PERFORMANCE-WEIGHTED ENROLLMENT FUNDING

Campus Feedback and Recommended Adjustments

Board of Governors
Committee on Budget and Finance
February 23, 2022

Outline

- Overview of Proposed Model
- Campus Feedback
  - Overall Model
  - Enrollment Component
  - Performance Component
- Next Steps

Overview of the Proposed Model

Proposed Funding Model: The Context

- North Carolina's Postsecondary Attainment Goal
  - G.S. 116C-10: "The State shall make significant efforts to increase access to learning and improve the education of more North Carolinians so that, by the year 2030, **2,000,000 residents between the ages of 25 and 44** will have completed a high-quality credential or postsecondary degree."
- To meet this goal, the state will need to help an estimated 400,000 additional residents earn a credential.

Proposed Funding Model: The Concept

An ***incremental*** funding model that provides a clearly defined State subsidy for the change in ***performance-weighted, resident*** SCHs.

Step 1		**Step 2**		
Change in Performance-Weighted Student Credit Hours	**X**	**Appropriation per Credit Hour**	**=**	**Appropriation**
Completed Resident SCHs only (all terms)		*based on % of national avg (Delaware study data)*		

A simplified model focused on graduating more North Carolina undergraduates on time and with less debt.

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Campus Feedback – Overall Model

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Feedback Themes: Overall Model

Campus Feedback Theme	Comments
Simplified Model	Broad agreement that the proposed model is easier to understand, explain, and navigate. The more intuitive approach helps support better communication and resource allocation decision-making.
Complementary Approach	Campuses value the opportunity to earn funding for both enrollment and performance.
Focus on Resident Students	This attribute is consistent with the principal that State funds should be used primarily for the benefit of State taxpayers. Removing nonresident students reduces complexity and allows institutions to benefit from the full amount of nonresident tuition.
More Equitable, Consistent State Subsidy	Removing average faculty salary and tuition as factors promotes fairness: all institutions in the same Carnegie class receive the same State subsidy for the same credit hour of instruction.
Summer Funding	Funding for summer is important to improve on-time graduation and degree efficiency. Graduating more students on time is key to reducing student debt.

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Current Funding Model

Part 1

Enrollment Measure ÷ Instructional Cost Factor = Estimated Instructors x Average Faculty Salary = Instructional Costs

change in completed student credit hours (SCH)

12 Cell Matrix (Delaware data)

average of budgeted salary expense/budgeted faculty FTE

Part 2

Instructional Costs x Weight Factors for Non-Instructional Costs = Total Cost (Requirements)

based on historic relationship between budgeted instructional costs and other associated costs

Part 3

Enrollment Measure x Tuition Rates By Campus = Tuition Revenue (Receipts)

change in completed student credit hours (SCH)

Part 4

Total Cost (Requirements) - Tuition Revenue (Receipts) = Appropriation

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Why is the Current Model Often Confusing?

Changes in the "mix" of credit hours (changes among disciplines, academic levels, resident/nonresident) can result in changes in appropriation that are confusing, resulting in the formula seeming like a "black box".

Recent Scenarios	Enrollment Change	Appropriation Change	Key Factors
Campus A	+2.9%	-$500 k	+ Undergraduate increase (+ 9700 SCHs) - Graduate decrease (- 550 SCHs) - Non-resident undergraduates increase
Campus B	-1.0%	+$4.3 m	- Undergraduate decrease (-12,300 SCHs) + Graduate increase (+8000 SCHs) + Non-resident undergraduate decrease
Campus C	-0.7%	+$2.6 m	- Undergraduate decrease (-7800 SCHs) + Graduate increase (+2700 SCHs) + Non-resident undergraduate decrease

