

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

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SENATE DRS75050-LH-22A* (11/18)

Short Title: Amend UNC Enrollment Funding Formula.

(Public)

Sponsors: Senator Hartsell.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY THE UNIVERSITY OF NORTH CAROLINA ENROLLMENT
3 CHANGE FUNDING FORMULA AND TO MAKE ENROLLMENT CHANGE
4 FUNDING FOR EACH CONSTITUENT INSTITUTION CONTINGENT ON THE
5 INSTITUTION'S PERFORMANCE IN ACHIEVING TARGETS ESTABLISHED BY
6 THE BOARD OF GOVERNORS, AS RECOMMENDED BY THE JOINT
7 LEGISLATIVE PROGRAM EVALUATION OVERSIGHT COMMITTEE.

8 The General Assembly of North Carolina enacts:

9 **SECTION 1.(a)** The Board of Governors of The University of North Carolina,
10 with the assistance of General Administration, shall study and thoroughly examine the
11 enrollment change funding formula currently used by The University System to predict its
12 enrollment growth and estimate its funding needs. The purpose of the study is to consider and
13 evaluate possible modifications to the formula that would simplify and standardize the
14 enrollment projection process and yield more accurate funding requests.

15 As part of its study, the Board of Governors shall do all of the following:

- 16 (1) Consider the recommendations set out in the final report to the Joint
17 Legislative Program Evaluation Oversight Committee (Report Number
18 2010-05), dated November 17, 2010, regarding modification of The
19 University of North Carolina enrollment change funding formula.
- 20 (2) Consider simplifying and standardizing the enrollment projection process for
21 the enrollment change funding formula.
- 22 (3) Reexamine and justify funding factors for libraries and general institutional
23 support.
- 24 (4) Consider whether to adopt the weighted cost per student credit hour (SCH)
25 as recommended by the Program Evaluation Division of the General
26 Assembly or develop an approach that achieves the aim of retaining the
27 formula granularity but reduces projection error.
- 28 (5) Consider what modifications may be made to the formula to improve the
29 ability of each campus to analyze the accuracy of its enrollment projections,
30 correct errors in those projections at an earlier date, and adjust funding
31 requests before the requests are included in the campus's base operating
32 budget, which is used as a component by the Board of Governors in
33 developing and preparing the budget request for The University of North
34 Carolina that is submitted to the Governor and the General Assembly
35 pursuant to G.S. 116-11(9).



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1 **SECTION 1.(b)** Based on its study and evaluations conducted pursuant to this
2 section, the Board of Governors shall develop a revised enrollment change funding model,
3 including enrollment projection process, revised cost factors, and resulting weighted cost per
4 student credit hour (SCH) or similar approach, and present that revised enrollment change
5 funding model by June 30, 2011, to the General Assembly for its consideration.

6 **SECTION 1.(c)** The Board of Governors shall implement the new model for
7 enrollment change funding, as approved by the General Assembly, beginning with the
8 2012-2013 fiscal year.

9 **SECTION 2.(a)** The Board of Governors of The University of North Carolina shall
10 establish in writing policies and procedures for developing campus enrollment projections,
11 calculating tuition offset, and calculating funding formula elements and cost factors. The
12 Board shall also develop written criteria for granting "hold harmless" status. The Board of
13 Governors shall consider the recommendations set out in the final report to the Joint Legislative
14 Program Evaluation Oversight Committee (Report Number 2010-05), dated November 17,
15 2010, regarding written policies for enrollment change funding decisions.

16 **SECTION 2.(b)** The Board of Governors shall produce a policy and procedures
17 manual that includes the items set out in subsection (a) of this section. The policies and
18 procedures manual shall be presented to the Joint Legislative Education Oversight Committee
19 no later than January 1, 2012.

20 **SECTION 3.(a)** The Board of Governors of The University of North Carolina shall
21 develop a system to track and analyze enrollment and funding data from each campus within
22 The University System. One of the primary functions and uses of the system shall be to
23 produce an annual report in a clear electronic format that sets out current year numbers and
24 graphical presentations of trends and analyses performed. The annual reports produced by the
25 system shall include trend data by campus that includes all of the following:

- 26 (1) Student credit hours (SCH) delivered each year.
- 27 (2) Annual estimated change in SCH.
- 28 (3) Number of students served.
- 29 (4) Number of new faculty and staff positions by area of responsibility.
- 30 (5) Previous year enrollment funding.
- 31 (6) Analysis of projection accuracy.
- 32 (7) Retention rates.
- 33 (8) Graduation rates.
- 34 (9) Explanations of projection errors greater than five percent (5%), along with
35 the results of investigations into those errors and the measures taken to
36 resolve those errors.

37 **SECTION 3.(b)** The Board of Governors shall consult with the Program
38 Evaluation and Fiscal Research Divisions of the General Assembly on the final format of the
39 system described in subsection (a) of this section.

40 **SECTION 3.(c)** The Board of Governors shall present the initial report to the Joint
41 Legislative Education Oversight Committee, the Senate Appropriations Committee on
42 Education/Higher Education, and the House of Representatives Appropriations Subcommittee
43 on Education by January 1, 2012, and annually thereafter.

