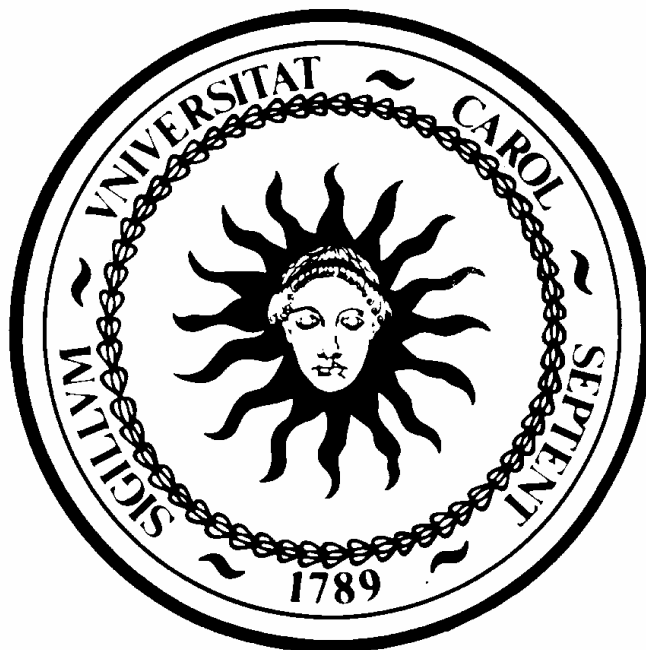


Recommendations of the Special Committee Reviewing the Funding Model for Enrollment Growth



**The University of North Carolina
Board of Governors**

November 12, 2004

Special Committee Reviewing the Funding Model for Enrollment Growth

Members:

Mr. J. Addison Bell

Mr. R. Steve Bowden

Mr. F. Edward Broadwell, Jr.

Mr. William L. Burns, Jr.

Mr. Ray S. Farris

Ms. Hannah D. Gage

Mr. Peter D. Hans

Governor James E. Holshouser, Jr.

Mr. Jim W. Phillips, Jr., Chair

Mr. Benjamin S. Ruffin

Mr. Robert F. Warwick

The Committee held a series of eight meetings, from September 2003 to October 2004. In each of these meetings, the Chairman sought input from all Board members, Chancellors and staff from the President's Office. The topics covered in each meeting were as follows:

September 12, 2003

The Committee heard a presentation from Vice President Jeff Davies that described the components of the funding model. The Committee members requested copies of the Board of Governors' 1996 Equity Study and the report outlining the funding model. Members were presented copies of these materials in October 2003.

November 14, 2003

The focus of the Committee's November meeting was to provide members with the historical perspective on the development of the current funding model for enrollment growth. The Committee heard a presentation from Special Assistant Kennis R. Grogan that detailed the 1996 UNC Equity of Funding Study, as prepared by Dr. J. Kent Caruthers, MGT of America. Vice President Alan Mabe presented the revised funding model study that was also prepared by Dr. J. Kent Caruthers in 1996.

February 13, 2004

Vice President Jeff Davies presented further details of the Student Credit Hour Enrollment Funding Model. The Committee heard detailed discussions of the four undergraduate cost factors used in the model and discussed the strengths and weaknesses of each. Faculty salary amounts and positions used in the funding model were also described.

May 13, 2004

Associate Vice President Ginger Burks Jones presented further comparative information on the undergraduate cost factors. For the undergraduate cost factors pertaining to undergraduate class size, diseconomies of scale, and service to disadvantaged students, the Committee examined data used in the initial phase of the model as well as current information.

July 8, 2004

The Committee reviewed a set of draft recommendations that had been distributed in the Board materials. The following recommendations were discussed and approved by the Committee:

- 1) *The Committee recommends that the “Delaware Cost Study” continue to be the source of national cost data used to review and validate the cost category assignments used to fund new semester credit hour enrollments. The Office of the President is directed to conduct an immediate review of this data and to make any appropriate changes in cost categories in time for the 2005-07 request, if possible.*

Furthermore, the recommendation was amended to add the following language:

Although the “Delaware Cost Study” is accepted as the source of cost category assignments, within two years the Office of the President should evaluate the possibility of developing its own data (other than the Delaware data) for The University of North Carolina for future Budget Requests.

- 2) *The Committee finds that several revisions to three Undergraduate Cost Factors, which apply to Regular Term undergraduate enrollment growth, are in order:*
 - a. *The Committee finds that the undergraduate cost factor of 5% addressing diseconomies of scale should be revised. This factor currently applies to institutions that have less than 3,000 Regular Term FTEs. The Committee recommends that this factor be changed to apply to UNC institutions with less than 6000 students (headcount). Four institutions previously qualified for the factor: Elizabeth City State University, UNC Asheville, UNC Pembroke, and Winston-Salem State University. Under the proposed revision, those four institutions and Fayetteville State University would qualify for this cost factor. The Committee recommends that the institutions qualifying for this factor be updated annually by the Vice President for Finance.*
 - b. *The Committee also recommends a revision to the undergraduate cost factor designed to recognize an institution’s service to disproportionate numbers of disadvantaged students. The Committee directs the Office of the President to annually calculate the percentage of resident undergraduate Pell Grant recipients (headcount) at each institution. The Committee recommends that the factor, maintained at 5%, apply to new enrollment growth at those institutions for which more than one-third of the resident undergraduate students are Pell Grant recipients. This factor previously applied to six institutions: Elizabeth City State University, Fayetteville State University, North Carolina A&T State University, North Carolina Central University, UNC Pembroke, and Winston-Salem State University. Based on the most recently available data, the same six institutions would qualify for this factor under the recommended revision.*
- 3) *Since the first use of the SCH funding model in 1998-99, the Board of Governors has adopted, and the General Assembly has appropriated, a comprehensive program of student financial aid. The UNC Need-Based Financial Aid program allows the use of the same formula across UNC institutions and is applied equitably to students attending different institutions. As such, the Committee recommends that the financial aid component of the SCH funding model, which predated the UNC Need-Based Financial Aid program, be deleted.*
- 4) *The Committee recommends that the SCH funding model for enrollment growth be evaluated every six years in preparation for the Board of Governors’ biennial budget request for enrollment change funding. Thus, the Committee recommends that the next review of the enrollment change-funding model begin in the fall of 2009.*

