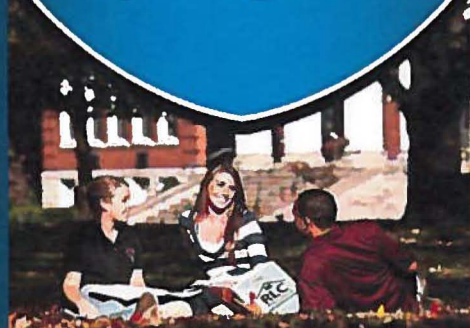


STRONGER

by degrees



Kentucky's Performance Funding Model for Postsecondary Education

Robert L. King, President
Aaron Thompson, Executive Vice President
Kentucky Council on Postsecondary Education
August 30, 2018

Previous Distribution Method

- State appropriations were distributed based on share of funding received the prior year
- Incremental budgeting approach that applied base plus (or base minus) methodology
- 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



Development Process

- The 2016 budget bill (HB 303) directed the Council to establish a working group composed of:
 - The Governor (or representative)
 - President of Senate (or representative)
 - Speaker of the House (or representative)
 - President of each public university and KCTCS
 - Council president
- Charged with developing a comprehensive model for allocating state appropriations that incorporates:
 - Campus performance
 - Mission
 - Enrollment



Development Process (Cont'd)

- The working group met five times between April and November 2016
- Report recommendations were endorsed by presidents and submitted to Governor and IJCE on December 1
- Formed basis for SB 153, introduced February 2017
- It passed the House and Senate with no changes and was signed into law by Governor on March 21, 2017 (KRS 164.092)
- Creating the model required compromise on part of every institution, ultimately consensus was achieved




Consensus 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

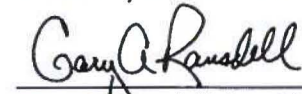

Wayne D. Andrews, President
Morehead State University


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



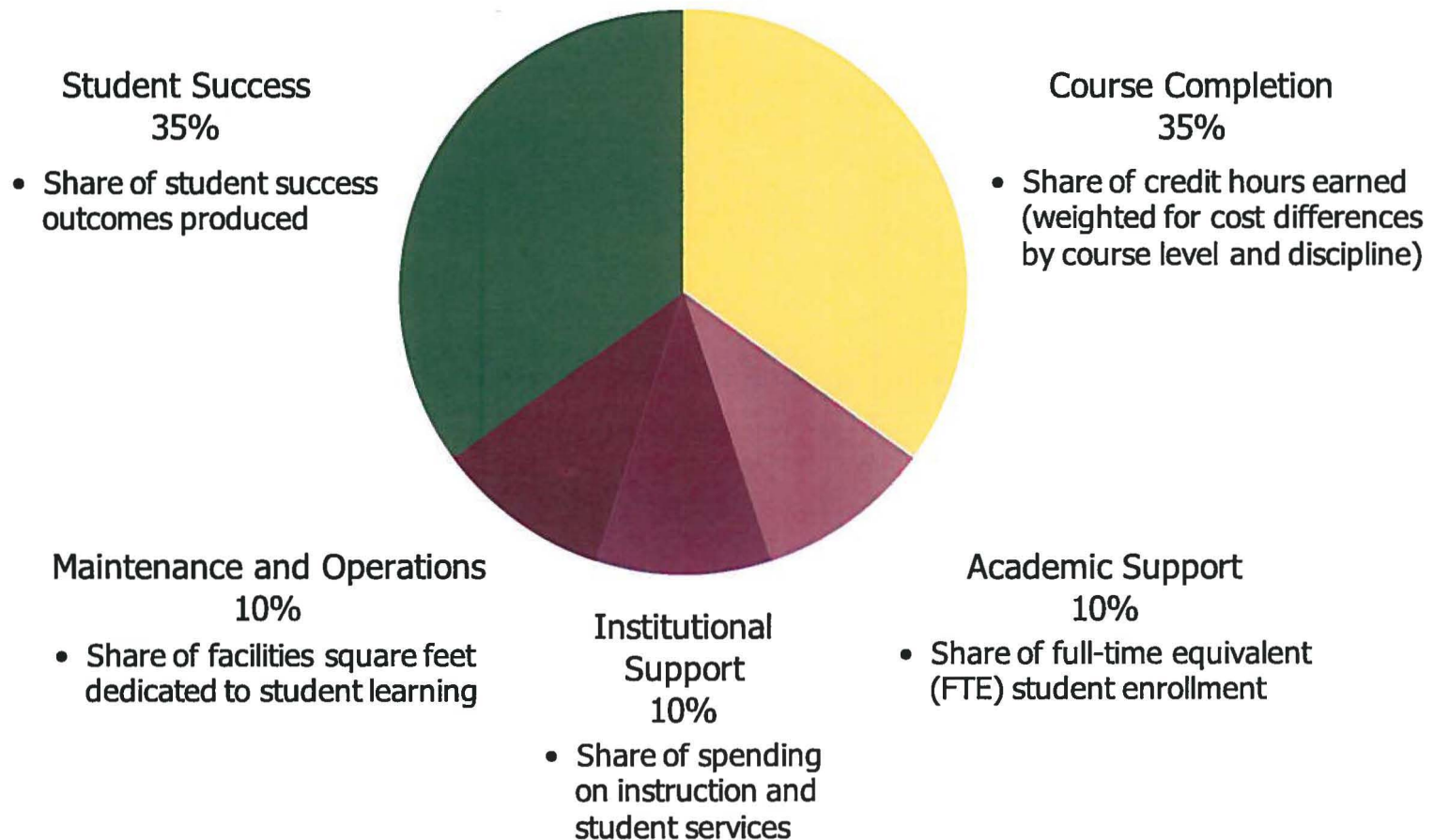
State Goals (Get Better Faster)

