A Model for Access and Student Success

Performance Funding and Enrollment Restraints

Assessment of Performance

The purpose of the model is to identify where enrollment may be increased and where it should be restrained and where performance on key indicators should lead to funding. The current economic conditions and the condition of the State budget have significantly shifted the expectations for enrollment growth in UNC institutions. It is clear that the University will have to defend its growth requests more vigorously than ever before. Developing this model at this time will be complicated since it may be necessary to restrain overall growth. That means that there may be growth restraints tied to performance and growth restraints that are simply a function of the lack of State funding.

The concept of funding universities on a performance basis is being examined at many higher education institutions across the country. Discussions focus on providing a portion of State support to institutions based on outcomes (e.g., the number of courses successfully completed, increases in the graduation rate and number of degrees awarded) rather than the number of credit hours of instruction to be delivered.

The past decade has been a period of rapid growth at UNC, with funding of the University’s enrollment expansion requests by the General Assembly. That funding supported the growth of UNC in the past decade by over 60,000 students, bringing the 2009 total to over 222,000 students. A key component of this growth was differential growth on the campuses, some growing rapidly while others grew modestly or very little. This growth has exceeded the projections on which the 2000 bond program was based. Access was significantly expanded by the growth of all campuses, with special opportunities afforded to the Focused Growth Campuses (ECSU, FSU, NCA&T, NCCU, UNCP, WCU, and WSSU).

As the University addresses the current funding environment and the environment that is likely to persist for the near term it must adopt an approach to account for its new circumstances. The national mood for higher education has, as has UNC’s, shifted to student success and degree production along with expanding access. The production of undergraduate degrees will play a larger and larger role as this model is developed and implemented. It is becoming clearer and clearer that access that does not result in student success is providing a disservice to our students. While some college, even without a degree, provides a positive, measurable economic impact, our goal is to marry access and student success so that access means access to a post-secondary credential. In the case of UNC, that is a baccalaureate degree.

There are two factors that will be important to consider as drivers of this model. One is the historical levels of campuses’ performance on a variety of measures and the other is the degree of improvement
regardless of the campuses’ past historical level of performance. It is clear that there are national data relating levels of performance to the selectivity of institutions. On the other hand, the Educational Trust has shown that there are high-performing campuses with substantially the same characteristics as other campuses which have a much lower historical level of performance. Both of these considerations are relevant to our ongoing analysis of enrollment and performance. One provides some explanation of where we are and the other challenges us to improve significantly.

Among the great results of the Bond Program and the Focused Growth Initiative was significant expansion in the number of enrollment slots across the campuses and especially on the Focused Growth Campuses. The Focused Growth Campuses also developed a significantly expanded set of choices among available academic degree programs. Given this historical expansion, there is a continuing capacity for these campuses to address access as well as for other campuses with expanded capacity to do so.

The idea is to use the historical levels of performance and current and ongoing performance to address both whether and where there should be restraints on expansion of enrollment and what funding for performance should accrue to campuses.

The model is developed in the first instance to identify where there should be restraint and where there should be reward based on the relation of historical, current, and ongoing levels of performance. This model can operate best when State funding for both enrollment growth and for rewarding performance is available.

If the University finds it necessary to significantly restrain enrollment growth, historical levels of performance may have to play a larger role. In order to achieve student success and increase the number of baccalaureate degrees awarded, calculations of efficiency will also be relevant in such a restrained environment.

The template that has been developed includes a number of measures, some of which can be used now and some which will be developed over the next few months. Where possible, the measures will involve historical performance over time of the institution, whether the agreed-upon goals are met, how the campus performs in relation to peers, and how the campus performs in relation to predictive models. The categories to be included follow.

**Freshmen-to-Sophomore Retention.** This is the standard IPEDS measure of the percentage of first-time, full-time freshmen who return fall term of the next year.

**Six-Year Graduation Rates.** This is the standard IPEDS measure of what percent of first-time, full-time freshmen graduate from that institution within six years.

**Graduation Rates of Community College Transfers with an Associate’s Degree within Four Years.** Because of the relatively low numbers of associate degree transfers these are grouped into three-year rolling cohorts.
Graduation Rates of Community College Transfers without an Associate’s Degree. Since a larger number transfer without an associate degree it will be important to track this group.

All Undergraduates Six-Year Graduation Rates. This is a different measure that looks at the entire undergraduate enrollment on a campus in a given year then calculates how many have graduated within six years, regardless of how they entered the university.

