



MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance

March 25, 2022 at 10:00 a.m.
Via Videoconference and PBS North Carolina Live Stream

AGENDA

- A-1. Proposed Funding Model Changes Lee Roberts and Jennifer Haygood
- A-2. Adjourn

AGENDA ITEM

A-1. Proposed Funding Model Changes..... Lee Roberts and Jennifer Haygood

Situation: The UNC System uses a formula based on completed student credit hours to request and allocate enrollment funding to institutions on an annual basis. The current formula is complex and does not include a performance-based component.

Background: In 2017 and 2018 a task force was convened to review the UNC System enrollment funding model. The results of this work were presented to the Board in May of 2018 and included a number of recommendations for improvements to the model, including basing the funding on completed rather than projected credit hours. Simultaneously, the General Assembly required the 2017-19 enrollment funding be verified based on actual enrollment before it could be allocated. In response to the conclusions of the task force and the new requirement from the General Assembly, the UNC System enrollment funding model was updated to be based on actual credit hours completed in arrears.

However, other recommendations made by the task force in 2018, including incorporating some measure of performance funding, have not been integrated into the funding model. As such, concerns raised by the task force related to complexity, incentives, and variation by institution remain unaddressed.

Assessment: The current UNC System enrollment funding model is not aligned with strategic goals, is unnecessarily confusing and complex, and does not accommodate a diverse system. At its February 23, 2021 meeting, the committee discussed adjustments to the proposed funding model that addressed concerns about proposed funding levels for health profession and STEM disciplines as well as funding for doctoral programs. The committee agreed to continue to discuss concerns about funding for masters programs, particularly in the health professions and STEM areas. At this meeting, the committee will discuss further recommended adjustments to the proposal to address these concerns. At the direction of the committee, the additional adjustments will be incorporated into the proposed funding model used to develop our Short Session enrollment funding request for consideration at the April Board meeting.

Action: This item requires a vote by the committee.



PERFORMANCE-WEIGHTED ENROLLMENT FUNDING

Additional Recommended Adjustments

*Board of Governors
Committee on Budget and Finance
March 25, 2022*

Proposed Funding Model: Current Status

Action taken at the February 23rd meeting of the Committee on Budget and Finance:

