



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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UNC Enrollment Change Funding Formula Needs Documentation and a Performance Component

Summary

Although the enrollment change funding model is widely accepted by University of North Carolina (UNC) system officials as a valid means to fund one of the system's primary goals—to increase access to higher education—questions about the formula's accuracy have been raised following requests from university officials for adjustments to enrollment change funding. The General Assembly directed the Program Evaluation Division to review the student credit hour enrollment change funding formula to examine its accuracy and consider possible alternatives.

Evaluation findings indicated the student credit hour enrollment change funding formula is complex, relies on inaccurate enrollment growth estimates from campuses, and, as a result, yields inaccurate funding requests. The formula is more complicated than its precursor, the full-time equivalency formula, and this greater detail is intended to provide greater funding equity across campuses. However, this evaluation found the implementation of the student credit hour enrollment change formula is deficient and the increased detail increases enrollment projection errors. Methods used to derive campus-level enrollment projections are not standardized or documented, and funds generated by the formula cannot be tracked.

The formula has generated \$386 million for enrollment growth from State Fiscal Year 2003-04 to 2007-08 but the emphasis on funding growth is not balanced by funding for performance. Although UNC officials have considered increasing accountability and introducing performance funding since 1996, such funding has yet to be implemented.

Four recommendations are based on evaluation findings. First, the General Assembly should require UNC system administrators to thoroughly examine and modify the enrollment change funding formula, standardize the enrollment change projection process, and hold officials accountable to the Board of Governors for sizeable projection errors. Second, the UNC system should develop policy and guidelines for enrollment growth funding decisions. Third, annual campus-level reporting should be provided to the General Assembly using indicators that will hold the system accountable to the public. Finally, the General Assembly should require the UNC system to move forward with implementing performance-based funding that is tied to enrollment growth in order to balance the emphasis on growth with performance in terms of, for example, graduation and retention.