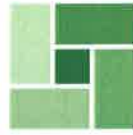


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MEMORANDUM

TO: Members of the Postsecondary Education Working Group

FROM: Brigitte Blom Ramsey, Executive Director
Perry Papka, Senior Policy Director

DATE: November 7, 2016

SUBJECT: Performance & Outcomes-Based Funding for Postsecondary Education in Kentucky

Thank you for your service to the Commonwealth on this important policy issue and your continuing work to develop a comprehensive funding model for postsecondary education that will help close persistent attainment gaps and better ensure all Kentuckians have the opportunity to reach their educational, economic, workforce and civic potential. A special acknowledgement is also due to the staff of the Council on Postsecondary Education (CPE) as they continue to work tirelessly through this process to balance the diverse interests of postsecondary education stakeholders.

As longstanding advocates of improving the quality of education and advancing the educational attainment of Kentucky's citizens, the Prichard Committee for Academic Excellence believes the Working Group's efforts are critical to reaffirming the goals of the 1997 Postsecondary Education Improvement Act (<http://bit.ly/2evY79w>), as well as to address the need for renewed accountability to support additional future investments in the state's postsecondary education enterprise.

Reflecting this commitment, earlier this year we released *The Pursuit of Excellence: Principles to Guide Kentucky's Future Postsecondary Success* (<http://bit.ly/1XroWzz>) outlining what we believe to be the key determinants of continued excellence in Kentucky's postsecondary education enterprise. We also co-hosted a symposium in June in partnership with the Kentucky Chamber of Commerce on performance-based funding - a report of which is available here, *Performance & Outcomes-Based Funding: Lessons for Accountable Investment for Postsecondary Progress in Kentucky* (<http://bit.ly/2eFIOzL>). This forum provided an informative discussion on performance and outcomes-based funding models for postsecondary education and a variety of perspectives about the national context, state-level experience, and challenges with data and analytics.

The preliminary funding model recommendation made by CPE on November 2nd encompass many components discussed during the symposium and that had been included in prior biennial budget recommendations by CPE. The proposal also reflects the comprehensive charge given the Working Group in House Bill 303 (<http://bit.ly/2fv6ruU>) – the biennial state budget bill – and includes common performance-based funding design principles that focus on completion, student progression, degree productivity, and priority populations and fields of study.

As the Working Group deliberates further on the new funding model and what framework will be presented for consideration by the Governor and General Assembly during the 2017 legislative session, we feel more consideration should be given to the following elements:

- **Institutional Mission** – The legislative findings of the 1997 Postsecondary Education Improvement Act recognized each institution as an asset to the Commonwealth and assigned unique missions reflecting such. The Act envisioned "an efficient, responsive, and coordinated system." This might best be supported by a greater recognition of mission differentiation in the funding model to encourage cooperation and collaboration.
- **Priority Populations & Fields of Study** – Providing for additional weights for underrepresented student populations is critical to closing the state's attainment gaps. However, the model as recommended weights STEM-H degree production at twice the level of success of low-income and underrepresented minority students - the populations defined in the proposal. It is unclear if this is an appropriate weighting scheme reflective of the state's overwhelming need to close attainment gaps between diverse population groups. Nor is it clear that singling out STEM-H degrees as a group truly aligns with the state's highest employment needs or overall need to increase educational attainment at all levels. For example, a report (<http://bit.ly/1LrciFz>) from Georgetown University's Center on Education and the Workforce indicates that in Kentucky, between 2010 and 2020, the rate of job growth in STEM fields is no greater than the growth in the fields of education, social sciences, or community services and the arts. There may be more effective mechanisms to incentivize specific high-demand degrees and credentials.
- **Funding Model Review Process** – While the recommendations were not specific to a formula review process, regular assessment is critical to the future success of any new funding model. The review process should be explicit in authorizing legislation as to its timing and the critical elements to be evaluated. As well, the body designated to conduct the funding model review process should be inclusive of non-institutional stakeholders such as students, business and civic leaders, and other public policy experts. To guard against unintended consequences and ensure access to affordable, high-quality educational opportunities, a formal review process at regular intervals should – at a minimum – evaluate the following:
 - Access – Ensuring that high-quality postsecondary educational opportunities remain inclusive of all Kentucky students.
 - Affordability - While cost has not been included in the recommendation as a component of the model, affordability remains a significant barrier for many in increasing educational attainment. The impact of the funding model on tuition, as well as state and institutional financial aid is critical to understand so that these policies can be more adequately linked.
 - Quality – Assessing quality presents significant challenges, but the review process should consider potential measures - such as student learning and engagement and post-graduate outcomes – on which a framework can be built.
- **Transparency** – To broaden public understanding and stakeholder engagement, the funding model and its data elements should be made publicly available on CPE's web-site. This should include details on non-formula elements such as mandated programs, as well as any institutional specific formula adjustments. Moreover, state-level policy priorities, as well as each individual institutional mission should be clearly articulated as part of the funding model presentation.

This process is more than just a way to distribute the mandated percent of state funds, but an opportunity to move toward a more transparent and accountable system of postsecondary education – better ensuring that Kentuckians have access to affordable, high-quality postsecondary education that builds and maintains an educated citizenry and a talented, dynamic workforce. This is critical to any future investments that help move Kentucky upward in educational attainment and closer to realizing our full educational, economic, workforce and civic potential.

Thank you again for your service to the Commonwealth on this important policy issue. We will strive to continue to be a resource to you as the process continues.