KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION
POSTSECONDARY EDUCATION WORKING GROUP ON PERFORMANCE FUNDING

November 10, 2026, 9:00 a.m. - 12:00 p.m. ET, (8:00 a.m. - 11:00 a.m. CT)
Location: Council Offices, 100 Airport Road, Frankfort, KY – Conf Rm AB
Livestream: https://www.youtube.com/@KentuckyCPE/streams

I. **Call to Order and Roll Call**

II. **Adoption of Minutes** 2

III. **Recommendation for Performance Funding Model for KCTCS (Possible Action Item)** 9

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V. **Next Steps**

VI. **Other Business**

VII. **Adjournment**

MEETING MINUTES

Draft for review/approval on November 10, 2026

Who:	Kentucky Council on Postsecondary Education
Type:	Postsecondary Education Working Group on Performance Funding
Date:	October 27, 2026
Time:	1:00 p.m. – 4:00 p.m. ET (12:00 p.m. – 3:00 p.m. CT)
Location:	CPE Offices, 100 Airport Road, Frankfort, KY – Conference Room AB (virtual option available)

CALL TO ORDER

The Postsecondary Education Working Group on Performance Funding was called to order Tuesday, October 27, 2026, at 1:05 p.m. ET. The meeting took place at the Council offices in Frankfort, with an option to attend virtually. The meeting was livestreamed to the CPE YouTube page. Chair Aaron Thompson presided.

ATTENDANCE

There was a quorum of 20 members in attendance.

- Dr. Aaron Thompson, Chairman – in person
- Dr. Koffi Akakpo – in person
- Representative Chad Aull – in person
- Senator Amanda Mays Bledsoe – in person
- Dr. Gerry Bradley – in person
- Representative Josh Bray – in person
- Dr. Tim Caboni - virtual
- Angie Martin, designee for Dr. Eli Capilouto – in person
- Senator David Givens – in person
- John Hicks – in person
- Representative Bobby McCool – did not attend
- Senator Chris McDaniel – in person
- Dr. David McFaddin – in person
- Dr. Jay Morgan – virtual, joined at 1:18 p.m.
- Senator Gerald Neal – virtual (1:05-2:35), in person (2:45-4:05)
- Dr. Ron Patterson – virtual
- Dr. Ryan Quarles – in person
- Representative Steve Rudy – in person, arrived at 1:13 p.m.
- Dr. Cady Short-Thompson - in person
- Representative James Tipton – in person
- Senator Steve West – in person

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Brent Floyd, CPE Senior Associate of Finance Policy & Programs, served as recorder of the meeting minutes.

ADOPTION OF MINUTES

The minutes from the September 22, 2026, meeting were approved as presented. Dr. McFaddin provided the motion to adopt and was seconded by Representative Aull. The motion was passed unanimously.

DISCUSSION OF KCTCS PERFORMANCE FUNDING MODEL (POSSIBLE ACTION ITEMS)

President Thompson asked President Quarles and guest Todd Kilburn to begin their presentation.

Dr. Ryan Quarles and Todd Kilburn presented a proposal for the KCTCS Performance Funding Model. In summary, the proposal consisted of three recommendations for the working group to consider:

1. Create a separate funding pool for KCTCS, providing the system with the opportunity to earn more performance funding based on statewide metrics.
2. Remove college base funding from calculating the distribution of the performance funding pool.
3. Allow KCTCS leadership to set internal college-level metrics that determine the distribution of performance funding earned through the statewide metrics.

Following the presentation, President Thompson noted that CPE has continuously encouraged KCTCS to operate and align strategically as a unified system.

A comprehensive discussion ensued regarding KCTCS operations and model mechanics:

- Representative Tipton inquired regarding dual credit student enrollment volume, credit completion probabilities, and requested system flexibility. President Quarles confirmed KCTCS is seeking enhanced model flexibility to address its distinct institutional mission.
- Mr. Hicks observed that traditional progression metrics were omitted from the proposal. President Quarles clarified that given KCTCS's wide array of short-term certificate and 2-year degree tracks, rewarding completion directly is the most effective success metric. President Thompson added that successful student transfer serves as an effective proxy for progression.
- President Capilouto inquired whether the KCTCS President would have administrative authority to reallocate funds outside the model between colleges. Dr. Quarles stated he was not certain of KCTC's ability to freely move funds outside the model, but if it was possible it may bring unforeseen issues.
- Representative Rudy questioned the primary strategic objective of the proposal.

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President Quarles affirmed that the goal is to align system funding directly with statewide strategic workforce agenda items.

