



Kentucky's Performance Funding Model for Postsecondary Education

House Appropriations and Revenue Committee
Budget Review Subcommittee on Postsecondary Education

Dr. Aaron Thompson, President
Kentucky Council on Postsecondary Education
February 28, 2019

Overview

- Impetus for New Model
- Development Process
- Components and Metrics
- Model Mechanics
- Key Features
- Current Status



Impetus for New Model

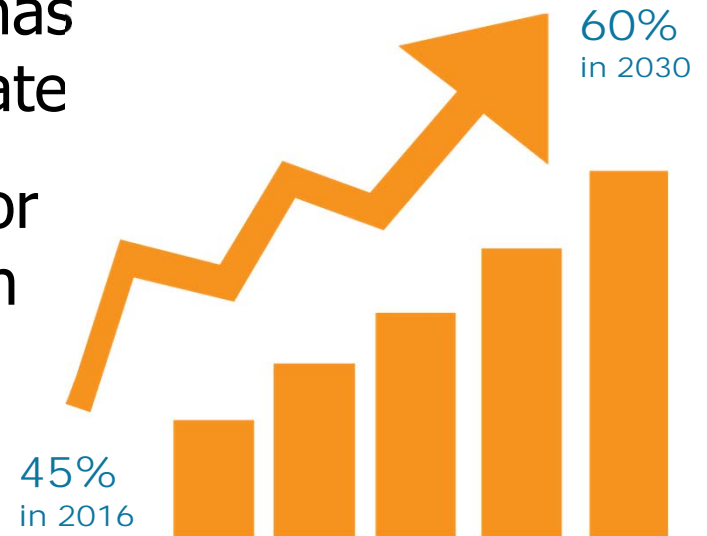
- Accelerate progress toward attainment of state goals for postsecondary education
- Address shortcomings of previous funding method
- Rectify funding disparities among institutions that had developed over time
- Respond to legislative mandate to convene working group and develop model (2016 budget bill,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



Impetus for New Model

Kentucky's Big Goal

- Increase educational attainment of working age adults to 60% by 2030
- Currently 45% of KY's population has a postsecondary degree or certificate
- Responds to workforce demands for highly trained, educated population
- Benefits of increased attainment:
 - higher income (lower poverty)
 - accelerated job growth
 - better life choices and health
 - engaged citizens



Impetus for New Model

Specific State Goals (Get Better Faster)

- 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 fields, high demand fields, targeted industries)
- Close achievement gaps by growing degrees and credentials earned by minority, low income, and underprepared students



Impetus for New Model

Shortcomings of Previous Method

- For more than a decade, state appropriations were distributed based on share of funding received the prior year
- This approach failed to recognize changes in:
 - Enrollment
 - Program mix
 - Student outcomes (progression, degree completion)
- No financial incentives for achieving desired state goals for postsecondary education



Impetus for New Model

Respond to Legislative Mandate

- The 2016 budget bill (HB 303) directed the Council to establish a working group composed of:
 - The Governor
 - President of Senate
 - Speaker of the House } (or their representative)
 - President of each public university and KCTCS
 - Council president
- Charged to develop a model for allocating state funds that included enrollment, mission, and performance
 - Transferred 5% of each institution's base (\$42.9 M, excluding KSU) to a newly created Performance Fund



Development Process

Funding Model Timeline

- The working group met five times between April and November 2016
- Created a model endorsed by all campus presidents
- Submitted report to Governor and Interim Joint Committee on Education on December 1, 2016
- Formed basis for SB 153, introduced February 2017
- It passed the House and Senate with no changes
- Signed into law by Governor on March 21, 2017 (KRS 164.092)



Development Process

Consensus Achieved

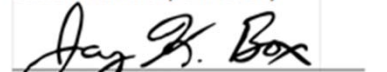
- Creating the model required compromise on part of every institution; ultimately consensus was achieved

Postsecondary Education Working Group
December 1, 2016


The Postsecondary Education Working Group established pursuant to HB 303 of the 2016 General Assembly, working in collaboration with Council on Postsecondary Education staff, reached consensus on comprehensive funding models for the allocation of state General Fund appropriations described in this report. The signatories to this report endorse the recommendations set forth and will support their full implementation.