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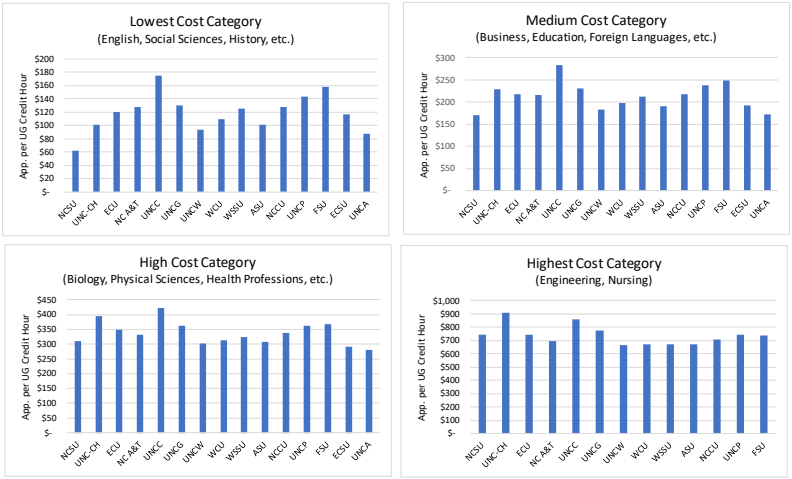
Why Does the Current Model Subsidize Institutions Differently for the Same Instruction?

The use of each institution's unique average faculty salary and tuition rates result in different State appropriation for the same credit hour of instruction.



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Campus Feedback – Enrollment Component

Enrollment Component

Benchmark appropriation per credit hour to national data from Delaware Cost Study for academic discipline and Carnegie classification

- Incentivizes campuses to keep actual costs at or below national averages
- Provides consistent State subsidy for instruction delivered by similar institutions
- Recognizes differences in institutional mission and costs by academic discipline
- Graduate credit hours are subsidized at the same rate as undergraduate credit hours

State Subsidy			
80%	**Instruction** National average cost per credit hour based on academic discipline and Carnegie classification	+	**Overhead** System average expenditure per credit hour for institutional, academic, and student support
=	**Appropriation per Resident SCH**		

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Feedback Themes: Enrollment Component

Campus Feedback Theme	Recommendation
Use of Delaware Data: Concern about the number of peer institutions participating in the Delaware Cost Study and whether participating institutions have comparable programs in terms of scope and quality.	**No change:** No alternative data source available. The current model uses Delaware Cost Study data from the late 1990's.
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. **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.	**Breakout Nursing:** Base Nursing rate on data specific to that sub-discipline of Health Professions. **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. **Fund doctoral SCHs for Health Professions and STEM* at 2.5x base rate:** Provide additional support for these priority workforce areas given limited pricing power of doctoral programs and use of stipends/assistantships. **Allow resident graduate tuition increases:** Provide institutions additional flexibility to propose more market-driven tuition rates for graduate programs.

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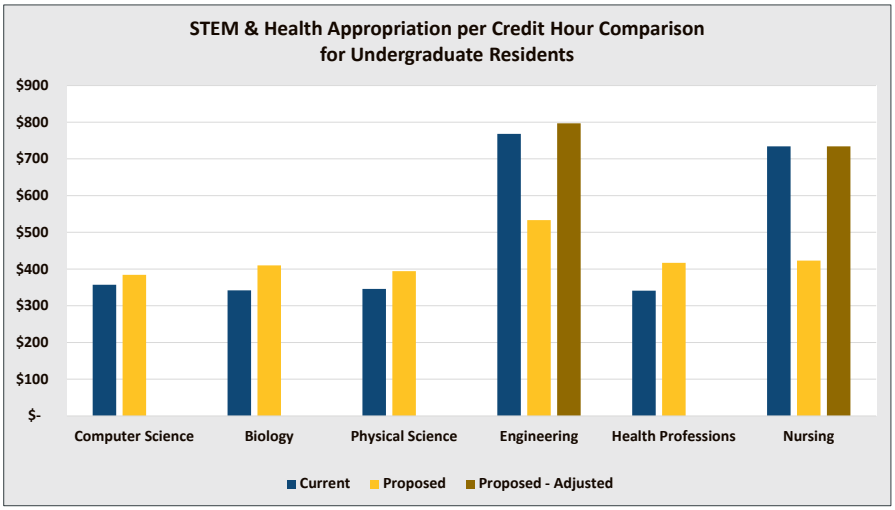
*STEM includes CIPS: 01 Agriculture, 03 Natural Resources, 11 Computer Science, 14 Engineering, 15 Engineering Technology, 26 Biological Sciences, 27 Math and Statistics, 29 Military Technology, and 40 Physical Sciences

