Western Carolina University

Funding Model 2022

Funding Model Agenda

Western Carolina University

Agenda

- **Background/Context**
- **Current Funding Model**
- **Desired Attributes of a New Model**
- **New Funding Model**
  - The Concept: Change in Performance-Weighted SCHs
  - Performance Weighting
  - Appropriation per Credit Hour
  - Adjustments
  - Transition Year

Colors of Money

Western Carolina University

The University is funded from 3 general sources:

Taxpayers – State Funds

Enrollment Formula

Appropriations, including Capital

Students – State Funds

Tuition

– Non-State Funds

Fees	(Athletics, Health, E&T, Activities, etc.)
Auxiliary rates	(Housing, Dining, Parking, etc)

Gifts and Grants – Federal Aid, Endowments, etc.

Each has its own set of covenants governing how the funds must/may be spent.

How is State Budget Determined

Western Carolina University

WCU provides input to UNC System Office

President and System Office staff review requests and create recommended budget priorities for the System

BOG considers recommended budget, revises as needed, approves and submits System request to Governor and Legislature

Governor reviews requests and decides what he/she will recommend to Legislature

Legislature may or may not consider recommendations. Legislature develops a consensus budget (House and Senate) that the Governor may sign or veto.

Current Funding Model

Western Carolina University

UNIVERSITY OF NORTH CAROLINA
A SYSTEM OF HIGHER LEARNING

Categories of Instruction

Based on National Study of Instructional Cost and Productivity (Delaware Data)

Category	Undergrad	Masters	Doctoral
I	708.64	169.52	115.56
II	535.74	303.93	110.16
III	406.24	186.23	109.86
IV	232.25	90.17	80.91

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, & Related Services
Liberal Arts & Sciences, General Studies, & Humanities
Parks, Recr., Leisure & Fitness
Family & Consumer Sciences/ Human Sciences
Foreign Languages & Literature

Category III

Agricultural Business & Production
Agricultural Science
Natural Resources & Conservation
Architecture and Related Programs
Public Administration & Social Service Professions
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 Funding Model

Western Carolina University

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

Current Funding Model Observations

Western Carolina University

- The model does not reward institutions for student success
- Formula is complicated and lacks transparency
- Model does not make clear distinctions between institution type – the model is the same for research and baccalaureate institutions.
- Cost factors are outdated and increasingly being challenged
- Average faculty salary factor perpetuates funding inequities
- Level differentiation (U, M, D) may create pressure to focus on growing graduate education programs rather than undergraduate education
- Using tuition as a factor contributes to the lack of transparency and results in inconsistent State subsidy rates across institutions
- On-campus summer instruction is not funded by the model

Desired Attributes of a New Model

Western Carolina University

A revised model should:

- Clearly connect funding to strategic goals
- Enable campuses to generate revenue by improving performance
- Be more intuitive and easier to understand
- Eliminate tuition as a factor in the model
- Recognize undergraduate instruction as an equal priority and reduce pressure to prioritize graduate instruction
- Incentivize campuses to keep actual costs at or below national averages
- Recognize differences in cost among academic disciplines
- Provide more equitable funding across campuses for similar instruction
- Support summer instruction as a key strategy to improve on-time completion

New Funding Model

Western Carolina University

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)*		

- Calculates appropriation not requirements (i.e., tuition is no longer a component)
- Includes all completed resident SCHs, regardless of term (summer)
- Clearly connects funding with strategic goals
- State subsidy per credit hour is transparent
- Graduate credit hours are subsidized by the State at the same rate as undergraduate credit hours
- Non-resident (out of state) SCHs no longer factor into the model; institutions retain all non-resident tuition revenue

Performance Weighted SCH's

Western Carolina University

Why performance weighting?

- **Recognizes that credit hours are more valuable to the State if student outcomes are improving**
- **Unlike counts or rates, weighting allows for use of existing measures *AND* provides opportunity to fully offset enrollment declines with performance improvements.**

Why does performance-weighting matter?

- **If performance *improves*, <u>all</u> resident SCHs are worth more**
- **If performance *stays the same*, <u>all</u> resident SCHs are worth the same**
- **If performance *declines*, <u>all</u> resident SCHs are worth less**

With flat enrollment, campuses would increase funding if performance improves.

With flat enrollment, campuses would decrease funding if performance declines.

Performance Weighted SCH's

Western Carolina University

How would performance-weighting work?

