POSTSECONDARY EDUCATION WORKING GROUP
PERFORMANCE FUNDING MODEL REVIEW

October 7, 2020 - 9:00 AM, EDT
ZOOM teleconferencing for Working Group members
Livestream video for public: https://youtu.be/66n8vAqlJLc

I. Call to Order and Roll Call

II. Financial Impact Information

A. Public Universities

B. KCTCS Institutions

III. Campus Summary Statements

A. Models Functioning as Expected

B. Unintended Consequences

C. Recommended Adjustments

IV. Review MuSU Proposal

V. Other Business and Adjournment

Next meeting: November 4, 2020 @ 9am ET

University and KCTCS Summary Statements on Performance Funding

University of Kentucky
Summary Statement Regarding
Kentucky's Postsecondary Education
Performance Funding Model
September 18, 2020

Background

The 1997 General Assembly outlined a bold vision to expand college access and student success in our Commonwealth. The outcome, House Bill 1 (HB1), established long-term goals focused on the future of the state's quality of life and economy and identified educational attainment as the primary strategy to raise the standard of living and quality of life for all Kentuckians. The first stated goal of HB 1 calls for "A seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life". With the passage of Senate Bill 153 twenty years later, the Kentucky General Assembly enacted the Commonwealth's first performance based funding model designed to allocate state appropriations to institutions using metrics important for the original goals of House Bill 1 and the *Council's Strategic Agenda for Postsecondary and Adult Education*:

- Increase educational attainment among working-age adults in Kentucky to 60 percent by 2030;
- Increase retention and progression of students toward timely completion of degree or certificate.
- Produce more degrees and credentials that garner higher wages specifically in STEM+H (Science, Technology, Engineering, Math and Health) areas;
- Close achievement gaps by increasing the number of minority and low-income students earning degrees.

Performance Funding Model

The current Performance Funding Work Group's deliberations reinforce our shared commitment to the above stated goals as institutional leaders, policy leaders and stakeholders. Our work must ensure postsecondary education funding policies sustain these longstanding goals for Kentucky. With these goals in mind, following is the University of Kentucky's response to the work group's survey questions.

I. Identify aspects of the model that are functioning as expected

Overall, the funding model works as intended. The performance metrics incentivize greater enrollment, timely progression and degree attainment. Institutions receive adequate time and opportunity to review and validate the data inputs and model calculations with Council staff.

II. Unintended consequences of the model

Since the passage of Senate Bill 153, Kentucky's performance funding model has operated without progress toward a fundamental goal of HB 1 – funding adequacy. The unintended consequence is a redistribution of existing general fund base appropriations among campuses rather than using the model to distribute "new" funding based on performance.

Without new resources, the current model hinders efforts to encourage and achieve progress. A performance-based funding model cannot be viewed as the answer to declining support and funding for higher education in Kentucky. A central lesson learned by many other states is that a funding formula should reward institutional improvement while avoiding statewide competition for existing resources.

III. Recommendations

1. **Increase state support**
   The sustainability of a performance-based model is contingent on increasing state support. The outcomes from the early years of the model confirm that momentum is strong but an adequately funded postsecondary education system is necessary to realize our stated goals for postsecondary education in Kentucky.

2. **Consider modest adjustments to state mandated programs**
   State mandated programs provide vital services to the citizens of the Commonwealth. For example, one of UK's critical programs is Regulatory Services (UKRS), also known as Agricultural Public Service. UKRS ensures consumers of feed, seed and fertilizer are buying safe and effective products. It ensures dairy farmers are paid fairly for their milk and helps protect agribusinesses from unfair competition and practices. By ensuring that the feed consumed by livestock is safe, UKRS plays a valuable role in ensuring that the meat and milk produced and consumed by Kentuckians and others are safe as well.

   As mandated programs are generally not considered traditional instructional programs for postsecondary education institutions, the state funding provided for these programs is excluded from the performance funding model. Generally, other funding sources for most of the state-funded mandated programs are limited at best. To continue the good works of these programs, modest inflationary increases in state funding are needed. UK, therefore, recommends that the Council's future budget requests include inflationary increases for these programs.

3. **Eliminate the productivity adjustment for the degrees conferred metric**
   The overall state goal is to increase the educational attainment level of working-age adults in Kentucky. To further that goal, the number of bachelor's degrees conferred is one of the 11 metrics in the funding model. In the model, the actual number of degrees conferred is adjusted to reflect productivity compared to the system's average. The number of degrees conferred per 100 undergraduate full-time equivalent students is calculated for each institution and an average for the system is then determined. If an institution is producing degrees at a rate higher than the system average, it is a positive adjustment. Likewise, if an institution is producing degrees at a rate lower than the system average, it is a negative adjustment.

   The problem is that an increase in enrollment does not result in an immediate increase in the number of degrees conferred. During periods of enrollment growth, the number of

degrees conferred per 100 enrolled students is reduced resulting in a negative adjustment. A schedule of the productivity adjustment for each institution for AY 2018-19 follows. As the adjustment is problematic and adds unnecessary complexity to the model, the productivity adjustment for the degrees conferred metric should be eliminated.

Institution	Actual Degrees Conferred	Normalized Degrees	Productivity Adjustment
UK	5,105.0	5,204.6	2.0%
UofL	3,049.0	3,072.5	0.8%
EKU	2,690.0	2,819.6	4.8%
KSU	212.0	162.6	-23.3%
MoSU	1,260.0	1,150.0	-8.7%
MuSU	1,577.0	1,618.4	2.6%
NKU	2,134.0	2,054.3	-3.7%
WKU	2,984.0	2,966.8	-0.6%

UNIVERSITY OF LOUISVILLE.

Daniel A. Durbin
Vice President for Finance and Administration
Chief Financial Officer

To: Aaron Thompson, President of CPE
From: University of Louisville
Re: State Performance Funding Model
Date: September 18, 2020

Dr. Aaron Thompson:

Thank you for the opportunity to share our thoughts on the state performance funding model. As requested during the September 2, 2020, CPE meeting on the state performance funding model, the following notes highlight the University of Louisville's views on: 1) funding model aspects that are functioning as expected; 2) unintended consequences of the funding model; and 3) recommended improvements to the state performance funding model.

1. Aspects working as expected

- The state performance funding model places student success at the fore. While UofL has always been committed to graduating students and has a long track-record of improvements, particularly with students from under-represented populations, the state model elevated that focus. We believe this focus could be further enhanced (see #3).

- Keeping all universities in the same funding pool.
    - The initial phase of the state performance funding model adjusted for differences in state funding, including between the R-1 universities and among all comprehensive institutions. That established a level playing field for all universities and should remain a cornerstone of the model.

2. Unintended consequences

- The model is a complicated instrument with too many components and factors. It is difficult to distill to stakeholders how the model functions and how each of the 11 different metrics matter. As a result, attention becomes dispersed lessening the value of the model as a mechanism for promoting specific policy goals and thereby increases the likelihood that it becomes an exercise in maximizing the three or four main metrics.

3. Recommendations

- For any performance funding model to produce statewide, positive impacts the model must do more than reallocate existing funds. Without new funds, the model simply shifts existing dollars among universities. Some universities win and others lose. It is impossible under that scenario for the state as a whole to succeed.
    - Pause/freeze funding at FY 2021 levels absent any new funds
    - For years in which no additional state funding is allocated, the model should limit redistributions among institutions; a 1% to 2% stop loss, for example.

- Keep all universities in the same funding pool.

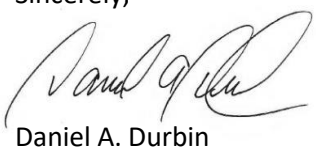
- Enhance the weights associated with under-represented and low-income students. Public universities fulfill an important role in civil society. Improving postsecondary education outcomes for low-income and under-represented students will benefit the Commonwealth and the nation.
    - 30% of the funds are currently allocated on the basis of operational costs; while that adds an element of funding stability, moving a share of these dollars to low-income and under-represented metrics would elevate their importance. In alignment with the next bullet point dealing with institutional square feet, we recommend moving those dollars to the URM and low-income metrics. Those two student metrics currently have the lowest weighting (i.e., dollar value) of the 11 in the model. Adding funds will raise the level of importance and properly encourage focus on those metrics.

- Remove square feet from the model.
    - This metric was likely included to serve as a proxy for operational costs. However, the current model already includes an "open-the-door" exemption that is supposed to account for these variances plus two other Operational Support metrics that are more appropriate and clear (i.e., cost of instruction and FTE).
    - If square feet remains in the model, consider including a weight associated with purpose and age of the facility. All instructional space, for example, is not the same. Some spaces cost more to operate (e.g., nursing practice rooms) than others. Likewise, the age of the facility may need to be considered.

- Revise the sector average as the basis for allocating funds.
  - Under the current model, each metric is scored and institutions exceeding the sector average will gain, while those that fall short will lose funding. Consequently, an institution that improves its performance on a metric might still receive less funding if it falls short of the sector average. All institutions that improve on a given metric should benefit.
  - Similarly, the current model rewards institutions that do worse year-over-year if the sector average also gets worse. It seems counterintuitive to reward institutions that perform less well. Instead of allocating dollars in that manner, the model should take those funds and add them to the other metrics.

- Revise state mandated program component.
  - The model currently excludes state mandated amounts from allocable resources, but that decision should be reexamined.
    - By excluding state mandated amounts from the allocable model, up to 32% of one institution's budget was excluded from the model. For every other university the exempted rate was less than 8%.
    - State appropriations, including those for mandated programs, provide advantages to universities that can go beyond direct programmatic support including, for example, administrative and other central office efficiencies.

Sincerely,



Daniel A. Durbin
Vice President for Finance and Administration/Chief Financial Officer

cc: Neeli Bendapudi, President
Beth Boehm, Executive Vice President and Provost
Michael Wade Smith, Chief of Staff and External Affairs
Bob Goldstein, Vice Provost for Institutional Research, Effectiveness, and Analytics
Rick Graycarek, Assistant Vice President for Budget and Financial Planning
Bill Payne, CPE, Vice President for Finance and Administration
Shaun McKiernan, CPE, Director, Budget and Finance

Kentucky Performance Funding Model
EKU Review and Response August 2020


KEEN JOHNSON BUILDING

University Statement

Due to the unanticipated expenses and unrealized revenues as a result of the global pandemic, uncertainties regarding new federal stimulus funding, our state budget, pension costs, among other issues; we, the presidents of each postsecondary institution recommend to the Performance Funding Work Group and the 2021 General Assembly to:

1) Continue to run the performance funding model for fiscal year 2021-22 per KRS 164.092, with any modifications identified by the Performance Funding Work Group and adopted by the General Assembly;

2) In fiscal year 2021-22, no institution shall incur a financial loss or gain of General Fund appropriation as a result of running the model. In other words, the presidents recommend that a 0% stop loss provision be implemented for the second year of the 2020-22 biennium. In addition, no formula gains or deficits will accumulate and have no future financial impact for any institution. Furthermore, existing appropriations will be held at the FY20-21 levels for each institution, unless new funds are awarded to the performance funding pool or to the base appropriation of each university;

3) A 2% stop-loss will be implemented in fiscal year 2022-23 and continued in subsequent years, so that no institution shall lose more than 2% of its General Fund formula base in any one fiscal year as a result of running the model; and

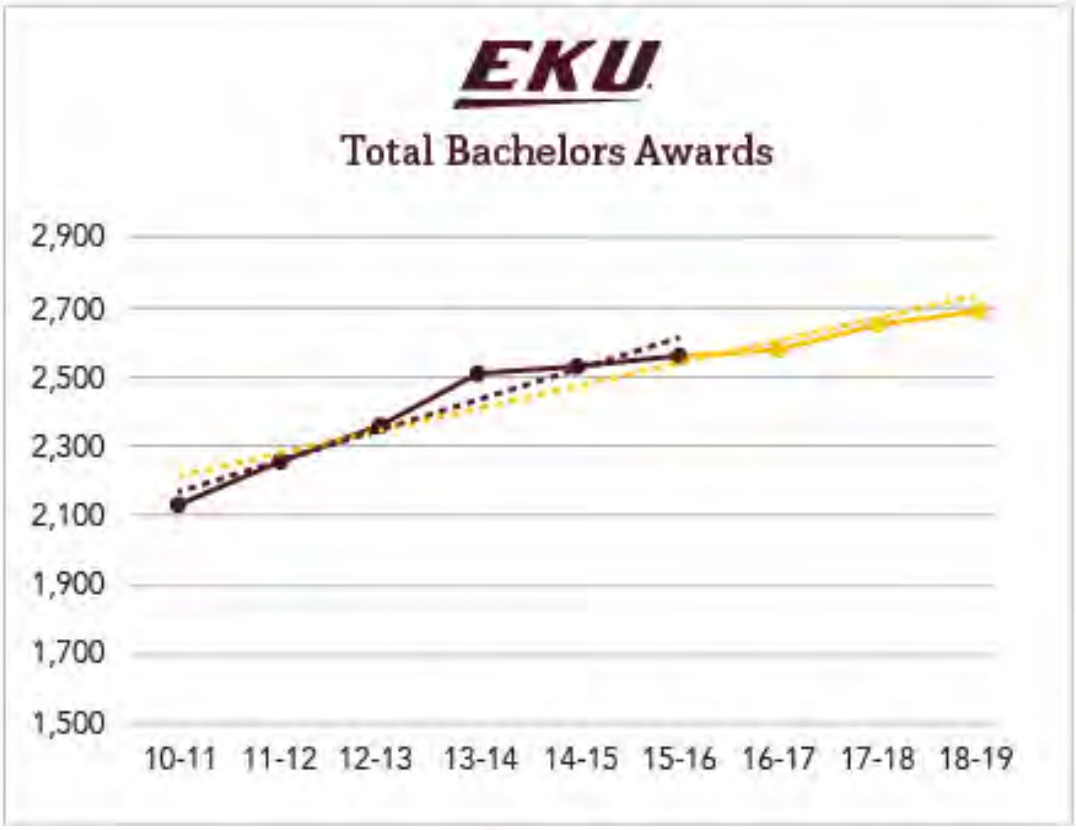
4) Beginning in fiscal year 2021-22, Hold Harmless allocation amounts calculated during the 2020-21 iteration of the public university funding model shall be retained within the respective General Fund base of each institution that had a Hold Harmless allocation in fiscal 2020-21 and those amounts shall be used to reduce the allocable resources of those institutions when running the funding model in 2021-22 and in subsequent years in a manner similar to the Small School Adjustment.

