 2024-25
  - \$22.7 M in 2025-26

### Option 1: Components of 2024-26 Operating Funds Request

Funding Category	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26
2023-24 Net General Fund <sup>1</sup>	\$1,007,584,100	\$1,007,584,100	\$1,007,584,100
Base Adjustments:			
KERS Subsidy Reductions		(\$4,415,700)	(\$6,623,500)
Adjusted Net General Fund	\$1,007,584,100	\$1,003,168,400	\$1,000,960,600
Additional Budget Requests:			
Inflation Adjustment		54,616,600	54,616,600
Earned Performance Funds		48,653,700	48,653,700
Performance Funding		22,692,900	22,692,900
KSU Land Grant Match	2,107,500	1,499,100	1,499,100
Total Operating Request	\$1,009,691,600	\$1,130,630,700	\$1,128,422,900
Dollar Change	\$2,107,500	\$123,046,600	\$120,838,800
Percent Change	0.2%	12.2%	12.0%

<sup>1</sup> Each institution's enacted General Fund appropriation minus debt service (HB 1, 22 RS) and minus \$1,799,700 at KCTCS to reflect reorganization of Kentucky Board of Emergency Medical Services as an independent agency of state government (HB 777, 22 RS). Includes \$97,307,100 in the Performance Fund.

# 2024-2026 Operating Funds Request

## *Option 2: Inflation Adjustment Only*

- Inflation Adjustment
  - 9% in 2024-25
  - 12% in 2025-26
 (of net General Fund)
- Earned Funds
  - \$0 in 2024-25
  - \$0 in 2025-26
 (no earned funds)
- Performance Fund
  - \$22.7 M in 2024-25
  - \$22.7 M in 2025-26

### Option 2: Components of 2024-26 Operating Funds Request

Funding Category	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26
2023-24 Net General Fund <sup>1</sup>	\$1,007,584,100	\$1,007,584,100	\$1,007,584,100
Base Adjustments:			
KERS Subsidy Reductions		(\$4,415,700)	(\$6,623,500)
Adjusted Net General Fund	\$1,007,584,100	\$1,003,168,400	\$1,000,960,600
Additional Budget Requests:			
Inflation Adjustment		81,925,100	109,233,300
Earned Performance Funds		0	0
Performance Funding		22,692,900	22,692,900
KSU Land Grant Match	2,107,500	1,499,100	1,499,100
Total Operating Request	\$1,009,691,600	\$1,109,285,500	\$1,134,385,900
Dollar Change	\$2,107,500	\$101,701,400	\$126,801,800
Percent Change	0.2%	10.1%	12.6%

<sup>1</sup> Each institution's enacted General Fund appropriation minus debt service (HB 1, 22 RS) and minus \$1,799,700 at KCTCS to reflect reorganization of Kentucky Board of Emergency Medical Services as an independent agency of state government (HB 777, 22 RS). Includes \$97,307,100 in the Performance Fund.



# 2024-2026 Operating Funds Request

## ➤ *Discussion Questions:*

- Do campus presidents support an operating funds request that includes both inflation adjustment and earned performance funds components? **(Option 1)**
- Do campus presidents support an operating funds request that includes a larger inflation adjustment component and no request for earned performance funds? **(Option 2)**
- Is there another option that campus presidents and CPE Executive Leadership should consider?



# **Proposed Adjustments to University Model**

# Proposed Adjustments to University Model

- Over the past six months, stakeholders have proposed several changes to the university model:
  - Increase Low-Income Degree Premium
  - Add New Adult Learner Metric
  - Eliminate Degree Efficiency Index Weighting
  - Modify Small School Adjustment
  - Increase Nonresident Credit Hour Weighting



# **Low-Income Degree Premium**

# Proposed Adjustments to University Model

## *Increase Low-Income Degree Premium*

### ➤ *Background:*

- The model currently provides premiums for degrees earned in STEM+H fields and awarded to URM and low-income students
- Since 2014, STEM+H and URM degrees have grown, but awards to low-income students have lagged behind
- Between 2014 and 2021, the number of bachelor's degrees awarded to low-income students decreased by -1.4%
- Several stakeholders have proposed that the work group consider increasing the premium for low-income degrees (*UofL, KCTCS, CPE*)