- **Annually, all resident SCHs would be weighted using each campus' performance as measured on BOG-defined metrics**
- **BOG-defined metrics = chancellor incentive compensation goals + one strategic plan metric chosen by the campus**
- **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

Min = 1 – Y%
Below baseline performance

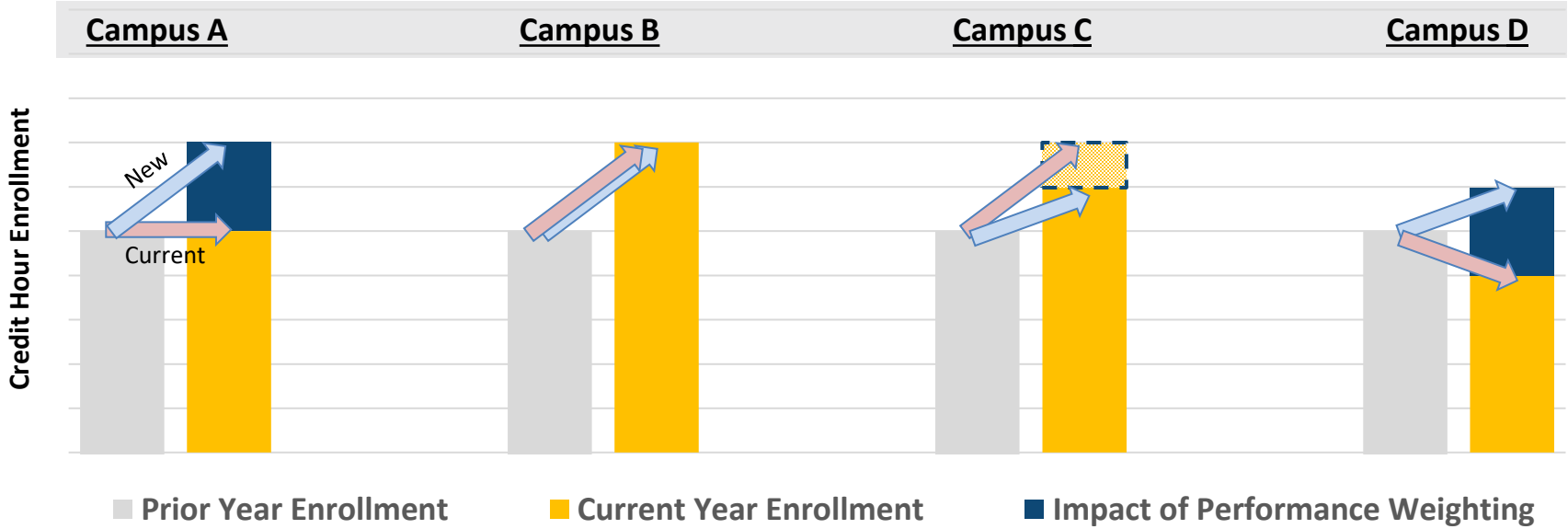
Performance Weighting Range

Max = 1 + X%
Meet or exceed stretch goal

New Funding Model

Western Carolina University

Step 1- Performance-weighted SCH's



	Enrollment	Performance	Prior Year SCH	Current Year SCH	SCH Change (Before Weighting)	Performance Weight	Current Year Weighted SCH	SCH Change (After Weighting)
A	Flat	Improves	100,000	100,000	0	1.02	102,000	2,000
B	Grows	Flat	100,000	102,000	2,000	1.00	102,000	2,000
C	Grows	Declines	100,000	102,000	2,000	.99	100,980	980
D	Declines	Improves	100,000	99,000	-1,000	1.02	100,980	980

New Funding Model

Western Carolina University

Step 2: Multiply by Appropriation per SCH

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

- **Recognizes differences in institutional mission and costs by academic discipline**
- **Incentivizes campuses to keep actual costs at or below national averages**
- **Provides consistent State subsidy for instruction delivered by similar institutions**
- **Benchmark data would be updated biennially.**

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**		

New Funding Model

Western Carolina University

Additional adjustments to new funding model

Campus Feedback Theme	Recommendation
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. **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 **Allow resident graduate tuition increases:** Provide institutions additional flexibility to propose more market-driven tuition rates for graduate programs.

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.

*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

New Funding Model

Western Carolina University

Summer Term

- **Current model does not fund summer on-campus SCHs, as this instruction has been supported historically by charging a self-supporting tuition rate.**
- **The proposed model:**
  - Funds **year-over-year change** in completed, resident credit hours for all terms (Spring, Summer, Fall).
  - Students would pay the **regular per credit hour tuition rate** for summer courses.

New Funding Model

Western Carolina University

Transition Year

- **To smooth the transition, the FY23 funding request would include:**
  - All SCHs have an initial performance weight of 1.
  - Funding for instructional costs (without overhead) for summer SCHs.
  - Funding for each campus would be based on the ***higher of*** the amount generated by current or the proposed model.


Western
Carolina
UNIVERSITY