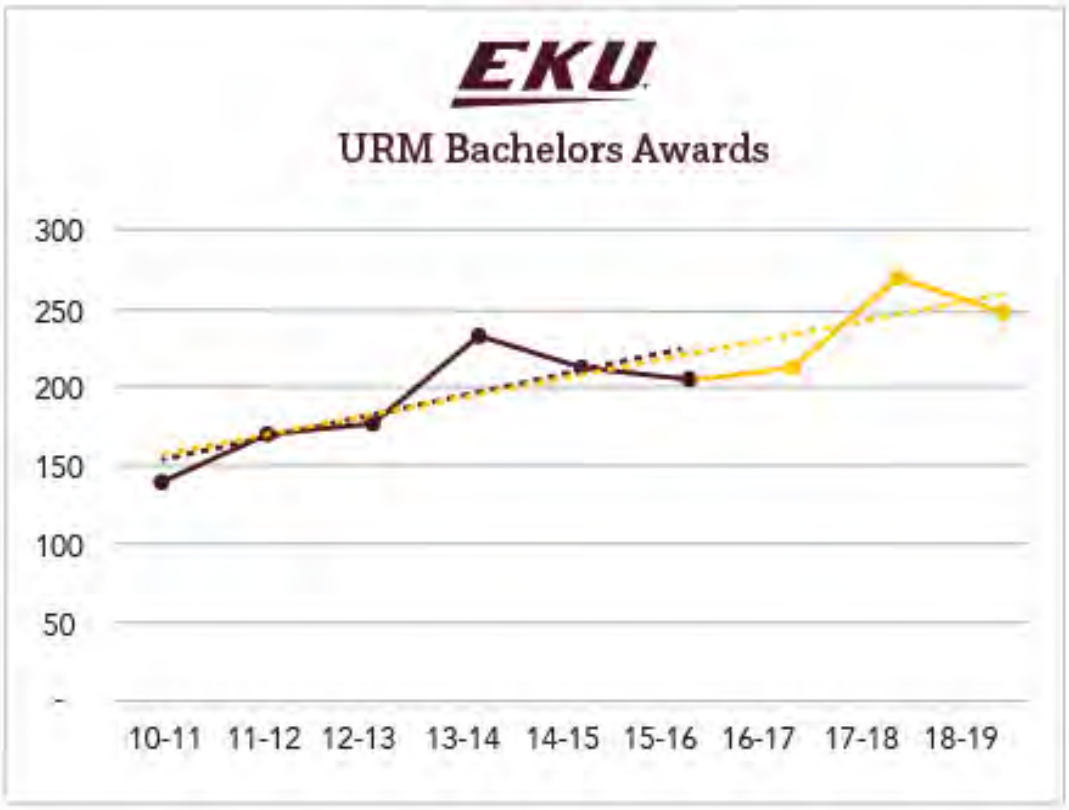
Strengths of the Current Model:

EKU applauds state-wide, collaborative efforts to raise Kentucky's educational attainment by increasing timely student progression and completion, while closing achievement gaps for low-income and underrepresented minority students. These goals align perfectly with EKU's own institutional priorities. The very vision, mission, and values guiding our university have emphasized, and will continue to emphasize, our focus and promise to our students, our service region, and the Commonwealth. Even absent of the requirements and guidelines for performance-based funding, IPEDS, FAFSA, etc., EKU strives for improvement and success. As an example, since 2010-11 (prior to the implementation of the performance based funding model in FY 2017), EKU has demonstrated growth in not only total bachelor degrees, but also under-represented minority, low-income, and STEM+H degrees awarded. Performance-based funding and other federal requirements are not the motivation behind our success, rather it is our commitment to our students and our state.

Bachelors Degrees

	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
TOTAL	2,134	2,256	2,357	2,508	2,532	2,559	2,573	2,648	2,690
URM	141	172	178	233	213	207	213	271	249
Low-Income	1,024	1,140	1,243	1,349	1,374	1,379	1,399	1,346	1,329
STEM+H	502	484	532	657	682	769	840	900	873



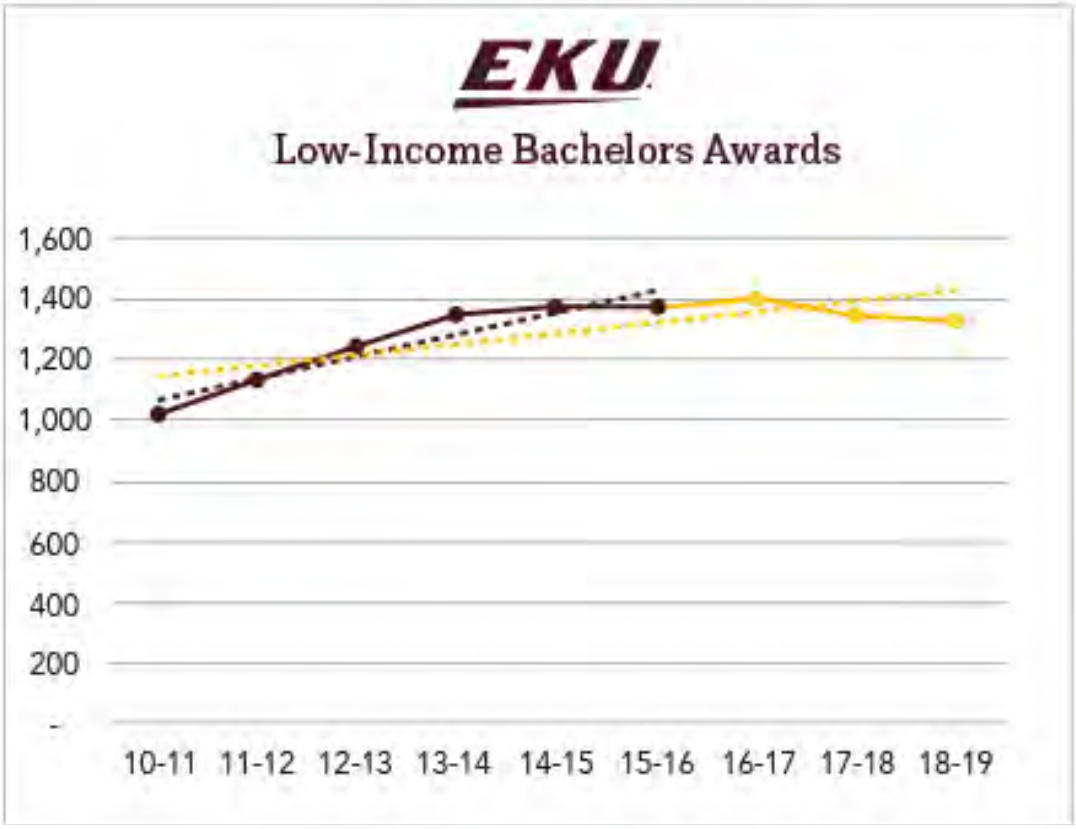


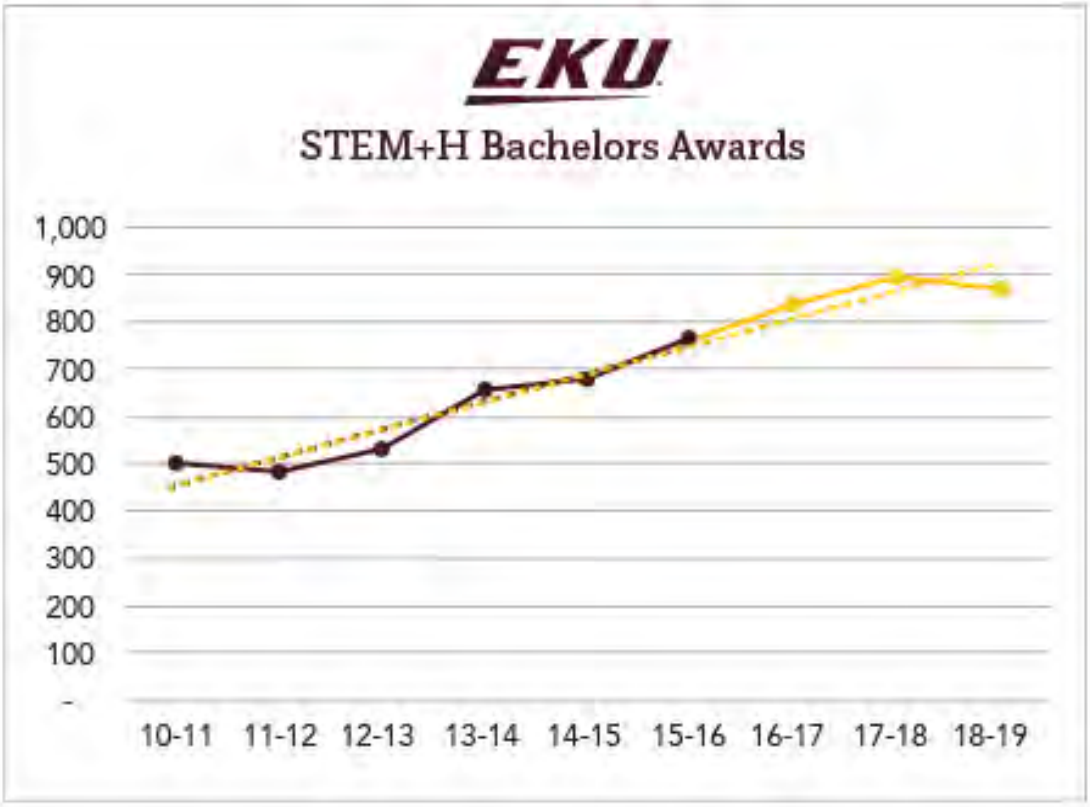
Maroon solid line = EKU Degrees Awarded prior to Performance Funding

Maroon dotted line = Predictive Line for EKU Degrees Awarded prior to Performance Funding

Yellow solid line = EKU Degrees Awarded after Performance Funding began

Yellow dotted line = Predictive Line for EKU Degrees Awarded after Performance Funding began





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Limitations of the Current Model:

In its creation, the model was to recognize that "each of the public universities have distinct and often significantly different missions that are tied to statutory directive, degree and program offerings, geography and population of students being served." However, the complexities in attempting to recognize these distinctions, have created challenges and inequities that unintentionally place Comprehensive Universities at a disadvantage compared to Research Universities.

- **Weighting Factors:** In all but one of the Student Success metrics, Research Universities have a higher weighting factor than Comprehensive Universities. In Instruction and Student Services Costs, the one metric in which Research Universities are weighted lower than Comprehensives, the lower weighting factor presents the interpretation that Research Universities are more cost efficient per $100K than in actuality.

Funding Model Metrics	Research Universities	Comprehensive Universities
Bachelor's Degrees (Normalized)	1.67345	1.00000
STEM+H Bachelor's Degrees	1.54105	1.00000
URM Bachelor's Degrees	1.22322	1.00000
Low Income Bachelor's Degrees	2.35120	1.00000
Student Progression (@ 30 Credit Hours)	1.49386	1.00000
Student Progression (@ 60 Credit Hours)	1.45320	1.00000
Student Progression (@ 90 Credit Hours)	1.56076	1.00000
Student Credit Hours Earned (Weighted)	1.14208	1.00000
Facilities Square Feet	1.36134	1.00000
Instruction and Student Services Costs	0.90251	1.00000
FTE Student Enrollment	1.34278	

• **Enrollment-Based:** While the model touts that rate of improvement rather than sheer volume drives funding, metrics such as student progression and student credit hours are heavily influenced by enrollment rather than success rates and percentages. Research Universities are at an advantage as these metrics are currently calculated rather than Comprehensive Universities with smaller enrollments. To see substantial increases in funding, Comprehensives need to increase enrollments while Research Universities remain flat or decrease. Moreover, decreases in enrollment for Comprehensives significantly negatively affect performance funding. For Comprehensive Universities, it is an arduous endeavor to move ahead while much easier to fall behind.

• **Arbitrary fiscal impacts** based on small variances in performance metrics – using the FY20 distribution, there is the appearance of extremely arbitrary funding results in instances where student success metrics have very small variances – the example below shows that EKU outperformed NKU on core student success outcomes yet NKU received a share of funds greater than $500,000. This is a distorted result in a formula designed to reward performance.

Note: This doesn't factor the facility element; factoring that element would show greater distortion for FY20 as that year EKU had a greater share of facilities square footage than NKU and slightly more than WKU.