# Proposed Adjustments to University Model

## *Increase Low-Income Degree Premium (Cont'd)*

### ➤ *Rationale:*

- The subsidy per degree is larger for STEM+H (\$3,678) and URM (\$6,000) degrees, than it is for low-income degrees (\$1,579)
- A larger subsidy (\$4,213) will provide added incentive for institutions to enroll, retain, and graduate low-income students

### ➤ *Assumptions:*

- Increase the allocation percentage for the low-income pool from 3% to 8% and reduce credit-hours-earned pool from 35% to 30%
- No change in student success or operational support metric data

# Proposed Adjustments to University Model

## *Increase Low-Income Degree Premium (Cont'd)*

### ➤ *Scenario Impact*

- Increasing the premium for low-income bachelor's degrees (from 3% to 8%) and reducing the credit hours earned pool (from 35% to 30%)
- Results in hypothetical shift of funds from UK, NKU, and WKU to UofL, ECU, and MuSU
- It also reduces hold harmless allocations by \$65,300 at KSU and by \$321,400 at MoSU

#### Public University Funding Model

#### Hypothetical 2023-24 Performance Distribution

#### Scenario 1: Increase Low-Income Degree Premium <sup>1</sup>

<u>Institution</u>	<u>Final 2023-24 Distribution</u>	<u>Increase Low Income Premium</u>	<u>Dollar Difference</u>
University of Kentucky	\$33,338,500	\$33,005,500	(\$333,000)
University of Louisville	17,594,600	18,266,800	672,200
Eastern Kentucky University	3,222,900	3,587,400	364,500
Kentucky State University	0	0	0
Morehead State University	0	0	0
Murray State University	3,095,000	3,212,000	117,000
Northern Kentucky University	12,683,900	11,898,900	(785,000)
Western Kentucky University	5,858,400	5,822,700	(35,700)
	<u>\$75,793,300</u>	<u>\$75,793,300</u>	<u>\$0</u>
KCTCS	<u>21,513,800</u>	<u>21,513,800</u>	<u>0</u>
Total Performance Fund	\$97,307,100	\$97,307,100	\$0

<sup>1</sup> Assumes an increase in the premium from 3% to 8% for bachelor's degrees awarded to low-income students and a reduction in credit hours earned pool from 35% to 30%

# Proposed Adjustments to University Model

## *Increase Low-Income Degree Premium (Cont'd)*

### ➤ *Discussion Questions:*

- Do work group members support increasing the premium for bachelor's degrees awarded to low-income students?
- If so, is the increase in allocation percentage from 3% to 8% for the low-income degree pool sufficient?
- Do work group members support reducing the earned-credit-hour pool from 35% to 30% to accommodate this change?
- If not, which funding pool should have its allocation percentage reduced to support the increase in the low-income degree pool?





# **Adult Learner Metric**

# Proposed Adjustments to University Model

## *Add Adult Learner Metric*

### ➤ *Background:*

- The university model does not currently contain a metric that rewards enrollment, retention, or completion of adult learners
- Kentucky will not be able to achieve its 60x30 attainment goal unless institutions expand efforts to target this population
- Several stakeholders have proposed that the work group consider adding a new adult learner metric (*UofL, KCTCS, CPE*)

# Proposed Adjustments to University Model

## *Add Adult Learner Metric (Cont'd)*

### ➤ *Rationale:*

- Adding an adult learner metric will recognize institutions that serve disproportionate numbers of nontraditional age students
- It will provide a financial incentive for institutions to target displaced workers, students who stopped out of college, etc.