MOTION: Dr. McFaddin moved to approve Recommendations 2 and 3 of the KCTCS proposal, with the caveat that the details of the recommendations that had not yet been fully fleshed out stay within the parameters presented. The motion was seconded by Representative Tipton.

Following additional discussion regarding legislative oversight and statutory guardrails raised by Senator West, President Thompson highlighted CPE's statutory role in providing statewide oversight.

VOTE: The motion passed in a roll call vote of 17 affirmative to 2 no.

- Yes/Affirmative (17): Dr. Akakpo, Rep. Aull, Dr. Bradley, Rep. Bray, Dr. Caboni, Dr. Capilouto, Sen. Givens, Mr. Hicks, Dr. McFaddin, Dr. Morgan, Senator Neal, Dr. Patterson, Dr. Quarles, Rep. Rudy, Dr. Short-Thompson, and Rep. Tipton, Sen. West.
- No/Negative (2): Sen. Mays Bledsoe, Sen. McDaniel.

BREAK

The working group took a break from 2:35-2:45.

DISCUSSION OF PERFORMANCE FUNDING MODEL ALTERNATIVES

Chair Thompson acknowledged the achievements of the existing performance model before introducing proposed alternative framework options.

Dr. Bill Payne, CPE Vice President of Finance and Budget, and Mr. Adam Blevins, Executive Director of Finance and Budget, presented details regarding Scenario 4 of the CPE recommendation. This included the following components:

- **Transition Framework (FY 2027–28):** Distributes 50% of the University Performance Allocation using the existing funding model and 50% based on each institution’s share of unweighted outcomes produced.
- **Base Incorporation (FY 2028–29):** Earned funds under the existing model would roll into the recurring base in FY 2028–29.
- **Sector Weighting & Metrics:** Applies equal sector weighting between comprehensive and research universities in the new "share of outcomes" model component. Introduces new outcome metrics including graduate degrees, enrolled workforce, and research expenditures.
- **Full Implementation (FY 2028–29):** Transitions to distributing 100% of the university performance allocation through the share of outcomes framework.

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Mr. Tom Allison, Director of State Policy and Finance at HCM Strategists, presented a technical crosswalk comparing Scenarios 1 through 4 against the working group's approved guiding principles, demonstrating how the recommended scenarios align with the group's intentions.

Dr. Payne reviewed financial projections illustrating Scenario 4 under steady state funding infusions over a four-year horizon. Following an inquiry from President Capilouto regarding institutional mission differences, Mr. Allison highlighted how the proposed framework addresses missional variation across campuses.

ADJOURNMENT

The meeting adjourned at 4:05 p.m. ET. Dr. Short-Thompson motioned to adjourn and was seconded by Dr. Bradley.

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MEETING MINUTES

Draft for review/approval on November 10, 2026

Who:	Kentucky Council on Postsecondary Education
Type:	Postsecondary Education Working Group on Performance Funding
Date:	October 28, 2026
Time:	9:00 a.m. ET (8:00 a.m. CT)
Location:	CPE Offices, 100 Airport Road, Frankfort, KY – Conference Room AB (virtual option available)

CALL TO ORDER

The Postsecondary Education Working Group on Performance Funding was called to order Wednesday, October 28, 2026, at 9:05 a.m. ET. The meeting took place at the Council offices in Frankfort, with an option to attend virtually. The meeting was livestreamed to the CPE YouTube page. Chair Aaron Thompson presided.

ATTENDANCE

There was a quorum of 19 members in attendance.

- Dr. Aaron Thompson, Chairman – in person
- Dr. Koffi Akakpo – in person
- Representative Chad Aull – in person
- Senator Amanda Mays Bledsoe – in person
- Dr. Gerry Bradley – in person
- Representative Josh Bray – did not attend
- Dr. Tim Caboni - in person
- Angie Martin, designee for Dr. Eli Capilouto – in person
- Senator David Givens – in person
- John Hicks – in person
- Representative Bobby McCool – did not attend
- Senator Chris McDaniel – in person
- Dr. David McFaddin – in person
- Dr. Jay Morgan – in person
- Senator Gerald Neal – in person
- Dr. Ron Patterson – in person
- Dr. Ryan Quarles – in person
- Representative Steve Rudy – in person
- Dr. Cady Short-Thompson - in person
- Representative James Tipton – in person
- Senator Steve West – in person

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Brent Floyd, CPE Senior Associate of Finance Policy & Programs, served as recorder of the meeting minutes.

