

MEMO OF RECORD

Kentucky Council on Postsecondary Education

Meeting: Postsecondary Education Working Group on Performance Funding

Date: July 26, 2023

Time: 1:00 p.m. ET

Location: CPE Offices, 100 Airport Road, Frankfort, KY 40601

CALL TO ORDER

The Postsecondary Education Working Group on Performance Funding met Wednesday, July 26, 2023, at 1:00 p.m., ET. The meeting occurred at the CPE offices in Frankfort.

Chair Aaron Thompson presided.

ATTENDANCE

All Working Group Members in attendance:

- Dr. Aaron Thompson, President of the Kentucky Council on Postsecondary Education
- Secretary John Hicks, Executive Cabinet Secretary and State Budget Director
- Senate President Pro Tempore David Givens (joined at 1:30 p.m.)
- Representative James Tipton
- Dr. David McFaddin, President of Eastern Kentucky University
- Dr. Michael Dailey, representative for Dr. Koffi Akakpo, President of Kentucky State University
- Dr. Larry Ferguson, Interim President of the Kentucky Community and Technical College System
- Dr. Jay Morgan, President of Morehead State University
- Dr. Robert Jackson, President of Murray State University
- Mr. Jeremy Alltop, representative for Dr. Bonita Brown, Interim President of Northern Kentucky University
- Eli Capilouto, University of Kentucky
- Dr. Kim Schatzel, President of the University of Louisville
- Dr. Tim Caboni, President of Western Kentucky University

Presenting CPE staff members in attendance: Dr. Bill Payne, Vice President for Finance and Administration, and Mr. Shaun McKiernan, Executive Director of Finance and Budget.

Heather Faesy, CPE Senior Associate, served as recorder of the memo of record.

OVERVIEW

Dr. Aaron Thompson provided welcoming remarks and Dr. Bill Payne provided an overview of the meeting agenda for July 26, 2023.

FISCAL 2023-24 PERFORMANCE DISTRIBUTION

Dr. Payne provided an overview of the distribution of performance funds for the 2023-24 fiscal year. Items examined included the change in distribution and hold harmless allocations between fiscal years 2022-23 and 2023-24 and the growth rates above sector average. He also showed the metric showcard and stated:

- Three out of four universities that recorded growth rates above the sector average on six or more metrics increased their performance distributions between fiscal years 2023 and 2024.
- Three institutions that had growth rates below the sector average on eight or more metrics registered the largest dollar decreases in their distributions or hold harmless amounts.
- There is a positive correlation between the number of metrics that an institution achieves with growth rates above the sector average and change in that institution's performance distribution.
- As intended, funding is being driven by changes in outcomes.

He also shared a graph showing state funds for educating students by full-time equivalent (FTE) student. UK and NKU, the universities that had the largest performance funding gains, have lowest state funding per student in their respective sectors.

BIENNIAL BUDGET DEVELOPMENT

Dr. Payne discussed likely components of CPE's budget request for institutional operating funds for 2024-26, and how those components might affect the discussion of the Work Group. Major funding components, at this time, include an across-the-board inflationary increase that would be outside of the model, a request in the amount of 50% of each institution's 2023-24 earned performance funds, and a request for additional performance funds. Knowing these components should help focus the Work Group's attention on the model and alleviate the need to adjust the performance funding model statute to provide base adjustments and make a portion of earned funds recurring.

UNIVERSITY MODEL SCENARIOS

Dr. Payne presented proposed adjustments to the university model, which included:

- Increase Low-Income Degree Premium.
- Add New Adult Learner Metric.
- Eliminate Degree Efficiency Index Weighting.

- Modify Small School Adjustment.
- Increase Nonresident Credit Hour Weighting.

With each scenario, the work group members engaged in a discussion to determine support for the adjustment and the appropriateness of the level of adjustment. Alternative measures were also discussed. In the interest of time, the group moved past the degree efficiency and nonresident credit hour discussion without presentation or discussion.

KCTCS MODEL

Dr. Alicia Crouch, KCTCS Vice Chancellor of Research and Policy Analysis, and Mr. Brendan Lehane, KCTCS Director of Budget & Financial Planning, presented an overview of the distribution of performance funds for the 2023-24 fiscal year for the 2-year campuses and the changes in performance and other metrics that led to changes to the distribution amounts.

They then discussed the latest recommended adjustments:

- Use a three-year average on all metrics except square footage to smooth the impact of changes in enrollment and performance.
- Allow earned funds to become part of an institution's base.
- Add an 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).
- Reduce weight of the progression metrics (12% to 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 economic needs.
- Reduce the weighting of the credential metric (from 15% to 8%) to allow increased focus on URM, under prepared, low income, and transfers.

For each of the proposals, they discussed how it would respond to economic needs, prioritize equity, reduce volatility, and serve all Kentucky communities. They also demonstrated how allocations would change if the proposed adjustments were adopted.

NEXT STEPS

Dr. Payne stated the next meeting would continue discussion on these issues with the goal of reaching consensus on proposed changes.

ADJOURNMENT

The working group adjourned at 3:05 p.m., ET.