Increased Numbers of Baccalaureate Degrees and the Efficiency with Which They Are Produced. This will be based on the number of degrees produced in relation to targets as well as on the efficiency with which they are produced. Efficiency will involve both number of degrees produced per 100 FTE undergraduates and the cost of those degrees if effective measures can be established. Time to degree, enrolled time to degree, and total credits hours attempted for a degree are potential measures to be developed.

Degree Production in High-Need Areas Such as Teacher Education, Nursing, and the STEM Areas. Degree production in teacher education and nursing has increased significantly in recent years and a new set of targets will be negotiated for teacher education this fall, and then in the other areas.

Supplemental Data. While detailed targets will not be established, data for retention and degree completion of “at-risk” students will be broken down by gender, race, ethnicity, and socio-economic profile to provide a context for understanding how sub-groups are doing.

While it is important to consider all appropriate measures, it is also important to have a relatively small number of focused measures that capture the key components of student and institutional success. It is also important to use several data points and not depend on a single target.

A next step is to set degree targets. While campuses now have targets for the percent of students who graduate, targets will be considered that focus directly on the number of baccalaureate degrees produced. Focusing on degree targets will shift attention from the freshmen entry point to a wider range of entry points such as AA/AS transfers from the community colleges, other transfers from the community colleges, transfers from other institutions, and adults returning to complete undergraduate degrees.

Restraints on enrollment need to be carefully defined. So far we have identified five categories where enrollment expansion and restraints might be relevant: freshmen enrollment growth, retention improvement-based growth, AA/AS transfer growth, other transfer growth, graduate growth in relation to undergraduate performance. They will be further developed below.

Even under conditions of restrained enrollment growth, options such as rigorous summer bridge programs that demonstrate they can significantly improve student success will be available as potential avenues to increase enrollment.
As these measures are developed for undergraduate degrees, it will also be necessary to recognize the importance of graduate education and that graduate degree production is a key component of North Carolina’s success in the research-based knowledge economy.

Performance Funding and the UNC Enrollment Expansion Funding Model

Both limits on enrollment growth and funding based on performance are directly relevant to the Enrollment Expansion Funding Model. Restraints on enrollment may mean lower requests in terms of numbers of students and funding based on performance will mean that adjustments will have to be made to the funding formula.

Of immediate concern is the need to implement the directive advanced by the President and the Board of Governors to tie student success, as measured through retention and graduation rates and other measures, to enrollment funding. The legislature is also expecting UNC to make changes in this direction. This should be done within the request for enrollment funding that is submitted to the General Assembly for the 2011-13 biennium. Following are a set of recommendations for a change to the enrollment funding model that would tie student success to new enrollment funding. Each campus’s success would be relative to its own set of Board of Governors-approved peers, improvements over time, meeting its targets, and performance in relation to predicted outcomes.

Background for recommendation:

- The Board of Governors has made it clear that student success at UNC campuses is as important as providing access to the University, that access is access to a post-secondary credential or degree.
- The primary measures of student success that have been discussed are retention rates, graduation rates, and the efficiency with which degrees are produced. Campus-specific goals have been established for some of these measures and others are in process. When reviewing progress against goals, the immediate focus is on retention rates because the impact of improvements can be seen in a shorter time. Improvements in graduation rates are directly tied to improvements in retention rates; however, the graduation rate improvements do not materialize until a longer period of time passes.
- The funding model for enrollment growth contains “undergraduate cost factors” that provide incremental funding to growing institutions. Current cost factors provide funding for campuses that have a larger-than-normal population of disadvantaged students, a non-doctoral mission, diseconomies of scale, and a liberal arts mission.
- The current funding model provides significant and important funding for the University. It is almost constantly under scrutiny and, of course, must be thoroughly defensible.
Recommendation: For an institution to be allowed to increase freshman enrollment at all, the institution would be required to demonstrate substantial progress (to be defined) in meeting its retention goals. A prohibition on increasing enrollment would separately apply to freshman enrollment and would not preclude an institution from increasing its enrollment growth through transfer students, particularly community college transfer students. Beginning in 2013-15, an institution would not be allowed to increase enrollment if it was not meeting or making progress in meeting its graduation goals.

It is proposed that retention and graduation rates be more closely linked to enrollment growth by replacing two of the current undergraduate cost factors with three new factors that recognize the Board’s focus on student success as well as the efficiency of degree production. Two undergraduate cost factors would remain while the cost factors for liberal arts and non-doctoral mission would not. The first remaining factor recognizes that campuses serving students from disadvantaged backgrounds require funding to accommodate the needs of those students. The factor is applied to any campus with more than one-third of undergraduate resident students receiving Pell Grants. The model increases the number of faculty positions serving undergraduate students by 5% in recognition of this need. The schools that currently qualify for this 5% are ECSU, FSU, NCA&T, NCCU, UNCP, and WSSU.

