Agenda

1. Task Force
2. UNC Revenue and Enrollment Funding
3. Current Composition of UNC Student Enrollment
4. Linking Enrollment to Cost
5. Current UNC Funding Model
6. Strengths and Weaknesses of the Current Model
TASK FORCE
Charge, Membership, and Timeline
Task Force: Charge

- Evaluate existing UNC funding formula and identify opportunities to improve model
- Examine trends in higher education finance and funding models in other states
- Develop and recommend funding model reforms to the UNC Board of Governors
Task Force Membership

Scott Lampe – CFO, Hendrick Motorsports (Chair)
Kellie Blue – UNC BOG
Anna Nelson – UNC BOG
Bob Rucho – UNC BOG
Harry Smith – UNC BOG
Kennon Briggs – BOT, UNCA
Stan Kelly – BOT, NCSU
Harold Martin – Chancellor, NC A&T
Jose Sartarelli – Chancellor, UNCW
Doug Shackelford – Dean, UNC Kenan-Flagler School of Business, UNC-CH

Andy Willis – Chief of Staff, UNC School of Medicine and UNC Health Care
Lee Roberts – Managing Director, SharpVue Capital
Margaret Spellings – President, UNC (Ex Officio)
Lou Bissette – Chairman, UNC BOG (Ex Officio)
John Fraley – House of Representative Member (Ex Officio)
Chad Barefoot – Senate Member (Ex Officio)
Task Force Technical Experts

Charlie Maimone – CFO, UNCG
Dwayne Pinkney – CFO, UNC-CH
Melissa Wargo – Chief of Staff, WCU
Jon Young – Provost, FSU
Warwick Arden – Provost, NCSU
Sherrie High – Budget Officer, UNCC
Timeline and Work Plan

May 2017 – Task Force named by President and UNC BOG

June 2017 – Task Force holds inaugural meeting

August 2017 – Task Force examines funding strategies and best practices from other states

October 2017 – Task Force will explore potential changes to funding formula and associated regulations

December 2017 – Task Force will discuss, revise, and approve draft recommendations

January/February 2018 – Task Force will solicit feedback from relevant stakeholders

March 2018 – Task Force will hold its final meeting to approve revised recommendations and discuss timeline for implementation

April 2018 – Task Force will submit formal recommendations to the UNC BOG
UNC REVENUE AND ENROLLMENT FUNDING

What portion is enrollment funding?
Enrollment Funding as a Percentage of Revenue

Total UNC Revenue FY 2015-16
$10.20 Billion

- State Appropriation: $2.73B (27%)
- Tuition and Student Fees: $1.67B (16%)
- Auxiliaries: $1.66B (16%)
- Hospital Services: $1.55B (15%)
- Federal Appropriations, Contracts, & Grants: $1.31B (13%)
- Other Revenue: $0.28B (3%)
- Gifts, Investment Income, & Endowments: $0.28B (3%)
- Other Campus State Appropriations: $2,404M (53%)
- Other State Appropriations for Financial Aid, Private Colleges, UNC-GA, etc.: $280M (6%)
- Other (Fees, Transfers, Carry Forward, etc.): $319M (7%)
- Other Revenue: $0.28B (3%)

General Fund Revenue FY 2015-16
$4.52 Billion

- Tuition Resident: $899M (20%)
- Tuition Nonresident: $570M (13%)
- State Appropriation: $2,404M (53%)
- Enrollment Funding: $49M (1%)
- Other State Appropriations for Financial Aid, Private Colleges, UNC-GA, etc.: $280M (6%)
- Other (Fees, Transfers, Carry Forward, etc.): $319M (7%)
- Other Revenue: $0.28B (3%)
- Gifts, Investment Income, & Endowments: $0.28B (3%)

Total UNC Revenue FY 2015-16
$10.20 Billion

General Fund Revenue FY 2015-16
$4.52 Billion
Enrollment Funding as a Percentage of Revenue

Enrollment is a small portion of total UNC appropriations, but a large piece of new state funding.
CURRENT COMPOSITION OF UNC STUDENT ENROLLMENT

Student Type and Academic Discipline
UNC fall 2015 enrollment was **205,119 FTE**, of which 73% was resident undergraduate.

Total UNC enrollment has increased by **15%** over the past 10 years. Nonresident graduate students are the fastest growing population.
The top five most popular fields of study at UNC schools are business, health, education, engineering, and biology. It is common for students to take foundational courses outside of their field of study.
UNC Degrees by Discipline

The disciplines that have produced the largest increase in degrees are health, business, and engineering.

