New Funding Formula: Overview

• **Bottom-line:** System leadership is seeking to fundamentally change the funding formula which informs the appropriations request made on behalf of system campuses.

• **Goals of New Formula (include):**
  - More intuitive (relative to 12-cell)
  - Better align funding with institutional performance
  - Recognize differences in cost among disciplines
  - Equalize state support for UG and Grad. SCHs
  - Provide support for all summer instruction (as key to improve on-time completion)
New Funding Formula: Steps Required

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

Step 1
Change in Performance-Weighted Student Credit Hours

Completed Resident SCHs only (all terms)

Step 2
Appropriation per Credit Hour

based on % of national avg (Delaware study data)

= Appropriation
Current Funding Model (12-cell)

Part 1

\[
\frac{\text{Enrollment Measure}}{\text{12 Cell Matrix (Delaware data)}} \div \text{Instructional Cost Factor} = \text{Estimated Instructors} \times \text{Average Faculty Salary} = \text{Instructional Costs}
\]

Part 2

\[
\text{Instructional Costs} \times \text{Weight Factors for Non-Instructional Costs} = \text{Total Cost (Requirements)}
\]

Explanation:

- Weight Factors for Non-Instructional Costs are based on the historic relationship between budgeted instructional costs and other associated costs.

Part 3

\[
\text{Enrollment Measure} \times \text{Tuition Rates By Campus} = \text{Tuition Revenue (Receipts)}
\]

Explanation:

- Enrollment Measure is change in completed student credit hours (SCH).

Part 4

\[
\text{Total Cost (Requirements)} - \text{Tuition Revenue (Receipts)} = \text{ Appropriation}
\]
New Funding Formula: Campus Assessment

• **Opportunities:**
  - Potential to influence state appropriations on metrics beyond SCH change is positive
  - Continues to recognize cost differences by discipline
  - Summer support for in-person and distance instruction

• **Issues to Consider:**
  - Potential need to revisit performance metrics
    ➢ Would there be unintended consequences?
    ➢ Are the stretch goals achievable?
  - Do the incentives provided through the reimbursement rates align with workforce needs in NC?
  - Impact on recently approved and expanding graduate programs
Current Funding Model by Student Type*

*Per credit hour support based upon system averages.
Transition Year Considerations (as proposed)

• To smooth the transition, the FY23 funding request would include:
  - All SCHs have an initial performance weight of 1
  - Funding for instructional costs for “base” summer SCHs
  - Funding for each campus would be based on the higher of the amount generated by current or the proposed model
Any questions?