### ➤ *Assumptions:*

- Add an adult learner premium to the model by counting credit hours earned by resident undergraduate students ages 25-64
- No change in other student success or operational support data

# Proposed Adjustments to University Model

## Add Adult Learner Metric (Cont'd)

### ➤ Scenario Impact

- Adding resident undergraduate credit hours earned by adult learners to the credit hour metric and assigning a weight of 1.0 to those credit hours
- Results in hypothetical shift of funds from UK and WKU to UofL, EKU, MuSU, and NKU
- It reduces the hold harmless at KSU by \$35,900 and increases it by \$453,100 at MoSU

#### Public University Funding Model

#### Hypothetical 2023-24 Performance Distribution

#### Scenario 2: Add Adult Learner Metric <sup>1</sup>

Institution	Final 2023-24 Distribution	Add Adult Learner Metric	Dollar Difference
University of Kentucky	\$33,338,500	\$32,926,500	(\$412,000)
University of Louisville	17,594,600	17,691,800	97,200
Eastern Kentucky University	3,222,900	3,490,200	267,300
Kentucky State University	0	0	0
Morehead State University	0	0	0
Murray State University	3,095,000	3,233,400	138,400
Northern Kentucky University	12,683,900	13,301,500	617,600
Western Kentucky University	5,858,400	5,149,900	(708,500)
	\$75,793,300	\$75,793,300	\$0
KCTCS	21,513,800	21,513,800	0
Total Performance Fund	\$97,307,100	\$97,307,100	\$0

<sup>1</sup> Adds credit hours earned by resident undergraduate students ages 25 through 64 to the credit hour metric and assigns an assumed weighting of 1.0 to those hours.

# Proposed Adjustments to University Model

## *Add Adult Learner Metric (Cont'd)*

### ➤ *Discussion Questions:*

- Do work group members support adding an adult learner metric to the university funding model?
- If so, is providing a premium for credit hours earned by resident undergraduate students ages 25 – 64 a good approach?
- Is assigning a weighting of 1.0 for credit hours earned by adult learners sufficient?
- If not, what approach and what weighting represent better methods for accommodating this change?



# **Degree Efficiency Index**

# Proposed Adjustments to University Model

## *Eliminate Degree Efficiency Index Weighting*

### ➤ *Background:*

- In 2016, the working group agreed to weight bachelor's degrees produced using an index of each institution's degrees per 100 FTE students divided by the sector average
- The intent was to provide an incentive to produce bachelor's degrees efficiently, but there was an unexpected outcome
- The index rewards institutions that are experiencing declining enrollment and penalizes those with growing enrollment, which runs counter to growth-oriented goals of the model
- Two stakeholders have proposed eliminating the index (*UK, CPE*)

# Proposed Adjustments to University Model

## *Eliminate Degree Efficiency Index Weighting (Cont'd)*

### ➤ *Rationale:*

- The degree efficiency index has not operated as intended due to declining enrollment at most institutions
- It negatively impacts institutions with growing enrollment and rewards institutions with decreasing enrollment
- It complicates the model and provides inconsistent incentives

### ➤ *Assumptions:*

- Eliminate the degree efficiency index from the model
- No change in student success or operational support data



# Proposed Adjustments to University Model

## *Eliminate Degree Efficiency Index Weighting (Cont'd)*

### ➤ *Scenario Impact*

- Eliminating the degree efficiency index to weight the number of bachelor's degrees produced
- Results in hypothetical shift of funds from EKU, MuSU, and NKU to UK, UofL, and WKU
- It also reduces hold harmless at KSU and MoSU by \$196,700 and \$304,000, respectively

#### Public University Funding Model

#### Hypothetical 2023-24 Performance Distribution

#### Scenario 3: Eliminate Degree Efficiency Weighting <sup>1</sup>

<u>Institution</u>	<u>Final 2023-24 Distribution</u>	<u>Eliminate Degree Efficiency Weight</u>	<u>Dollar Difference</u>
University of Kentucky	\$33,338,500	\$33,471,800	\$133,300
University of Louisville	17,594,600	17,742,800	148,200
Eastern Kentucky University	3,222,900	3,118,700	(104,200)
Kentucky State University	0	0	0
Morehead State University	0	0	0
Murray State University	3,095,000	3,006,000	(89,000)
Northern Kentucky University	12,683,900	12,561,900	(122,000)
Western Kentucky University	5,858,400	5,892,100	33,700
	<u>\$75,793,300</u>	<u>\$75,793,300</u>	<u>\$0</u>
KCTCS	<u>21,513,800</u>	<u>21,513,800</u>	<u>0</u>
Total Performance Fund	\$97,307,100	\$97,307,100	\$0

<sup>1</sup> Under this scenario, the number of bachelor's degrees awarded by an institution is no longer weighted using a ratio of that institution's bachelor's degrees produced per 100 FTE undergraduate students indexed to the sector average.