The second remaining factor is one that recognizes diseconomies of scale (5%). The two institutions to which this factor is currently applied are ECU and UNCA.

To encourage campuses to improve retention rates, a new undergraduate cost factor would be introduced. If a campus is making progress in meeting retention goals or has a retention rate above a specific percentage agreed to with General Administration based on that campus’s peer results (say 85%), an undergraduate cost factor (say 5%) would be applied. It is important to note that the funding model already recognizes retention by providing funding for students who continue to matriculate within the campus.

To encourage campuses to improve graduation rates, a second new undergraduate cost factor would be introduced. If a campus was making progress in meeting graduation goals or had 6-year graduation rates in excess of a set percentage agreed to with General Administration based on that campus’s peer results (say 60%), an undergraduate cost factor (say 5%) would be applied.

The third new cost factor (say 10%) would recognize the efficiency of undergraduate degree production on a campus. The proposed metric would be degrees/100FTEs and cost/degree and the comparator group would be an institution’s peer group as approved by the Board of Governors.

To recognize strong performance at a campus, the Board of Governors should also consider requesting additional appropriations (say $1 or $2 million) on top of the regular enrollment request to create a pool of funds to award high-performing campuses. The Board would need to determine a set of campus-specific metrics (including retention, graduation, the number of new degrees awarded, and efficiency [degrees/100FTE, cost/degree] relative to a campus’s peer institutions or any of the other metrics...
discussed in the beginning of this document) that would be measured and, based on success in achieving the metrics, the pool of funds would be allocated to the campuses. Should the legislature not be supportive of the request for funding, the President will use $1,000,000 of strategic initiatives funding or trust funds to launch this initiative.

These steps are proposed to be made effective with the 2011-13 biennium. UNC would continue to examine the success of this approach and consider other approaches as additional measures are considered.

Implementation
There are two parts to the implementation of the model. One is to identify the implication of performance for campus enrollment growth and the other is to relate performance to funding.

Implementing the Relation of Performance to Enrollment Growth
As indicated above, there are at least five possible categories in which a campus can plan to grow or restrain growth. Based on performance, the campus can continue with normal growth, or there may be some restraints on growth, or for some situations it may be that the campus should not grow in that category. The table below relates the five areas for growth to the three judgments that can independently be made about each area based on the campus’s performance. This makes it clear that a campus which might be restrained in freshman growth could have several other avenues of growth and that the restraint on growth is being targeted where problems are detected.
Relation of Performance to Growth

<table>
<thead>
<tr>
<th>Enrollment Growth/Change</th>
<th>Options for Growth/Change*</th>
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</thead>
<tbody>
<tr>
<td>Freshmen Enrollment</td>
<td>None, Restricted, Normal</td>
</tr>
<tr>
<td>Retention Improvement Enrollment</td>
<td>None, Restricted, Normal</td>
</tr>
<tr>
<td>AA Transfer Enrollment</td>
<td>None, Restricted, Normal</td>
</tr>
<tr>
<td>Other Transfer Enrollment</td>
<td>None, Restricted, Normal</td>
</tr>
<tr>
<td>Graduate Enrollment Change in Relation to Undergraduate Performance</td>
<td>None, Restricted, Normal</td>
</tr>
</tbody>
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*Growth rates at different campuses vary, so this depends on past growth/change levels. The overall budgetary situation in the State may require redefinition of normal.

Implementing the Revised Undergraduate Cost Factors
There are three performance-based undergraduate cost factors related to specific performance on retention, graduation, and degree production and efficiency. Cost factors can be included or not included in the enrollment budget request depending on the performance on each one. For example, a campus could get a cost factor included in the funding request for retention but not for graduation. The fourth category, while not a cost factor as such, is meant to be a way for recognizing and rewarding exemplary performance. The table below relates the four categories of reward to the options available for each.

Application of Undergraduate Cost Factors Based on Performance

<table>
<thead>
<tr>
<th>Performance-Related Funding</th>
<th>Options</th>
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<tbody>
<tr>
<td>Related to Retention</td>
<td>Yes, No</td>
</tr>
<tr>
<td>Related to Graduation</td>
<td>Yes, No</td>
</tr>
<tr>
<td>Related to Degree Production and Efficiency</td>
<td>Yes, No</td>
</tr>
<tr>
<td>Related to Overall High Performance</td>
<td>Yes, No</td>
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</tbody>
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Display of the Data

The following spread sheet includes the data by campus for the various data points being developed for your review and discussion.