

1 AN ACT relating to postsecondary funding, making an appropriation therefor, and
2 declaring an emergency.

3 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

4 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO
5 READ AS FOLLOWS:

6 *(1) For purposes of this section:*

7 *(a) "Category I and Category II square feet" means square footage that falls*
8 *under space categories as defined by the Postsecondary Education Facilities*
9 *Inventory and Classification Manual published by the United States*
10 *Department of Education;*

11 *(b) "Comprehensive university" has the same meaning as in KRS 164.001;*

12 *(c) "Council" means the Council on Postsecondary Education;*

13 *(d) "Equilibrium" means a condition in which every institution has an*
14 *appropriately proportionate level of resources as determined by the*
15 *performance funding model established in this section given each*
16 *institution's level of productivity in achieving student success outcomes,*
17 *course completion outcomes, and other components included in the model;*

18 *(e) "Formula base amount" means an institution's General Fund*
19 *appropriation amount from the previous fiscal year net of debt service on*
20 *bonds, appropriations for mandated programs as determined by the council,*
21 *and any adjustments reflecting the previous fiscal year's performance*
22 *distribution;*

23 *(f) "Hold-harmless provision" means a provision included in the funding*
24 *formulas as described in subsection (9) of this section that prevents a*
25 *reduction of a designated portion of funding for an institution through*
26 *operation of the funding formula;*

27 *(g) "Institution" means a college in the Kentucky Community and Technical*

1 College System or a public university;

2 (h) "KCTCS" means the Kentucky Community and Technical College System;

3 (i) "KCTCS institution allocable resources" means the formula base amount
4 net of any equity adjustment as described in subsection (7)(b) of this section,
5 any amount protected by a hold-harmless provision, and any applicable
6 increase or decrease in general fund appropriations;

7 (j) "Research universities" means the University of Kentucky and the
8 University of Louisville;

9 (k) "Stop-loss provision" means a provision included in the funding formulas
10 as described in subsection (9) of this section to limit reduction of an
11 institution's funding amount to a predetermined percentage,
12 notwithstanding the amounts calculated by operation of the formula; and

13 (l) "University allocable resources" means the formula base amount net of any
14 small school adjustment as described in subsection (5)(c) of this section, any
15 amount protected by a hold-harmless provision, and any applicable increase
16 or decrease in general fund appropriations.

17 (2) The General Assembly hereby finds that improving opportunity for the
18 Commonwealth's citizens and building a stronger economy can be achieved by its
19 public college and university system focusing its efforts and resources on the
20 goals of:

21 (a) Increasing the retention and progression of students toward timely
22 credential or degree completion;

23 (b) Increasing the number and types of credentials and degrees earned by all
24 types of students;

25 (c) Increasing the number of credentials and degrees that garner higher
26 salaries upon graduation, such as science, technology, engineering, math,
27 and health, and in areas of industry demand;

- 1 (d) Closing achievement gaps by increasing the number of credentials and
2 degrees earned by low-income students, underprepared students, and
3 underrepresented minority students; and
- 4 (e) Facilitating credit hour accumulation and transfer of students from KCTCS
5 to four (4) year postsecondary institutions.
- 6 (3) The General Assembly hereby declares these goals can best be accomplished by
7 implementing a comprehensive funding model for the allocation of state general
8 fund appropriations for postsecondary institution operations that aligns the
9 Commonwealth's investments in postsecondary education with the
10 Commonwealth's postsecondary education policy goals and objectives.
- 11 (4) This section establishes a comprehensive funding model for the public
12 postsecondary education system to be implemented by the Council on
13 Postsecondary Education. The funding model shall include a public university
14 sector formula and a KCTCS sector formula.
- 15 (5) The funding formula for the public university sector shall:
- 16 (a) Recognize differences in missions and cost structures between research
17 universities and comprehensive universities to ensure that neither are
18 advantaged or disadvantaged during the first full year of implementation;
- 19 (b) Distribute one hundred percent (100%) of the university allocable resources
20 for all universities in the sector, based on rational criteria, including
21 student success, course completion, and operational support components,
22 regardless of whether state funding for postsecondary institution operations
23 increases, decreases, or remains stable;
- 24 (c) Include an adjustment to minimize impact on smaller campuses as
25 determined by the council; and
- 26 (d) Be constructed to achieve equilibrium, at which point the funding formula
27 rewards rates of improvement above the sector average rate.

