

**13 KAR 2:120. Comprehensive funding model for the allocation of state general fund appropriations to public universities.**

RELATES TO: KRS 48.600-48.630, 164.001, 164.092

STATUTORY AUTHORITY: KRS 164.092(12)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 164.092(12) requires the Council on Postsecondary Education to promulgate an administrative regulation to implement a comprehensive funding model for the public postsecondary education system. This administrative regulation establishes the formula by which general fund appropriations shall be distributed in the public university sector.

**Section 1. Definitions.**

- (1) "Academic year" means July 1st through June 30th and all terms completed therein.
- (2) "Bachelor's degrees" means total number of bachelor's degrees awarded during the academic year, including degrees conferred to resident and non-resident students.
- (3) "Comprehensive university" is defined by KRS 164.001(7).
- (4) "Council" is defined by KRS 164.092(1)(c).
- (5) "Formula base amount" is defined by KRS 164.092(1)(e) and includes a deduction for mandated programs.
- (6) "Hold-harmless provision" is defined by KRS 164.092(1)(f).
- (7) "Institution" means a public university.
- (8) "Low-income student" means a student who received a Federal Pell Grant after the 2005-2006 academic year for attendance at the institution from which the student received a bachelor's degree.
- (9) "Mandated program" means a research or public service activity not integral to the instructional mission of the institution that is:
  - (a) Funded with greater than \$450,000 of state appropriations at research universities and \$200,000 at comprehensive universities; and
  - (b) Directed by statute, resolution, executive branch budget bill, executive order, or other legal mandate.
- (10) "Non-resident student" means a student who does not meet the requirements for Kentucky residency for purposes of tuition set forth in 13 KAR 2:045.
- (11) "Research university" is defined by KRS 164.092(1)(j).
- (12) "Resident student" means a student certified as a Kentucky resident for purposes of tuition pursuant to 13 KAR 2:045 and any non-resident student attending an institution under a state tuition reciprocity agreement entered into by the council.
- (13) "Small school adjustment" means a one (1)-time calculation made using the formula base amounts in 2017-2018 and equals:
  - (a) For a research university, ten (10) percent of the respective formula base amount for each institution; and
  - (b) For a comprehensive university, ten (10) percent of the total formula base amount for all comprehensive universities divided by six (6).
- (14) "STEM+H degrees" means degrees in the fields of science, technology, engineering, math, and health sciences as determined by the council.
- (15) "Stop-loss provision" is defined by KRS 164.092(1)(k).
- (16) "Underrepresented minority students" means students who categorize themselves as Hispanic or Latino, American Indian or Alaska Native, Black or African American, Native Hawaiian or Other Pacific Islander, or two (2) or more races.
- (17) "University allocable resources" is defined by KRS 164.092(1)(l).

**Section 2. Allocable Resources.** The council shall determine total university allocable resources for any given year by calculating each institution's formula base amount and subtracting the small school adjustment and any amount protected by a hold-harmless

provision. These amounts shall then be combined along with any applicable increase or decrease in general fund appropriation.

Section 3. Metric Weighting. For purposes of Sections 5, 6, and 7 of this administrative regulation, bachelor's degrees, earned credit hours, facilities' square feet, instruction and student services costs, and full-time equivalent student enrollment shall be calculated with differential weights for research and comprehensive universities in accordance with the Public University Funding Model Metric Weighting Chart.

Section 4. Three (3)-year Rolling Average. Each metric shall be calculated by averaging the most recent three (3) years of finalized data.

Section 5. Student Success Outcomes. Thirty-five (35) percent of total university allocable resources shall be certified for distribution to each institution based on its share of the total volume of student success outcomes related to bachelor's degree production and student progression as established in KRS 164.092(6)(a)1. through 5., and in the following denominations:

- (1) Nine (9) percent based on the normalized bachelor's degrees awarded in an academic year as described in the Public University Sector Funding Model Formula Chart;
- (2) Five (5) percent based on STEM+H bachelor's degrees awarded in an academic year;
- (3) Three (3) percent based on bachelor's degrees awarded to underrepresented minority students in an academic year;
- (4) Three (3) percent based on bachelor's degrees awarded to low-income students in an academic year;
- (5) Three (3) percent based on the number of full-time and part-time undergraduate students reaching or surpassing thirty (30) cumulative earned credit hours in any term completed from August 1st to July 31st;
- (6) Five (5) percent based on the number of full-time and part-time undergraduate students reaching or surpassing sixty (60) cumulative earned credit hours in any term completed from August 1st to July 31st; and
- (7) Seven (7) percent based on the number of full-time and part-time undergraduate students reaching or surpassing ninety (90) cumulative earned credit hours in any term completed from August 1st to July 31st.

Section 6. Student Credit Hour Production. Thirty-five (35) percent of total university allocable resources shall be certified for distribution to each institution based on its share of total volume of weighted student credit hours earned during an academic year as established in KRS 164.092(6)(b).

- (1) Credit hour weighting by course level and discipline shall be in accordance with the Public University Funding Model Earned Credit Hour Production Weighting Index. Credit hours earned by non-resident students shall be given one-half (0.5) the weight of those earned by resident students in comparable programs of study; and
- (2) The calculation shall not include credit hours earned by high school students taking courses for college credit.

Section 7. Operational Support. Thirty (30) percent of total university allocable resources shall be certified for distribution to each institution in support of vital campus operations as established in KRS 164.092(6)(c)1. through 3.

- (1) Ten (10) percent shall be allocated based on facilities' square feet as reported annually to the council and as established in KRS 164.092(6)(c)1.
- (2) Ten (10) percent shall be allocated based on direct instruction and student services costs as reported on each institution's annual audited financial statement and as established in KRS 164.092(6)(c)2.

(3) Ten (10) percent shall be allocated based on total full-time equivalent student enrollment as established in KRS 164.092(6)(c)3 and using the formula established in the Public University Sector Funding Model Formula Chart.

#### Section 8. Hold-harmless and Stop-loss Provisions.

(1) Any final amounts certified for distribution to any institution shall account for any hold-harmless or stop-loss provisions established in KRS 164.092(9).

(2) The council shall determine hold-harmless amounts for institutions in fiscal year 2018-2019 through application of the formula established in this administrative regulation.

(a) If the formula total amount generated for an institution is less than its initial allocable resources, the amount of that difference shall be designated as the institution's hold-harmless allocation.

(b) If applied, an institution maintaining a hold-harmless allocation shall not receive additional distributions of funding through the model until the hold-harmless allocation balance is brought to zero through improved institutional performance, additional appropriations, or some combination thereof.

(c) The council shall apply these hold-harmless allocations, with any applicable credit adjustments as determined annually by the formula, to all applicable institutions in 2018-2019, 2019-2020, 2020-2021, and in any subsequent years as directed by the General Assembly.

#### Section 9. Incorporation by Reference.

(1) The following material is incorporated by reference:

(a) "Public University Funding Model Formula Chart," June 2017;

(b) "Public University Funding Model Metric Weighting Chart," June 2017; and

(c) "Public University Funding Model Earned Credit Hour Production Weighting Index," June 2017.

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(44 Ky.R. 443, 899; eff. 12-1-2017; TAm eff. 4-2-2021.)