- Increase retention and progression of students toward timely completion
- Increase numbers of degrees and credentials earned by all student types
- Produce more degrees and credentials that garner higher wages upon completion:
 - STEM+H fields
 - high demand fields and targeted industries
- Close achievement gaps by growing numbers of degrees and credentials earned by minority, low income, and underprepared students



Model Components

Kentucky's Performance Funding Model Distribution of Allocable Resources



Student Success Metrics

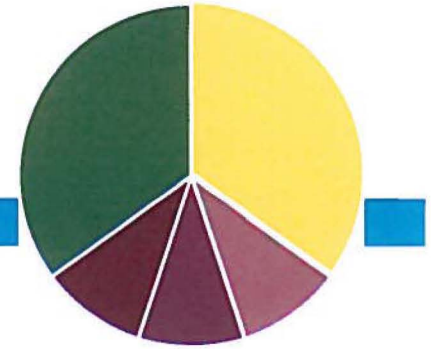
Universities

- Bachelor's degrees earned
- Degrees per 100 FTE students
- Bachelor's degrees earned in:
EO 01 STEM+H Fields
- Bachelor's degrees earned by:
EO 01 URM Students
EO 01 Low Income Students
- Progression (@ 30, 60, 90 Credit Hours)

KCTCS (will be presented by KCTCS President Jay Box)



Component Funding Pools

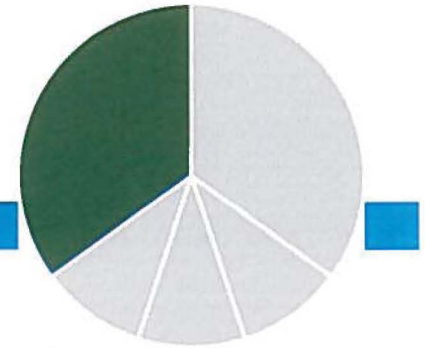


Kentucky Performance Funding Model
Major Components, Allocation Percentages, and Funding Pools
Fiscal 2018-19 (Dollars in Millions)

Model Component	Allocation Percentages	Component Funding Pools	Distribution Method
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	