DISCUSSION OF PERFORMANCE FUNDING MODEL ALTERNATIVES

Ms. Cassie Trueblood Fields, Deputy General Counsel, reminded the working group of its charge and timeline restraints.

Chair Thompson resumed the conversation from the prior day by asking Mr. Adam Blevins, Executive Director of Finance and Budget, to readdress and remind attendees of components from Scenario 4 of the CPE recommendation.

Dr. Capilouto suggested using a 20% research metric and splitting the graduate metric into at least 2 metrics: doctorate/professional and masters. He stated doing so would place greater emphasis on the state's research goals that are primarily achieved through the missions of the research institutions and KSU.

Senator Mays-Bledsoe requested to see a scenario where a 60% base allocation is performed rather than the proposed 50%.

Following further discussion, Chair Thompson called for a break so CPE staff could complete the scenario requested by Senator Mays Bledsoe (Scenario 38).

BREAK

The working group took a break from 10:10-10:35 p.m. ET.

DISCUSSION OF PERFORMANCE FUNDING MODEL ALTERNATIVES (CONTINUED)

Following the break, Dr. Morgan discussed his support of CPE Scenario 4, stating that while there were other models that would provide a greater benefit to his specific institution, he felt the scenario best addressed the majority of the concerns the presidents have brought to the discussion so far while pairing those considerations with the principles the group previously agreed to.

Dr. Caboni also expressed his support for Scenario 4, stating that it appeared to address the items that are most important to the state while remaining as simple as possible.

Representative Tipton asked what other funding mechanisms are available for research, stating that it may make more sense to fund research external to the model rather than incorporating it as a metric. President Bradley stated that even accounting for all the external grants and internal endowed funds used to support research, general funds are still being used to support research at the University of Louisville, and that this was the case at all research universities. Chair Thompson reminded the group that Bucks for Brains is an

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additional state funded mechanism used to support research. Dr. Bill Payne, Vice President of Finance and Budget, stated that under the proposed Scenario 4, research only accounted for about $4.4 million of the total pool of performance funds, thus the metric was more about recognizing missional differences between institutions than funding research.

Senator Mays Bledsoe stated that her goal in requesting Scenario 38 was to reward the institutions that had performed well over the past 10 years but recognized that the scenario did not produce figures she expected.

Senator McDaniel stated that he thinks it is unfair to have R1 institutions competing in the same model as comprehensive institutions. Chair Thompson, Representative Tipton and Dr. Payne discussed the complications of separating the pool by sector so late into the working group's schedule.

To make a decision on what the model should look like going forward, Senator Givens discussed some of the potential compromises institutions may need to consider.

NEXT STEPS

Following further discussion on potential metric percentages and model mechanics, Representative Rudy stated that if the presidents cannot come to a consensus for the General Assembly, that the General Assembly will make the decisions for them, which may not be in the best interest of any institution. He therefore encouraged the university presidents to determine the best approach within the parameters of scenarios 4, 4.4, and 38, and to come with a collective proposal at the following meeting of what the model should look like going forward.

Chair Thompson addressed the scheduled start time of the next meeting on November 10. The working group agreed to move the start time to 9 a.m. ET (8 a.m. CT) to allow enough time to work through the agenda. Chair Thompson also stated that the group may need to add an additional meeting before its December 1, 2026, deadline.

ADJOURNMENT

The meeting adjourned at 12:03 p.m. ET. Dr. Quarles motioned to adjourn and was seconded by Representative Aull.

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KCTCS Performance Funding Model Recommendations
November 10, 2026

Recommendation 1 – Opportunity to Grow Through Statewide Performance

Recommendation – Separate the performance funding pool for KCTCS, allowing the system to earn more funding based on statewide outcomes. KCTCS is locked at 22% of the performance funding pool based on the adjusted net general fund calculation but represents 36% of total public FTE undergraduate enrollment. Regardless of performance, the current model caps KCTCS's allocation.

Course Completion (Weighted): Awarded based on weighted credit hours completed within the academic year. Include non-credit and dual-credit course completion.

High Value Graduates: Awarded based on the number of graduates from high-value academic programs. A program is linked to at least one occupation which meets the KWIB criteria for high-wage, in-demand, or high-skill occupations.

Employed in Kentucky: Awarded based on the number of graduates employed (currently limited to Kentucky) in the federal fiscal year following the credential award at each KCTCS college. A graduate is counted as employed if they have positive wages in at least one quarter of the applicable year (based on Kentucky UI wage records). Graduates are counted once per college and cohort. High school students who complete a credential and meet these criteria are included.

