

TITLE: Performance Funding Model Review Update

DESCRIPTION: The Finance Committee received an update on the work of the Postsecondary Education Working Group, who is conducting its schedule review of the performance funding model.

PRESENTERS: Eric Farris, Chair of the Finance Committee

COMMITTEE'S REVIEW

The Finance Committee received this information report at their March 21, 2023, meeting. It will not be covered or presented in detail at the March 31 board meeting; however, staff will be available for questions.

FUNDING MODEL REVIEW

On March 1, 2023, the Postsecondary Education Work Group held its second meeting of the year to continue a comprehensive review of Kentucky's public university and KCTCS performance funding models (KRS 164.092). The meeting was conducted in two parts, so that CPE staff and KCTCS officials could share information and facilitate discussion relevant to the university and two-year sector models, respectively. A copy of the agenda for the meeting can be found in Attachment A.

During the first hour of the meeting, CPE staff provided work group members with tables, charts, and trend data related to the university funding model. Specifically, staff shared number and percent change analyses by institution and trend data for the university sector between academic years 2013-14 and 2020-21 for eight different student outcome metrics, including four bachelor's degree metrics (i.e., total, STEM+H, URM, and low-income), three student progression metrics (i.e., at 30, 60, and 90 credit hour thresholds), and one credit-hours-earned metric. The data packet also included analyses comparing the seven-year change for each institution to the sector average change and showing cumulative net gain in outcomes produced relative to a 2013-14 beginning baseline for each of the eight metrics.

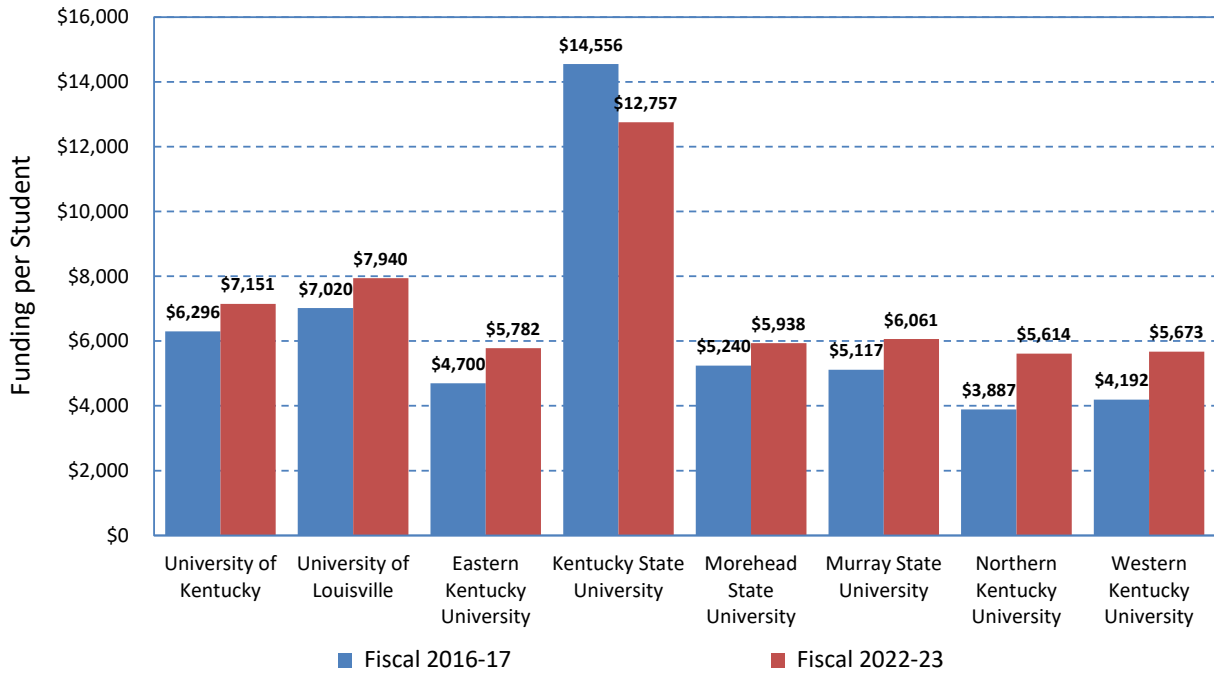
Council staff also shared responses from campus officials to a performance funding survey that was conducted this past September. The survey focused on three main questions, which were closely aligned with questions the working group is charged to address as part of its funding model review (KRS 164.092). Namely, after six years of operation, in what ways has the funding model functioned as expected? Have there been any unintended consequences of adopting the model? What adjustments to the model are recommended? During the course of sharing the survey responses, staff facilitated discussion and responded to questions from work group members.

Finally, CPE staff shared six performance distribution scenarios that had either been specifically requested by an institution or were implied given the substance of an institution's recommended adjustment to the model. Every scenario used the same set of updated appropriations data for fiscal year 2023-24 and the same assumptions regarding no changes in student success or operational support metric data. This allowed the impact of proposed changes to be examined in isolation from any other potential influences. A copy of CPE staff's presentation is provided in Attachment B.

During the second half of the meeting, KCTCS officials shared analyses and trend data by institution and for the system for academic years 2015-16 through 2020-21. Student outcome metrics pertaining to their funding model included several types of credentials, transfers, student progression (at 15, 30, and 45 credit hour thresholds), and earned credit hours. System staff also provided a summary of survey responses that had been submitted by participating community and technical colleges. Their survey included the same questions as the university survey, regarding whether or not the model was functioning as expected, whether there were any unintended consequences, and recommended adjustments. A copy of the KCTCS presentation is provided in Attachment C.

Toward the end of the meeting a work group member asked how funding parity (a.k.a., equilibrium) within the context of the performance funding model is defined. As part of CPE's response to that question, staff shared the chart below, which shows that the gaps in state funding per student among the comprehensive universities (excluding KSU) narrowed during the six years that performance funding was in place. Specifically, as can be seen in the chart on the next page, the difference between the comprehensive university receiving the highest level of funding per student in 2016-17 (i.e., MoSU, \$5,240) and the university receiving the lowest level of funding (i.e., NKU, \$3,887) was \$1,353. Six years later, in 2022-23, the gap between the highest and lowest funded comprehensive universities (excluding KSU) was \$447 (i.e., MuSU, \$6,061; and NKU, \$5,614).

Kentucky Public Universities
State Funds for Educating Students¹ per Full-Time Equivalent Student
Fiscal Years 2016-17 and 2022-23



¹ Regular General Fund appropriation plus performance fund distribution, minus debt service and mandated program funding.
 Source: Council on Postsecondary Education, Finance and Budget Unit, and Data and Advanced Analytics Unit.

The next meeting of the Postsecondary Education Working Group is scheduled to take place on April 19, 2023.