1 (6) Funding for the public university sector shall be distributed as follows:

2 (a) Thirty-five percent (35%) of total university allocable resources shall be
3 distributed based on each university's share of total student success
4 outcomes produced, including but not limited to:

5 1. Bachelor's degree production;

6 2. Bachelor's degrees awarded per one hundred (100) undergraduate
7 full-time equivalent students;

8 3. Numbers of students progressing beyond thirty (30), sixty (60), and
9 ninety (90) credit hour thresholds;

10 4. Science, technology, engineering, math, and health bachelor's degree
11 production; and

12 5. Bachelor's degrees earned by low-income students and
13 underrepresented minority students;

14 (b) Thirty-five percent (35%) of total university allocable resources shall be
15 distributed based on each university's share of sector total student credit
16 hours earned, excluding dual credit enrollment, weighted to account for
17 cost differences by academic discipline and course level, such as lower and
18 upper division baccalaureate, master's, doctoral research, and doctoral
19 professional; and

20 (c) Thirty percent (30%) of total university allocable resources shall be
21 distributed in support of vital campus operations as follows:

22 1. Ten percent (10%) shall be distributed based on each university's
23 share of Category I and Category II square feet, net of research,
24 nonclass laboratory, and open laboratory space, to support
25 maintenance and operation of campus facilities and may include a
26 space utilization factor as determined by the council in collaboration
27 with the working group established in subsection (11) of this section;

1 2. Ten percent (10%) shall be distributed based on each university's
2 share of total instruction and student services spending, net of
3 maintenance and operation, to support campus administrative
4 functions; and

5 3. Ten percent (10%) shall be distributed based on each university's
6 share of total full-time equivalent student enrollment to support
7 academic support services such as libraries and academic computing.

8 (7) The funding formula for the KCTCS sector:

9 (a) Shall distribute one hundred percent (100%) of KCTCS institution allocable
10 resources for all KCTCS colleges based on rational criteria, including
11 student success, course completion, and operational support components,
12 regardless of whether state funding for postsecondary institution operations
13 increases, decreases, or remains stable;

14 (b) May include an adjustment to account for declining enrollment in some
15 regions of the Commonwealth as determined by the council; and

16 (c) Shall be constructed to achieve equilibrium, at which point the funding
17 formula rewards rates of improvement above the sector average rate.

18 (8) Funding for the KCTCS sector shall be distributed as follows:

19 (a) Thirty-five percent (35%) of total KCTCS institution allocable resources
20 shall be distributed based on each college's share of total student success
21 outcomes produced, including but not limited to:

22 1. Certificate, diploma, and associate degree production;

23 2. Numbers of students progressing beyond fifteen (15), thirty (30), and
24 forty-five (45) credit hour thresholds;

25 4. Science, technology, engineering, math, and health credentials
26 production;

27 5. Production of high-wage, high-demand, industry credentials as

1 determined using occupational outlook data and employment statistics
2 wage data provided by the Kentucky Office of Employment and
3 Training;

4 6. Production of industry credentials designated as targeted industries by
5 the Education and Workforce Development Cabinet;

6 7. Credentials earned by low-income students, underprepared students,
7 and underrepresented minority students; and

8 8. Transfers to four (4) year institutions;

9 (b) Thirty-five percent (35%) of total KCTCS institution allocable resources
10 shall be distributed based on each college's share of total student credit
11 hours earned, weighted to account for cost differences by academic
12 discipline; and

13 (c) Thirty percent (30%) of total KCTCS institution allocable resources shall be
14 distributed in support of vital campus operations as follows:

15 1. Ten percent (10%) shall be distributed based on each college's share
16 of Category I and Category II square feet, net of research, nonclass
17 laboratory, and open laboratory space, to support maintenance and
18 operation of campus facilities and may include a space utilization
19 factor as determined by the council in collaboration with the
20 postsecondary education working group established in subsection (11)
21 of this section;

22 2. Ten percent (10%) shall be distributed based on each college's share
23 of total instruction and student services spending, net of maintenance
24 and operation, to support campus administrative functions; and

25 3. Ten percent (10%) shall be distributed based on each college's share
26 of total full-time equivalent student enrollment to support academic
27 support services such as libraries and academic computing.