# Proposed Adjustments to University Model

## *Eliminate Degree Efficiency Index Weighting (Cont'd)*

### ➤ *Discussion Questions:*

- Do work group members support eliminating the degree efficiency index weighting in the university funding model?
- Are there any work group members who oppose eliminating the degree efficiency index weighting?



# **Small School Adjustment**

# Proposed Adjustments to University Model

## *Modify Small School Adjustment*

### ➤ *Background:*

- The small school adjustment is an amount deducted from the formula base, so that those funds will be excluded from the allocable resources run through the model
- In 2016, the deduction amount was a major decision point
- CPE staff recommended a **15%** small school adjustment; KSU argued for a **25%** adjustment; consensus was reached at **10%**
- Recently, several stakeholders proposed that the small school adjustment at KSU and MoSU be increased (*KSU, MoSU, CPE*)

# Proposed Adjustments to University Model

## *Modify Small School Adjustment (Cont'd)*

### ➤ *Rationale:*

- KSU and MoSU have had negative hold harmless allocations and have not received any fund distributions since model inception
- A larger adjustment would promote equity and enhance ability of KSU and MoSU to earn funding via improved performance

### ➤ *Assumptions:*

- Increase small school adjustments at KSU and MoSU by amounts equal to each institution's 2023-24 hold harmless allocation
- No change in student success or operational support metric data

# Proposed Adjustments to University Model

## *Modify Small School Adjustment (Cont'd)*

### ➤ *Scenario Impact*

- Adding actual 2023-24 hold harmless amounts at KSU and MoSU to the small school adjustments at those same institutions
- Does not cause any meaningful shifts in funds among campuses
- But it does reduce the hold harmless by \$6,643,600 at KSU and by \$1,351,100 at MoSU

#### Public University Funding Model

#### Hypothetical 2023-24 Performance Distribution

#### Scenario 4: Increase Small School Adjustment (for Selected Institutions) <sup>1</sup>

<u>Institution</u>	<u>Final 2023-24 Distribution</u>	<u>Increase Small School Adjustment</u>	<u>Dollar Difference</u>
University of Kentucky	\$33,338,500	\$33,338,200	(\$300)
University of Louisville	17,594,600	17,594,500	(100)
Eastern Kentucky University	3,222,900	3,222,900	0
Kentucky State University	0	200	200
Morehead State University	0	0	0
Murray State University	3,095,000	3,095,100	100
Northern Kentucky University	12,683,900	12,684,200	300
Western Kentucky University	5,858,400	5,858,200	(200)
	<u>\$75,793,300</u>	<u>\$75,793,300</u>	<u>\$0</u>
KCTCS	<u>21,513,800</u>	<u>21,513,800</u>	<u>0</u>
Total Performance Fund	\$97,307,100	\$97,307,100	\$0

<sup>1</sup> Assumes the positive additive inverse of calculated 2023-24 hold harmless amounts at KSU and MoSU are added to the small school adjustments of those same institutions prior to running the university funding model.

# Proposed Adjustments to University Model

## *Modify Small School Adjustment (Cont'd)*

### ➤ *Discussion Questions:*

- Do work group members support increasing the small school adjustment at KSU and MoSU, which would allow these institutions to compete more effectively in the model?
- Is adding hold harmless amounts to small school adjustments at these institutions the best way to accommodate this change?
- If not, what other approach would group members suggest?
- Are there any work group members who oppose increasing the small school adjustments at KSU and MoSU?



