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*of* NORTH CAROLINA  
*at* CHAPEL HILL



# PERFORMANCE FUNDING

**Academic Affairs Committee**

May 23, 2012

**Bruce W. Carney**  
**Executive Vice Chancellor & Provost**

# University funding



- **State appropriations are based largely on a complex matrix that assigns different levels of expense for different academic programs (the “12-cell matrix”). Nursing students cost more to educate than undergraduate chemists and much more than humanities undergraduates.**
- **Campus-based and school-based tuition supplement state base funding.**



# Funding growth



- **Expansion budgets are prepared for specific growth relevant to State needs (e.g., new capabilities such as science teaching).**
- **Enrollment increase funding is another method, providing funds according to projected overall growth in specific areas via the 12-cell matrix. In recent years, campuses had to achieve certain performance goals to qualify.**



# Basic performance metrics



**There have been several qualifications that campuses must satisfy to be awarded enrollment increase funding. For example:**

- **4-year graduation rate**
- **6-year graduation rate**
- **Retention rate (year 1 to year 2)**

**These are evaluated with respect to each campus' public peer institutions.**



# Performance Funding



**A drawback to relying on enrollment increase funding is that is premised on stable state appropriations. If budgets are cut deeply, meeting enrollment goals is much harder, and campuses are subject to potential being penalized further in addition to the cuts.**

**Therefore, some states have been exploring and testing performance-based funding.**



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# Performance Funding Challenges



## **Such models can be an asset:**

- **They help define institutional priorities.**
- **They can enhance productivity.**

## **Such models also contain risk:**

- **Some performance metrics may be beyond a school's financial control.**
- **There may be too many metrics (South Carolina's experiment failed, due to 37 metrics).**
- **Schools may weaken educational requirements to artificially achieve the goals.**



# The UNC System Effort



- **UNC GA decided to explore performance-based metrics, and to request new funding from the Legislature to explore the concept.**
- **In December, 2011, a group of 4 Chief Academic Officers and 3 Chief Financial Officers met to discuss the national scene, possible performance funding metrics, and models for implementation within the UNC system.**



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# The UNC System Effort



- **The CAO-CFO report was delivered in February, 2012, but some metrics remained imperfectly defined.**
- **In April, GA produced an initial list of metrics, with some metrics provided in addition to the report's recommendations, and asked for feedback.**
- **As a result of the feedback, a new set of performance metrics have been developed.**



# The UNC System Effort



**5 “core” measures, applicable to all university campuses, only 3 of which may be compared with national public peer universities.**

**5 “campus-specific” (i.e., “campus-selected”) measures, 3 of which cover student success and faculty scholarship, and 2 of which address operational and academic effectiveness.**