Student Success Funding Pools



Kentucky Performance Funding Model

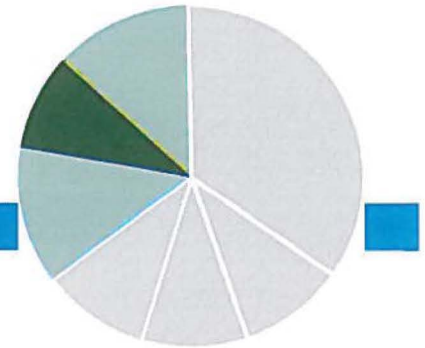
Success Metrics, Allocation Percentages, and Funding Pools

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



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

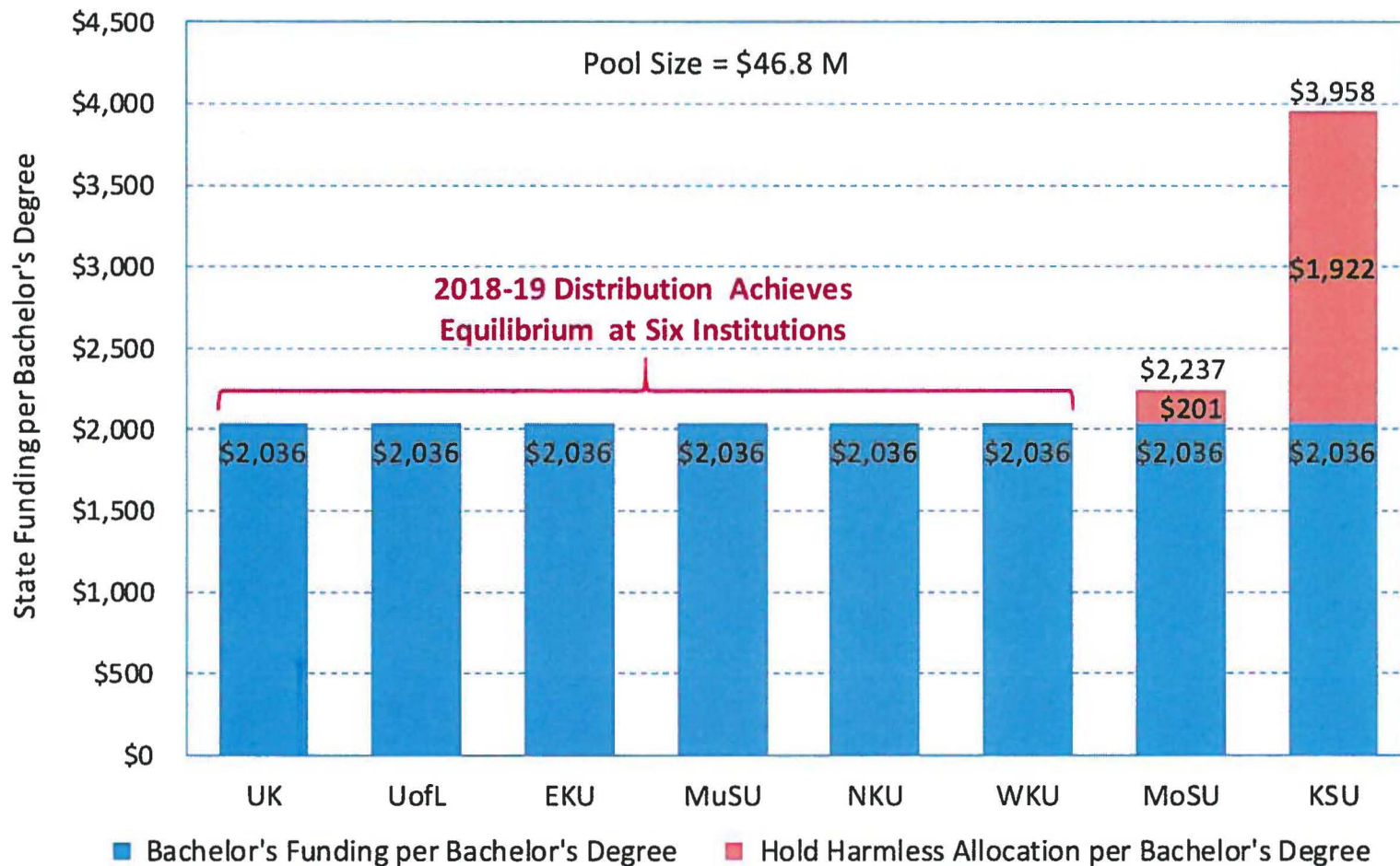
Institution	Weighted Bachelor's Degrees ¹	Degree Share	Funding Distribution
University of Kentucky	7,286	31.7%	\$14,836,200
University of Louisville	4,843	21.1%	9,861,800
Eastern Kentucky University	2,651	11.5%	5,397,400
Kentucky State University	307	1.3%	626,100
Morehead State University	1,188	5.2%	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.