# **Nonresident Credit Hour Weighting**



# Proposed Adjustments to University Model

## *Increase Nonresident Credit Hour Weighting*

### ➤ *Background:*

- Six years ago, the weighting assigned to nonresident credit hours was determined through negotiation and compromise
- Several institutions argued that the weighting of credit hours should be the same for residents and nonresidents (i.e., 1.00)
- Others argued that nonresident hours be assigned zero weight
- Ultimately, the group reached consensus at a 0.50 weighting
- Recently, two institutions proposed that the nonresident credit hour weight should be increased to 1.00 (*MuSU, WKU*)

# Proposed Adjustments to University Model

## *Increase Nonresident Credit Hour Weighting (Cont'd)*

### ➤ *Rationale:*

- The 50% weighting of nonresident hours limits the benefit of enrolling nonresident students at time when maintaining enrollment is crucial
- The current weighting runs counter to the Council's nonresident student tuition policy

### ➤ *Assumptions:*

- Increase weighting of nonresident credit hours from 0.50 to 0.75
- No change in student success or operational support metric data

# Proposed Adjustments to University Model

## *Increase Nonresident Credit Hour Weighting (Cont'd)*

### ➤ *Scenario Impact*

- Increasing the weighting of nonresident credit hours from 0.50 to 0.75 across three years of funding model data
- Results in hypothetical shift of distributed funding from UofL, ECU, and WKU toward UK, MuSU, and NKU
- It reduces the hold harmless at KSU by \$118,600 and increases it by \$467,900 at MoSU

#### Public University Funding Model

#### Hypothetical 2023-24 Performance Distribution

#### Scenario 12: Nonresident Credit Hours @ 0.75 Weighting <sup>1</sup>

Institution	Final 2023-24 Distribution	NR Credit Hours @ 0.75 Weighting	Dollar Difference
University of Kentucky	\$33,338,500	\$34,022,400	\$683,900
University of Louisville	17,594,600	17,377,200	(217,400)
Eastern Kentucky University	3,222,900	2,597,300	(625,600)
Kentucky State University	0	0	0
Morehead State University	0	0	0
Murray State University	3,095,000	3,365,400	270,400
Northern Kentucky University	12,683,900	13,298,200	614,300
Western Kentucky University	5,858,400	5,132,800	(725,600)
	\$75,793,300	\$75,793,300	\$0
KCTCS	21,513,800	21,513,800	0
Total Performance Fund	\$97,307,100	\$97,307,100	\$0

<sup>1</sup> Under this scenario, the weighting assigned to credit hours earned by nonresident students is increased from 0.50 to 0.75, which provides better alignment with the Council's Nonresident Student Tuition and Fee Policy.

# Proposed Adjustments to University Model

## *Increase Nonresident Credit Hour Weighting (Cont'd)*

### ➤ *Discussion Questions:*

- Do work group members support increasing the weighting of credit hours earned by nonresident students?
- If so, is an increase in weighting from 0.50 to 0.75 appropriate?
- Do work group members support decreasing the weighting of credit hours earned by nonresident students?
- Should the weighting of nonresident hours stay the same?
- What would be the rationale for maintaining a weighting of 0.50? What's the rationale for decreasing the weighting?

# **KCTCS FUNDING MODEL RECOMMENDED ADJUSTMENTS**

# FUNDING MODEL REVIEW

## Recommended Adjustments

- **Use a three-year average on all metrics except square footage to smooth economic and population change impacts**
- **Allow earned funds to become part of an institution's base**
- **Add Adult Learner metric**
- **Promote equity by accounting for regional differences**  
Allocate equity adjustment based on Community Needs Index that considers local unemployment, labor force participation, and poverty rates

# FUNDING MODEL REVIEW

Recommended Adjustments cont'd

- Reduce weight of the progression metrics (12% --> 7%) to reflect retention of a KCTCS student to complete a short-term credential
- Merge overlapping STEM+H, High-Wage/ High-Demand, and Targeted Industry credentials to an overall credential calculation tied to the economy
- Reduce the weighting of the credential metric (from 15% to 8%) to allow increased focus on URM, under-prepared, low income, and transfers