Robert L. King, President
KY Council on Postsecondary Education


Michael T. Benson, President
Eastern Kentucky University



Jay K. Box, President
Kentucky Community and Technical College
System


Aaron Thompson, Interim President
Kentucky State University



Wayne D. Andrews, President
Morehead State University


Robert O. Davies, President
Murray State University


Geoffrey S. Mearns, President
Northern Kentucky University


Eli Capilouto, President
University of Kentucky


Neville G. Pinto, Interim President
University of Louisville

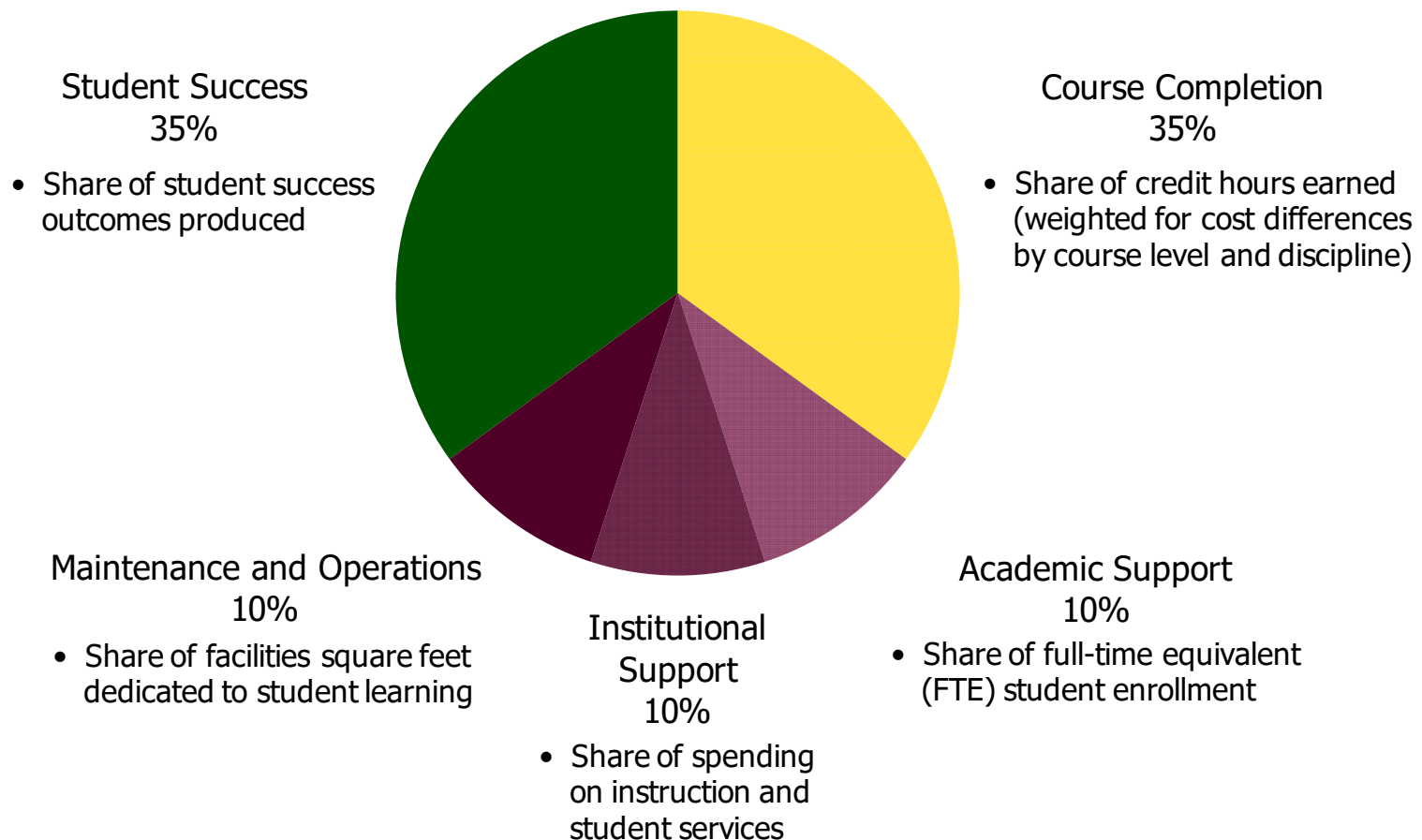

Gary A. Ransdell, President
Western Kentucky University



Components and Metrics

Major Components/Allocation Percentages

Kentucky's Performance Funding Model Distribution of Allocable Resources



Components and Metrics

Student Success Metrics

Universities

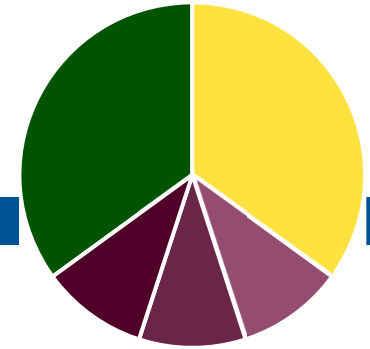
- Bachelor's degrees earned
- Degrees per 100 FTE students
- Bachelor's degrees earned in:
 - STEM+H Fields
- Bachelor's degrees earned by:
 - URM Students
 - Low Income Students
- Progression (@ 30, 60, 90 Credit Hours)

KCTCS (not included in presentation)



Model Mechanics

Major Component Funding Pools



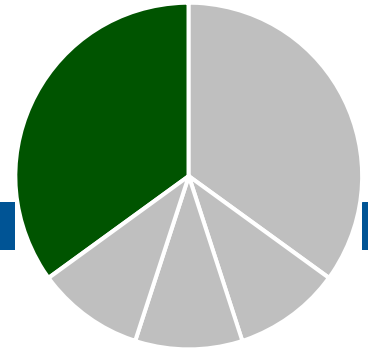
Kentucky Performance Funding Model
 Major Components, Allocation Percentages, and Funding Pools
 Fiscal 2018-19 (Dollars in Millions)

<u>Model Component</u>	<u>Allocation Percentages</u>	<u>Component Funding Pools</u>	<u>Distribution Method</u>
Student Success	35%	\$181.9	Share of student success outcomes produced
Course Completion	35%	181.9	Share of weighted student credit hours earned
Maintenance and Operations	10%	52.0	Share of facilities square feet dedicated to student learning