Total Transfers: Awarded based on KCTCS students that enroll at a four-year institution through the next academic year. Students are excluded if they re-enrolled at KCTCS in the next academic year, enrolled at a non-KCTCS, non-four-year institution within that timeframe before enrolling at the four-year institution, or were previously reported as a four-year transfer (2008–09 through current). High school students who meet these criteria are included.

Recommendation 2 – Remove the Base from Calculating Performance Fund Distribution

Recommendation – Create a true performance-based distribution model for KCTCS colleges using the remainder of funds following the base adjustment (recommendation 1). Separate college base funding from calculating the distribution of performance funding.

College base funding will not be used to determine college performance distributions. Authorize the KCTCS president to control the distribution of performance-based funds to KCTCS colleges based on a set of statewide and college-specific metrics (see recommendation 4).

Recommendation 3 – Establish the College-level Performance Metrics

Recommendation – Allow KCTCS leadership to distribute funding based on college-level metrics determined by the system and the college.

- Supports system planning, budget priorities and governance in line with HB619
- Provides every college with an opportunity to earn performance funding
- Addresses financial concerns through system governance and the annual evaluation

Recommendation 3 (cont.) – Establish the College-level Performance Metrics

Shared Metrics: Colleges are evaluated, in part, on the same systemwide metrics to ensure colleges are advancing system and state priorities. In addition, a fifth metric is added specific to the college and determined by the KCTCS president. See recommendation 2 for definitions.

- Course Completion (Weighted)
- High Value Graduates
- Total Transfers
- Employed in Kentucky

College Specific Metrics: Colleges have the opportunity to select from a set of performance funding metrics for the remaining 10% of the model calculation. Those options may include:

- **Adult Graduates** – Individuals aged 25–64 who earned a certificate, diploma, or associate degree in the academic year.
- **Underprepared Graduates** – Underprepared students who earned a certificate, diploma, or associate degree in the academic year. Underprepared students are those who were categorized as needing developmental English, math, or reading in their first credential seeking year at KCTCS (first-time transfer or first-time students).
- **First Generation Graduates** – Number of first-generation graduates at KCTCS. First-generation status is determined using parent education data reported on any FAFSA through the credential award year and neither parent has completed college.
- **Low Income Graduates** – Number of low-income students who earned a credential in the academic year. Low-income students are those who received Pell at any KCTCS college in any academic year from 2005–06 through the credential award year.
- **Graduation Rate** – Cohort of first-time, full-time credential-seeking students who complete their program within 150% of normal time.
- **Retention Rate** – Fall-to-fall retention rates of first-time (full-time and part-time students), credential-seeking students as reported to IPEDS who re-enroll in the following fall or earn a credential by the following summer.
- **Percent of Students with No Student Debt at Graduation** – Percent of students that complete at the college with no student debt (student loans).
- **Gateway Course Completion** – Number of students who successfully complete an identified gateway math or English course with a grade of C or better.
- **Graduates per 100 Full-Time Equivalent** – Number of students earning a credential during the academic year for every 100 FTE students enrolled at the college.
- **Graduates from Correctional Institutions** – Number of students enrolled through a correctional institution who earn a credential during the academic year.
- **Licensure/Certification Pass Rate** – Percentage of students who successfully pass a designated licensure or certification examination.

Recommendation 4 – Authority to Distribute KCTCS Base Funding

Recommendation – In alignment with the four-year model recommendation, allocate half (50%) of KCTCS's performance funding allocation to the recurring base funding. Allow the KCTCS President to determine the distribution of those funds to adjust historical funding inequities in the system. The remaining 50% is distributed through the new proposed model below.

Council on Postsecondary Education
Public University Funding Model
Fiscal Year 2026-27 Actual and 2027-28 Hypothetical Performance Distributions
Public University Funding Model

Scenario A [1]

- *Allocates 10% of funds to the production of graduate degrees (4% master's/specialist, 6% doctoral/professional)*
- *Allocates 10% of funds to the workforce outcomes metric*
- *Allocates 10% of funds to the research expenditure metric*
- *Allocates 10% to the production of low income bachelor's degrees (increased from 8%)*
- *Allocates 10% to the production of bachelor's degrees (increased from 9%)*
- *Reduces progression metric by 3% points (3%-5%-7% to 2%-4%-6%)*