Pursuing Equilibrium (Bachelor's Degrees)

Kentucky Performance Funding Model
Bachelor's Degree Component Funding per Weighted Bachelor's Degree
Fiscal Year 2018-19






Premiums for Underserved Populations

Kentucky Performance Funding Model

Premiums for Low Income and Minority Student Degree Production





Fiscal Year 2018-19

Component Category	Allocation Percent	Size of Pool	Weighted Degrees	State Funding per Degree	Funding Multiple
 Bachelor's Degrees	9.0%	\$46,784,400	22,975	\$2,036	1.0
Bachelor's Degrees				\$2,036	
 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	
 Minority Bachelor's	3.0%	\$15,594,800	2,410	6,471	
Minority Total				\$8,507	4.2

Total Allocable Resources: \$519,827,100



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



Impact on Institutions

- State funding is no longer being distributed based on historical share
- Funding based on outcomes provides incentives for student progression and timely completion
- Most of the funding disparities that developed over time have been rectified
- With the exception of two institutions, equilibrium has been achieved within university funding model
- Less productive institutions could see a portion of their funding shift to others beginning in 2019-20



Detailed Attributes

- Backs out research and public service appropriations that are not instruction related
- ▶ Removes \$4.5 M from formula at each comprehensive university as a small school adjustment
- Weights student credit hours earned to account for cost differences by degree level and discipline
- ▶ 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