UNC Degrees for Top 20 Disciplines
FY 2015-16 Compared to FY 2005-06

10-Year % Change in Degrees

38% - Average 10-Year Change in Degrees
LINKING ENROLLMENT TO COST

A National Study of Instructional Cost and Productivity
Delaware Cost Study – National Study of Instructional Cost and Productivity

- Began in 1992 and includes more than 700 institutions
- Provides national benchmarks by Carnegie class at the academic discipline level on:
  - Faculty teaching loads
  - Direct instructional cost
- Example: instructional expenditures per student credit hour in a math class at a research institution
Delaware Cost Study – Creating UNC-Specific Factors

- In FY 1997-98, UNC-GA sought to develop cost factors to reflect instructional costs of enrollments at UNC.

- Specific aspects addressed:
  - **Instructional areas** – determined by grouping disciplines in Delaware data into four categories by cost
  - **Cost by discipline** – instructional areas were weighted by number of UNC courses and Delaware data cost by discipline and Carnegie class
  - **Class size** – differences in UNC class size were used to separate four instructional areas into undergraduate, masters, and doctoral levels
12 Cell Matrix – Categories of Instruction

UNC-specific instructional cost factors created based on the Delaware Cost Study

Number of Credit Hours per Faculty Member

<table>
<thead>
<tr>
<th>Category</th>
<th>Undergrad</th>
<th>Masters</th>
<th>Doctoral</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>708.64</td>
<td>169.52</td>
<td>115.56</td>
</tr>
<tr>
<td>II</td>
<td>535.74</td>
<td>303.93</td>
<td>110.16</td>
</tr>
<tr>
<td>III</td>
<td>406.24</td>
<td>186.23</td>
<td>109.86</td>
</tr>
<tr>
<td>IV</td>
<td>232.25</td>
<td>90.17</td>
<td>80.91</td>
</tr>
</tbody>
</table>

Category I
Communications & Journalism
Psychology
Social Sciences
Mathematics & Statistics
English Language & Literature
Philosophy & Related Studies
Security & Protective Services
History
Other

Category II
Education (not Student Teaching)
Area, Ethnic, Cultural & Gender Studies
Multi/Interdisciplinary Studies
Business Management & Marketing
Liberal Arts & Sciences, Gen. Studies, & Humanities
Parks, Recr., Leisure & Fitness
Family & Consumer & Human Sciences
Foreign Languages & Literature

Category III
Agricultural Business & Production
Agricultural Science
Natural Resources & Conservation
Architecture and Related Programs
Public Admin. & Social Service
Physical Sciences
Biological & Biomedical Sciences
Visual & Performing Arts
Allied Health
Computer & Information Sciences
Library Science
Engineering – Related Technologies
Science Technologies
Student Teaching courses

Category IV
Engineering
Nursing
CURRENT UNC FUNDING MODEL
Enrollment Funding Model – Current State

The current funding model is based around four primary elements:

<table>
<thead>
<tr>
<th>Driver</th>
<th>Basis for Selection</th>
<th>Element of the Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Factor for Cost Calculation</td>
<td>Calculate cost using national data (Delaware data)</td>
<td>12-Cell Matrix</td>
</tr>
<tr>
<td>Measure of Enrollment</td>
<td>Interdisciplinary nature of degree programs</td>
<td>Student Credit Hours (SCH)</td>
</tr>
<tr>
<td>Timing of Funding</td>
<td>Align timing of funding and cost</td>
<td>Projected Enrollment</td>
</tr>
<tr>
<td>Budget Process</td>
<td>Reflect incremental change nature of State budget process</td>
<td>Incremental Enrollment Change</td>
</tr>
</tbody>
</table>
Calculating Funding Request

Part 1
Enrollment Measure \( \times \) Instructional Cost Factor \( = \) Estimated Instructors \( \times \) Average Faculty Salary \( = \) Instructional Costs

Part 2
Instructional Costs \( \times \) Weight Factors for Costs Associated with Student Enrollment \( = \) Total Cost (Requirements)

Part 3
Enrollment Measure \( \times \) Tuition Rates By Campus \( = \) Tuition Revenue (Receipts)

Part 4
Total Cost (Requirements) - Tuition Revenue (Receipts) \( = \) Appropriation
### SCH Enrollment-Change Funding Request Example

#### Part 1: Instructional Costs

<table>
<thead>
<tr>
<th>Program Category</th>
<th>Student Credit Hours</th>
<th>SCH per Instructional Position</th>
<th>Instructional Positions Required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UG</td>
<td>Masters</td>
<td>Doctoral</td>
</tr>
<tr>
<td>Category I</td>
<td>3,700</td>
<td>729</td>
<td>0</td>
</tr>
<tr>
<td>Category II</td>
<td>6,030</td>
<td>484</td>
<td>8</td>
</tr>
<tr>
<td>Category III</td>
<td>2,118</td>
<td>286</td>
<td>0</td>
</tr>
<tr>
<td>Category IV</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>11,848</td>
<td>1,501</td>
<td>8</td>
</tr>
<tr>
<td>% of Total</td>
<td>88.7%</td>
<td>11.2%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

