KCTCS PERFORMANCE FUNDING PROPOSAL

Model Overview, Priorities and Recommendations

Dr. Ryan Quarles, President, Kentucky Community and Technical College System

October 27, 2026

THE 2026 REGULAR SESSION BROUGHT POSITIVE CHANGE TO KCTCS

HB500

Continued operational support

Asset preservation

Prison education and workforce training facility

HB5

Prison education partnership between KCTCS and the state

HB419

Fire Commission reform

Access to cancer screening funding

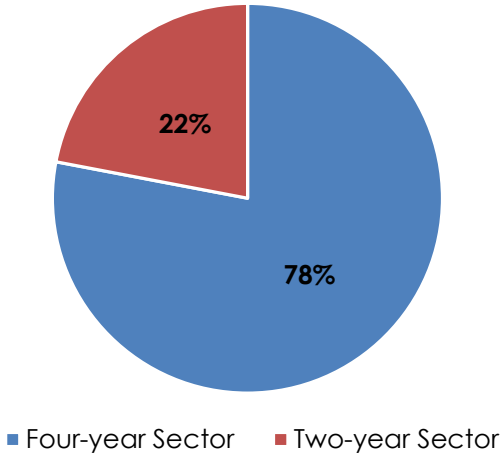
HB619

KCTCS reform legislation

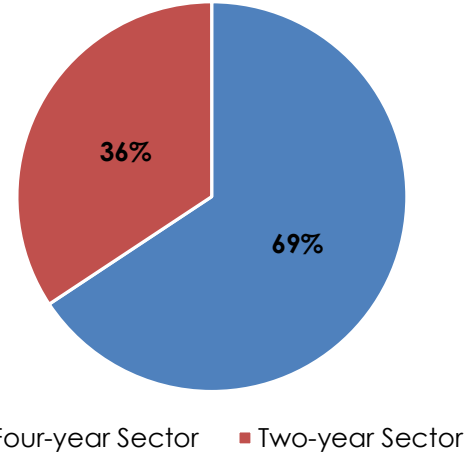
Statutory and governance modernization

KCTCS IS LOCKED AT **22% OF THE PERFOMANCE FUNDING POOL** BASED ON THE ADJUSTED NET GENERAL FUND CALCULATION BUT REPRESENTS **36% OF TOTAL PUBLIC FULL-TIME EQUIVALENT UNDERGRADUATE ENROLLMENT**

Adjusted Net General Fund Share



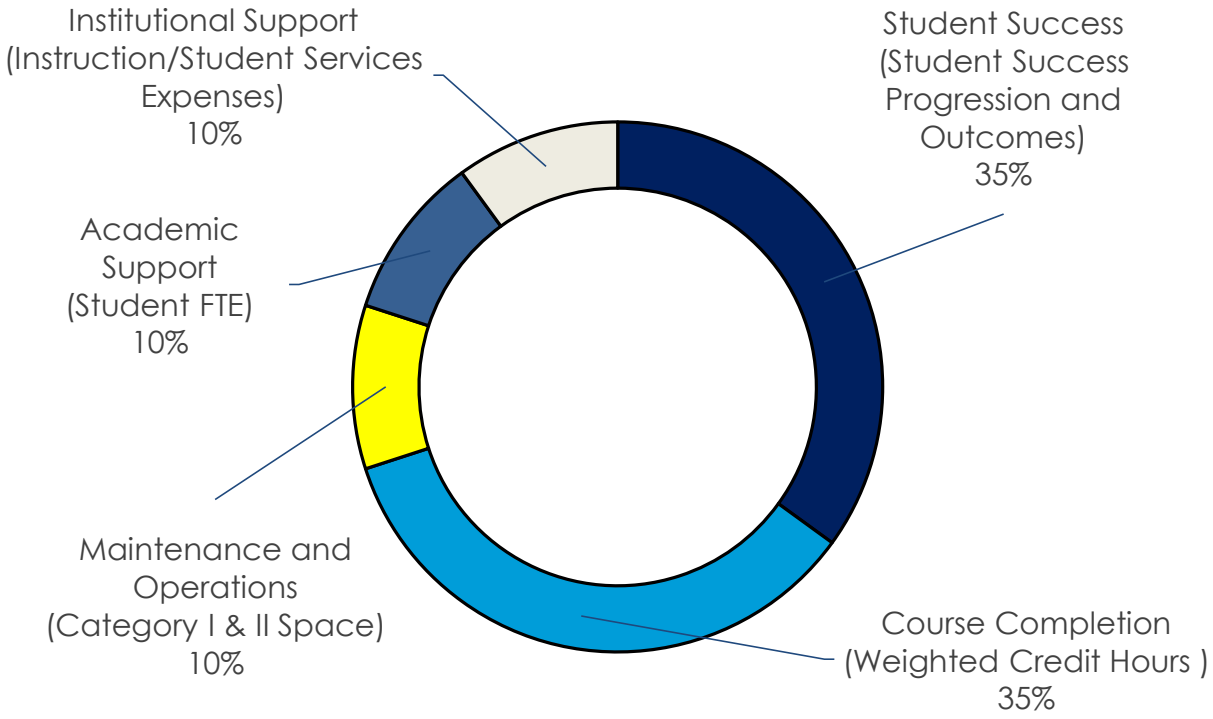
Full-time Equivalent Undergraduate Enrollment