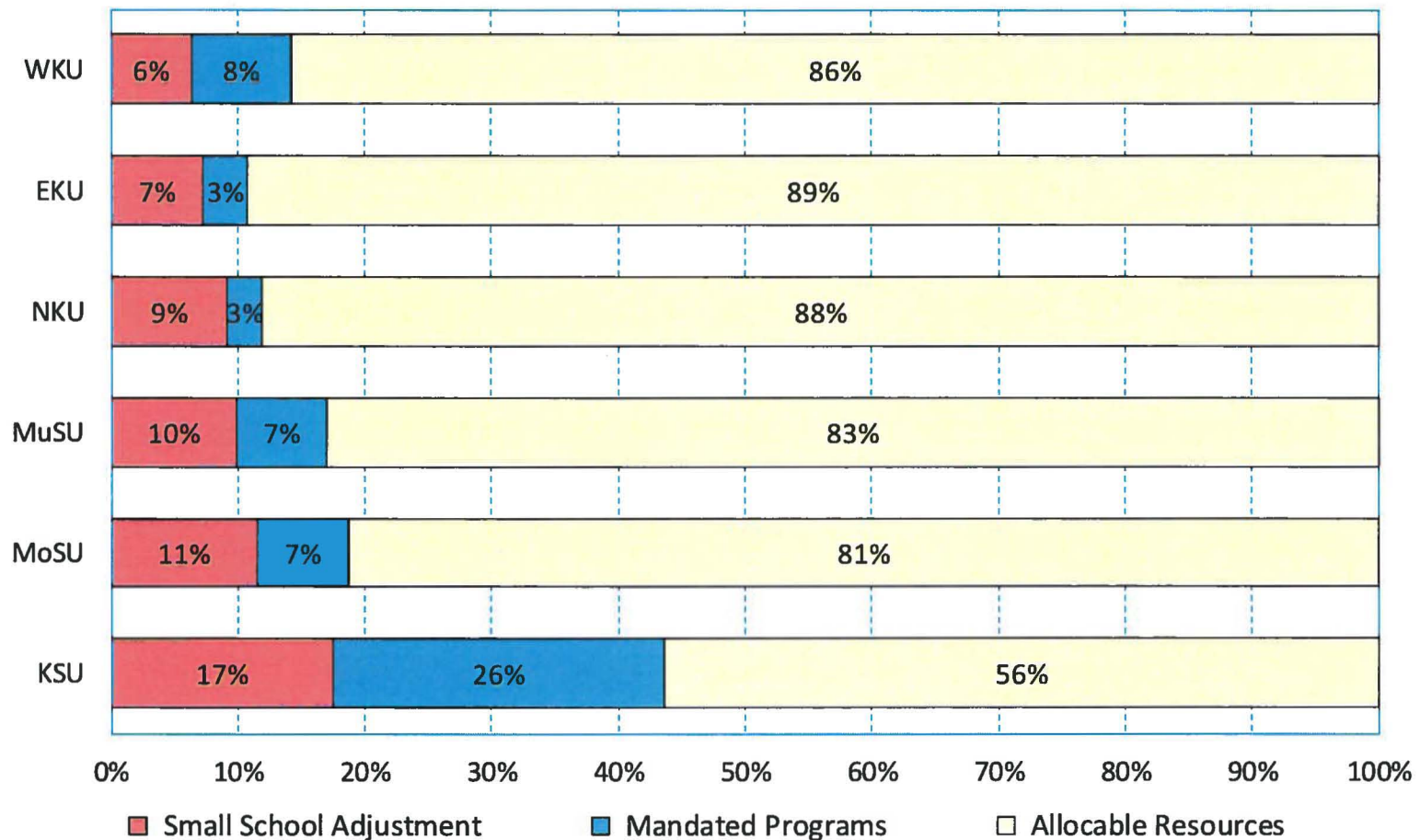
Detailed Attributes (Cont'd)

- ▶ Provides premiums for degrees earned by low income and minority students
- ▶ Provides premiums for degrees earned in STEM+H and high demand fields
- Distributes state funds based on share of outcomes produced (i.e., provides like funding for like activities)
- ▶ Uses hold harmless and stop loss provisions to provide gradual phase in (max 3% over 3 years)
- Rewards percent growth above the sector average, once equilibrium is achieved



Small School Adjustment (\$4.5 M each)

Kentucky Comprehensive University
Funding Model Deductions as a Percent of General Fund Appropriations
Fiscal Year 2018-19



Credit Hour Weights

Weighted Average Instruction Costs per Credit Hour
By Course Level and Discipline (Average of FL, IL, & OH Cost Studies)