Select Comparisons of Performance Components and Outcomes

	Percents for Progression & Differences Compared to EKU			BA Degrees	STEM+H BAs	URM BAs	Income BAs
	30 hours	60 hours	90 hours				
EKU	11.50%	11.00%	10.60%	11.10%	10.80%	8.90%	11.80%
NKU	9.50%	9.20%	8.90%	9.40%	9.00%	8.90%	8.80%
	-2.00%	-2.80%	-1.70%	-1.70%	-1.80%	0.00%	-3.00%
WKU	13.00%	12.80%	12.60%	12.00%	11.20%	12.60%	11.40%
	1.50%	1.80%	2.00%	0.90%	0.40%	3.70%	-0.40

FY20 Award Funding Outcomes			Questions for CPE
EKU	$3,578,400		How do variances from -3.0% to 3.7% for these metrics = awards differences greater than $500,000
NKU	$4,325,500	$747,100	
WKU	$4,379,100	$800,700	What should the variances predict or equal in terms of available funding ranges?

- **Efficiency:**
    - **Facilities Square Feet:** In the current financial climate and while the legislature is not funding capital projects, institutions are not seeking or do not have the capacity to assume new debt in building construction. Yet, institutions who are seeking more efficient ways to utilize square footage are not rewarded for their efforts. The model rewards only increases in facilities square footage rather than better utilization of existing square footage.
    - **Instruction and Student Services Costs:** Budget cuts and growing pension liabilities demand institutions become more budget efficient, often through reductions or reallocations. Yet the structure of these formula components create disincentives for spending less through fiscal efficiency.

- **FTE Student Enrollment:** FTE is a normalizing formula for enrollment based on student credit hours and level, yet Research Universities still receive a higher weighting factor. It is unclear why a calculation meant to provide equivalency and standardization is weighted.

- **Stop-Loss:** Having the stop-loss provision funded by the institutions creates a barrier for institutions performing/located in the middle: even though performing well on some metrics, Comprehensives performing in the middle are hurt financially. The monetary gains they are rewarded must be allocated to fund the stop-loss provision, therefore, limiting and reducing their award.

- **Small School Adjustment:** UK and UofL, as Research Universities and the largest institutions in the state, should not receive the small school adjustment.

- **CPE-declared commitments** to 1997-era postsecondary reforms as a core Performance policy rationale not synchronized with 1997-era reforms: The Performance Funding process and formula is in conflict with post-1997 extant statutes regarding the nature, purpose and roles of the research institutions, regional or comprehensive institutions and KCTCS. Those statutes define the post-1997 goal of efficiently organizing the institutions to provide tiers of service to citizens, regions and students and were not referenced, amended or repealed when the Performance Funding statute was passed in 2017.[1] These conflicts are most apparent in the requirement for the comprehensive and research institutions to directly compete for formula funds and filter down to individual institutional disincentive behaviors that harm cooperation and coordination of service delivery. [2]

1 See KRS 164.003, amended, 2008, originally passed, 1997 and 164.092, last amended 2019, originally passed, 2017

2 One institution, via contractual agreement, directed nursing students employed by the same institution to a for-profit out-of-state postsecondary entity rather tha he in-state comprehensive institutions occupying the post-1997 service tier of undergraduate and associates level nursing degree production.

Recommendations for Future Models:

To more appropriately account for the differences in mission and sector of the Commonwealth's institutions of higher education, the consideration of three models is recommended: one each for Research Universities, Comprehensive Universities, and KCTCS. The creation of three models would minimize the challenges, inequities, and complexities created by the current model's attempt to address in one model the distinctions of both Research Universities and Comprehensives.

With regards specifically to a Comprehensive Universities model, a three component model is acceptable; however, it is suggested that this model exclude any weighting factors and each Comprehensive use a factor of one for all metrics. This approach allows for accurate equivalencies, better comparisons, and standardization of the results. While changes in year to year total enrollment can be examined, the model as a whole should emphasize performance and percentage/rate of improvement over enrollment and sheer volume. Additionally, it may be advantageous for institutions to indicate priority metrics as it is difficult to adequately address all metrics every year. Furthermore, the model should include rewards for efficiencies, whether fiscal, physical (square footage), or instructional. This approach positions equally each Comprehensive, ensuring more consistent comparisons, representation in the formula, and allocation of funds.

Even in its creation, the Postsecondary Education Working Group indicated that the "model will not, by itself, meet the growing needs of our state and our students to develop and support the workforce Kentucky needs to be a competitive economy in the 21st century" and believed that "over time, additional investment in higher education will be necessary." The state must continue to invest more in higher education; without additional (or even sufficient) funding, any model, no matter how well-intentioned, cannot succeed.

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OFFICE OF THE PRESIDENT

September 18, 2020

Council on Postsecondary Education
Performance Funding Working Group
100 Airport Road
Frankfort, Kentucky 40601

Re: Kentucky State University Summary Statement on Performance Funding

The following document reflects Kentucky State University's summary evaluation of the current Performance Funding Model in response to the request for feedback by Dr. Bill Payne, Vice President of Finance and Administration, Kentucky Council on Postsecondary Education on September 11, 2020.

It is the position of Kentucky State University that the metrics identified in the current Performance Funding Model for the Commonwealth are correct and serve to advance the goals of the Commonwealth. Notwithstanding, there are a few limitations in the operation of the model that Kentucky State University would like to address.

Limitations:

1. The metrics are unweighted and will continually disadvantage smaller colleges because the volume-based approach will not successfully create equilibrium with valid baseline numbers for meaningful comparisons across campuses.

2. The current metrics are mission-neutral and assume all campuses are the same in regards to key performance indicators, University identity, mission and purpose.

3. The three-year rolling average delineates fluctuation well, but for campuses that have undergone transformations or significant changes in enrollment or revenue, the baseline for future sustainability and benchmarking may just now be reached.

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Two future considerations for the Performance Funding Model:

1. Adapt the utilization of metrics to make them mission-centric. We suggest creating campus sets of 8-10 metrics in a pool with 5 assigned to all campuses and the option for each campus to add at least 2 based on their University profile. This shift will account for the unique missions and niches across the various campuses. For example, all campuses might report enrollment of underrepresented students and for those that such programs add an additional metric measuring STEM+H. In this way, there would be sufficiency for a common data set, while allowing campuses to highlight attributes or measures that are more appropriate for their demographic or purpose. In Kentucky State's case, the fact that we are a liberal arts campus would delimit our commitment to identifying as a STEM+H campus, but would also allow us to underscore our engagement with the liberal arts core.

2. Adopt a weighted metrics approach to overall funding. This would not change the metrics, but it would change the values associated with each metric. We suggest this based on recently contracted work with Hanover Research Group which is summarized below. Similarly, since many of the CPE-affiliated campuses have undergone their Gray Associates Program Review, there is merit in reviewing the metrics and the mission of each campus in light of the program economics models which we have recently analyzed. As campuses have a chance to finalize their reports and begin to use the data, further delineations may arise that would warrant review of intended and unintended impacts on formulas used to measure enrollment and degree completion, in particular.

The Hanover Weighted-Metrics Model Overview

Smaller institutions are at a disadvantage when unweighted volume-based metrics are employed. As an example, year-over-year growth will almost always be a deficit for campuses that historically have smaller values with which to compare. As our study shows, in year over year enrollment or degree production, any negative fluctuation or downturn will increase the negative percent changed, resulting in marginal, if any performance based revenue sharing.

It is also clear that focusing on certain types of degrees, as a substitute for mission-centric curriculum evaluation, will disadvantage those campuses that do not have strong footprints in areas such as STEM+H. Our Hanover weighted model shows, with specific reference to STEM+H, only two campuses, University of Kentucky and University of Louisville, performed at above average levels in year over year degree production. As such, it is more representative to include all degrees and credentials offered on a campus, implement the 8-10 metrics model alluded to earlier in this document, and allow campuses to showcase their efforts to meet their respective missions and the Kentucky 60x30 goal. Again, even in an area in which an HBCU or other URM serving campus

should be able to score well, the unweighted measure disadvantages the smaller campuses.

Finally, in the weighted model, the sector differential of research and comprehensive plays a role in reaching performance targets. As our initial Hanover Research report shows (See Appendix A), based in evaluation of the eight student success and three operational support activity measures, the weighted model by sector allows Kentucky State University to move up one percentage point in one metric (90 hours). Given the deficit from which emerging campuses come, any increase in percentage points is valuable. The final analysis (represented in the last two slides of the attached report) captures that in the unweighted model, Kentucky State University would show growth in only one area while in the weighted sector model, gains are shown in four areas. The success of this model not only applies to Kentucky State University but also to all campuses with the University of Kentucky remaining the same on all indicators. The result of the weighted sector analysis in the end would be to allow campuses that are showing gains to be more competitive in receiving performance based funding.

Respectfully,

M. Christopher Brown II
Eighteenth President

HANOVER RESEARCH

POSTSECONDARY EDUCATION FUNDING STUDY

Prepared for Kentucky State University

August 2020

METHODOLOGY

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

Currently assessment of over- or underperformance is based on a comparison of the institutional percent change versus the total sector percent change.

$$\text{Percent Change} = \frac{\text{2020-21 weighted volume - 2019-20 weighted volume}}{\text{2019-20 weighted volume}}$$

Example, University of Kentucky:

$$\text{5.6\% change} = \frac{8{,}191 - 7{,}754}{7{,}754}$$

$$\text{Average} = \frac{\text{2020-21 sector weighted volume - 2019-20 sector weighted volume}}{\text{2019-20 sector weighted volume}}$$

Example, Bachelor's Degrees (Normalized):

$$\text{2.5\% change} = \frac{24{,}320 - 23{,}734}{23{,}734}$$

BACHELOR'S DEGREES (NORMALIZED)

	2019-20	2020-21	Volume Change	Percent Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	7,754	8,191	437	5.6%		UK	32.7%	33.7%
University of Louisville	4,920	5,167	247	5.0%		UL	20.7%	21.2%
Eastern Kentucky University	2,642	2,706	64	2.4%		EKU	11.1%	11.1%
Kentucky State University	284	237	-47	-16.5%		KSU	1.2%	1.0%
Morehead State University	1,256	1,214	-42	-3.3%		MoSU	5.3%	5.0%
Murray State University	1,799	1,733	-66	-3.7%		MuSU	7.6%	7.1%
Northern Kentucky University	2,228	2,161	-67	-3.0%		NKU	9.4%	8.9%
Western Kentucky University	2,849	2,910	61	2.1%		WKU	12.0%	12.0%
Sector	**23,734**	**24,320**	**586**	**2.5%**	**= Average**		**100%**	**100%**

METHODOLOGY

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

The proposed assessment would assess institutional change compared to total sector change. Over- or underperformance would be based on a weighted average that accounts for the greater volume of some universities compared to others.

$$\text{Percent Sector Change} = \frac{\text{2020-21 weighted volume - 2019-20 weighted volume}}{\text{2020-21 sector weighted volume - 2019-20 sector weighted volume}}$$

Example, University of Kentucky:

$$74.6\% \text{ sector change} = \frac{8{,}191 - 7{,}754}{24{,}320 - 23{,}734}$$

$$\text{Weighted Average} = \frac{\text{Sum of (percent sector change x 2020-21 percent share)}}{\text{Sum of 2021-21 share}}$$

Example, Bachelor's Degrees (Normalized):

$$34.3\% = \frac{((74.6\% \times 33.7\%) + (42.2\% \times 21.2\%) + (10.9\% \times 11.1\%) \ldots (10.4\% \times 12.0\%))}{100\%}$$

BACHELOR'S DEGREES (NORMALIZED)

	2019-20	2020-21	Volume Change	Percent Sector Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	7,754	8,191	437	74.6%	Above	UK	32.7%	33.7%
University of Louisville	4,920	5,167	247	42.2%	Above	UL	20.7%	21.2%
Eastern Kentucky University	2,642	2,706	64	10.9%	Below	EKU	11.1%	11.1%
Kentucky State University	284	237	-47	-8.0%	Below	KSU	1.2%	1.0%
Morehead State University	1,256	1,214	-42	-7.2%	Below	MoSU	5.3%	5.0%
Murray State University	1,799	1,733	-66	-11.3%	Below	MuSU	7.6%	7.1%
Northern Kentucky University	2,228	2,161	-67	-11.4%	Below	NKU	9.4%	8.9%
Western Kentucky University	2,849	2,910	61	10.4%	Below	WKU	12.0%	12.0%
Sector	**23,734**	**24,320**	**586**	**34.3%**	**= Weighted Average**		**100%**	**100%**

BACHELOR'S DEGREES (NORMALIZED)

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	7,754	8,191	437	5.6%	Above	UK	32.7%	33.7%
University of Louisville	4,920	5,167	247	5.0%	Above	UL	20.7%	21.2%
Eastern Kentucky University	2,642	2,706	64	2.4%	Below	EKU	11.1%	11.1%
Kentucky State University	284	237	-47	-16.5%	Below	KSU	1.2%	1.0%
Morehead State University	1,256	1,214	-42	-3.3%	Below	MoSU	5.3%	5.0%
Murray State University	1,799	1,733	-66	-3.7%	Below	MuSU	7.6%	7.1%
Northern Kentucky University	2,228	2,161	-67	-3.0%	Below	NKU	9.4%	8.9%
Western Kentucky University	2,849	2,910	61	2.1%	Below	WKU	12.0%	12.0%
Sector	**23,734**	**24,320**	**586**	**2.5%**	**= Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	7,754	8,191	437	74.6%	Above	UK	32.7%	33.7%
University of Louisville	4,920	5,167	247	42.2%	Above	UL	20.7%	21.2%
Eastern Kentucky University	2,642	2,706	64	10.9%	Below	EKU	11.1%	11.1%
Kentucky State University	284	237	-47	-8.0%	Below	KSU	1.2%	1.0%
Morehead State University	1,256	1,214	-42	-7.2%	Below	MoSU	5.3%	5.0%
Murray State University	1,799	1,733	-66	-11.3%	Below	MuSU	7.6%	7.1%
Northern Kentucky University	2,228	2,161	-67	-11.4%	Below	NKU	9.4%	8.9%
Western Kentucky University	2,849	2,910	61	10.4%	Below	WKU	12.0%	12.0%
Sector	**23,734**	**24,320**	**586**	**34.3%**	**= Weighted Average**		**100%**	**100%**