REGARDLESS OF PERFORMANCE, **KCTCS IS UNABLE TO EARN MORE THAN 22% OF THE PERFORMANCE FUNDING POOL**, TURNING THE MODEL INTO A DISTRIBUTION MODEL FOR IT'S 16 COLLEGES

KCTCS distributes its funding to 16 colleges based on performance metrics. Recently, five colleges have not received funding, some due to higher base funding:

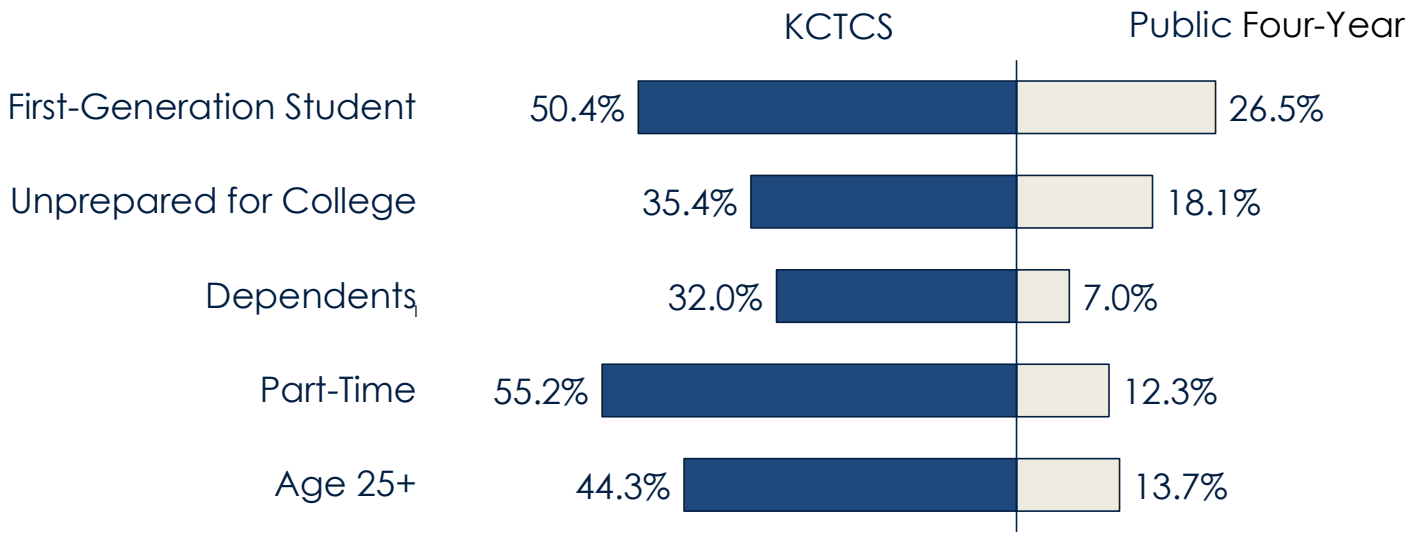
- Big Sandy CTC
- Hazard CTC
- Henderson CC
- Southeast Kentucky CTC
- West Kentucky CTC



Community Needs Index (CNI) adjustment based on local unemployment, labor force participation, and poverty rates.