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# The Core Measures



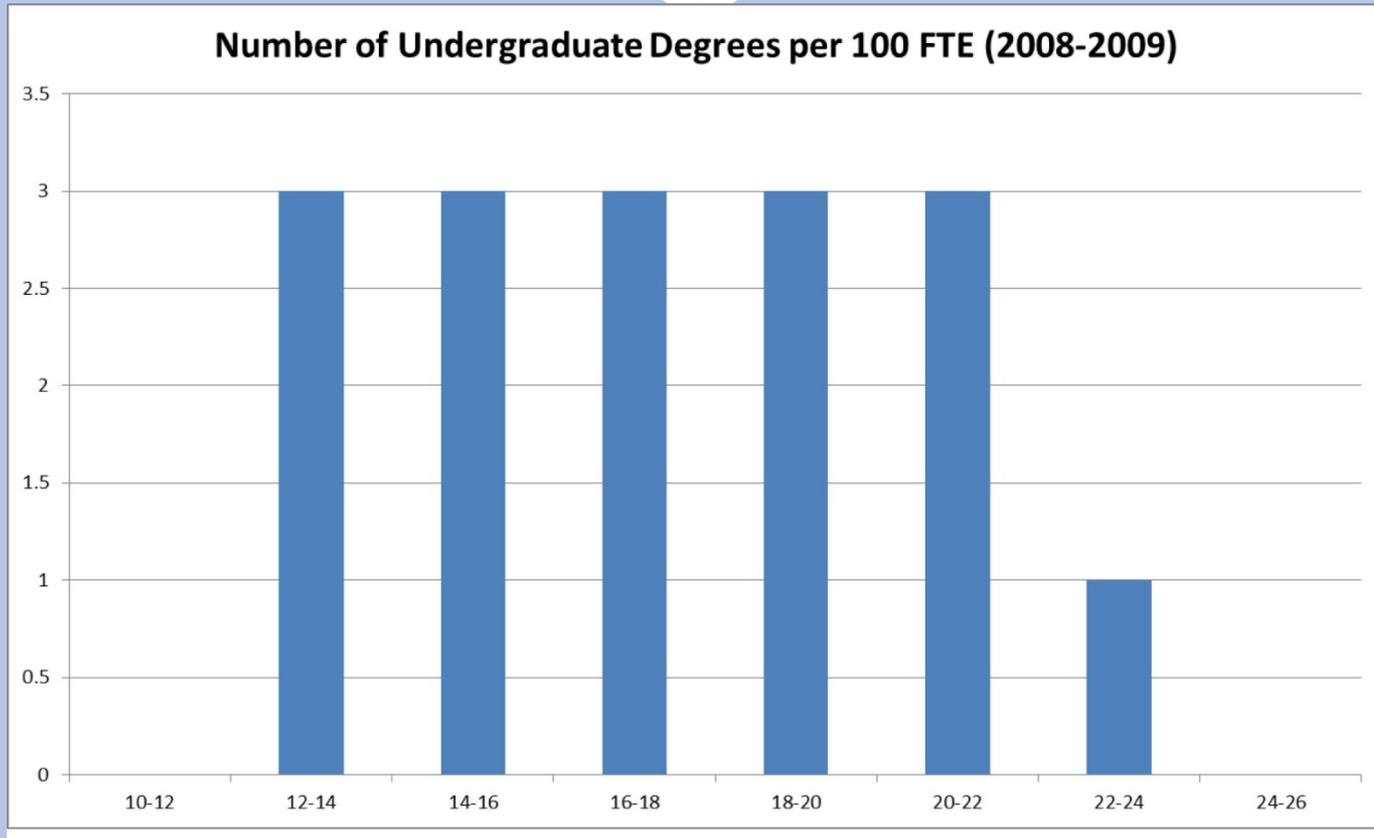
- 1. First year to second year retention (2010-2011 rate was 97.2%, up from 96.6% last year)**
- 2. 6-year graduation rate (89.5% for 2005 cohort)**
- 3. Undergraduate degree efficiency (six-year average number of undergraduate degrees per 100 FTE)**
- 4. Number of undergraduate degrees awarded to Pell recipients**
- 5. Financial integrity (composite UNC FIT index)**

**NOTE: GA will use IPEDS data, meaning 2010-2011 data not available until November 2012**



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# Sample degree efficiency data



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**UNC-CH value is 23.3**

# Campus-specific Measures I



## **Student Success & Faculty Scholarship (select 3)**

- **Four-year graduation rate (2007 cohort rate was 80.9%) ✓**
- **Four-year transfer student graduation rate ?**
- **Total Research expenditures (YTD May 18 \$675.5M compared to \$677.0M last year) ✓**
- **STEM + Health degrees, all levels ✓**



# Campus-specific measures II



## Operational & Academic Effectiveness (select 2)

- **Investment per degree (state appropriations plus tuition and fees net of discounts and allowances) ?**
- **Undergraduate attempted hours at degree, excluding AP, CLEP, and institutional credits X (Why not use tuition surcharge data?)**
- **Administrator-to-student FTE ratio ?? (A major disadvantage for research universities)**
- **Percentage of alumni giving X**
- **Alumni giving (dollars), including corporations, etc. ✓**
- **Energy efficiency ? (Not really under our control)**
- **Space utilization (75% classrooms; 25% classroom labs) ? (We do not yet have centralized classroom lab data)**

