

1 AN ACT relating to postsecondary funding.

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

3 ➔Section 1. KRS 164.092 is amended to read as follows:

4 (1) For purposes of this section:

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

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

10 (c) "Council" means the Council on Postsecondary Education;

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

16 (e) ~~]~~"Formula base amount" means an institution's enacted general fund
17 appropriation amount minus debt service on bonds and appropriations for
18 mandated programs;

19 ~~(e)~~~~(f)~~ "Hold-harmless provision" means a provision included in the funding
20 formulas as described in subsection (9) of this section that prevents a
21 reduction of a designated portion of funding for an institution through
22 operation of the funding formula;

23 ~~(f)~~~~(g)~~ "Institution" means a college in the Kentucky Community and Technical
24 College System or a public university;

25 ~~(g)~~~~(h)~~ "KCTCS" means the Kentucky Community and Technical College
26 System;

27 ~~(h)~~~~(i)~~ "KCTCS institution allocable resources" means the formula base

1 amount net of any equity adjustment as described in subsection (7)(b) of this
2 section, any amount protected by a hold-harmless provision, and any
3 applicable increase or decrease in general fund appropriations;

4 ~~(j)(+)~~ "Mandated program" means a research or public service activity that is
5 not integral to the instructional mission of the institution and is identified by
6 the General Assembly in the biennial budget;

7 ~~(j)(k)~~ "Nontraditional age students" means students between the ages of
8 twenty-five (25) and sixty-four (64);

9 ~~(k)(4)~~ "Performance fund" means the postsecondary education performance
10 fund established in subsection (13) of this section;

11 ~~(l)(m)~~ "Research universities" means the University of Kentucky and the
12 University of Louisville;

13 ~~(m)(n)~~ "Stop-loss provision" means a provision included in the funding
14 formulas as described in subsection (9) of this section to limit reduction of an
15 institution's funding amount to a predetermined percentage, notwithstanding
16 the amounts calculated by operation of the formula; and

17 ~~(n)(o)~~ "University allocable resources" means the formula base amount net of
18 any small school adjustment as described in subsection (5)(c) of this section,
19 any amount protected by a hold-harmless provision, and any applicable
20 increase or decrease in general fund appropriations.

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

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

27 (b) Increasing the number and types of credentials and degrees earned by all types

- 1 of students;
- 2 (c) Increasing the number of credentials and degrees that garner higher salaries
3 upon graduation, such as science, technology, engineering, math, and health,
4 and in areas of industry demand;
- 5 (d) Closing achievement gaps by increasing the number of credentials and
6 degrees earned by low-income students, underprepared students,
7 underrepresented students, and nontraditional age students; and
- 8 (e) Facilitating credit hour accumulation and transfer of students from KCTCS to
9 four (4) year postsecondary institutions.
- 10 (3) (a) The General Assembly hereby declares these goals can best be accomplished
11 by implementing a comprehensive funding model for the allocation of state
12 general fund appropriations for postsecondary institution operations that
13 aligns the Commonwealth's investments in postsecondary education with the
14 Commonwealth's postsecondary education policy goals and objectives.
- 15 (b) The General Assembly further recognizes that priority for state general fund
16 appropriations for postsecondary institutions should be given to each
17 institution's funding floor over appropriations to the performance fund. For
18 purposes of this section, "funding floor" means an institution's fiscal year
19 2020-2021 general fund appropriation included in 2020 Ky. Acts ch. 92, plus
20 any fiscal year 2020-2021 distribution from the performance fund, and minus
21 fiscal year 2020-2021 debt service on bonds and appropriations for mandated
22 programs.
- 23 (4) This section establishes a comprehensive funding model for the public
24 postsecondary education system to be implemented by the Council on
25 Postsecondary Education. The funding model shall include a public university
26 sector formula and a KCTCS sector formula, and shall not include any race-based
27 metrics or targets in the formulas.