This recommendation was approved with the addition of the following language:

The funding model is to be evaluated every six years – but with the contingency that in two years (2006) the North Carolina data be reviewed for applicability.

The Committee found that the current funding model for enrollment growth is educationally and fiscally sound. The SCH funding model meets its intended purpose of providing a basis for requesting and allocating funds to provide access to the University. The Committee also acknowledged that budget reductions and allotment withholdings due to the State's recent fiscal condition have precluded the University from expending new enrollment growth funds to their full advantage. Furthermore, the Committee found that factors other than the enrollment-funding model (such as Focused Growth Funding and other Board of Governors and General Assembly initiatives) have affected current institutional funding.

The Committee also agreed that it would not recommend modifying the formula governing the current operational allocation in the continuation budget so as to take away from any institution and give to another and that any budgetary enhancement should come only from new funds which might be appropriated by the Legislature.

September 9, 2004

At the Chairman's request, Vice President Davies discussed the three topics remaining to be addressed by the Committee before it could conclude its work. First, the Committee discussed the following recommendation:

5) The Committee recommends that the undergraduate cost factor for class size be replaced with one based on the mission of the universities.

All of the campuses on the funding model that are not research extensive or research intensive will be eligible for a factor at the 10% level. The Committee agreed to study this recommendation and vote on this item at its next meeting.

Mr. Davies then discussed an adjustment to the funding base that would provide increased funding for all nursing and teaching courses of a clinical nature in recognition of the higher costs of providing these courses. The Committee agreed to evaluate this recommendation at its subsequent meeting.

Finally, the Committee was presented with multiple approaches to determining a minimal level of acceptable State funding that should be made available to the campuses on an appropriations/FTE basis. A recommendation regarding this analysis would also be discussed at the next Committee meeting.

October 7, 2004

After reviewing the materials presented in the September 2004 meeting, the Committee discussed various alternatives for setting a minimal level of acceptable state funding that should be made available to the campuses on an appropriations/FTE basis. After lengthy deliberation, the following recommendation was approved:

- 6) *The Committee recommends that the Board of Governors request funds from the General Assembly consistent with the analysis presented as Attachment #6 (shown below).*

The calculation and associated budget request would involve an adjustment for Appalachian State University, UNC Charlotte, and UNC Wilmington.

While acknowledging the needed adjustment, it was decided to remove UNC Charlotte from the list since its needs would be met through a budget request for its transition to doctoral status.

Next, the Committee voted to accept the recommendation (as discussed in September 2004) to change the formula by replacing the undergraduate cost factor for average class size with an undergraduate cost factor based on institutional mission. All campuses with non-doctoral missions would be eligible for a 10% undergraduate cost factor.

Finally, the Committee discussed the recommendation to decide on an adjustment to the funding base to provide for increased funding for all nursing and teaching courses of a clinical nature in recognition of the higher costs of providing these courses. It was agreed that the Committee would discuss the appropriate adjustment for this purpose.

November 11, 2004

The Committee approved a recommendation regarding a change in the category of funding on the enrollment change-funding model for clinical nursing and teaching courses.

- 7) *The Committee recommends that clinical teaching hours be moved to Category 3 on the SCH enrollment-funding model and that clinical nursing hours be moved to Category 4, to recognize the higher costs of providing these courses. The Committee further recommends that the Board of Governors request recurring funds for this adjustment in its 2005-07 Budget Request.*

By campus, the amount included in the Board's 2005-07 Budget Request is:

Institution	Move Clinical Teaching Hours to Category 3	Move Clinical Nursing Hours to Category 4	TOTAL
ASU	\$ 604,697	\$ —	\$ 604,697
ECU	577,898	421,219	999,117
ECSU	28,687	—	28,687
FSU	51,741	—	51,741
NCA&T	46,932	360,541	407,473
NCCU	69,617	245,950	315,567
NCSU	306,083	—	306,083
UNCA	41,803	—	41,803

UNC-CH	461,955	1,016,562	1,478,517
UNCC	577,217	610,737	1,187,954
UNCG	308,161	1,008,341	1,316,502
UNCP	96,635	—	96,635
UNCW	431,500	276,098	707,598
WCU	143,248	238,912	382,160
WSSU	44,031	870,292	914,323
Total	3,790,205	5,048,652	8,838,857