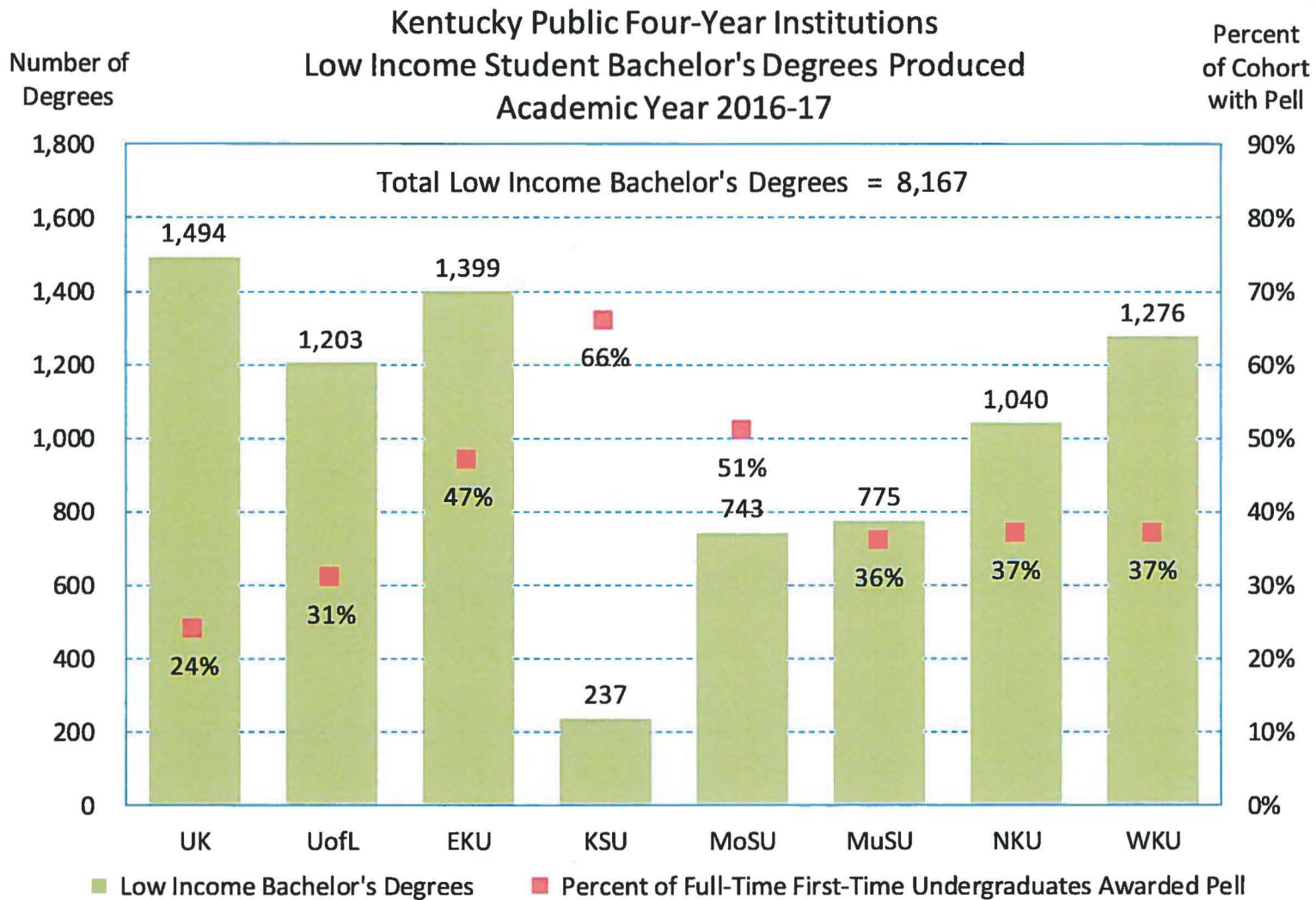
Student Credit Hour Cost Indices by Discipline and Level

Discipline	Course Level					
	Lower Division	Upper Division	Master's	Other Graduate	Doctoral I	Doctoral II
Liberal Arts, Math, Social Sciences	1.07	1.48	3.27	3.27	3.81	4.34
Basic Skills	1.00	1.22	2.19	2.19	3.17	4.16
Business	1.00	1.44	2.68	2.68	5.42	8.17
Education	1.17	1.47	2.32	2.32	3.28	4.24
Service	1.06	1.22	2.19	2.19	3.17	4.16
Visual and Performing Arts	1.36	2.24	4.49	4.49	4.50	4.51
Trades and Technologies	1.45	1.97	2.95	2.95	3.62	4.30
Sciences	1.18	1.86	4.70	4.70	4.74	4.79
Law	1.52	1.25	3.33	3.33	4.47	5.61
Engineering/Architecture	1.57	2.52	4.37	4.37	4.47	4.58
Health	1.44	1.76	4.13	4.13	4.66	5.19
Nursing	1.44	1.76	4.13	4.13	4.66	5.19
Other	1.00	1.22	2.19	2.19	3.17	4.16

Note: Indices calculated by dividing the cost per credit hour for each category by the cost per credit hour of the lowest cost category.
Source: SHEEO Four-State Cost Study.