- 1 (5) The funding formula for the public university sector shall:
- 2 (a) ~~[Recognize differences in missions and cost structures between research~~
3 ~~universities and comprehensive universities to ensure that neither are~~
4 ~~advantaged or disadvantaged during the first full year of implementation;~~
- 5 (b) ~~]~~Distribute one hundred percent (100%) of the university allocable resources
6 for all universities in the sector, based on rational criteria, including student
7 success, course completion, and operational support components, regardless
8 of whether state funding for postsecondary institution operations increases,
9 decreases, or remains stable; **and**
- 10 ~~(b)~~~~(c)~~ Include an adjustment to minimize impact on smaller campuses as
11 determined by the council; ~~and~~
- 12 ~~(d)~~ ~~Be constructed to achieve equilibrium, at which point the funding formula~~
13 ~~rewards rates of improvement above the sector average rate].~~
- 14 (6) Funding for the public university sector shall be distributed as follows:
- 15 (a) Forty percent (40%) of total university allocable resources shall be distributed
16 based on each university's **proportionate, unweighted** share of total student
17 success outcomes produced, including but not limited to:
- 18 1. Bachelor's degree production;
- 19 2. Numbers of students progressing beyond thirty (30), sixty (60), and
20 ninety (90) credit hour thresholds;
- 21 3. Science, technology, engineering, math, and health bachelor's degree
22 production; and
- 23 4. Bachelor's degrees earned by low-income students and underrepresented
24 students;
- 25 (b) Thirty percent (30%) of total university allocable resources shall be
26 distributed based on each university's **proportionate, unweighted** share of
27 sector total student credit hours earned, excluding dual credit enrollment;

- 1 ~~weighted to account for cost differences by academic discipline and course~~
2 ~~level, such as lower and upper division baccalaureate, master's, doctoral~~
3 ~~research, doctoral professional, and nontraditional age students]; and~~
- 4 (c) Thirty percent (30%) of total university allocable resources shall be
5 distributed in support of vital campus operations as follows:
- 6 1. Ten percent (10%) shall be distributed based on each university's share
7 of Category I and Category II square feet, net of research, nonclass
8 laboratory, and open laboratory space, to support maintenance and
9 operation of campus facilities~~[and may include a space utilization factor~~
10 ~~as determined by the council in collaboration with the working group~~
11 ~~established in subsection (11) of this section];~~
- 12 2. Ten percent (10%) shall be distributed based on each university's share
13 of total instruction and student services spending, net of maintenance
14 and operation, to support campus administrative functions; and
- 15 3. Ten percent (10%) shall be distributed based on each university's share
16 of total full-time equivalent student enrollment to support academic
17 support services such as libraries and academic computing.
- 18 (7) The funding formula for the KCTCS sector:
- 19 (a) Shall distribute one hundred percent (100%) of KCTCS institution allocable
20 resources for all KCTCS colleges based on rational criteria, including student
21 success, course completion, and operational support components, regardless
22 of whether state funding for postsecondary institution operations increases,
23 decreases, or remains stable; ***and***
- 24 (b) May include an adjustment to account for ~~the~~***the***~~[community]~~ economic
25 disadvantage ***of enrolled students***~~[in some regions of the Commonwealth as~~
26 ~~determined by the council]; and~~
- 27 ~~(c) Shall be constructed to achieve equilibrium, at which point the funding~~

1 ~~formula rewards rates of improvement above the sector average rate].~~

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

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

6 1. Certificate, diploma, and associate degree production,~~[weighted]~~ to
7 provide a premium for credentials that are aligned with the economic
8 needs of the state;

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

11 3. Credentials earned by low-income students, underprepared students,
12 underrepresented students, and nontraditional age students; and

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

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

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

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

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

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

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

5 1. ~~[A hold-harmless provision for fiscal year 2018-2019 preventing a~~
6 ~~reduction in an institution's funding amount based solely on the formula~~
7 ~~calculation, and allowing a hold-harmless amount determined by the~~
8 ~~formula in fiscal year 2018-2019 to be deducted from an institution's~~
9 ~~formula base amount in whole or in part in fiscal years 2019-2020 and~~
10 ~~2020-2021, as determined by the council;~~

