Performance-Based Funding Working Group
Consensus Comprehensive Universities Policy Recommendations
August 2026

The intent of the Performance Funding Model was to establish a framework of shared priorities that would allocate funding to institutions based on their ability to deliver on those priorities. Since the inception of the formula, it has been clear that value is centered on student success outcomes. However, for most of Kentucky's public universities, institutional success through the currently established model has not been rewarded due to the complex addition of criteria and weights that dilute the impact of true performance.

Policy makers and higher education proponents recognize that higher education is an economic mobility driver. Performance funding metrics must weigh institutional efforts to keep costs low. To enhance access, limit tuition increases, maximize scholarships, and improve completion, the performance funding model can enhance the commitment to institutional affordability with campuses evaluated on measures that open pathways to upward mobility. Two approaches below create avenues to make this a reality.

The Practical Approach:

The comprehensive universities are proposing three practical priority changes outlined below to begin to address the inequities and performance efficacy of the current model.

1. **Kentucky Workforce Outcome Addition**–Add a workforce talent-retention metric tracking bachelor's recipients residing or working in Kentucky three years post-graduation, using data currently available in KYSTATS for Graduates Remaining in Kentucky three years after graduation. This metric should replace the 10% square footage metric which does not reward outcomes or efficiency.
2. **Small School Adjustment**–Reconfigure the small school adjustment to a sliding scale that provides the smallest institution with the largest adjustment and the largest institution with no adjustment.
3. **Level Playing Field**–Remove all institutional metric weights in the model. The funding model should reward what institutions do, not what they are. Comprehensive universities serve more low-income and first-generation students, yet lose ground on these metrics due to the weights built into the formula. Removal of the weights improves transparency and rewards outcomes. This approach actually measures comparative performance of institutions rather than measuring the weighted difference between the same activity at different institutions.

The Preferred Approach:

The changes proposed above will create a model that better achieves the original goals by focusing on meaningful student success outcomes that are measured equitably across all institutions. Those changes alone however do not fully accomplish the transition to a model that focuses on and rewards performance. The additional steps below would move us toward a preferred approach that helps achieve this goal in a more equitable, transparent and simple way.

1. **Measure Outcomes Only**
   - Reduce the current metric set to include: bachelor's degrees, high-demand (STEM+H) degrees, graduates remaining in Kentucky (3-year post-graduation), Low Income Degrees, First Generation Degrees and unweighted student credit hours (all credit hours including dual credit).
2. **Simplify the Model**
   - Performance outcomes only—no open the doors money, distribute the performance pool across the metrics referenced in the bullet above.
   - New money only—no calculation of allocable resources. Using only new dollars would eliminate the need for the model to adjust for equilibrium, weighting, small school adjustments, and a stop loss.
3. **Restore the Base**
   - If the model were simplified to allocate only the performance pool of funds available, policy makers could opt to return the base funding reduction from 2017 of $33,864,100 to the institutions based on their respective reductions from that period.

     **NOTE: FY26 Performance Distribution was $89,702,900. The original 2017 cut was $33,864,100.*
4. **Affordability**
   - Based on clear and consistent feedback from key stakeholders and our own institutional leadership we fundamentally believe any performance-based funding model in Kentucky should measure, evaluate and reward institutions that prioritize affordability. While the current model does not address this metric there is unwavering support from the comprehensive institutions to create and implement an affordability metric for any new or reformed performance funding formula.

Council on Postsecondary Education
Public University Funding Model
Compare Actual 2026-27 and Hypothetical Performance Distributions

September 15, 2026

Scenario 1: Eliminate Weightings Between Sectors [1]

Institution	2026-27 Performance Distribution	Hypothetical Distribution	Difference by Institution	Difference by Sector
University of Kentucky	$44,264,500	$15,830,600	($28,433,900)	($46,135,200)
University of Louisville	20,749,300	3,048,000	(17,701,300)	
Eastern Kentucky University	5,326,400	17,228,000	11,901,600	+ 46,135,200
Kentucky State University	0	1,226,000	1,226,000	
Morehead State University	0	2,404,500	2,404,500	
Murray State University	4,808,400	12,611,100	7,802,700	
Northern Kentucky University	10,161,400	19,911,400	9,750,000	
Western Kentucky University	4,392,900	17,443,300	13,050,400	
	$89,702,900	$89,702,900	$0	$0

[1] Assumes all research university metric weights are set to a value of 1.00 in the "Metric Weighting Chart" tab of the fiscal 2026-27 university funding model, which is the same weighting given to comprehensive university metric weights. This scenario assumes no other changes.