1 (9) (a) The funding formula for both sectors shall include:

2 1. A hold-harmless provision for fiscal year 2018-2019 preventing a
3 reduction in an institution's funding amount based solely on the
4 formula calculation, and allowing a hold-harmless amount
5 determined by the formula in fiscal year 2018-2019 to be deducted
6 from an institution's formula base amount in whole or in part in fiscal
7 years 2019-2020 and 2020-2021, as determined by the council;

8 2. A stop-loss provision for fiscal year 2019-2020 limiting the reduction
9 in funding to any institution to one percent (1%) of that institution's
10 formula base amount; and

11 3. A stop-loss provision for fiscal year 2020-2021 limiting the reduction
12 in funding to any institution to two percent (2%) of that institution's
13 formula base amount.

14 (b) For fiscal year 2021-2022 and thereafter, hold-harmless and stop-loss
15 provisions shall not be included in the funding formulas except by
16 enactment of the General Assembly.

17 (c) Paragraph (a) of this subsection shall not be construed to limit the level of a
18 budget reduction that may be enacted by the General Assembly or
19 implemented by the Governor.

20 (10) (a) By April 1, 2017, and each April 1 thereafter, the council shall certify to the
21 Office of the State Budget Director the amount to be distributed to each of
22 the public universities and KCTCS as determined by the comprehensive
23 funding model created in this section, not to exceed the available balance in
24 the postsecondary education performance fund created in subsection (13) of
25 this section.

26 (b) The Office of the State Budget Director shall distribute the appropriations
27 in the postsecondary education performance fund for that fiscal year to the

1 institutions in the amounts the council has certified. The adjusted
2 appropriations to each institution shall be allotted as provided in KRS
3 48.600, 48.605, 48.610, 48.620 and 48.630.

4 (c) For fiscal year 2017-2018 the Office of the State Budget Director shall
5 distribute to the public postsecondary education institutions, except for
6 Kentucky State University, those funds appropriated to the postsecondary
7 education performance fund by the General Assembly in 2016 Ky. Acts ch.
8 149, Part I, K., 12., in accordance with the comprehensive funding model
9 created in this section.

10 (11) (a) The Council on Postsecondary Education is hereby directed to establish a
11 postsecondary education working group composed of the following:

- 12 1. The president of the council;
- 13 2. The president or designee of each public postsecondary institution,
14 including the president of KCTCS;
- 15 3. The Governor or designee;
- 16 4. The Speaker of the House or designee; and
- 17 5. The President of the Senate or designee.

18 (b) Beginning in fiscal year 2020-2021 and every three (3) fiscal years
19 thereafter, the postsecondary education working group shall convene to
20 determine if the comprehensive funding model is functioning as expected,
21 identify any unintended consequences of the model, and recommend any
22 adjustments to the model.

23 (c) The results of the review and recommendations of the working group shall
24 be reported by the council to the Governor, the Interim Joint Committee on
25 Appropriations and Revenue, and the Interim Joint Committee on
26 Education.

27 (12) The council shall promulgate administrative regulations under KRS Chapter 13A

1 to implement the provisions of this section.

2 (13) (a) The postsecondary education performance fund is hereby established as an
3 appropriation unit to support improvement in the operations of the public
4 postsecondary institutions and achievement of the Commonwealth's
5 education policy goals and workforce development priorities. General fund
6 moneys may be appropriated by the General Assembly to this fund for
7 distribution to the public postsecondary institutions in amounts determined
8 through the comprehensive funding model created in this section.

9 (b) Any balance in the postsecondary education performance fund at the close
10 of any fiscal year shall not lapse but shall be carried forward to the next
11 fiscal year and be continuously appropriated for the purposes specified in
12 this section. A general statement that all continuing appropriations are
13 repealed, discontinued, or suspended shall not operate to repeal,
14 discontinue, or suspend this fund or to repeal this action.

15 ➔Section 2. Whereas 2016 House Bill 303 directed the creation of the
16 postsecondary funding model established in this section and appropriated funds to be
17 distributed through the new model, and whereas reporting requirements for
18 implementation of the model begin on April 1, 2017, an emergency is declared to exist,
19 and this Act takes effect upon its passage and approval by the Governor or upon its
20 otherwise becoming a law.