STEM+H BACHELOR'S DEGREES

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	2,728	2,950	222	8.2%	Above	UK	35.3%	36.5%
University of Louisville	1,453	1,566	113	7.8%	Above	UL	18.8%	19.4%
Eastern Kentucky University	836	871	35	4.2%	Below	EKU	10.8%	10.8%
Kentucky State University	60	51	-9	-14.9%	Below	KSU	0.8%	0.6%
Morehead State University	361	375	14	3.9%	Below	MoSU	4.7%	4.6%
Murray State University	723	720	-3	-0.5%	Below	MuSU	9.4%	8.9%
Northern Kentucky University	691	698	7	1.0%	Below	NKU	9.0%	8.6%
Western Kentucky University	864	857	-7	-0.8%	Below	WKU	11.2%	10.6%
Sector	**7,716**	**8,088**	**372**	**4.8%**	**= Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	2,728	2,950	222	59.7%	Above	UK	35.3%	36.5%
University of Louisville	1,453	1,566	113	30.4%	Above	UL	18.8%	19.4%
Eastern Kentucky University	836	871	35	9.4%	Below	EKU	10.8%	10.8%
Kentucky State University	60	51	-9	-2.4%	Below	KSU	0.8%	0.6%
Morehead State University	361	375	14	3.8%	Below	MoSU	4.7%	4.6%
Murray State University	723	720	-3	-0.8%	Below	MuSU	9.4%	8.9%
Northern Kentucky University	691	698	7	1.9%	Below	NKU	9.0%	8.6%
Western Kentucky University	864	857	-7	-1.9%	Below	WKU	11.2%	10.6%
Sector	**7,716**	**8,088**	**372**	**28.7%**	**= Weighted Average**		**100%**	**100%**

URM BACHELOR'S DEGREES

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	730	813	83	11.4%	Above	UK	28.3%	29.6%
University of Louisville	660	688	28	4.3%	Below	UL	25.6%	25.0%
Eastern Kentucky University	230	244	14	6.1%	Below	EKU	8.9%	8.9%
Kentucky State University	159	158	-1	-0.6%	Below	KSU	6.2%	5.8%
Morehead State University	84	95	11	12.6%	Above	MoSU	3.3%	3.5%
Murray State University	161	159	-2	-1.4%	Below	MuSU	6.3%	5.8%
Northern Kentucky University	231	246	16	6.8%	Below	NKU	8.9%	9.0%
Western Kentucky University	324	347	23	7.0%	Above	WKU	12.6%	12.6%
Sector	**2,579**	**2,750**	**171**	**6.6%**	**= Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	730	813	83	48.5%	Above	UK	28.3%	29.6%
University of Louisville	660	688	28	16.4%	Below	UL	25.6%	25.0%
Eastern Kentucky University	230	244	14	8.2%	Below	EKU	8.9%	8.9%
Kentucky State University	159	158	-1	-0.6%	Below	KSU	6.2%	5.8%
Morehead State University	84	95	11	6.4%	Below	MoSU	3.3%	3.5%
Murray State University	161	159	-2	-1.2%	Below	MuSU	6.3%	5.8%
Northern Kentucky University	231	246	16	9.4%	Below	NKU	8.9%	9.0%
Western Kentucky University	324	347	23	13.5%	Below	WKU	12.6%	12.6%
Sector	**2,579**	**2,750**	**171**	**21.8%**	**= Weighted Average**		**100%**	**100%**

LOW INCOME BACHELOR'S DEGREES

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change		Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	3,428	3,489	61	1.8%		Above	UK	29.5%	30.0%
University of Louisville	2,762	2,811	49	1.8%		Above	UL	23.7%	24.2%
Eastern Kentucky University	1,374	1,357	-17	-1.2%		Below	EKU	11.8%	11.7%
Kentucky State University	204	186	-18	-8.7%		Below	KSU	1.8%	1.6%
Morehead State University	762	739	-24	-3.1%		Below	MoSU	6.6%	6.4%
Murray State University	749	727	-22	-3.0%		Below	MuSU	6.4%	6.3%
Northern Kentucky University	1,027	1,000	-28	-2.7%		Below	NKU	8.8%	8.6%
Western Kentucky University	1,329	1,311	-18	-1.4%		Below	WKU	11.4%	11.3%
Sector	**11,635**	**11,620**	**-16**	**-0.1%**	**=**	**Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change		Status*	Institution	2019-20 Share	2020-21 Share
University of Kentucky	3,428	3,489	61	-381.3%		Above	UK	29.5%	30.0%
University of Louisville	2,762	2,811	49	-306.3%		Above	UL	23.7%	24.2%
Eastern Kentucky University	1,374	1,357	-17	106.3%		Below	EKU	11.8%	11.7%
Kentucky State University	204	186	-18	112.5%		Below	KSU	1.8%	1.6%
Morehead State University	762	739	-24	150.0%		Below	MoSU	6.6%	6.4%
Murray State University	749	727	-22	137.5%		Below	MuSU	6.4%	6.3%
Northern Kentucky University	1,027	1,000	-28	175.0%		Below	NKU	8.8%	8.6%
Western Kentucky University	1,329	1,311	-18	112.5%		Below	WKU	11.4%	11.3%
Sector	**11,635**	**11,620**	**-16**	**-128.5%**	**=**	**Weighted Average**		**100%**	**100%**

*Status considered "Below" if percent change is higher than and "Above" if less than -128.5% due to negative total sector change value.

STUDENT PROGRESSION AT 30 HOURS

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	5,495	5,381	-114	-2.1%	Above	UK	34.1%	34.1%
University of Louisville	3,027	2,974	-53	-1.8%	Above	UL	18.8%	18.9%
Eastern Kentucky University	1,862	1,749	-114	-6.1%	Below	EKU	11.5%	11.1%
Kentucky State University	160	174	15	9.4%	Above	KSU	1.0%	1.1%
Morehead State University	959	961	2	0.2%	Above	MoSU	5.9%	6.1%
Murray State University	1,010	1,007	-3	-0.3%	Above	MuSU	6.3%	6.4%
Northern Kentucky University	1,532	1,484	-48	-3.1%	Below	NKU	9.5%	9.4%
Western Kentucky University	2,092	2,029	-62	-3.0%	Below	WKU	13.0%	12.9%
Sector	**16,137**	**15,759**	**-377**	**-2.3%**	**= Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change	Status*	Institution	2019-20 Share	2020-21 Share
University of Kentucky	5,495	5,381	-114	30.2%	Below	UK	34.1%	34.1%
University of Louisville	3,027	2,974	-53	14.1%	Above	UL	18.8%	18.9%
Eastern Kentucky University	1,862	1,749	-114	30.2%	Below	EKU	11.5%	11.1%
Kentucky State University	160	174	15	-4.0%	Above	KSU	1.0%	1.1%
Morehead State University	959	961	2	-0.5%	Above	MoSU	5.9%	6.1%
Murray State University	1,010	1,007	-3	0.8%	Above	MuSU	6.3%	6.4%
Northern Kentucky University	1,532	1,484	-48	12.7%	Below	NKU	9.5%	9.4%
Western Kentucky University	2,092	2,029	-62	16.4%	Below	WKU	13.0%	12.9%
Sector	**16,137**	**15,759**	**-377**	**19.6%**	**= Weighted Average**		**100%**	**100%**

*Status considered "Below" if percent change is higher than and "Above" if less than 12.5% due to negative total sector change value.

STUDENT PROGRESSION AT 60 HOURS

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change		Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	5,873	5,727	-147	-2.5%		Below	UK	33.6%	33.4%
University of Louisville	3,532	3,461	-71	-2.0%		Below	UL	20.2%	20.2%
Eastern Kentucky University	1,924	1,925	2	0.1%		Above	EKU	11.0%	11.2%
Kentucky State University	184	180	-4	-2.2%		Below	KSU	1.1%	1.1%
Morehead State University	988	960	-29	-2.9%		Below	MoSU	5.7%	5.6%
Murray State University	1,115	1,091	-24	-2.2%		Below	MuSU	6.4%	6.4%
Northern Kentucky University	1,612	1,588	-24	-1.5%		Above	NKU	9.2%	9.3%
Western Kentucky University	2,233	2,198	-34	-1.5%		Above	WKU	12.8%	12.8%
Sector	**17,461**	**17,130**	**-331**	**-1.9%**	=	**Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change		Status*	Institution	2019-20 Share	2020-21 Share
University of Kentucky	5,873	5,727	-147	44.4%		Below	UK	33.6%	33.4%
University of Louisville	3,532	3,461	-71	21.5%		Above	UL	20.2%	20.2%
Eastern Kentucky University	1,924	1,925	2	-0.6%		Above	EKU	11.0%	11.2%
Kentucky State University	184	180	-4	1.2%		Above	KSU	1.1%	1.1%
Morehead State University	988	960	-29	8.8%		Above	MoSU	5.7%	5.6%
Murray State University	1,115	1,091	-24	7.3%		Above	MuSU	6.4%	6.4%
Northern Kentucky University	1,612	1,588	-24	7.3%		Above	NKU	9.2%	9.3%
Western Kentucky University	2,233	2,198	-34	10.3%		Above	WKU	12.8%	12.8%
Sector	**17,461**	**17,130**	**-331**	**22.1%**	=	**Weighted Average**		**100%**	**100%**

*Status considered "Below" if percent change is higher than and "Above" if less than 22.1% due to negative total sector change value.

STUDENT PROGRESSION AT 90 HOURS

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change		Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	7,250	7,317	67	0.9%		Above	UK	33.3%	33.6%
University of Louisville	4,526	4,512	-14	-0.3%		Below	UL	20.8%	20.7%
Eastern Kentucky University	2,311	2,374	63	2.7%		Above	EKU	10.6%	10.9%
Kentucky State University	241	209	-32	-13.3%		Below	KSU	1.1%	1.0%
Morehead State University	1,237	1,197	-41	-3.3%		Below	MoSU	5.7%	5.5%
Murray State University	1,518	1,495	-23	-1.5%		Below	MuSU	7.0%	6.9%
Northern Kentucky University	1,948	1,916	-32	-1.6%		Below	NKU	8.9%	8.8%
Western Kentucky University	2,748	2,775	27	1.0%		Above	WKU	12.6%	12.7%
Sector	**21,779**	**21,795**	**14**	**0.1%**	**=**	**Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change		Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	7,250	7,317	67	478.6%		Above	UK	33.3%	33.6%
University of Louisville	4,526	4,512	-14	-100.0%		Below	UL	20.8%	20.7%
Eastern Kentucky University	2,311	2,374	63	450.0%		Above	EKU	10.6%	10.9%
Kentucky State University	241	209	-32	-228.6%		Below	KSU	1.1%	1.0%
Morehead State University	1,237	1,197	-41	-292.9%		Below	MoSU	5.7%	5.5%
Murray State University	1,518	1,495	-23	-164.3%		Below	MuSU	7.0%	6.9%
Northern Kentucky University	1,948	1,916	-32	-228.6%		Below	NKU	8.9%	8.8%
Western Kentucky University	2,748	2,775	27	192.9%		Above	WKU	12.6%	12.7%
Sector	**21,779**	**21,795**	**14**	**163.9%**	**=**	**Weighted Average**		**100%**	**100%**

STUDENT CREDIT HOURS EARNED

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	1,348,256	1,391,065	42,809	3.2%	Above	UK	30.6%	31.3%
University of Louisville	1,017,022	1,027,807	10,785	1.1%	Above	UL	23.1%	23.1%
Eastern Kentucky University	514,109	506,415	-7,694	-1.5%	Below	EKU	11.7%	11.4%
Kentucky State University	40,074	37,950	-2,124	-5.3%	Below	KSU	0.9%	0.9%
Morehead State University	241,295	235,150	-6,145	-2.5%	Below	MoSU	5.5%	5.3%
Murray State University	289,065	278,768	-10,297	-3.6%	Below	MuSU	6.6%	6.3%
Northern Kentucky University	396,255	409,154	12,899	3.3%	Above	NKU	9.0%	9.2%
Western Kentucky University	565,626	562,907	-2,719	-0.5%	Below	WKU	12.8%	12.7%
Sector	**4,411,703**	**4,449,217**	**37,513**	**0.9%**	**= Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	1,348,256	1,391,065	42,809	114.1%	Above	UK	30.6%	31.3%
University of Louisville	1,017,022	1,027,807	10,785	28.8%	Below	UL	23.1%	23.1%
Eastern Kentucky University	514,109	506,415	-7,694	-20.5%	Below	EKU	11.7%	11.4%
Kentucky State University	40,074	37,950	-2,124	-5.7%	Below	KSU	0.9%	0.9%
Morehead State University	241,295	235,150	-6,145	-16.4%	Below	MoSU	5.5%	5.3%
Murray State University	289,065	278,768	-10,297	-27.4%	Below	MuSU	6.6%	6.3%
Northern Kentucky University	396,255	409,154	12,899	34.4%	Below	NKU	9.0%	9.2%
Western Kentucky University	565,626	562,907	-2,719	-7.2%	Below	WKU	12.8%	12.7%
Sector	**4,411,703**	**4,449,217**	**37,513**	**39.6%**	**= Weighted Average**		**100%**	**100%**