44 **SECTION 3.(d)** G.S. 116-11 is amended by adding a new subdivision to read:

45 "(9a) The Board of Governors shall track and analyze enrollment and funding data
46 from each campus within The University of North Carolina. The Board of
47 Governors shall report annually to the Joint Legislative Education Oversight
48 Committee, the Senate Appropriations Committee on Education/Higher
49 Education and the House of Representatives Appropriations Subcommittee
50 on Education. The annual report shall include trend data by campus that
51 includes all of the following:

- 1 a. Student credit hours (SCH) delivered each year.
- 2 b. Annual estimated change in SCH.
- 3 c. Number of students served.
- 4 d. Number of new faculty and staff positions by area of responsibility.
- 5 e. Previous year enrollment funding.
- 6 f. Analysis of projection accuracy.
- 7 g. Retention rates.
- 8 h. Graduation rates.
- 9 i. Explanations of projection errors greater than five percent (5%),
- 10 along with the results of investigations into those errors and the
- 11 measures taken to resolve those errors."

12 **SECTION 4.(a)** G.S. 116-11(9) reads as rewritten:

- 13 "(9) a. The Board of Governors shall develop, prepare and present to the
- 14 Governor and the General Assembly a single, unified recommended
- 15 budget for all of the constituent institutions of The University of
- 16 North Carolina. The recommendations shall consist of requests in
- 17 three general categories: (i) funds for the continuing operation of
- 18 each constituent institution, (ii) funds for salary increases for
- 19 employees exempt from the State Personnel Act and (iii) funds
- 20 requested without reference to constituent institutions, itemized as to
- 21 priority and covering such areas as new programs and activities,
- 22 expansions of programs and activities, increases in enrollments,
- 23 increases to accommodate internal shifts and categories of persons
- 24 served, capital improvements, improvements in levels of operation
- 25 and increases to remedy deficiencies, as well as other areas. The
- 26 president may present to the General Assembly an updated estimate
- 27 of tuition, fees, and other receipts by June 15 of each year to be
- 28 included in the budget for the following fiscal year.
- 29 a1. Enrollment change funding shall be based on the performance of
- 30 each constituent institution and shall be contingent on the attainment
- 31 of the constituent institution's target as determined by the Board of
- 32 Governors. A constituent institution that fails to achieve the target
- 33 shall not receive enrollment change funding.
- 34 The Board of Governors shall provide full documentation and
- 35 justification of any enrollment change funding request at the time it
- 36 is ~~recommended~~ recommended, including hold harmless status
- 37 requests. This documentation and justification shall include the most
- 38 recent academic year's actual enrollment numbers in the same format
- 39 in which the growth increase request is made. The actual enrollment
- 40 numbers shall be the actual student credit hours (SCH) or full-time
- 41 equivalencies (FTE). This documentation and justification shall also
- 42 include an explanation of how a constituent institution's request for
- 43 hold harmless status meets established criteria and a history of the
- 44 hold harmless requests granted to the constituent institution.
- 45 b. Funds for the continuing operation of each constituent institution
- 46 shall be appropriated directly to the institution. Funds for salary
- 47 increases for employees exempt from the State Personnel Act shall
- 48 be appropriated to the Board in a lump sum for allocation to the
- 49 institutions. Funds for the third category in paragraph a of this
- 50 subdivision shall be appropriated to the Board in a lump sum for
- 51 allocation to the institutions. The Board shall make allocations

1 among the institutions in accordance with the Board's schedule of
2 priorities and any specifications in the Current Operations
3 Appropriations Act. When both the Board and the Director of the
4 Budget deem it to be in the best interest of the State, funds in the
5 third category may be allocated, in whole or in part, for other items
6 within the list of priorities or for items not included in the list.
7 Provided, nothing herein shall be construed to allow the General
8 Assembly, except as to capital improvements, to refer to particular
9 constituent institutions in any specifications as to priorities in the
10 third category.

11 c. The Director of the Budget may, on recommendation of the Board,
12 authorize transfer of appropriated funds from one institution to
13 another to provide adjustments for over or under enrollment or may
14 make any other adjustments among institutions that would provide
15 for the orderly and efficient operation of the institutions.

16 d. Repealed by Session Laws 1987, c. 795, s. 27."

17 **SECTION 4.(b)** By January 1, 2012, The University of North Carolina General
18 Administration shall develop written detailed policies and procedures for the constituent
19 institutions to guide performance-based funding. While developing the policies and
20 procedures, General Administration shall also hold systemwide meetings to ensure the
21 performance-based approach and implementation time line are fully understood by the
22 constituent institutions and shall work closely with each constituent institution to help the
23 institution meet its target. The Fiscal Research Division of the General Assembly and the Joint
24 Legislative Education Oversight Committee shall provide oversight for the initial and ongoing
25 implementation of performance-based funding. The Board of Governors shall implement the
26 performance-based funding approach for The University of North Carolina no later than
27 January 1, 2013.

28 **SECTION 5.** This act is effective when it becomes law.