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



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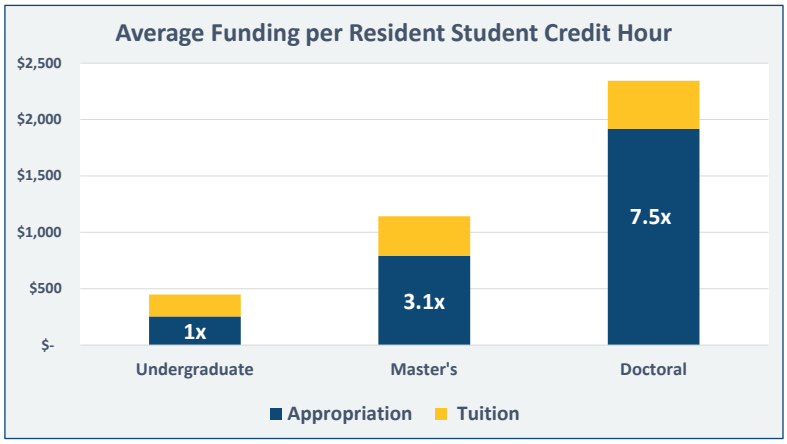
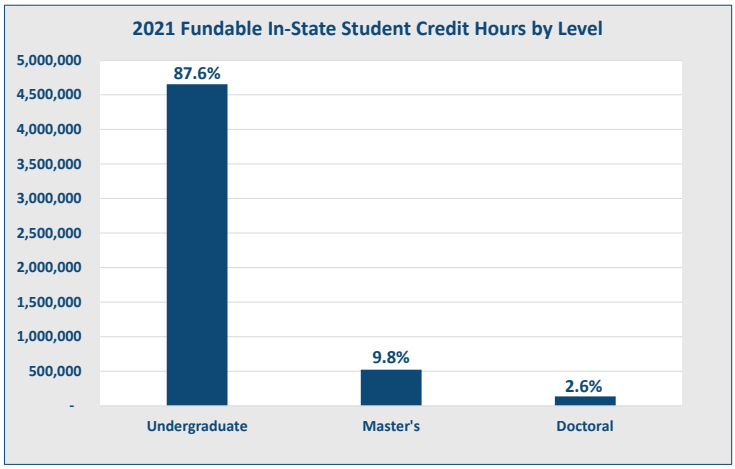
Current Model Funding by Student Type



Funding shown does not include differential tuition

Credit Hours by Instructional Level



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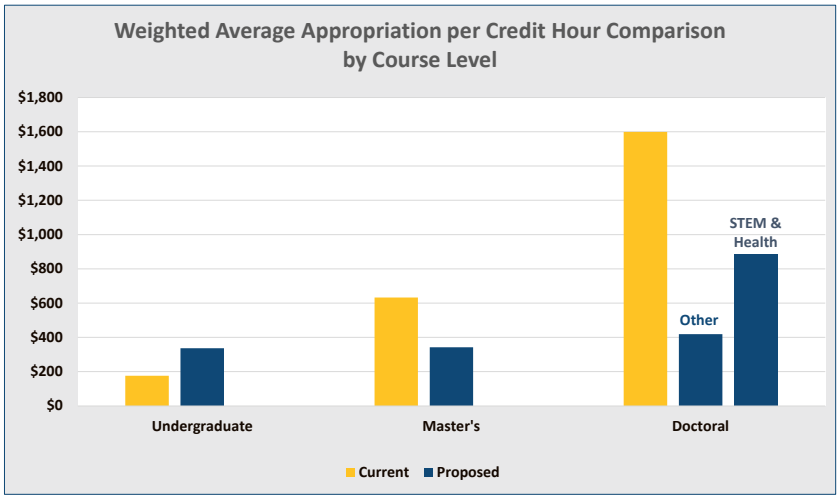
Weighted Average Appropriation per Credit Hour – Current vs. Proposed