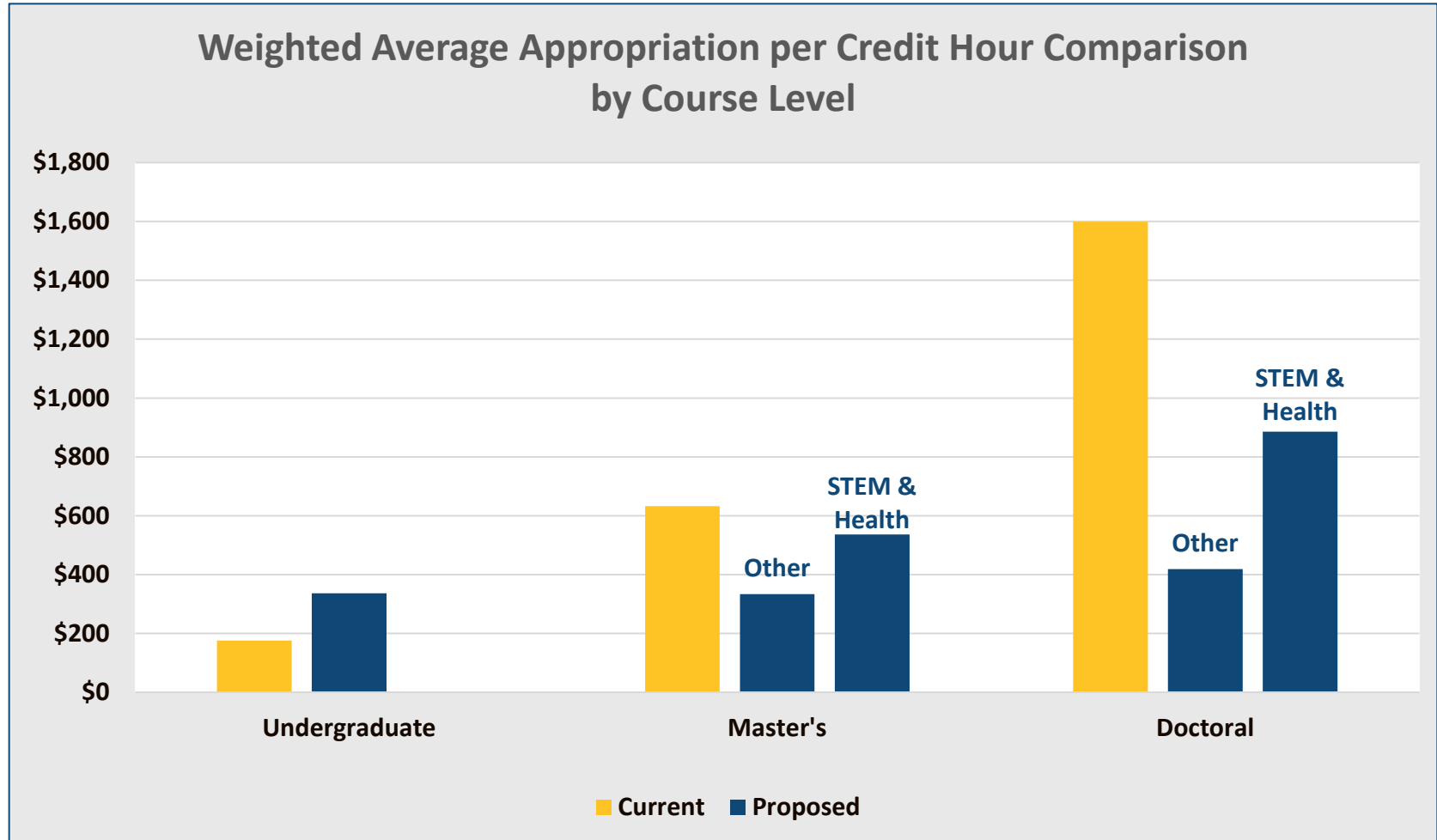
- Staff directed to develop the System's Short Session enrollment funding request based on the new model with the understanding that there may be minor further adjustments, particularly as related to Health Professions and STEM Master's programs.