SQUARE FEET DATA

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	8,010,620	8,585,557	574,937	7.2%	Above	UK	35.3%	36.2%
University of Louisville	4,287,640	4,429,983	142,343	3.3%	Below	UL	18.9%	18.7%
Eastern Kentucky University	2,382,140	2,454,151	72,011	3.0%	Below	EKU	10.5%	10.3%
Kentucky State University	673,601	673,568	57	0.0%	Below	KSU	3.0%	2.8%
Morehead State University	1,312,087	1,351,527	39,440	3.0%	Below	MoSU	5.8%	5.7%
Murray State University	1,955,585	2,001,344	45,760	2.3%	Below	MuSU	8.6%	8.4%
Northern Kentucky University	1,769,929	1,816,413	46,484	2.6%	Below	NKU	7.8%	7.7%
Western Kentucky University	2,273,068	2,416,347	143,279	6.3%	Above	WKU	10.0%	10.2%
Sector	**22,664,670**	**23,728,890**	**1,064,310**	**4.7%**	**= Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	8,010,620	8,585,557	574,937	54.0%	Above	UK	30.6%	31.3%
University of Louisville	4,287,640	4,429,983	142,343	13.4%	Below	UL	23.1%	23.1%
Eastern Kentucky University	2,382,140	2,454,151	72,011	6.8%	Below	EKU	11.7%	11.4%
Kentucky State University	673,601	673,568	57	0.0%	Below	KSU	0.9%	0.9%
Morehead State University	1,312,087	1,351,527	39,440	3.7%	Below	MoSU	5.5%	5.3%
Murray State University	1,955,585	2,001,344	45,760	4.3%	Below	MuSU	6.6%	6.3%
Northern Kentucky University	1,769,929	1,816,413	46,484	4.4%	Below	NKU	9.0%	9.2%
Western Kentucky University	2,273,068	2,416,347	143,279	13.5%	Below	WKU	12.8%	12.7%
Sector	**22,664,670**	**23,728,890**	**1,064,310**	**25.0%**	**= Weighted Average**		**100%**	**100%**

INSTRUCTION AND STUDENT SERVICES

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change		Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	3,181	3,231	50	1.6%		Above	UK	28.2%	28.7%
University of Louisville	2,874	2,866	-8	-0.3%		Above	UL	25.4%	25.5%
Eastern Kentucky University	1,147	1,108	-39	-3.4%		Below	EKU	10.2%	9.8%
Kentucky State University	154	165	11	7.4%		Above	KSU	1.4%	1.5%
Morehead State University	635	623	-12	-1.9%		Below	MoSU	5.6%	5.5%
Murray State University	832	803	-29	-3.5%		Below	MuSU	7.4%	7.1%
Northern Kentucky University	1,026	1,041	14	1.4%		Above	NKU	9.1%	9.2%
Western Kentucky University	1,450	1,424	-26	-1.8%		Below	WKU	12.8%	12.6%
Sector	**11,300**	**11,260**	**-40**	**-0.4%**	**=**	**Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change		Status*	Institution	2019-20 Share	2020-21 Share
University of Kentucky	3,181	3,231	50	-125.0%		Above	UK	28.2%	28.7%
University of Louisville	2,874	2,866	-8	20.0%		Below	UL	25.4%	25.5%
Eastern Kentucky University	1,147	1,108	-39	97.5%		Below	EKU	10.2%	9.8%
Kentucky State University	154	165	11	-27.5%		Above	KSU	1.4%	1.5%
Morehead State University	635	623	-12	30.0%		Below	MoSU	5.6%	5.5%
Murray State University	832	803	-29	72.5%		Below	MuSU	7.4%	7.1%
Northern Kentucky University	1,026	1,041	14	-35.0%		Above	NKU	9.1%	9.2%
Western Kentucky University	1,450	1,424	-26	65.0%		Below	WKU	12.8%	12.6%
Sector	**11,300**	**11,260**	**-40**	**-9.8%**	**=**	**Weighted Average**		**100%**	**100%**

*Status considered "Below" if percent change is higher than and "Above" if less than -9.8% due to negative total sector change value.

FTE STUDENTS

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO PREVIOUS FISCAL YEAR VOLUME

	2019-20	2020-21	Volume Change	Percent Change	Status	Institution	2019-20 Share	2020-21 Share
University of Kentucky	38,739	38,338	-402	-1.0%	Above	UK	32.6%	32.8%
University of Louisville	24,886	24,726	-160	-0.6%	Above	UL	20.9%	21.2%
Eastern Kentucky University	13,005	12,642	-363	-2.8%	Below	EKU	10.9%	10.8%
Kentucky State University	1,318	1,298	-20	-1.5%	Above	KSU	1.1%	1.1%
Morehead State University	6,622	6,410	-212	-3.2%	Below	MoSU	5.6%	5.5%
Murray State University	8,148	7,711	-436	-5.4%	Below	MuSU	6.8%	6.6%
Northern Kentucky University	11,263	11,131	-132	-1.2%	Above	NKU	9.5%	9.5%
Western Kentucky University	15,005	14,645	-360	-2.4%	Below	WKU	12.6%	12.5%
Sector	**118,986**	**116,900**	**-2,085**	**-1.8%**	**= Average**		**100%**	**100%**

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

PROPORTION OF INSTITUTIONAL VOLUME CHANGE TO SECTOR VOLUME CHANGE

	2019-20	2020-21	Volume Change	Percent Sector Change	Status*	Institution	2019-20 Share	2020-21 Share
University of Kentucky	38,739	38,338	-402	19.3%	Above	UK	32.6%	32.8%
University of Louisville	24,886	24,726	-160	7.7%	Below	UL	20.9%	21.2%
Eastern Kentucky University	13,005	12,642	-363	17.4%	Below	EKU	10.9%	10.8%
Kentucky State University	1,318	1,298	-20	1.0%	Above	KSU	1.1%	1.1%
Morehead State University	6,622	6,410	-212	10.2%	Below	MoSU	5.6%	5.5%
Murray State University	8,148	7,711	-436	20.9%	Below	MuSU	6.8%	6.6%
Northern Kentucky University	11,263	11,131	-132	6.3%	Above	NKU	9.5%	9.5%
Western Kentucky University	15,005	14,645	-360	17.3%	Below	WKU	12.6%	12.5%
Sector	**118,986**	**116,900**	**-2,085**	**14.5%**	**= Weighted Average**		**100%**	**100%**

*Status considered "Below" if percent change is higher than and "Above" if less than 14.5% due to negative total sector change value.

SUMMARY OF METRICS

CURRENT ASSESSMENT OF YEAR-TO-YEAR GROWTH

		UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU
Student Success Outcomes	Bachelor's Degrees (Normalized)	✓	✓						
	STEM+H Bachelor's Degrees	✓	✓						
	URM Bachelor's Degrees	✓				✓		✓	✓
	Low Income Bachelor's Degrees	✓	✓						
	Student Progression @ 30 Hours	✓	✓		✓	✓	✓		
	Student Progression @ 60 Hours			✓				✓	✓
	Student Progression @ 90 Hours	✓		✓					✓
	Earned Credit Hours	✓	✓					✓	
Operational Support Activity	Instructional Square Feet	✓							✓
	Direct Cost of Instruction	✓	✓		✓			✓	
	FTE Students	✓	✓		✓			✓	
Metrics Above Sector Average, Current Assessment		10	7	2	3	2	1	5	4

SUMMARY OF METRICS

PROPOSED ASSESSMENT OF YEAR-TO-YEAR GROWTH

		UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU
Student Success Outcomes	Bachelor's Degrees (Normalized)	✓	✓						
	STEM+H Bachelor's Degrees	✓	✓						
	URM Bachelor's Degrees	✓							
	Low Income Bachelor's Degrees	✓	✓						
	Student Progression @ 30 Hours		✓		✓	✓	✓	✓	✓
	Student Progression @ 60 Hours		✓	✓	✓	✓	✓	✓	✓
	Student Progression @ 90 Hours	✓		✓					✓
	Earned Credit Hours	✓							
Operational Support Activity	Instructional Square Feet	✓							
	Direct Cost of Instruction	✓			✓			✓	
	FTE Students	✓		✓	✓		✓		✓
Metrics Above Sector Average, Proposed Assessment		**9**	**6**	**3**	**4**	**2**	**3**	**3**	**4**
Metrics Above Sector Average, Current Assessment		*10*	*7*	*2*	*3*	*2*	*1*	*5*	*4*

HANOVER
RESEARCH

The Kentucky Performance Funding Model (PFM) was designed to enable the Commonwealth to raise the percentage of Kentuckians with a postsecondary degree or certificate to 60% by the year 2030 (60x30). By providing incentives for allocating resources directly to instruction and student services, the model has promoted financial management practices which focus on the core instructional mission of each institution.

Under its current design, the PFM has contributed to the progress made toward the Commonwealth's 60x30 goal by focusing on student outcomes. Specifically, the model has achieved the following:

- increased the focus state-wide on hours earned therefore improving a student's progression toward degree completion,
- increased the number of bachelor degrees awarded,
- produced more degrees in fields that garner higher wages upon completion (STEM+H), and
- helped to close achievement gaps by growing degrees earned by underrepresented minority (URM) students.

The model has unfortunately only slightly closed the achievement gaps of low income (LI) students. Universities that serve lower income populations are limited in their ability to increase net tuition revenue per student and therefore are inherently more dependent on state appropriations to have the financial resources available to ensure the success of a low income student. To close the achievement gap of low income students, the PFM must be modified to provide the financial resources otherwise lost as a result of the lower net tuition revenue.

Table 1 below shows, for universities that are rated by Moody's Investors Service, the strong relationship which exists between the overall poverty rates of each university's student population[1] and the institution's Net Tuition & Fees per student[2].

Table 1 – Poverty Rate of Students compared to Net Tuition and Fees Revenue per student

Institution	Net Tuition & Fees per student based on FY 2019 Moody's data[2]	Poverty rate, via Census data per US DOE[1]
Morehead State University	7,311	16.20
Eastern Kentucky University	9,025	13.74
Murray State University	9,027	10.09
Northern Kentucky University	9,141	6.91
Western Kentucky University	9,947	9.06
University of Kentucky	12,257	8.75
University of Louisville	12,929	10.87

Suggested Model Changes

- A poverty adjustment, similar to the small school adjustment, should be created to safeguard a percentage of each institutions Adjusted Net General Fund Appropriation equal to the overall poverty rate of the students who are actually enrolled at the institution, using the US DOE poverty rate via census data referenced above.

[1] Based on most recent information available as of July 10, 2020 on U.S. Department of Education website https://collegescorecard.ed.gov/ - this metric is based on the poverty need of the students enrolled.
[2] Based on information obtained from Moody's Analytics Municipal Financial Ratio Analysis database for Fiscal Year 2019. Net Tuition and Fees is calculated by Moody's Investors Service, Inc. as Net Tuition Revenue less Scholarship Expenses plus Government Grant (Pell) Revenues. This number was then divided by the total student FTE reported by Moody's Investors Service, Inc.

- The weighting factor for the research universities LI Bachelor's Degrees metric and the URM Bachelor's Degrees metric should be the same as the comprehensive's weighting. LI students and URM students who attend a comprehensive university have the same supportive needs as those attending a research university and therefore there should not be a higher weight for research universities.
- The current PFM weighting factors for the remaining metrics produced inequitable results, unfairly benefiting research universities due to the higher weighting factor on all but one of the funding model metrics. If all research factors were removed, the two research institutions would still receive the largest percentage allocation of each metric. This volume sustenance of the current model benefits larger universities because of their size and the research weighting factor intensifies the impact.
- The model should be modified to reward improvements (i.e. changes) in retention and persistence rates and not based on the volume of how many degrees and credit hours are produced to alleviate inequitable results due to a university's size or the economic/demographic state of a university's service region.
- The model should be adjusted to more directly reward the efficient and effective use of all financial resources by looking at the overall cost of delivering postsecondary education per student FTE thereby rewarding institutions who efficiently manage the total costs of their delivery of education instead of focusing on the growth in instructional and student services dollars spent.
- The current model does not take into account the higher level of on-going maintenance costs related to having an older campus and therefore rewards "wealthier" institutions who have the resources to make significant new capital improvements or who have stronger revenue diversity which enables them to issue debt to make improvements.
- A 2% stop-loss should be implemented in fiscal year 2022-23 and continued in subsequent years, so that no institution shall lose more than 2% of its General Fund formula base in any one fiscal year as a result of running the model. A new provision should also be adopted to limit the total percentage gain that is available in any one year. This will prevent significant swings in state appropriations for any one institution by limiting the win-falls and the losses as a result of the model.

Summary

The current model unfairly penalizes universities who are servicing large populations of students at or below poverty income levels and does not reward efficient and effective financial management of all resources. State appropriations per FTE should not be used as an indicator of the PFM's impact on the efficient and effective use of financial resources because it does not take into account an institution's ability to generate financial resources from other sources. Net tuition revenue is limited when a university has a significant number of poverty income level students and therefore, to ensure the resources necessary to retain and graduate these students, a higher state appropriation per student FTE is necessary.

In addition to considering the model changes suggested above, with the unanticipated expenses and unrealized revenues as a result of the global pandemic and our state budget concerns, among other issues; we also suggest that the performance funding model be ran for fiscal year 2021-22 but that no institution incur a financial loss or gain of General Fund appropriation as a result of running the model. This should be done in such a way as to have no formula gains or deficits accumulate that would have a future financial impact for any institution.

Beginning in fiscal year 2021-22, the Hold Harmless allocation amounts calculated during the 2020-21 iteration of the public university funding model should be retained within the respective General Fund base of each institution that had a Hold Harmless allocation in fiscal 2020-21 and those amounts should be used to reduce the allocable resources of those institutions when running the funding model in 2021-22 and in subsequent years in a manner similar to the Small School Adjustment.