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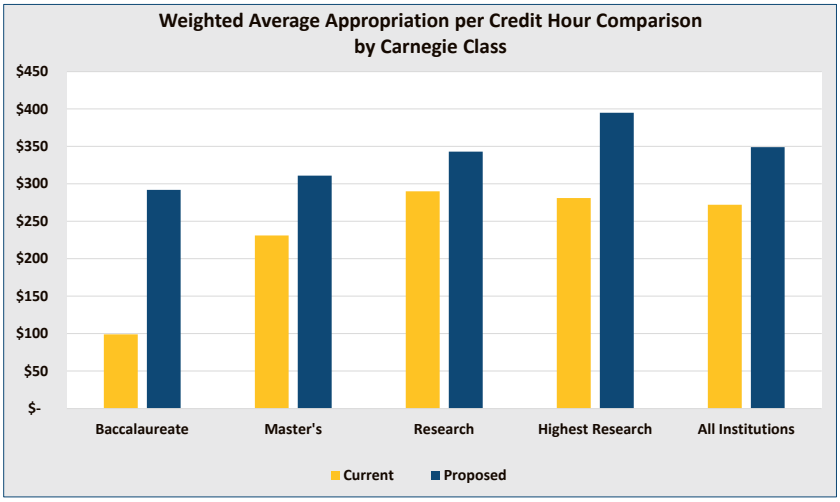

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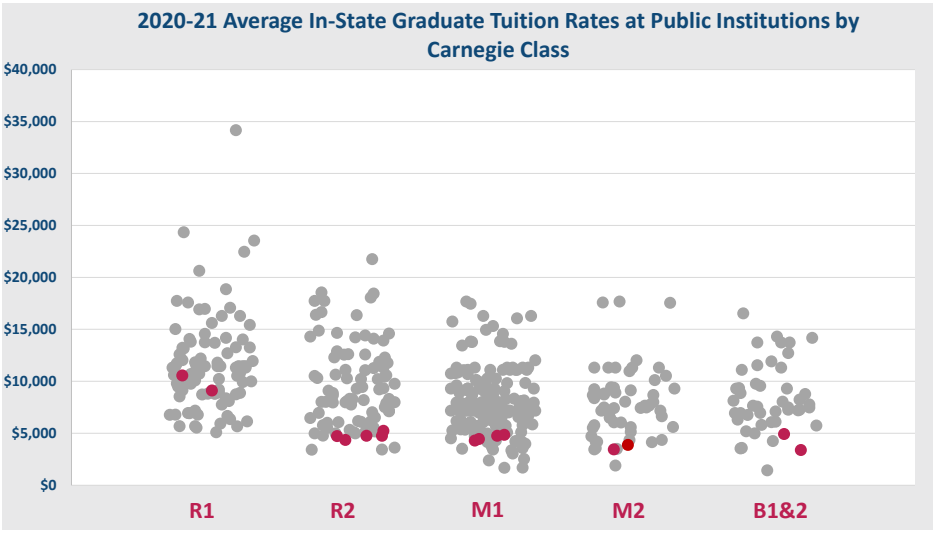
Grad Tuition Rates