Recommended Adjustments to Proposed Funding Model

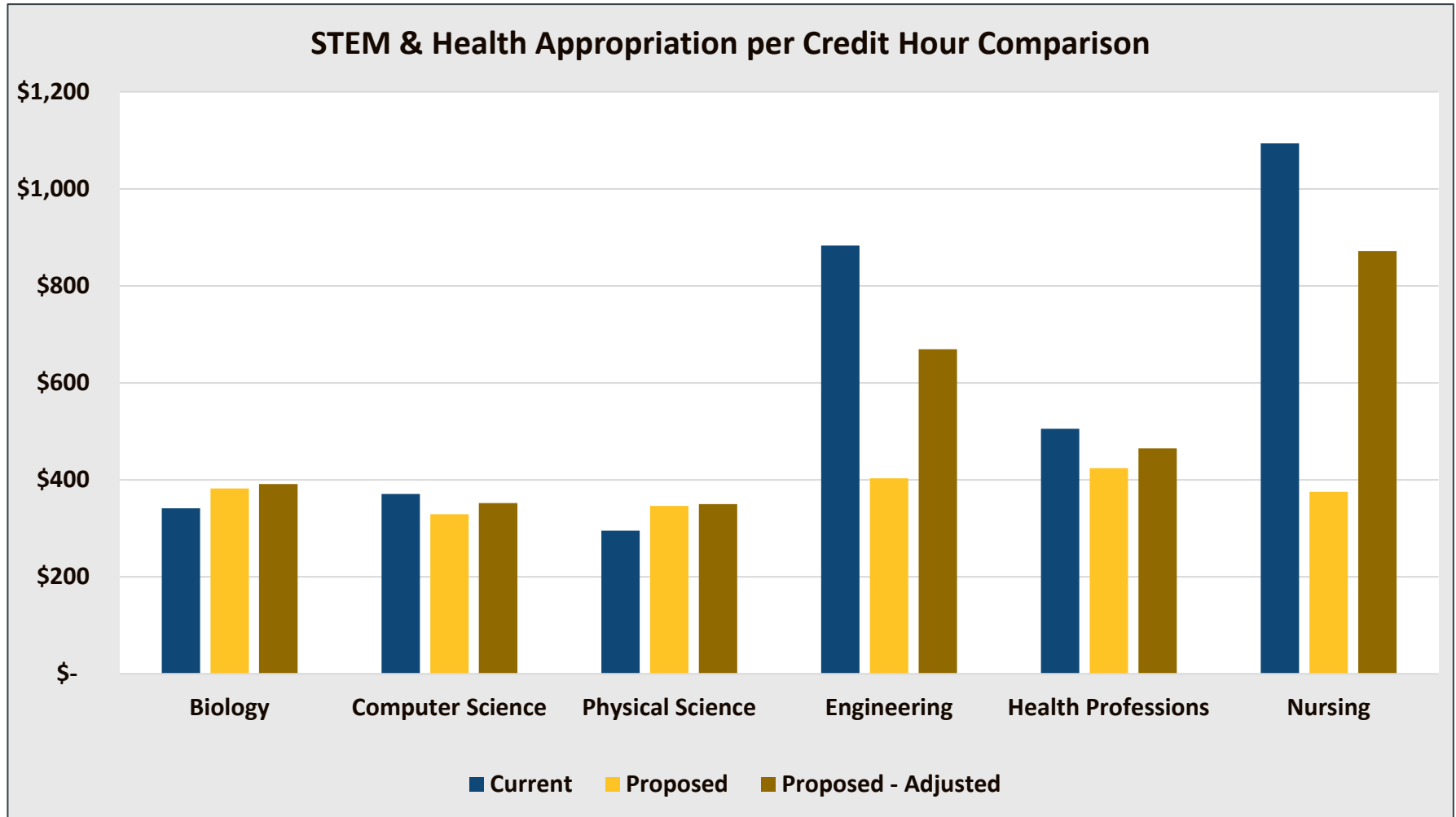
Campus Feedback Theme	Recommendation
<p>Funding for Health Professions (particularly Nursing) and STEM (particularly Engineering): Concern about overall average cost per credit hour as well as lack of leveling for health professions and STEM disciplines as compared to the current model.</p> <p>Lack of Funding Differentiation between Undergraduate and Graduate: Concern that the model does not adequately recognize that graduate education is more expensive to provide because of the use of tenure-track faculty, smaller class size, etc. Concern that model will incent campuses to promote growth at the undergraduate level to the detriment of graduate programs.</p>	<p>Breakout Nursing: Base Nursing rate on data specific to that sub-discipline of Health Professions.</p> <p>Adjust instructional rate for Nursing and Engineering: Adjust base rate to higher of 85% of the national 75th percentile or current undergraduate rate while the cost structure for these disciplines is studied further.</p> <p>For Health Professions and STEM* disciplines, fund masters SCHs at 1.5x and doctoral SCHs at 2.5x base rate: Provide additional support for these priority workforce areas</p> <p>Allow resident graduate tuition increases: Provide institutions additional flexibility to propose more market-driven tuition rates for graduate programs.</p>

To cover the cost of the recommended adjustments and the hold harmless provision in FY23, recommend only requesting transition year funding for **undergraduate base** summer credit hours.

Weighted Average Appropriation per Credit Hour – Current vs. Proposed



Weighted Average Appropriation per Credit Hour STEM & Health – Current vs. Proposed



Next Steps

- **April**

- Vote on proposed funding model with additional adjustments incorporated.
- Vote on Short Session Budget priorities, including enrollment funding request based on revised model with transition year provisions:
 - All SCHs have an initial performance weight of 1.
 - Funding for instructional costs (without overhead) for “base” summer SCHs for undergraduate resident SCHs.
 - Funding for each campus would be based on the ***higher of*** the amount generated by current or the proposed model.

- **May**

- Analyze performance data and refine specifics of performance-weighting methodology