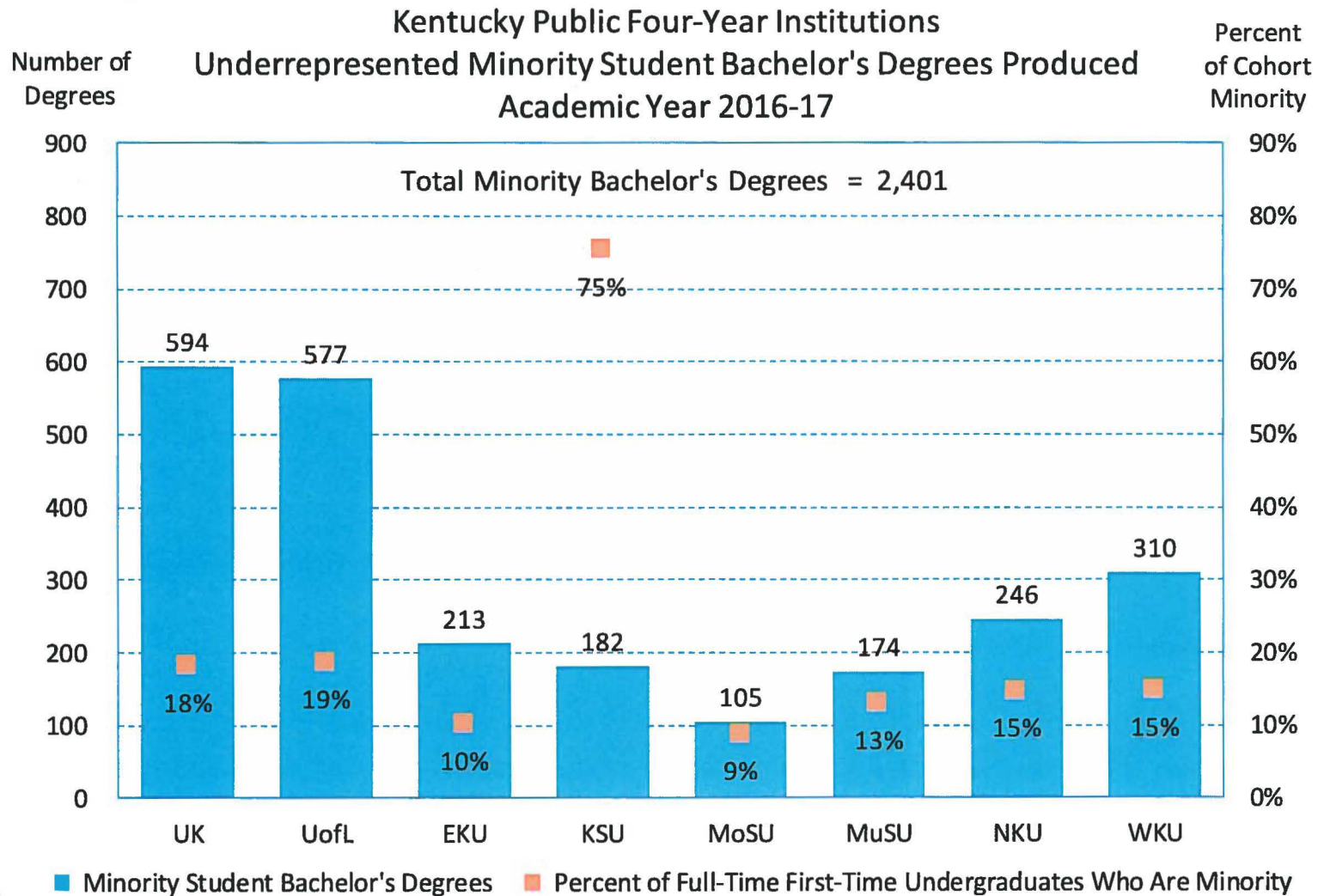


Serving Low Income Students



Sources: Low Income Degree Data, CPE Comprehensive Database; Fall 2015 Cohort Data, IPEDS.