Scenario 2: Reconfigure Small School Adjustment [2]

Institution	2026-27 Performance Distribution	Hypothetical Distribution	Difference by Institution	Difference by Sector
University of Kentucky	$44,264,500	$31,128,200	($13,136,300)	($21,099,100)
University of Louisville	20,749,300	12,786,500	(7,962,800)	
Eastern Kentucky University	5,326,400	8,006,800	2,680,400	+ 21,099,100
Kentucky State University	0	2,767,300	2,767,300	
Morehead State University	0	3,977,300	3,977,300	
Murray State University	4,808,400	11,117,700	6,309,300	
Northern Kentucky University	10,161,400	14,744,000	4,582,600	
Western Kentucky University	4,392,900	5,175,100	782,200	
	$89,702,900	$89,702,900	$0	$0

[2] Reconfigures small school adjustments in the "Table 2 - Allocable Resources" tab of the fiscal 2026-27 university funding model to provide level-dollar stratification of small school adjustments, ranging from a low of $0 at the largest university (i.e., UK) to a high of $14,024,500 at the smallest university (i.e., KSU). This scenario assumes no other changes.

Scenario 3: Eliminate Weightings Between Sectors and Reconfigure Small School Adjustment [3]

Institution	2026-27 Performance Distribution	Hypothetical Distribution	Difference by Institution	Difference by Sector
University of Kentucky	$44,264,500	$0	($44,264,500)	($65,013,800)
University of Louisville	20,749,300	0	(20,749,300)	
Eastern Kentucky University	5,326,400	18,665,200	13,338,800	+ 65,013,800
Kentucky State University	0	4,140,800	4,140,800	
Morehead State University	0	8,569,800	8,569,800	
Murray State University	4,808,400	18,096,700	13,288,300	
Northern Kentucky University	10,161,400	23,364,800	13,203,400	
Western Kentucky University	4,392,900	16,865,600	12,472,700	
	$89,702,900	$89,702,900	$0	$0

[3] Assumes all research university metric weights are set to a value of 1.00 in the "Metric Weighting Chart" tab and reconfigures small school adjustments in the "Table 2 - Allocable Resources" tab of the fiscal 2026-27 university funding model, thus combining Scenarios 1 and 2. This scenario assumes no other changes.

Council on Postsecondary Education
Comprehensive University Funding Model Proposal
Calculated Hypothetical Small School Adjustments

September 15, 2026

Assumed Level-Dollar Stratification Amount: $2,003,500

Seq	Institution	Fall 2024 FTE Student Enrollment	FTE Student Rank Order	Hypothetical Small School Adjustment
1	University of Kentucky	33,131.7	1	$0
2	University of Louisville	18,730.6	2	2,003,500
8	Western Kentucky University	12,766.7	3	4,007,000
3	Eastern Kentucky University	12,217.3	4	6,010,500
7	Northern Kentucky University	10,241.3	5	8,014,000
6	Murray State University	7,326.0	6	10,017,500
5	Morehead State University	4,653.0	7	12,021,000
4	Kentucky State University	1,346.5	8	14,024,500
		100,413.1		$56,098,000 [a]

[a] The total public university small school adjustment of $56,098,000 was obtained from the "Table 2 - Allocable Resources" tab of the fiscal 2018-19 university funding model. That base amount was selected because it reflects small school adjustments at each institution before increases in adjustments at KSU and MoSU in fiscal 2024-25.