Current Model					Proposed Model	
Student Success	Credentials Awarded	Metrics Tied to the Economy (Three-Year Weighted Average, High Wage/High Demand, Targeted Industry Sector, STEM+H)	15% (10%, 1%, 2%, 2%)	Respond to Economic Needs	Simplify to Metric Tied to the Economy (Incentivize both short-term credentials with immediate economic impact <u>AND</u> building the pipeline to 4-year degrees; continue to reduce volatility using 3-year averages)*	8%
		Metrics Tied to Equity (Underrepresented Minority, Low Income, Underprepared)	6% (2% each)		Prioritize Equity	Increase Focus on Equity by Tying Funding to Success in Traditionally Underserved Populations (Underrepresented Minority, Low Income, Underprepared, <b>Adult</b> ; volume-driven to place resources where most needed; <b>reduce volatility using 3-year averages</b> )*
	Progression to 15/30/45 Credit Hours		12% (2%,4%, 6%)	Reduce Volatility	Student Progression to 15/30/45 Credit Hours ( <b>reduce volatility using 3-year averages</b> )*	7% (1%/2%/4%)
	Transfer		2%		Transfer ( <b>reduce volatility using 3-year averages</b> )*	4%
Weighted Course Completions			35%		Weighted Course Completions ( <b>reduce volatility using 3-year averages</b> )*	35%
Operational Support	Full-Time Equivalent Enrollment		10%	Serve <u>ALL</u> Kentucky Communities	Full-Time Equivalent Enrollment ( <b>reduce volatility using 3-year averages</b> )*	10%
	Direct Instructional Cost		10%		Direct Instructional Cost ( <b>reduce volatility using 3-year averages</b> )*	10%
	Square Footage		10%		Square Footage	10%
Equity Allocation/ Small School Adjustment			10% (held inbase)		Equity Allocation redistributed based on Community Needs Index (CNI)**	10%

\* Gold text indicates proposed changes to existing metrics; gold boxes indicate new metrics; gray box indicates retired metrics.

\*\* Community Need Index (based on local unemployment, labor force participation, and poverty rates) - reallocates equity allocation/ small school adjustment



