

TITLE: Performance Funding Work Group Update

DESCRIPTION: The Finance Committee received an update on the recommendations of the 2024 Postsecondary Education Work Group that was charged define “underrepresented students” in the funding model.

STAFF CONTACTS: Bill Payne, Vice President for Finance Policy and Programs
Ryan Kaffenberger, Director of Finance Policy and Programs

COMMITTEE’S REVIEW

The Finance Committee received this information report at their November 15, 2024, meeting. It will not be covered or presented in detail at the board meeting; however, staff will be available for questions.

BACKGROUND INFORMATION

Senate Bill 191, adopted during the 2024 Regular Session, included language specifying that the comprehensive funding models for the public postsecondary system implemented by the Council on Postsecondary Education “shall not include any race-based metrics or targets in the formulas” (p. 3). It also struck the word “minority” in two places, resulting in an allocation of resources to “underrepresented students”. In this manner, underrepresented minority (URM) student degree and credential metrics were removed from university and KCTCS funding models that they had been a part of for the past seven years.

In addition, SB 191 directed the Postsecondary Education Working Group to convene during 2024 “for the sole purpose of considering how to define ‘underrepresented students’ in the comprehensive funding model for the public postsecondary education system” (p. 10). Pursuant to this language, CPE staff brought together statutorily required members of the work group (KRS 164.092), including university presidents, the KCTCS president, CPE president, and state policymakers, to determine how to define the term “underrepresented student” and replace the former URM student degree and credential metrics in the models.

Finally, SB 191 directed the Council to report the recommendations of the working group to the Governor and to the Legislative Research Commission for referral to the Interim Joint Committees on Education and Appropriations and Revenue by December 1, 2024.

WORK GROUP MEETINGS

The Postsecondary Education Working Group met three times in 2024. The first meeting was held on September 4 at Northern Kentucky University. At that meeting, staff shared background information regarding adjustments to the funding models recommended by the 2023 working group, the manner by which URM student bachelor's degrees and two-year credentials were removed from the models, replacement metrics that were used to run the 2024-25 iterations of university and KCTCS models, and the impact of using unweighted metrics on the distribution of funds among institutions within the university model.

In addition to providing background information, staff provided information regarding the scope of the 2024 working group's charge and a timeline for completion of their work. Specifically, SB 191 established the following limit for the working group's review:

The postsecondary education working group... shall convene during the 2024 Interim for the sole purpose of considering how to define "underrepresented students" in the comprehensive funding model for the public postsecondary education system... (p. 10)

The deadline for submitting work group recommendations to the Governor and Legislative Research Commission is December 1, 2024.

Finally, staff shared information regarding four potential replacement metrics for the URM bachelor's degree metric in the university funding model, including:

- Low-income student bachelor's degrees
- First-generation college student bachelor's degrees
- Underprepared student bachelor's degrees
- Bachelor's degrees awarded to students from high-need high schools

There was much discussion and many questions about the four potential metrics. Work group members were encouraged to identify and propose other potential metrics for consideration. No decisions were made, and no votes were taken at the first meeting. All potential alternatives to replace the URM bachelor's degree metric remained on the table and at least two campus officials indicated an interest in considering additional metrics.

Second Meeting. The second meeting of the 2024 working group was held on October 2 and took place virtually. At that meeting, group members continued to discuss the four potential replacement metrics identified at the first meeting and reviewed several scenarios that incorporated some combination of those metrics (e.g., one scenario included a mixture of 1.0% low-income student, 1.0% first-generation student, and 1.0% underprepared student bachelor's degrees). In addition, the group discussed a new low-income student enrollment metric proposed by Morehead State University.

Specifically, MoSU officials proposed that the working group consider using the number of full-time, first-time degree seeking students with income levels between \$0 and \$30,000 as a replacement for the URM metric. The income-level data for this metric are obtained from the FAFSA and reported to the Integrated Postsecondary Education Data System (IPEDS) by campus financial aid officers. Below is the official IPEDS definition for this metric.

The number of full-time, first-time degree/certificate seeking undergraduate students paying the in-state or in-district tuition rate who were awarded Title IV federal student aid and have income levels between \$0 - \$30,000.