Institutional Support	10%	52.0	Share of spending on instruction and student services
Academic Support	10%	52.0	Share of FTE student enrollment
Total Allocable Resources	100%	\$519.8	



Model Mechanics

Student Success Funding Pools



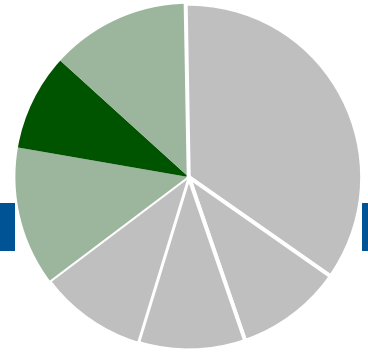
Kentucky Performance Funding Model
 Success Metrics, Allocation Percentages, and Funding Pools
 Fiscal 2018-19 (Dollars in Millions)

<u>Student Success Metric</u>	<u>Allocation Percentages</u>	<u>Student Success Pool</u>
Progression @ 30 Hours	3%	\$15.6
Progression @ 60 Hours	5%	26.0
Progression @ 90 Hours	7%	36.4
Bachelor's Degrees	9%	46.8
STEM+H Degrees	5%	26.0
URM Bachelor's Degrees	3%	15.6
Low Income Bachelor's Degrees	3%	15.6
Total Student Success Allocable Resources	35%	\$181.9



Model Mechanics

Bachelor's Degree Distribution



Kentucky Performance Funding Model
 Distribution of Bachelor's Degree Component Funds
 Fiscal Year 2018-19

Bachelor's Degree Pool \$46,784,400

Institution	Weighted Bachelor's Degrees ¹	Degree Share	Funding Distribution
University of Kentucky	7,286	31.7%	\$14,836,200
University of Louisville	4,843	21.1%	9,861,800
Eastern Kentucky University	2,651	11.5%	5,397,400
Kentucky State University	307	1.3%	626,100
Morehead State University	1,188	5.2%	2,418,800
Murray State University	1,694	7.4%	3,449,100
Northern Kentucky University	2,285	9.9%	4,653,900
Western Kentucky University	2,721	11.8%	5,541,100
Total	22,975	100.0%	\$46,784,400

¹ Three-year rolling average of bachelor's degrees produced, weighted to promote efficient degree production through use of a degrees per 100 FTE student index and to account for cost and mission differences between the research and comprehensive sectors.