Murray State University Summary Statement

The document formulates Murray State University's recommendation based on KRS 164.092 and the perspectives of identification of aspects of the model functioning as expected; unintended consequences of the model and recommended adjustments to the model.

Recommendation: Murray State University endorses the following:

Due to the unanticipated expenses and unrealized revenues as a result of the global pandemic, uncertainties regarding new federal stimulus funding, our state budget, pension costs, among other issues; we, the Presidents of each Postsecondary Institution in Kentucky, recommend to the Performance Funding Work Group and the 2021 General Assembly to:

1) Continue to run the performance funding model for fiscal year 2021-22 per KRS 164.092, with any modifications identified by the Performance Funding Work Group and adopted by the General Assembly;

2) In fiscal year 2021-22, no institution shall incur a financial loss or gain of General Fund appropriation as a result of running the model. In other words, the presidents recommend that a zero percent stop loss provision be implemented for the second year of the 2020-22 biennium. In addition, no formula gains or deficits will accumulate and have no future financial impact for any institution. Furthermore, existing appropriations will be held at the fiscal year 20-21 levels for each institution, unless new funds are awarded to the performance funding pool or to the base appropriation of each university;

3) A 2 percent stop-loss will be implemented in fiscal year 2022-23 and continued in subsequent years, so that no institution shall lose more than 2 percent of its General Fund formula base in any one fiscal year as a result of running the model; and

4) Beginning in fiscal year 2021-22, Hold Harmless allocation amounts calculated during the 2020-21 iteration of the public university funding model shall be retained within the respective General Fund base of each institution that had a Hold Harmless allocation in fiscal year 2020-21 and those amounts shall be used to reduce the allocable resources of those institutions when running the funding model in fiscal year 2021-22 and in subsequent years in a manner similar to the Small School Adjustment.

Perspectives: Model Functioning as Expected

The particular aspects related to student success for undergraduate students with progression to graduation have created focus for campuses. The model with the weight factors and volume emphasis is creating the expected effect which is not beneficial for smaller campuses who may, indeed, have shown improvements.

Perspectives: Unintended Consequences

- Without significant, new state appropriated funding, the model will continue to create prescribed winners and losers. The amount of money put into the model, not necessarily the increase a school has achieved over the current year(s), dictates who receives funds. This result

is predicated on the volume impact and the influx of the weight factors that exacerbate the volume influence.
    - Note that the impact is sizable. For example, the research universities receive 2.3512 times the number for every low-income graduate and the comprehensives have a weight of 1.
- An institution may not attain the sector percent change and yet can receive significant performance dollars while other institutions perform above the sector percent change in multiple metrics and receive no funding. This does not meld with idea of improved performance.
- The model creates competition rather than collaboration.
- For the smallest school to receive any money, this requires substantial investment of the order of magnitude in the hundreds of millions.

Perspectives: Recommended Adjustments

- Include new, significant state dollars to allow for the some of the small schools to have an opportunity for increased funding, although significant portions of these new dollars will go to larger schools, in an effort to just allow small schools to break even.
- Pause the model. Refer to the recommendation section on page 1.
- Include in statute a stop-loss of no more than 2 percent for the model.
- Revisit the weights and use of volume-centric ideas in the model. Use of percent share of metrics with the three-year rolling average can produce a model that is simpler, more easily explainable and stabilizes the dramatic funding reallocations between universities.
- Revisit the use of square footage as being good stewards would mean that a university should not be penalized for less instructional space. The premise of this metric was to recognize the need for operational and maintenance funding for each campus; however, this element does not recognize schools that become more efficient with operating with fewer facilities and overall square footage.
- Remove the additional weights on the level and discipline concepts in the credit hours and do not penalize an institution for educating non-resident students with a weight of half the value of the credit hour for resident students. The Council on Postsecondary Education has been supportive of tuition models for non-resident students and this will align with that.
- Investigate using three-year average per university metric total as a percentage in a comparison model with the corresponding 11 or fewer metrics.
- Understand that a three-level system (research, comprehensives and KCTCS) of performance funding will have the same consequences on smaller-sized institutions as the current model, especially with no, significant additional state monies.
- Run any augmented model three to five years in the future with assumptions on state dollars and reasonable change in institutional metrics to forecast the effects, prior to implementation.

NKU Summary Statement about Kentucky Performance Funding Model (7/17/2020)

The following document outlines NKU's perspective relative to Kentucky's performance funding model. We outline what appears to be working as intended with the funding model, what we believe are the limitations with the model (either in application or structure), and a list of considerations as the next review of the model takes place.

What seems to be working as intended within the model:

- The development and implementation of an objective model with discrete criteria for decisions around funding allocations is a welcome advancement to the previous methodologies used for funding distribution.

- The goals of the model (i.e., increasing student persistence, increasing degrees especially high demand and high salary areas, and closing opportunity gaps) are absolutely in line with the goals of NKU. NKU is deeply committed to advancing student success and these goals fit well within our strategic plan.

- CPE's Data and Analytics team is extremely helpful when working with the NKU campus around the metrics collected for the funding model. The validation of the metrics contained in the funding model have been integrated into the regular data collection schedule. For most of the metrics, this makes validating the information utilized in the model efficient.

What we believe are limitations with the current model:

- The model and the metrics as currently designed, are performance-based but enrollment driven. The model is based on the volume and proportion of total state outcomes for each institution. However, in a time of declining enrollment across the state (i.e., over the last 5 years KY 4-year public enrollment has declined 3.9%[1]) it becomes harder to demonstrate improved effectiveness and efficiencies with just these volume-based metrics alone. This could limit the ability to advocate for more state dollars to be invested in the model if volume is the sole indicator of effectiveness across the state.

- Another limitation with the model is that simple growth and contributions towards larger proportions of the total state outcomes is not enough to warrant increased funding. It is difficult for NKU (and probably other regional comprehensives as well) to grow more than the sector for all nine of the funding metrics. This results in just shifting of losses in one metric to potential gains in another. As mentioned above, the model is volume driven and that benefits the larger institutions. Furthermore, the additional weighting of R1 institutional outcomes for some of these metrics makes it more difficult for regional comprehensive institutions to gain funding.

- There are nuances to the model that make it difficult to anticipate our projected future allocations. There are some complexities (perhaps sophistication) in the model that makes

[1]CPE. (2017, August 15). Interactive Enrollment Data Tables. Retrieved from (http://cpe.ky.gov/data/enrollment.html)

it harder to project what allocations will be until all the data is shared right before it is run through the model. This presents challenges when considering institutional initiatives or programs and the potential ROI with advancing outcomes within the performance funding model.

- The Earned Credit Hours are validated with CPE and the individual IR offices, but then undergo weighting within the funding model that is not previously validated. The Earned Credit Hours account for 35% of the funding model and may need to have the full calculations validated within the IR offices.

What are some future considerations for the model:

- **As we look at the next iteration of the performance funding model, a question we should address is the appropriateness of base funding versus the performance funding to determine whether the existing base funding is appropriate based on metrics such as funding per student FTE.**

- **There should be exploration of three different models for performance funding based on the type of institution and their differing missions.** There is currently a model for KCTCS. There should be exploration of two other variations, one for the regional comprehensive institutions and one for the R1institutions. Having separate models for regional comprehensives and R1s could streamline the funding models and eliminate some adjustments and modification that are currently occurring (i.e., small school adjustment, differential weighting for outcomes, etc.). It would also allow for more appropriate metrics for instance weighted formulas for bachelors and master's degree completion for the regional comprehensive and weighted formulas for masters and doctoral degree completions for the research institutions. Studies on performance funding models have shown the unintended impacts on institutions missions based on the rewards in the models. R1 missions and regional comprehensive missions are very different and would more appropriately be addressed separately in the funding model.

- NKU would suggest a review of the mandated programs and the necessity of removing that funding from the funding model. An analysis could ensure the continued alignment of these programs with state needs. A review of the small school adjustment could also take place. NKU feels that these adjustments limit the discretionary spending run through the funding model.

- Rather than just focusing on bachelor's degrees, the degrees metric could be expanded to include all degrees and credentials. This could better align the institutional performance with the Kentucky's 60x30 goal. As NKU looks to expand micro-credentials and graduate work in an effort to meet regional needs, it may be important to include these in

future funding models. There should also be consideration given the differential weighting that occurs for the R1 outcomes on this metric.

- The 3% allocated towards URM and Low-income degrees could be adjusted to better match other outcomes in the model. These metrics are for degree completion, and while it may not make sense to attach another 9% to these outcomes (since they already count in overall degrees and are smaller populations), maybe these metrics should look similar to the Junior/Senior Progression metrics (i.e., 5% or 7%). It was felt that 3% may not really signify enough importance on these outcomes. First Generation populations could be another population of interest. First Generation students are a relatively large proportion of NKU's campus and its largest at-risk population. CPE could consider ways of tracking these students in the future data submissions.

- The progression metrics are hard to utilize since they are just volume indicators. There may be better ways of measuring effectiveness and efficiency at moving students through the curriculum rather than just raw numbers. The numbers for the progression metrics aren't very actionable, especially with declining enrollments. NKU has to convert them to rates (i.e., % of students progressing from total number of students at that level) to make them actionable or insightful.

- Having Earned Credit Hours represent 35% of the model is an extremely large portion of the funding. There are then additional weights applied to certain types of credit hours. This current weighting prioritizes enrollments, especially hours for in-state students, STEMH students, and graduate students Those weights may need to be examined again. Out of state students may be where institutions seek to gain enrollments in the future and this current weighting de-emphasizes that.

- With the continued focus on KCTCS student transfers into 4-year institutions and their bachelor's degree attainment levels, there could be an emphasis on KCTCS enrollments and bachelor's degrees within the funding model.

- The operational support portion of the model allots 30% of funding towards metrics largely correlated with institutional size. You would not expect the "performance" on two of these metrics to change very dramatically. Instructional support and square footage probably have a level of consistency from year to year for most institutions. That serves to really lock about 20% of state allocations without a lot of movement or adjustments among the institutions. While that does provide each institution a stable base of performance for these metrics and subsequent funding, it does limit the kinds of gains that institutions could make if some of that funding was in different student success categories. If this is just a performance model, then perhaps these metrics could be evaluated for fit or at least adjusted.

- An unintended consequence for the performance model is that there are no incentives for innovation or for collaboration. Sometimes innovative approaches take time to succeed and the model does not provide any incentive to pursue. Because institutions are competing for finite performance funds, there are no real incentives to collaborate with other institutions.

- Finally, most empirical studies conducted on the efficacy of performance funding models across the nation conclude that the results on the intended outcomes have been mixed at best. This is largely due to the fact that in most cases institutional capacity for state colleges and universities has been reduced due to years of declining budgets. **Without new or sufficient funding available[2,3], even a perfect model will only achieve a redistribution of limited funding with "winners" and "losers."** An important consideration would be engaging in appropriate level setting for all the three sectors of post-secondary education in Kentucky – KCTCS, the regional comprehensives, and the two research universities, while exploring a more appropriate performance funding model for the 3 sectors.

[2]Dougherty, K.J., & Reddy, V. (2011). *The Impacts of State Performance Funding Systems on Higher Education Institutions: Research Literature Review and Policy Recommendations (Working Paper No 37*). Community College Research Center. 49-50.
[3]Snyder, M. & Boelscher, S. (2018). *Driving Better Outcomes: FY 2018 State Status & Typology Update*. HCM Strategists. 28-29. http://hcmstrategists.com/resources/driving-better-outcomes-fiscal-year-2018-state-status-typology-update/

Western Kentucky University
Performance Funding Model Summary Statement (September 2020)

The following outlines WKU's perspective regarding Kentucky's current performance funding model.

Overarching Statement - ***It is imperative to state that without new or increased state funding earmarked for a performance funding pool, even a modified model only achieves redistribution of limited dollars and will create a world of "winners" and "losers."***

a. What Seems to Be Working as Intended within the Model

- WKU is highly committed to driving student success. Current criteria and goals of the model are well aligned with WKU's strategic plan goals and vision.

- Validation of metric data has greatly improved over the years and is much more efficient.

b. Current Limitations and Unintended Consequences within the Model

- Given the higher weighting assigned to outcomes of the state's two research institutions for some metrics – in particular credit hour production, it is extremely difficult if not impossible for WKU (and other regional comprehensive institutions) to gain any additional funding.

- The small school adjustment, in the current model, is applied before any performance result is calculated. This adjustment results in reduced funding even while performing well.

- Current metrics are performance based but also driven by increased enrollment. At a time of overall declining enrollments statewide, many institutions will look to non-resident students to seek enrollment

increases. The current weighting de-emphasizes this type of enrollment, despite creating overall growth.

c. Potential Adjustments to Future Models

- **Consideration should be given to establishing models based on institutional type**. Currently, a separate model already exists for KCTCS. Given this, it is possible to establish separate models for the research institutions and the regional comprehensives. This would streamline and simplify current adjustments and calculations and a model that is more reflective of individual institutional goals and mission.

- **Expanding to all degrees and credentials**. Should consider adding graduate/professional degrees and other credentials to the model. As institutions increase/expand these programs, this growth and success is excluded from the model. Again, consideration should also be given to the differential weighting that currently occurs for research institutions.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM

September 18, 2020

Dr. Aaron Thompson, President
Council on Postsecondary Education
100 Airport Road
Frankfort, KY 40601

Dear President Thompson,

Please find enclosed the requested summary statement for the Kentucky Community and Technical College System regarding Performance-based Funding for the two-year model. Should you have questions or need clarification about any of these points, please do not hesitate to contact me.