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Source: IPEDS

Feedback Themes: Enrollment Component

Campus Feedback Theme	Recommendation
Nonresident Graduate Students: Concern that the lack of subsidy for nonresident graduate students will limit ability to recruit talented non-resident students who may ultimately make North Carolina their home and contribute to the state's economy.	**No change:** Model should prioritize State funding for North Carolina residents.
Summer Tuition Rates: Concern about regular tuition rates being a barrier to summer enrollment.	**Allow campuses to set summer tuition up to regular tuition rates.** Provides flexibility to offer rates that best fit goals and circumstances of the institution.
Transition Length: Concern that one transition year is inadequate.	**No change:** Necessary for institutions to adapt to revised incentives as quickly as possible.
Legacy Underfunding: While the proposed model seeks not to perpetuate funding inequities, it does not solve historic funding differences.	**Not within scope:** Because the proposed model is incremental, it does not recalculate base funding. The issue of historic funding levels is a separate issue, outside the scope of the current conversation.

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Campus Feedback – Performance Component

Performance Component

- Recognizes that credit hours are more valuable to the State if student outcomes are improving
- Annually, **all** resident SCHs would be weighted using each campus' performance as measured on BOG-defined metrics

Proposed Metrics	
Student Success	• Four-Year Graduation Rate • Undergraduate Degree Efficiency (Credentials per 100 FTE)
Cost Per Degree	• Education and Related Expenses per Degree

Student Debt	• Average Cumulative Debt at Completion of Bachelor's Degree
	  • First-Time Students
	  • Transfer Students

One Strategic Plan Metric Selected by the Campus	

Performance Component

- Weighting would be based on how campus performance compares to its baseline and stretch goals
  - If performance **improves** over baseline, all resident SCHs receive a performance weight **> 1** up to the maximum for meeting the stretch goal
  - If performance **remains** at baseline, all resident SCHs receive a weight **= 1**
  - If performance **declines** from baseline, all resident SCHs receive a weight **< 1**, but no less than the minimum
- Baseline and stretch goal levels would be customized for each institution

Min = 1 – Y%
Below baseline performance

Performance Weighting Range

Max = 1 + X%
Meet or exceed stretch goal

Feedback Themes: Performance Component

Campus Feedback Theme	Next Steps
Performance Weighting: • Broad support for the concept of performance weighting and the initial performance range proposed, though campuses had questions/concerns about the details.	Given that all campuses will be assigned a performance weight of 1 in the transition year, the committee should continue to analyze and refine the performance weighting methodology over the coming months. Performance data will be available in March and should be used to inform the conversation, particularly as it relates to the appropriateness of the stretch goals.
Proposed Metrics: • Concern that metrics do not measure quality/institutional excellence • Concern about whether certain metrics unfairly disadvantage institutions serving students with high financial need, lower academic preparedness, etc. • Concern that many factors related to student debt are outside the institution's control.	
Stretch Goals: • Concern about whether stretch goals can be realistically attained • Concern about "plateau" effect – is there a natural limit to the performance a campus can achieve?	
Unintended Consequences: • Concern that metrics may cause institutions to limit enrollment of low-income or high need students	

Summary and Next Steps

Aligning Funding with Board Strategy

The proposed model:

- ✓ Is more intuitive and easier to understand
- ✓ Enables campuses to earn revenue through both enrollment and improved performance
- ✓ Rewards campuses for graduating more undergraduates on-time and with less debt
- ✓ Provides more equitable State funding across campuses for similar instruction
- ✓ Allows campuses to benefit from full amount of nonresident tuition
- ✓ Supports providing campuses flexibility to set more market-driven tuition rates for graduate programs
- ✓ Recognizes the value of STEM and Health programs
- ✓ Supports summer instruction as a key strategy to improve on-time completion

Next Steps

- Incorporate recommended adjustments into proposed model
- Develop Short Session 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.
  - Funding for each campus would be based on the ***higher of*** the amount generated by current or the proposed model.
- Analyze performance data and refine specifics of performance-weighting methodology

THANK YOU

QUESTIONS?

SUGGESTIONS?

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