KCTCS MISSION: College for Every Kentuckian

KCTCS and Public Four-Year Student Characteristics, Fall 2024



[1]Dependents Source: Kentucky Council on Postsecondary Education. *Student Basic Needs*. Parenting Students from AYs 2017-18 to 2024-25. Updated August 25, 2026. https://cpe.ky.gov/data/dashboards/basicneeds.html

Performance Funding Work Group Priorities

GOALS

1. Student Success
2. Workforce and Talent Development
3. Opportunity, Closing Gaps and Economic Mobility

PRINCIPLES

1. Recognize Mission Differences
2. Outcomes-based
3. Reasonably Stable
4. Data-driven
5. Public Value
6. Opportunity to Win

RECOMMENDATION 1: Create a Separate Funding Pool for KCTCS

Create a separate funding pool for KCTCS, allowing the system to earn more performance funding based on statewide outcomes.

- Establishes a separate funding pool recognizing unique mission.
- Allows success to be measured against past performance.
- Provides a path to address KCTCS's disproportionate share of performance funding without hindering other institutions.

RECOMMENDATION 1: Statewide Funding Metrics

1. **Course Completion** *(aligns with Goal 1)*
   - Dual credit
   - Credit-bearing
   - Non-credit industry training upon the development of a reliable metric*
   - Weight by program cost

2. **High-value Credentials/Degrees*** *(aligns with Goal 2)*
   - Align with existing measures of high-demand or high-value workforce credentials/degrees (i.e.. Federal accountability)

3. **Employment Outcomes*** *(aligns with Goal 2)*
   - Reward job placement if a reliable metric can be collected (i.e.. enhanced UI records/Federal tax records)
   - Account for border colleges whose graduates may work across state lines

4. **Transfers** *(aligns with Goal 1 and 3)*
   - Transfer from two-year to four-year institutions should be treated as an outcome similar to job placement

*Represents new or revised metrics not included in the current KCTCS model.

RECOMMENDATION 2: College Base Funding

Remove college base funding from calculating the distribution of the Performance Funding pool.

- Allow base funding to support general operational expenses and infrastructure
  - Authorize KCTCS to address existing inequities among college base funding levels if a portion of the current performance funding pool is directed to the base*
- Performance funding focuses effort to support successful achievement of metrics in the model

*If the work group approves an increase to the base, KCTCS recommends that same increase is applied to system base funding.

RECOMMENDATION 3: College-level Performance Metrics

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

- Supports system planning, budget priorities and governance in line with HB 619
- Provides every college with an opportunity to earn performance funding
- Addresses financial concerns through system governance via college's annual evaluation
- Distributes funding based on outcomes rather than existing operations (the base)

RECOMMENDATION 3: College-level Performance Metrics

Shared Metrics

Common metrics that align with system metrics

1. **Course Completion** *(aligns with Goal 1)*
2. **High-value Credentials/Degrees** *(aligns with Goal 2)*
3. **Employment Outcomes** *(aligns with Goal 2)*
4. **Transfers** *(aligns with Goal 1 and 3)*

College Metrics

College-specific metrics set by the KCTCS president with consultation from the college

5. **College-specific Measures Established by KCTCS President**
   May include regionally-specific academic programs, trends in financial performance, community-specific needs, etc.

CONCLUSION: Summary of Recommendations

1. Create separate funding pool for KCTCS, providing the system 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

"Funding matters but governance matters more."

- Daniel Greenstein, Past Chancellor of Pennsylvania's System of Higher Education 2018-2024
Presenter at the 2026 CPE Trusteeship Conference

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