MoSU officials asked CPE staff to run two scenarios using their proposed metric, one using primary data and another using data weighted to account for the proportion of low-income students in each institution's overall entering full-time, first-time degree seeking cohort. The primary rationale for including a low-income enrollment metric in the model is that it would provide a financial incentive for institutions to recruit and enroll students from impoverished socioeconomic backgrounds, thus expanding access for this underrepresented group. Again, there was much discussion surrounding the potential replacement metrics. No single metric or combination of metrics was endorsed by all members, nor were any options removed from consideration. No votes were taken.

Third Meeting. The third and final meeting of the 2024 working group took place on October 28. At that meeting, KCTCS officials presented a final recommendation to group members regarding a replacement metric for URM credentials in the two-year college model. Specifically, they recommended that the group adopt first-generation college student credentials as the "underrepresented students" metric beginning in 2025-26. In addition, they asked that language in KAR regulation be adjusted to align allocation percentages at 4.0% each for first-generation student (i.e., underrepresented student), low-income student, underprepared student, and nontraditional age (25+) student credentials. All of these recommendations were endorsed by the KCTCS Presidents' Leadership Team. The work group voted unanimously to adopt KCTCS' recommendations.

In terms of the university model, the working group continued their discussion of potential replacements for the URM student bachelor's degree metric. In addition, CPE staff shared two scenarios that had previously been requested by group members, including one that examined the impact of applying differential weights by sector to the low-income student enrollment metric proposed by MoSU and another that combined first-generation bachelor's degrees (@ 1.50%) and low-income enrollment (@ 1.50%), both weighted and unweighted.

In an attempt to achieve consensus, CPE staff also shared a "Proposal for Consideration" that included the following recommended elements within the university funding model:

- Define "underrepresented students" as first-generation college students
- Use bachelor's degrees earned by such students as the metric
- Assign the full 3.0% of available allocable resources to this metric

- Calculate and apply a sector weighting to the data at the midpoint between no weighting and full weighting (i.e., half weighting)

This proposal was the result of discussions between CPE Executive Leadership and state policymakers. It was intended to lend a statewide perspective to group discussions and represent a fair outcome for all stakeholders.

During deliberations about the “Proposal for Consideration”, President David McFaddin from Eastern Kentucky University proposed that the working group consider retaining the same methodology for distributing the available 3.0% funding pool in 2025-26 and 2026-27, that had been used to determine the 2024-25 performance distribution. As a reminder, the URM bachelor’s degree metric was replaced in 2024-25 using a combination of low-income student bachelor’s degrees (@ 1.50%) and first-generation bachelor’s degrees (@ 1.50%), with neither metric weighted to account for cost and mission differences between sectors.

President Thompson asked group members if there were any other proposals they wanted to consider. Hearing none, he led the group through a series of votes on the components of each proposal, including group preferences regarding how to define “underrepresented students”, metrics, and sector weightings. Ultimately, a majority of group members voted to adopt all elements of the “Proposal for Consideration” as presented by CPE staff.

RECOMMENDATIONS

Pursuant to directives outlined in SB 191, the Postsecondary Education Working Group convened in 2024 for the sole purpose of determining how to define "underrepresented students" in the university and KCTCS funding models. After three meetings and much discussion, a majority of work group members voted to define “underrepresented students” in the university funding model as first-generation college students and to assign 3.0% of available allocable resources to bachelor’s degrees earned by such students. In addition, a majority of members voted to apply a sector weighting to the first-generation bachelor’s degree metric, calculated at the midpoint between no weighting and full weighting.

With respect to the two-year college model, the working group unanimously accepted the recommendations of KCTCS officials to adopt first-generation college student credentials as the “underrepresented students” metric and to align allocation percentages at 4.0% each for first-generation college student (i.e., underrepresented student), low-income student, underprepared student, and nontraditional age (25+) student credentials.

With these actions, the work and activities of the 2024 Postsecondary Education Working Group were thereby concluded. A transmittal letter conveying the recommendations of the work group will be sent by December 1, 2024, to the Governor and Legislative Research Commission for referral to the Interim Joint Committees on Education and Appropriations and Revenue. It is anticipated that the recommendations of the working group can be operationalized through

changes in administrative regulation, instead of requiring passage of a bill or changes in statute (KRS 164.092).

Copies of CPE staff and KCTCS PowerPoint presentations that were shared with work group members at the October 28 meeting can be found at:

https://cpe.ky.gov/aboutus/records/perf_funding/agenda-2024-10-28-pf.pdf