		Hypothetical Fiscal Year 2027-28 Distribution				
Institution	2026-27 Performance Distribution	50% Allocation Existing Model Base Adjustment	50% Allocation New Model Distribution	Base Adjustment Plus Distribution	Difference by Institution	Difference by Sector
University of Kentucky	$44,264,500	$27,224,500	$15,025,300	$42,249,800	($2,014,700)	($3,569,400)
University of Louisville	20,749,300	10,052,100	9,142,500	19,194,600	(1,554,700)	
Eastern Kentucky University	5,326,400	379,800	4,896,200	5,276,000	(50,400)	+ 3,569,400
Kentucky State University	0	0	560,200	560,200	560,200	
Morehead State University	0	0	2,042,800	2,042,800	2,042,800	
Murray State University	4,808,400	1,531,400	3,152,800	4,684,200	(124,200)	
Northern Kentucky University	10,161,400	5,663,700	4,742,400	10,406,100	244,700	
Western Kentucky University	4,392,900	0	5,289,200	5,289,200	896,300	
Sector Subtotal	$89,702,900	$44,851,500	$44,851,400	$89,702,900	$0	

[1] Scenario A takes the specifications of Scenario 4, as presented at the October 2026 PEWG meetings, and revises metric pool allocations as provided above in red. Scenario 4 originally assigned the three new metrics (graduate degree production, workforce outcomes metric, and research expenditure metric) allocations of 10% each. Scenario A allocates 10% of the model to the graduate degree production metric (4% to the production of master's/specialist degrees and 6% to the production of doctoral degrees), 10% to the workforce metric, and 10% to the research expenditure metric. The bachelor's degree production metric is also increased from 9% to 10% of the model, and the low-income bachelor's degree production metric is increased from 8% to 10% of the model. The progression metric is reduced by 3% as part of the metric pool reallocation. Other specifications, including the base adjustment, the inclusion of dual credit hours in the earned credit hour metric, and the removal of the parity adjustment, are consistent with Scenario 4 as previously presented.

Council on Postsecondary Education
Public University Funding Model
Fiscal Year 2026-27 Actual and 2027-28 Hypothetical Performance Distributions
Public University Funding Model

Scenario B [1]

- *Allocates 10% of funds to the production of graduate degrees (4% master's/specialist, 6% doctoral/professional)*
- *Allocates 10% of funds to the workforce outcomes metric*
- *Allocates 10% of funds to the research expenditure metric*
- *Allocates 10% to the production of low income bachelor's degrees (increased from 8%)*
- *Allocates 10% to the production of bachelor's degrees (increased from 9%)*
- *Reduces progression metric by 3% points (3%-5%-7% to 2%-4%-6%)*

		Hypothetical Fiscal Year 2027-28 Distribution				
Institution	2026-27 Performance Distribution	55% Allocation Existing Model Base Adjustment	45% Allocation New Model Distribution	Base Adjustment Plus Distribution	Difference by Institution	Difference by Sector
University of Kentucky	$44,264,500	$29,113,500	$13,522,500	$42,636,000	($1,628,500)	($2,911,600)
University of Louisville	20,749,300	11,237,900	8,228,300	19,466,200	(1,283,100)	
Eastern Kentucky University	5,326,400	928,200	4,406,600	5,334,800	8,400	
Kentucky State University	0	0	504,300	504,300	504,300	
Morehead State University	0	0	1,838,500	1,838,500	1,838,500	+ 2,911,600
Murray State University	4,808,400	1,894,700	2,837,700	4,732,400	(76,000)	
Northern Kentucky University	10,161,400	6,162,300	4,268,300	10,430,600	269,200	
Western Kentucky University	4,392,900	0	4,760,100	4,760,100	367,200	
Sector Subtotal	$89,702,900	$49,336,600	$40,366,300	$89,702,900	$0	

1 Scenario B takes the specifications of Scenario 4, as presented at the October 2026 PEWG meetings, and revises metric pool allocations as provided above in red. Scenario 4 originally assigned the three new metrics (graduate degree production, workforce outcomes metric, and research expenditure metric) allocations of 10% each. Scenario B allocates 10% of the model to the graduate degree production metric (4% to the production of master's/specialist degrees and 6% to the production of doctoral degrees), 10% to the workforce metric, and 10% to the research expenditure metric. The bachelor's degree production metric is also increased from 9% to 10% of the model, and the low-income bachelor's degree production metric is increased from 8% to 10% of the model. The progression metric is reduced by 3% as part of the metric pool reallocation. Additionally, Scenario B revises the base adjustment to 55% of the performance fund, compared to 50% in Scenario A and Scenario 4. Other specifications, such as the inclusion of dual credit hours in the earned credit hour metric and the removal of the parity adjustment, are consistent with Scenario 4 as previously presented.