Sincerely,

Jay K. Box, Ed.D.
President

cc: Mr. Bill Payne
Dr. Paul Czarapata
Dr. Kris Williams
Mr. Wendell Followell

Dr. Jay K. Box
President
300 North Main Street • Versailles, KY 40383
P: 859-256-3132 • F: 859-256-3116
kctcs.edu

KCTCS Summary Statement Regarding Kentucky Performance Funding for the Two-year Model
KCTCS President's Office | September 18, 2020

The KCTCS System President, Dr. Jay K. Box, and the 16 College Presidents support Performance-Based Funding (PBF) to incentivize and recognize student success achieved by KCTCS Colleges. While KCTCS Colleges support the premise and promise of performance-based funding, Colleges struggle with the reality of the history of funding, and the locations, populations, and economies they serve.

The opportunity to share information on the model is most appreciated.

Aspects of the comprehensive funding model that are functioning as expected

The goals of the model in terms of student retention and success in meeting the Council on Postsecondary Education's Strategic Plan Goal of 60% of Kentuckians with degrees and credentials by 2030 are aligned with the mission, vision, and strategic outcomes of the Kentucky Community and Technical College System.

KCTCS supports a model reflective of comprehensive, objective data to measure student and institutional success and a model that confirms a basis of comparison among institutions that leads to a fruitful discussion of goals and outcomes.

In response to performance-based funding, KCTCS Colleges have implemented new and additional student success strategies to strengthen their student retention and completion rates.

Performance-based funding works best if it is fully funded with new dollars.

Unintended consequences of the model

KCTCS supports a model that 1) increases equity and stability; 2) contains metrics that are representative of all KCTCS Colleges, regardless of location, population, or local economy; and 3) provides every College an equal opportunity to improve relative to their performance. The current model, while having many positives, does not fully meet these expectations.

Differences in regional and community demographics, as well as varying economies across the state, impact student and institutional outcomes. The 16 Colleges of KCTCS serve every region of the State - regions with varying cultural, demographic, and economic resources. The students, employers, and education partners they serve do not fit into a university model.

The current model is largely based on historical data, enabling Colleges that serve communities with larger populations and more robust economies to be rewarded because of volume-driven metrics.

The current model favors course completion at higher credit hour levels, lacking recognition of shorter Go-to-Work credentials that Kentucky's businesses and industries demand.

There is inadequate recognition of under-represented, under-prepared, and low-income student success. Currently, no metric supports re-engaging adult learners. The STEM+H, Targeted Industry, and High-Wage/High-Demand Credentials metrics overlap.

Lastly, there is inadequate recognition of the value of the transfer student within the current model.

Recommended improvements to the two-year model

Use a three-year weighted average on all metrics except square footage to smooth pandemic, economic, and population change impacts.

Continue the 2% Stop Loss to smooth the transition for Colleges above equilibrium, especially in the current environment of no new or reduced funding. Should there be a state appropriation reduction or no new funding in FY 2021-22 and beyond, consider a 0% stop loss provision until such time new funding can be added to the model.

Promote equity within the model by accounting for regional differences across the Commonwealth. Modify the Equity Adjustment (small school adjustment in the 4-year model) based on a Community Needs Index. The Community Needs Index would be based on factors of local unemployment, labor force participation, and poverty rates. This recommendation will have consequences in terms of movement towards equilibrium for some Colleges, but will increase equity overall within KCTCS.

Reduce the 15-30-45 progression metric to acknowledge the value of the shorter-time retention of a KCTCS student as they complete a short-term credential and enter or re-enter the workforce. KCTCS suggests the percentage be reduced from 12% to 7% of the model.

Merge sector specific credentials (STEM+H, High Wage/High Demand, Targeted Industry) within the overall 3-year weighted average credential calculation.

Modify the 3-year average credentials metric from 15% weighting to 8%, allowing increased focus on under-represented, under-prepared, low income, and transfer students. Add a metric for adult students. Double the weighted percentage of all these affected credentials to 4% each to reward the value of student success in these areas.

PowerPoint Slides
referenced during the meeting

Postsecondary Education Working Group
Performance Funding Model Review

Dr. Aaron Thompson, President
Kentucky Council on Postsecondary Education
October 7, 2020

Meeting Agenda

I. Financial Impact Information
   A. Public Universities
   B. KCTCS Institutions

II. Campus Summary Statements
   A. Models Functioning as Expected
   B. Unintended Consequences
   C. Recommended Adjustments

III. Review MuSU Proposal

IV. Next Steps

Financial Impact Information

State Funds for Educating Students (All Institutions)

Change in State Funds for Educating Students[1]
Between Fiscal Years 2016-17 and 2020-21

Note: These figures show the combined impact of state budget cuts (-6.25% and -1.0%) and performance funding

Institution	Fiscal 2016-17 State Funds	Fiscal 2020-21 State Funds	Dollar Change	Percent Change
University of Kentucky	$181,125,800	$184,662,000	$3,536,200	2.0%
University of Louisville	132,076,800	126,211,600	(5,865,200)	-4.4%
Eastern Kentucky University	62,572,300	60,842,300	(1,730,000)	-2.8%
Kentucky State University	19,993,600	18,235,500	(1,758,100)	-8.8%
Morehead State University	38,889,200	34,931,500	(3,957,700)	-10.2%
Murray State University	43,376,600	40,553,800	(2,822,800)	-6.5%
Northern Kentucky University	45,029,500	50,923,600	5,894,100	13.1%
Western Kentucky University	66,445,600	67,619,000	1,173,400	1.8%
KCTCS	169,503,700	165,761,600	(3,742,100)	-2.2%
Total	$759,013,100	$749,740,900	($9,272,200)	-1.2%

[1] State Funds for Educating Students is defined as each institution's regular General Fund appropriation plus any performance fund distribution, minus debt service and mandated program funding.

Financial Impact Information

Share of State Funds (All Institutions)

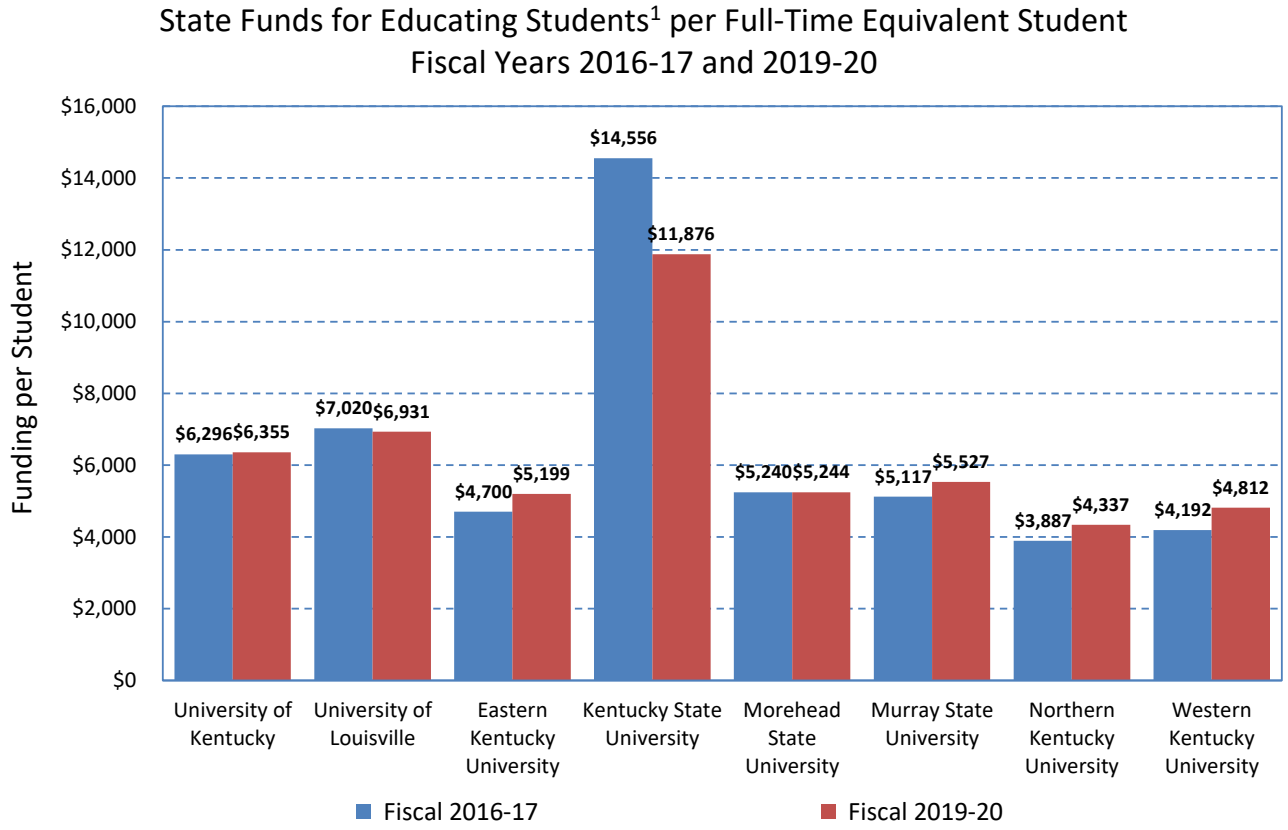
Share of State Funds for Educating Students[1]
Fiscal Years 2016-17 and 2020-21

Institution	Fiscal 2016-17 % Share	Fiscal 2020-21 % Share	% Point Difference
University of Kentucky	23.9%	24.6%	0.8%
University of Louisville	17.4%	16.8%	-0.6%
Eastern Kentucky University	8.2%	8.1%	-0.1%
Kentucky State University	2.6%	2.4%	-0.2%
Morehead State University	5.1%	4.7%	-0.5%
Murray State University	5.7%	5.4%	-0.3%
Northern Kentucky University	5.9%	6.8%	0.9%
Western Kentucky University	8.8%	9.0%	0.3%
KCTCS	22.3%	22.1%	-0.2%
Total	100.0%	100.0%	0.0%

[1] Regular General Fund appropriation plus performance fund distribution, minus debt service and mandated program funding.

Financial Impact Information

State Funds per FTE Student (Public Universities)

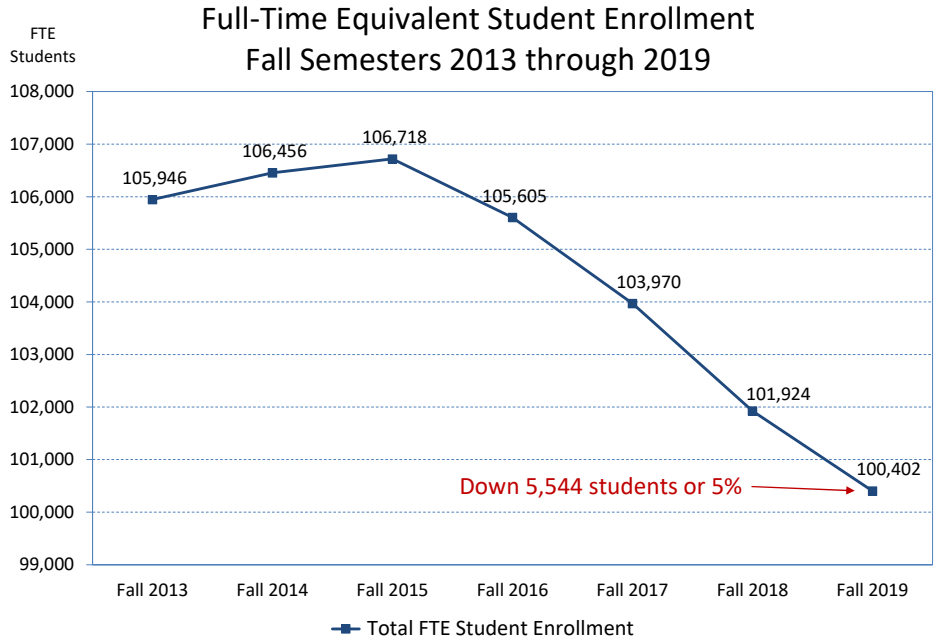


[1] Regular General Fund appropriation plus performance fund distribution, minus debt service and mandated program funding.

Source: Council on Postsecondary Education, Finance and Budget Unit, and Data and Advanced Analytics Unit.

Financial Impact Information

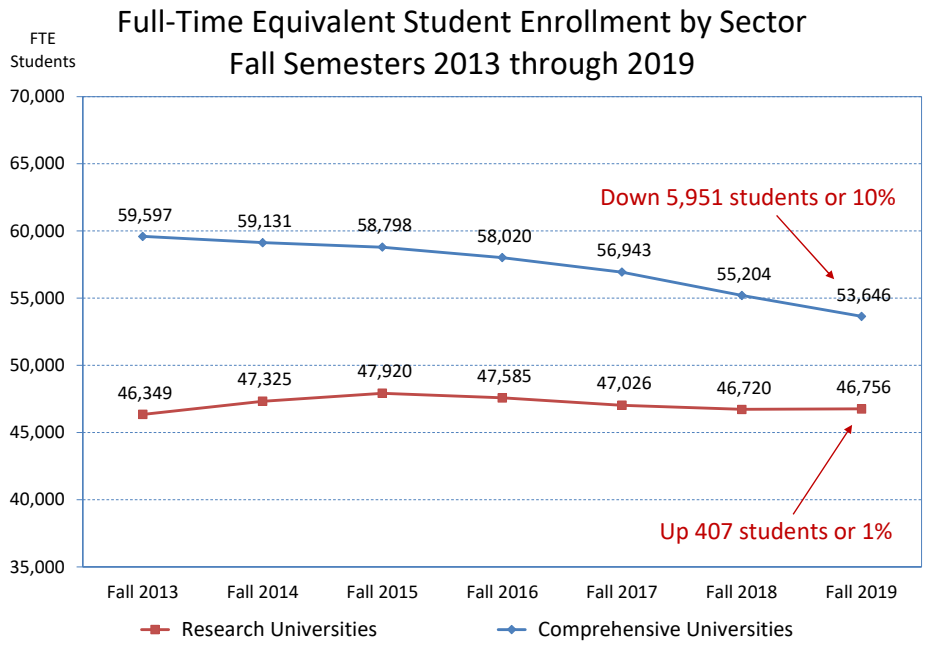
Trend in FTE Student Enrollment (Public Universities)



Source: Council on Postsecondary Education, Data and Advanced Analytics Unit.