Key Features

- Backs out research and public service appropriations that are not instruction related
- Applies 50% weighting for credit hours earned by out-of-state students (100% for in-state students)
- Uses degrees per 100 FTE index to encourage efficient degree production
- Provides premiums for degrees earned by low income and minority students (and degrees in STEM+H fields)
- Uses hold harmless and stop loss provisions to provide gradual phase in (max 3% loss, over 3 years)



Key Features

Premiums for Underserved Populations

Kentucky Performance Funding Model
 Premiums for Low Income and Minority Student Degree Production
 Fiscal Year 2018-19

<u>Component Category</u>	<u>Allocation Percent</u>	<u>Size of Pool</u>	<u>Weighted Degrees</u>	<u>State Funding per Degree</u>	<u>Funding Multiple</u>
A → Bachelor's Degrees	9.0%	\$46,784,400	22,975	\$2,036	1.0
Bachelor's Degrees				\$2,036	
B → Low Income Bachelor's	3.0%	\$15,594,800	11,606	1,344	
Low Income Total				\$3,380	1.7
Bachelor's Degrees				\$2,036	
C → Minority Bachelor's	3.0%	\$15,594,800	2,410	6,471	
Minority Total				\$8,507	4.2

Total Allocable Resources: \$519,827,100



Key Features

Gradual Phase In

- **Fiscal 2017-18** → Distribute \$42.9 M Performance Fund (KSU Excluded from Model)
 - **Fiscal 2018-19** → Hold Harmless
 - **Fiscal 2019-20** → 1% Stop Loss
 - **Fiscal 2020-21** → 2% Stop Loss (Reconvene Working Group)
- Maximum Possible
Redistribution
3% Over 3 Years



Current Status

- State funding is no longer being distributed based on historical share
- Funding based on outcomes is providing incentives for student progression and timely completion
- Institutions are reacting to the model strategically
- Most funding disparities that developed over time have been rectified (equilibrium at 6 of 8 universities)
- Some institutions could see a portion of their funding shift to others beginning in 2019-20 (1% stop loss)



Current Status

Performance Distribution (2018-19)

Kentucky Performance Funding Model
Distribution of Postsecondary Education Performance Funds
Fiscal Year 2018-19

<u>Institution</u>	<u>Distribution</u>
University of Kentucky	\$9,119,000
University of Louisville	2,507,100
Eastern Kentucky University	3,387,300
Kentucky State University	0
Morehead State University	0
Murray State University	557,800
Northern Kentucky University	4,837,200
Western Kentucky University	3,748,600
KCTCS	<u>6,843,000</u>
Total	\$31,000,000

The enacted budget for 2018-20 (HB 200) appropriated \$31.0 million to the Postsecondary Education Performance Fund in fiscal year 2018-19. These funds are being distributed among institutions according to provisions of SB 153 (2017).



Current Status

Above Average Performance

Kentucky Performance Funding Model
 Metrics Where Rates of Growth Exceeded Sector Average
 Between Fiscal Years 2017-18 and 2018-19

Performance Metric	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU
Student Success Outcomes								
Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STEM+H Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
URM Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Low Income Bachelor's Degrees	<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"/>	<input type="checkbox"/>
Student Progression @ 30 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Student Progression @ 60 Hours	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Student Progression @ 90 Hours	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Earned Credit Hours	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Operational Support Activity								
Instructional Square Feet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Direct Cost of Instruction	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FTE Students	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Metrics Above Sector Average	11	6	5	3	5	4	2	1



Current Status

Funding Model Incentives

- Enroll and retain greater numbers of academically qualified degree seeking students
- Encourage students to take full course loads and provide support services to help them progress to timely completion
- Increase graduation rates and produce more degrees, especially among underserved student populations or in areas of pressing state need
- Strive to achieve growth rates above sector average on student success metrics