11 ~~2.~~ ~~[A hold-harmless provision[for fiscal year 2021-2022, and every fiscal~~
12 ~~year thereafter,]~~ preventing a reduction in an institution's funding
13 amount based solely on the formula calculation; ***and***

14 ~~2.~~ ~~[3. A stop-loss provision for fiscal year 2019-2020 limiting the reduction in~~
15 ~~funding to any institution to one percent (1%) of that institution's~~
16 ~~formula base amount;~~

17 ~~4.~~ ~~A stop-loss provision for fiscal year 2020-2021 limiting the reduction in~~
18 ~~funding to any institution to two percent (2%) of that institution's~~
19 ~~formula base amount; and~~

20 ~~5.]~~ A stop-loss provision~~[for fiscal year 2021-2022, and every fiscal year~~
21 ~~thereafter,]~~ limiting the reduction in funding to any institution to zero
22 percent (0%) of that institution's formula base amount.

23 (b) Paragraph (a) of this subsection shall not be construed to limit the level of a
24 budget reduction that may be enacted by the General Assembly or
25 implemented by the Governor.

26 (10) (a) By May 1 each year, the council shall certify to the Office of the State Budget
27 Director the amount to be distributed to each of the public universities and

1 KCTCS as determined by the comprehensive funding model created in this
2 section, not to exceed the available balance in the performance fund.

3 (b) The Office of the State Budget Director shall distribute the appropriations in
4 the performance fund for that fiscal year to the institutions in the amounts the
5 council has certified. The adjusted appropriations to each institution shall be
6 allotted as provided in KRS 48.600, 48.605, 48.610, 48.620, and 48.630.

7 (c) 1. The certified amounts distributed from the performance fund to the
8 institutions are nonrecurring funds that shall not be included in the
9 institutions' base budget amounts submitted in their biennial budget
10 requests.

11 2. The certified amounts distributed from the performance fund in the
12 previous fiscal year shall be included in the performance fund's base
13 budget amount submitted by the council in the biennial budget request.

14 ~~[(d) For fiscal year 2017-2018, the Office of the State Budget Director shall~~
15 ~~distribute to the public postsecondary education institutions, except for~~
16 ~~Kentucky State University, those funds appropriated to the performance fund~~
17 ~~by the General Assembly in 2016 Ky. Acts ch. 149, Part I, K., 12., in~~
18 ~~accordance with the comprehensive funding model created in this section.]~~

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

- 21 1. The president of the council;
- 22 2. The president or designee of each public postsecondary institution,
23 including the president of KCTCS;
- 24 3. The Governor or designee;
- 25 4. The Speaker of the House or designee; and
- 26 5. The President of the Senate or designee.

27 (b) Beginning ***with calendar year 2025***~~[in fiscal year 2020-2021]~~ and every ***odd***

1 year~~[three (3) fiscal years]~~ thereafter, the postsecondary education working
2 group shall convene to determine if the comprehensive funding model is
3 functioning as expected, identify any unintended consequences of the model,
4 and recommend any adjustments to the model.~~[The council may call the~~
5 ~~working group to convene prior to the start of the required fiscal year to allow~~
6 ~~sufficient time for the group to complete its work.]~~

7 (c) The results of the review and recommendations of the working group shall be
8 reported by the council to the Governor, the Interim Joint Committee on
9 Appropriations and Revenue, and the appropriate Interim Joint Committee on
10 Education by December 1 of each ~~[fiscal]~~ year the working group convenes.

11 (12) The council shall promulgate administrative regulations under KRS Chapter 13A to
12 implement the provisions of this section.

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

20 (b) Any balance in the performance fund at the close of any fiscal year shall not
21 lapse but shall be carried forward to the next fiscal year and be continuously
22 appropriated for the purposes specified in this section. A general statement
23 that all continuing appropriations are repealed, discontinued, or suspended
24 shall not operate to repeal, discontinue, or suspend this fund or to repeal this
25 action.