- Aggregate public university full-time equivalent enrollment is decreasing at an average rate of about 1.0% per year.

- UK is the only university that recorded an increase in FTE enrollment (+951 students or 3.4%) during this period.



Source: Council on Postsecondary Education, Data and Advanced Analytics Unit.

Financial Impact Information

State Funds for Educating Students (KCTCS Institutions)

Change in State Funds for Educating Students[1]
Between Fiscal Years 2016-17 and 2020-21

Note: These figures show the combined impact of state budget cuts (-6.25% and -1.0%) and performance funding

College	Fiscal 2016-17 State Funds	Fiscal 2020-21 State Funds	Dollar Change	Percent Change
Ashland	$9,538,900	$8,599,200	($939,700)	-9.9%
Big Sandy	10,802,900	9,735,900	(1,067,000)	-9.9%
Bluegrass	17,580,700	18,096,700	516,000	2.9%
Elizabethtown	10,776,800	11,444,800	668,000	6.2%
Gateway	8,605,400	8,924,600	319,200	3.7%
Hazard	12,399,500	11,049,500	(1,350,000)	-10.9%
Henderson	4,703,100	4,231,400	(471,700)	-10.0%
Hopkinsville	5,999,400	6,014,700	15,300	0.3%
Jefferson	21,020,200	20,833,700	(186,500)	-0.9%
Madisonville	8,755,000	7,898,500	(856,500)	-9.8%
Maysville	7,943,900	7,970,100	26,200	0.3%
Owensboro	7,886,600	8,168,200	281,600	3.6%
Somerset	13,128,700	12,459,300	(669,400)	-5.1%
Southcentral	8,243,300	9,259,200	1,015,900	12.3%
Southeast	10,321,800	9,248,600	(1,073,200)	-10.4%
West Kentucky	11,797,500	11,827,200	29,700	0.3%
Total	$169,503,700	$165,761,600	($3,742,100)	-2.2%

[1] Regular General Fund appropriation plus performance fund distribution, minus debt service and mandated program funding.

Financial Impact Information

Share of State Funds (KCTCS Institutions)

Share of State Funds for Educating Students[1]
Fiscal Years 2016-17 and 2020-21

College	2016-17 % Share	2020-21 % Share	% Point Difference
Ashland	5.6%	5.2%	-0.4%
Big Sandy	6.4%	5.9%	-0.5%
Bluegrass	10.4%	10.9%	0.5%
Elizabethtown	6.4%	6.9%	0.5%
Gateway	5.1%	5.4%	0.3%
Hazard	7.3%	6.7%	-0.6%
Henderson	2.8%	2.6%	-0.2%
Hopkinsville	3.5%	3.6%	0.1%
Jefferson	12.4%	12.6%	0.2%
Madisonville	5.2%	4.8%	-0.4%
Maysville	4.7%	4.8%	0.1%
Owensboro	4.7%	4.9%	0.3%
Somerset	7.7%	7.5%	-0.2%
Southcentral	4.9%	5.6%	0.7%
Southeast	6.1%	5.6%	-0.5%
West Kentucky	7.0%	7.1%	0.2%
Total	100.0%	100.0%	0.0%

[1] Regular General Fund appropriation plus performance fund distribution, minus debt service and mandated program funding.

Campus Summary Statements

Section Overview

- Models Functioning as Expected
- Unintended Consequences
- Recommended Adjustments

Campus Summary Statements

Models Functioning as Expected

Most institutions responded that:

- Overall, the models are working as expected
- The models are using the appropriate metrics
- Student success metrics are enhancing focus on state goals
- State funds are no longer being distributed based on historical share, but on outcomes
- Growth rates above the sector average are resulting in an increased share of funding for a given metric

Campus Summary Statements

Models Functioning as Expected (Cont'd)

- The funding models are providing financial incentives for increased progression and timely completion
- The models include sizable premiums for STEM+H, URM, and low income degrees
- Institutions are reacting to the model strategically
- In both the university and KCTCS models, institutions are progressing toward funding parity

Campus Summary Statements
Unanticipated Consequences

Sector Competition

- Perception that comprehensive and smaller institutions are disadvantaged by research sector weights and volume focus
- Harder for smaller institutions to earn additional funding

Complexity

- It's hard to anticipate ROI, explain the connection between performance and funding
- Complexity reduces the model's effectiveness and ability to drive change

Campus Summary Statements
Unanticipated Consequences (Cont'd)

Some Metrics Don't Consider Efficiency

- Square footage metric rewards new construction, not asset preservation or innovative use of space on campus
- Square footage metric does not consider efficient space utilization, age of facilities, or energy efficiency
- Instruction and Student Services spending metric does not take into account operating efficiency
- Benefit of enrolling nonresident students is limited by 50% earned credit-hour weighting (runs counter to NR tuition policy)

Campus Summary Statements
Unanticipated Consequences (Cont'd)

Funding Advocacy

- When enrollment declines, volume-based models do not support advocacy efforts
- Harder to advocate for additional funding for mandated programs
- Redistribution of base shifts focus from system funding needs

Competition

- Increases competition, decreases collaboration
- Model doesn't sufficiently recognize differences in mission

Campus Summary Statements
Unanticipated Consequences (Cont'd)

Financial Concerns

- During three-year phase in, models were implemented with no new funding
- In budget-cut years, stop-loss contributions act as a second budget cut for some
- KSU, MoSU, MuSU, and six KCTCS colleges are facing fiscal cliffs in 2021-22 (i.e., 2% stop loss sunset)
- Unfunded KERS cost increases place comprehensives at a competitive disadvantage

Campus Summary Statements
Recommended Adjustments

Sector Differentiation

- Keep all universities in one model (UK, UofL)
- Adopt separate models for research and comprehensive universities (EKU, NKU, WKU)

Funding Model Metrics

- All degrees and credentials should be rewarded (NKU, WKU)
- Eliminate or modify square footage metric (UofL, EKU, MoSU)
- Revisit 50% nonresident student weighting (MuSU, NKU, WKU)
- Change Instruction and Student Services metric (EKU, MoSU)

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Campus Summary Statements
Recommended Adjustments (Cont'd)

Funding Model Metrics *(Cont'd)*

- Increase Low Income and URM weights (UofL, NKU)
- Decrease operational support metric weights (UofL, NKU)

Application of the Model

- Reinvest in postsecondary education (UK, UofL, EKU, MuSU, NKU)
- 0% Stop Loss in 2021-22 (UofL, MoSU, MuSU)
- Permanent Stop Loss needed (UofL, MoSU, MuSU)
- Preserve hold harmless amounts in an institution's base (not subject to redistribution) beginning in 2021-22 (MoSU, MuSU)

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Campus Summary Statements

Recommended Adjustments (Cont'd)

Institution Specific

UK: Eliminate degree efficiency metric (normalization of bachelor's degrees using degrees per 100 FTE index)

EKU: No small school adjustment for UK and UofL

No difference in research sector weighting for FTE

KSU: Redesign model to include some common and some institution-specific metrics

MoSU: Model should include a poverty adjustment, similar to the small school adjustment

Campus Summary Statements

Recommended Adjustments (Cont'd)

Institution Specific *(Cont'd)*

MuSU: Eliminate earned credit hour weighting by level and discipline and nonresident student differential

No difference in research sector weighting for Low Income and URM degrees

Use percent of formula share to distribute funds

NKU: Add a first generation metric

Add KCTCS transfer metric to university model

Review mandated programs & small school adjustment

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Review MuSU Proposal

Components

Given economic uncertainties caused by the pandemic, unknown status of additional federal stimulus, potential for a significant mid-year budget cut, and rising pension costs:

1) Continue to run the funding model for 2021-22 per KRS 164.092, with any modifications identified by the working group and adopted by the General Assembly
2) Apply the model in 2021-22, so that no institution incurs a financial loss or gain of General Fund as a result of running the model (i.e., implement a 0% stop loss in 2021-22)
3) In addition, no formula gains or deficits will accumulate and have no future financial impact for any institution

Review MuSU Proposal

Components (Cont'd)

4) Existing appropriations should be maintained at 2020-21 levels for each institution, unless new funds are awarded to the performance fund or base of each university

5) Implement a perpetual 2% stop-loss beginning in 2022-23 so that no institution loses more than 2% of its formula base in any one year due to the model

6) Beginning in 2021-22, Hold Harmless amounts calculated in the current year (i.e., 2020-21) should be retained by institutions that had a Hold Harmless allocation and treated similar to the Small School Adjustment (i.e., eliminate fiscal cliff at KSU, MoSU, and MuSU)

Review MuSU Proposal

Eliminate Fiscal Cliff

Impact of Adopting Modified Small School Adjustment
Comparison of Performance Distributions and Hold Harmless Allocations

→ Fiscal Year 2020-21

	Actual 2020-21 Calculations		*Hypothetical* [1] Modified Small School Adjustment		(C - A)
	A	B	C	D	E
Institution	Performance Distribution	Hold Harmless Allocations	Performance Distribution	Hold Harmless Allocations	Distribution Differences
University of Kentucky	$6,621,600	$0	$6,621,300	$0	($300)
University of Louisville	2,938,900	0	2,938,800	0	(100)
Eastern Kentucky University	394,200	0	394,300	0	100
Kentucky State University	0	(6,885,400)	100	0	100
Morehead State University	0	(2,826,900)	0	0	0
Murray State University	0	(675,800)	0	0	0
Northern Kentucky University	967,000	0	967,200	0	200
Western Kentucky University	757,900	0	757,900	0	0
Total	$11,679,600	($10,388,100)	$11,679,600	$0	$0

1 Murray State University is proposing a change in the public university funding model that would add calculated hold harmless amounts in fiscal year 2020-21 to the respective small school adjustments at KSU, MoSU, and MuSU, which would eliminate the fiscal cliff at those institutions.

Review MuSU Proposal

Eliminate Fiscal Cliff (Cont'd)

Impact of Adopting Modified Small School Adjustment
Comparison of Performance Distributions and Hold Harmless Allocations

→ Fiscal Year 2021-22

	Hypothetical [1] Current Model With No Changes		*Hypothetical* [2] Modified Small School Adjustment		(C - A)
	A	B	C	D	E
Institution	Performance Distribution	Hold Harmless Allocations	Performance Distribution	Hold Harmless Allocations	Distribution Differences
University of Kentucky	$4,296,900	$0	$3,692,900	$0	($604,000)
University of Louisville	2,934,000	0	2,524,100	0	(409,900)
Eastern Kentucky University	1,419,900	0	1,216,900	0	(203,000)
Kentucky State University	0	(6,495,800)	364,800	0	364,800
Morehead State University	0	(2,028,700)	698,600	0	698,600
Murray State University	262,900	0	811,100	0	548,200
Northern Kentucky University	1,185,900	0	1,018,700	0	(167,200)
Western Kentucky University	1,579,900	0	1,352,400	0	(227,500)
Total	$11,679,500	($8,524,500)	$11,679,500	$0	$0

1 The current model with no changes approach assumes flat funding, a 2.0% stop loss contribution, and no change in performance metric data.

2 The modified small school adjustment approach also assumes flat funding, a 2.0% stop loss contribution, and no change in performance metric data, but it adds calculated hold harmless amounts from fiscal year 2020-21 to the small school adjustments at KSU, MoSU, and MuSU.

Review MuSU Proposal

Eliminate Fiscal Cliff (Cont'd)

Impact of Adopting Modified Small School Adjustment
Comparison of Stop Loss Contributions and Performance Distribution

→ Fiscal Year 2021-22	*Hypothetical*		(B - A)
	A	B	C
Institution	2.0% Stop Loss Contributions [1]	Modified SSA Distribution [2]	Difference
University of Kentucky	$3,693,200	$3,692,900	($300)
University of Louisville	2,524,200	2,524,100	(100)
Eastern Kentucky University	1,216,800	1,216,900	100
Kentucky State University	364,700	364,800	100
Morehead State University	698,600	698,600	0
Murray State University	811,100	811,100	0
Northern Kentucky University	1,018,500	1,018,700	200
Western Kentucky University	1,352,400	1,352,400	0
Total	$11,679,500	$11,679,500	$0

[1] Hypothetical 2.0% stop loss contributions that assume performance funds distributed in 2020-21 become recurring to the base of institutions that earned those funds in 2021-22, flat funding, and no change in debt service or mandated program funding.

[2] Assumes adoption of a modified small school adjustment approach, flat funding, a 2.0% stop loss, and no change in performance metric data.

Next Steps

- Financial Impact Information (Cont'd)
- Major Decision Points
  - Sector Differentiation (One University Model or Two)
  - Nonresident Student Weighting
  - Weighting Between Sectors
- Performance Metrics
  - Reward All Degrees Conferred
  - Eliminate or Modify Square Footage Metric
  - Modify Low Income and URM Degree Weights
  - Add Adult Learner Metric
  - Modify Direct Cost Metric (Instruction + Student Services Spending)

Questions?

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KYCPE
Higher Education Matters