- **Total All SCHs**: 13,357

#### Part 2: Total Costs

- **Instructional Salary Rate of Campus**: $75,500
- **Instructional Salary Amount**: $2,204,676
- **Other Academic Costs**: 44.89% $989,679
- **Total Academic Requirements**: $3,194,354
- **Library Rate**: 11.48%
- **Library Amount**: $366,712
- **Gen’l Instit. Support Rate**: 54.05%
- **Gen’l Instit. Support Amount**: $1,726,549

#### Part 3: Tuition Revenue

<table>
<thead>
<tr>
<th>Requirements Generated by SCH Model</th>
<th>Total FTEs</th>
<th>Tution Revenue:</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTE</td>
<td>Rate</td>
<td>FTE x Rate</td>
</tr>
<tr>
<td>In-State U/G FTEs</td>
<td>300</td>
<td>3,000</td>
</tr>
<tr>
<td>Out-of-State U/G FTEs</td>
<td>91</td>
<td>14,300</td>
</tr>
<tr>
<td>Res per G.S. 116-143.6</td>
<td>9</td>
<td>3,000</td>
</tr>
<tr>
<td>In-State Grad FTEs</td>
<td>56</td>
<td>3,400</td>
</tr>
<tr>
<td>Out-of-State Grad FTEs</td>
<td>18</td>
<td>14,500</td>
</tr>
<tr>
<td><strong>Total FTEs</strong></td>
<td><strong>474</strong></td>
<td><strong>Total Expected Revenue</strong>: $2,679,700</td>
</tr>
</tbody>
</table>

#### Part 4: Appropriation

- **Request Amount**: $2,607,915
FTE Enrollment-Change Funding Model

- There are a few campuses/programs with unique and specialized enrollment that have a separate FTE-based model:
  - UNC School of the Arts
  - NC School of Science and Mathematics
  - Medicine – ECU, UNC-CH
  - Law – NCCU, UNC-CH
  - Veterinary Medicine – NCSU
  - Dentistry – ECU, UNC-CH
  - Pharmacy – UNC-CH

- The FTE-based model takes the percent change in total FTE for these programs/campuses and multiplies that percent change by total cost (requirements) for that program/campus.
Timeline for Enrollment Projections

■ Year One
  ● Enrollment memo with instructions sent to campuses (early fall)
  ● Campus projects enrollment for next two years
  ● Initial campus submission (mid-October)
  ● Analysis and review by internal GA team
  ● Iterative process evaluating total SCHs with GA personnel to arrive at BOG recommendations
  ● Final submission to OSBM and FRD (due December 15)

■ Year Two
  ● Year one process repeated to arrive at adjusted projections for second year of the biennium
Changes To The Funding Model Over Time

- **Summer School Funding** – Eliminated in FY 2005-06
- **Hold Harmless** – Eliminated in FY 2012-13
  - Policy that kept campuses with declining enrollment at the current budgeted level to lessen the impact of the loss of tuition dollars
- **Negative Adjustment Factor** – Eliminated in FY 2014-15
  - Factor that lowered a reduction in the General Institutional Support amount by half if enrollment was declining to account for fixed costs
- **Undergraduate Cost Factor** – Eliminated in FY 2015-16
  - Weight factors identified by the BOG to recognize performance and special circumstances that applied to undergraduate growth
  - Included service to disadvantaged students, diseconomies of scale, degree efficiency, and retention rates
- **Reconcile Projections to Actuals before Allocating Funding** – Enacted in FY 2017-19 State Budget
Accuracy of the Model

Comparison of Actual and Budgeted Enrollment Model Credit Hours

- End of Hold Harmless Policy
- Minimum Admission Requirements Phase In

Enrollment Model Actual SCH
Enrollment Model Budgeted SCH
STRENGTHS & WEAKNESSES OF THE CURRENT MODEL
**Strengths**

- **Robust model that calculates costs at different levels**
  - Captures differences in course type – Engineering vs. English
  - Captures difference in student type – Undergraduate/Graduate and Resident/Nonresident
- **Provides incentive for access**
- **Longstanding process that has significant infrastructure**
  - Student Data Mart captures enrollment data based around 12 cells
  - Some campuses allocate funds internally based around 12 cells
- **Campuses receive funding concurrently with student enrollment**
Weaknesses

- **Complicated to explain and understand**
  - Creates difficulty for campuses when trying to accurately project
  - Creates mistrust of numbers generated

- **Metrics and factors are outdated**
  - 12 cells and weighting factors have not been updated
  - No metrics to address marginal cost rather than average cost
  - Outdated distinction between face-to-face and distance instruction

- **Limited incentives for student success, workforce needs, and other goals**

- **The model is the same for each campus type**
  - No distinction between research and baccalaureate institutions
  - Only variation is average faculty salary and tuition rate

- **Projecting enrollment is complicated and time consuming and will always contain a margin of error**
THANK YOU
QUESTIONS?