

MEMO OF RECORD
Council on Postsecondary Education

Type: Postsecondary Education Working Group on Performance Funding
Date: November 4, 2020
Time: 9:00 a.m. ET
Location: Virtual Meeting – Working group members by ZOOM, Public viewing hosted on CPE YouTube Page.

CALL TO ORDER

The Postsecondary Education Working Group met Wednesday, November 4, 2020, at 9:00 a.m., ET. Pursuant to Executive Order 2020-243 and a memorandum issued by the Finance and Administration Cabinet dated March 16, 2020, and in an effort to prevent the spread of Novel Coronavirus (COVID-19), the Committee met utilizing a video teleconference. Members of the public were invited to view the meeting virtually on the CPE YouTube page.

Chair Aaron Thompson presided.

ATTENDENCE

Working Group Members in attendance:

- CPE President Aaron Thompson, Chair of the Working Group
- State Budget Director John Hicks, representing Governor Beshear
- Senate President Pro Tem David Givens, representing Senate President Robert Stivers
- Representative James Tipton, representing Speaker of the House David Osborne
- ECU President David McFaddin
- KSU President M. Christopher Brown, II
- KCTCS Interim President Paul Czarapata
- MoSU President Jay Morgan
- MuSU President Robert Jackson
- NKU President Ashish Vaidya
- UK President Eli Capilouto
- UL President Neeli Bendapudi
- WKU President Tim Caboni

Presenting CPE staff members in attendance:

- Dr. Bill Payne, Vice President for Finance and Administration
- Mr. Shaun McKiernan, Director of Budget and Finance

Heather Faesy, Senior Associate of Board Relations and Special Projects, who served as recorder of the memo of record.

REVISIT MUSU PROPOSAL

Dr. Payne reminded the group members of the components of the proposal brought forth by Murray State University at the last meeting. It was developed with input from other campus presidents and had the following components in mind: economic uncertainties caused by the pandemic, unknown status of additional federal stimulus, the potential for a significant mid-year budget cut, and rising pension costs.

MAJOR DECISION POINTS

The agenda listed out six major decision points for discussion: (1) Stop Loss Going Forward, (2) Modified Small School Adjustment, (3) Percent of Formula Share Approach, (4) Nonresident Student Weighting, (5) Premiums for Underserved Populations, and (6) Weighting Between Sectors.

Working group members reiterated a number of considerations that impact all of the decisions points:

- Continuing uncertainty with state revenues, federal funding and potential pandemic relief
- The impact of future changes to the pension contribution formulas and if those are unfunded.
- The group's ability to provide short-term suggestions to the legislature this December, and then resume the conversation in the summer of 2021, or when the uncertainties are more stabilized to discuss long-term adjustments to the performance funding model.

The following specific comments were made regarding the proposed decision points:

Stop Loss Going Forward

Work group members were asked if they support the use of stop-loss provisions going forward; if so, what level of stop loss should be recommended to the General Assembly for fiscal year 2021-22; and what level should be recommended for 2022-23 and beyond?

- MoSU – Suggested FY21-22 at a 0% stop-loss, and that until federal dollars are officially announced we need to plan for a budget under the current circumstances. The same extends to the pension issue as well. President Morgan would like the 0% stop-loss for FY21-22.
- UofL – For FY21-22 is amenable to some level of stop-loss.
- KCTCS - Would be in favor of some level of stop-loss.
- WKU – Add in a level of stop-loss in FY21-22 and into the future.
- EKU – Would prefer to make a one-year recommendation, then regroup next fall and consider long term adjustments once better information is available.
- Sen. Givens – Stated he would make a stop-loss recommendation for FY 21-22 and FY 22-23, but that the work group also has the ability to regroup without being called to do so by the legislature.
- Rep. Tipton – Hesitant to make any long-term decisions, but open to a decision regarding the level of stop-loss.
- Hicks – In agreement with Sen. Givens, and is supportive of making decisions knowing they can be revisited and amended.
- UK – Looking at the level of stop-loss by itself isn't effective because the package of modifications, in their entirety, is really what is important. It was stated that a 0% stop loss for FY 21-22 undermines the premise of the model and he would rather see a minimal level of stop-loss implemented.
- KSU – Supports a zero sum movement on the model that balances the interests of everyone outside of KSU as well.

Modified Small School Adjustment

Work group members were asked if they support increasing the small school adjustment and reducing the fiscal cliffs at KSU, MoSU, and MuSU; and if they support the idea of allowing KCTCS to modify its equity adjustment based on a Community Need Index to address fiscal cliffs at six colleges?

- NKU – has concerns about any modification that would be locked in for the long-term as performance is what should drive funding.
- UK – Making the proposed change would wipe the slate clean and serve as a reset instead of allowing the model to serve its purpose of distributing state funds on the basis of performance.
- KCTCS – Stated the community needs index is necessary for KCTCS institutions, which has a similar goal as the modification to the small school adjustment proposed for the four-year universities.
- WKU – Stated the coupling of all these decisions is necessary – that one decision shouldn't be made without consideration of decisions on other topics. He may support the modified small school approach, but he won't support the 2%

stop-loss at the same time. He's also concerned with any adjustments' impacts on the equity of funding per FTE among institutions.

Percent of Formula Share Approach

Work group members were asked if they support the idea of using a percent of formula share approach in years when new state funding does not equal or exceed campus stop-loss contributions.

- Sen. Givens – This shows an effort to incrementally step towards funding parity.
- WKU – Reallocating resources within a system is what strategic systems do. It makes sense as an institution that is performing and has a funding per FTE problem that they will need to shift dollars within the system. He thinks reallocation is a good thing sometimes as long as it isn't creating great harm.
- If there no new money, or if the new money does not equal or exceed the stop-loss contributions, the funds in the Performance Fund would be distributed based on formula share, otherwise the current method would be used to distribute funds.

Nonresident Student Weighting

Work group members were asked if they support increasing the weighting for nonresident students in the earned credit hour metric; if they support decreasing the weighting for nonresident students; and how many members support keeping the weighting the same?

- NKU – Regional universities are limited as to where they can draw nonresidents. Their future long-term prosperity as a state is dependent on the ability to draw diverse talent from across the nation. We have an aging population and we do need to draw in talent from outside. Their ability to charge higher nonresident tuition is limited. Taking everything else into consideration, he'd like to reevaluate nonresident weightings.
- CPE – For the 60x30 goal, we have to increase college going rates, get student success metrics up, increase adult learners, and increase nonresident enrollment and then keep them here after they graduate. We should think about this as a big driver of what we want to accomplish statewide using this model.
- UL – Not in favor of increasing the nonresident student weighting.

Premiums for Underserved Populations

Work group were asked if they support increasing the weighting for bachelor's degrees awarded to URM students and if so which metric should have its weight reduced to accommodate that increase; and should the weighting for bachelor's

degrees awarded to low income students be increased and if so, which metric should have its weight reduced to accommodate that increase?

- CPE – Stated this proposal requires an adjustment in the model metrics and isn't coupled with the other decisions previously discussed. Asked for deep consideration on the issue as well as consideration of the addition of an adult learner metric.
- This additional weighting could come from the square footage component of the model, shifting operational support funding to support student success.
- UK – stated that such a change would be a major rewrite of the legislation

The group did not have time to discuss the final proposed decision point of weighting between sectors and will revisit it at a later time.

NEXT STEPS

The working group agreed to add an additional meeting later in November to continue the discussions, and asked Ms. Faesy to schedule it accordingly.

ADJOURNMENT

The working group adjourned at 11:30 a.m., ET.