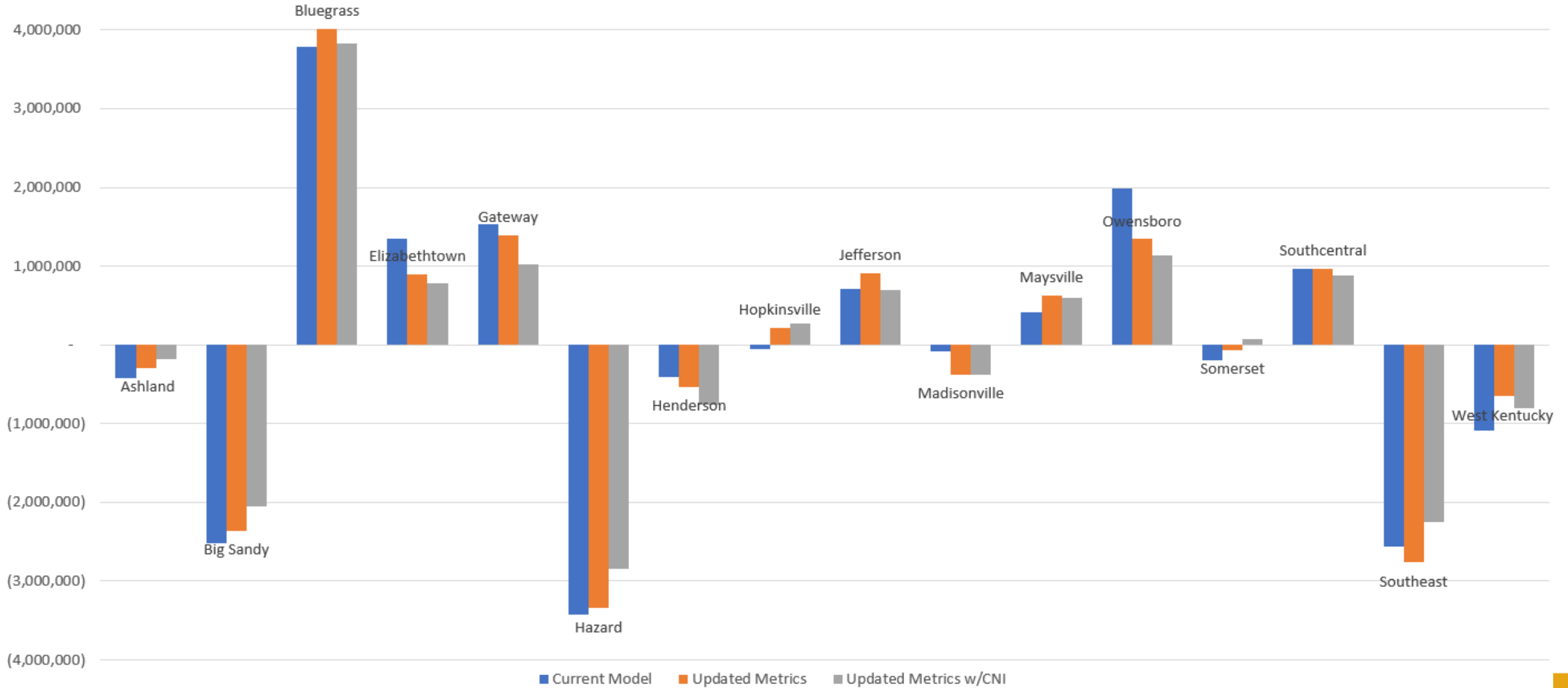
# CHANGE IN CALCULATED ALLOCATION

## Calculated Allocation w/ metric changes

	2023-24	Model	Updated		Updated	
	Current Model	Calculated	Metrics	Change	Metrics	Change
	Calculation	%	Calc <sup>(1)</sup>	%	w/ CNI <sup>(3)</sup>	%
Ashland	8,176,700	4.93%	8,310,300	0.08%	8,420,300	0.15%
Big Sandy	7,223,800	4.36%	7,373,100	0.09%	7,683,000	0.28%
Bluegrass	21,882,900	13.20%	22,114,600	0.14%	21,920,600	0.02%
Elizabethtown	12,793,300	7.72%	12,337,800	-0.27%	12,222,500	-0.34%
Gateway	10,456,600	6.31%	10,322,300	-0.08%	9,952,400	-0.30%
Hazard	7,624,500	4.60%	7,703,500	0.05%	8,200,900	0.35%
Henderson	3,816,600	2.30%	3,697,900	-0.07%	3,470,600	-0.21%
Hopkinsville	5,963,500	3.60%	6,231,000	0.16%	6,287,300	0.20%
Jefferson	21,541,400	13.00%	21,745,800	0.12%	21,530,300	-0.01%
Madisonville	7,821,200	4.72%	7,522,600	-0.18%	7,512,400	-0.19%
Maysville	8,380,500	5.06%	8,597,100	0.13%	8,571,600	0.12%
Owensboro	10,156,100	6.13%	9,512,600	-0.39%	9,300,500	-0.52%
Somerset	12,269,500	7.40%	12,398,000	0.08%	12,529,600	0.16%
Southcentral	10,232,000	6.17%	10,231,600	0.00%	10,146,300	-0.05%
Southeast	6,681,000	4.03%	6,485,800	-0.12%	6,997,000	0.19%
West Kentucky	10,742,000	6.48%	11,177,800	0.26%	11,016,500	0.17%
	165,761,600	100%	165,761,800		165,761,800	



# MOVEMENT IN CALCULATED FUNDING LEVELS



## Performance Based Funding Draft Metrics

### Community Need Index (CNI)

- **Definition:** The Community Need Index (CNI) is a normalized measure of community economic disadvantage based on U.S. Census data measuring unemployment, labor force participation, and individual poverty. The metric has a mean of zero and values represent standard deviations above and below the mean.
- **Purpose:** To identify KCTCS college areas that may need additional resources due to regional economic disadvantage.
- **Data:**
  - Based on 5-Year ACS Estimates
  - Collected using "getcensus" function in Stata
  - Collected at the county level
  - The enrollment cluster crosswalk is used to link counties to college areas
  - Main variables: unemployment, labor force participation, poverty
- **Method:**
  - Principal Component Analysis (PCA)
  - Statistical method used to combine variables into composite values that are based on shared variability between the variables.
  - The three measures load onto a single variable that we call the CNI
  - The values for the CNI are z-scores which describes how many standard deviations each college is away from the average CNI value.
  - Negative scores indicate the college has lower than average CNI and positive scores indicate the college has higher than average CNI.
  - The colleges are split into quartiles after being rank ordered based on the CNI.