Serving Minority Students



Sources: Minority Degree Data, CPE Comprehensive Database; Fall 2015 Cohort Data, IPEDS.

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).



Model Rewards Growth in Outcomes

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



How to Win in the Model

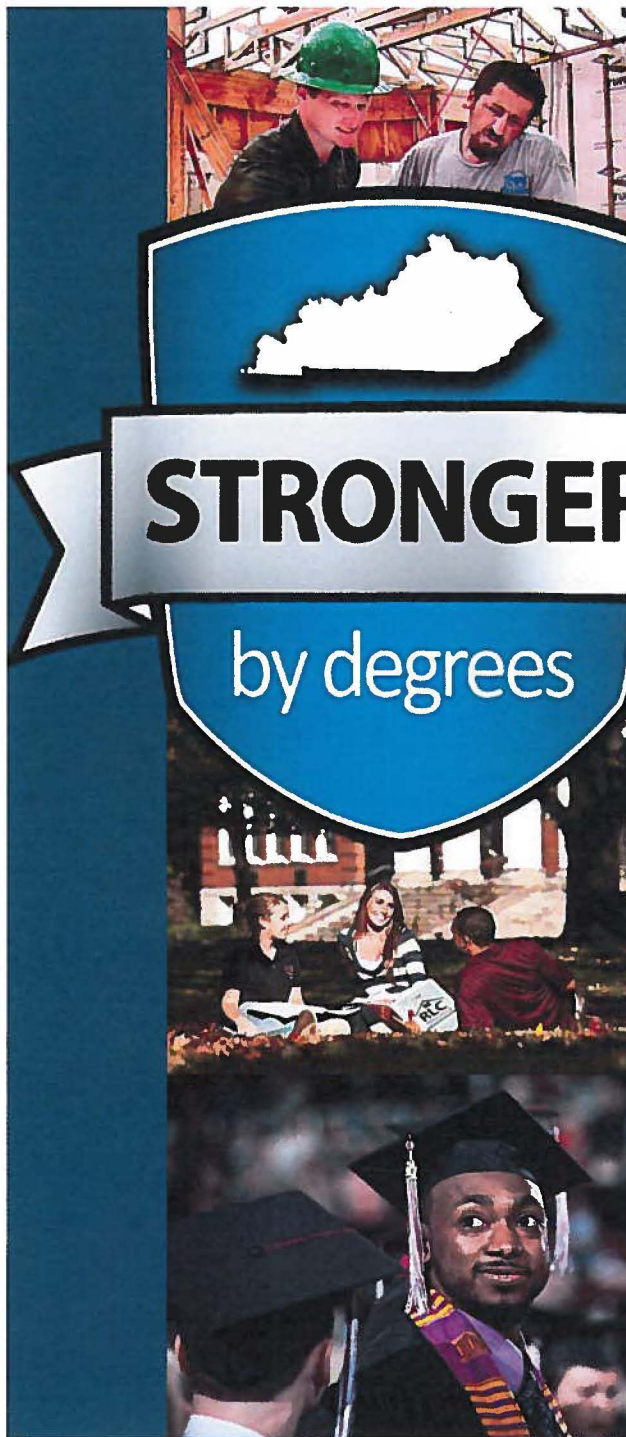
- Enroll and retain greater numbers of academically qualified degree seeking students
- Encourage students to take full course loads and provide support services to help them progress to timely completion
- Increase graduation rates and produce more degrees, especially among underserved student populations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



Model Advantages

- Rational
- Comprehensive
- Dynamic
- Fair





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