Community Need Index (CNI)								
2019-20			2020-21			2021-22		
College	CNI	Quartile	College	CNI	Quartile	College	CNI	Quartile
Hazard	3.25	1	Hazard	2.93	1	Southeast	3.08	1
Southeast	2.94	1	Southeast	2.91	1	Hazard	3.00	1
Big Sandy	2.09	1	Big Sandy	1.98	1	Big Sandy	1.87	1
Somerset	0.82	1	Somerset	0.87	1	Somerset	0.79	1
Hopkinsville	0.50	2	Hopkinsville	0.69	2	Ashland	0.66	2
Ashland	0.43	2	Ashland	0.38	2	Hopkinsville	0.34	2
Maysville	-0.32	2	Maysville	-0.22	2	Madisonville	-0.06	2
Henderson	-0.62	2	Madisonville	-0.30	2	Maysville	-0.15	2
Madisonville	-0.64	3	Southcentral	-0.47	3	Southcentral	-0.51	3
Owensboro	-0.74	3	Elizabethtown	-0.83	3	Elizabethtown	-0.70	3
Southcentral	-0.75	3	Bluegrass	-0.94	3	West Kentucky	-0.97	3
Elizabethtown	-0.84	3	Henderson	-1.06	3	Bluegrass	-1.17	3
Bluegrass	-1.08	4	West Kentucky	-1.11	4	Owensboro	-1.28	4
West Kentucky	-1.14	4	Owensboro	-1.13	4	Jefferson	-1.30	4
Jefferson	-1.48	4	Jefferson	-1.32	4	Henderson	-1.37	4
Gateway	-2.43	4	Gateway	-2.37	4	Gateway	-2.23	4



## Credentials Tied to the Economy

- **Definition:** The CISA Credentials metric is a credentials-based metric that determines the number of conferred credentials that are aligned to occupations identified as critical to the economic infrastructure of the United States.
- **Purpose:** To determine the number credentials conferred by KCTCS that are aligned with occupations that have been determined by the federal government to be critical to the infrastructure of the United States.
- **Data:**
  - CPE Official (Type 5)
    - Used to determine the number of graduates per academic program.
  - Cybersecurity & Infrastructure Security Agency (CISA) Critical Infrastructure Workers
    - [Many U.S. Workers in Critical Occupations in the Fight Against COVID-19 \(Revised\) – LMI Institute \(lmiontheweb.org\)](#)
    - In an effort to help workforce and labor market information (LMI) professionals, as well as other state, community and economic researchers provide the best possible information to inform policymakers, the [LMI Institute](#) and [C2ER](#) has produced the following list of BLS Standard Occupation Classification (SOC) codes connected to critical infrastructure (e.g., essential) industries. The list is based on the Department of Homeland Security's guidance for identifying the critical infrastructure workforce during COVID-19 response.
      - [Guidance on the Essential Critical Infrastructure Workforce | CISA](#)
      - ***The list identifies workers who conduct a range of operations and services that may be essential to continued critical infrastructure operations, including staffing operations centers, maintaining and repairing critical infrastructure, operating public safety call centers, working construction, and performing operational functions, among others. It includes workers who support crucial supply chains and enable cyber and physical security functions for critical infrastructure. The industries that essential workers support represent, but are not limited to, medical and healthcare, telecommunications, information technology systems, defense, food and agriculture, transportation and logistics, energy, water and wastewater, and law enforcement.***
    - The LMI Institute and C2ER used the DHS memo to identify the [Standard Occupational Classification \(SOC\) definitions](#) connected to medical and healthcare, telecommunications, information technology systems, defense, food and agriculture, transportation and logistics, energy, water and wastewater, law enforcement, and public works industries.
- **Method**
  - Download the data sources listed above.
  - Using the AP to SOC crosswalk, bring in the SOC codes for each KCTCS academic plan listed in the Type 5 file.
  - Use the CISA list of critical infrastructure SOC codes to flag the academic plans (based on the associated SOC code) that are considered critical to the infrastructure of the United States.
  - Pivot by college and year to get the counts of the CISA flagged programs.