

Funding for North Carolina's Community Colleges: A Description of the Current Formula and Potential Methods to Improve Efficiency and Effectiveness

A presentation to the Joint Legislative Program Evaluation
Oversight Committee

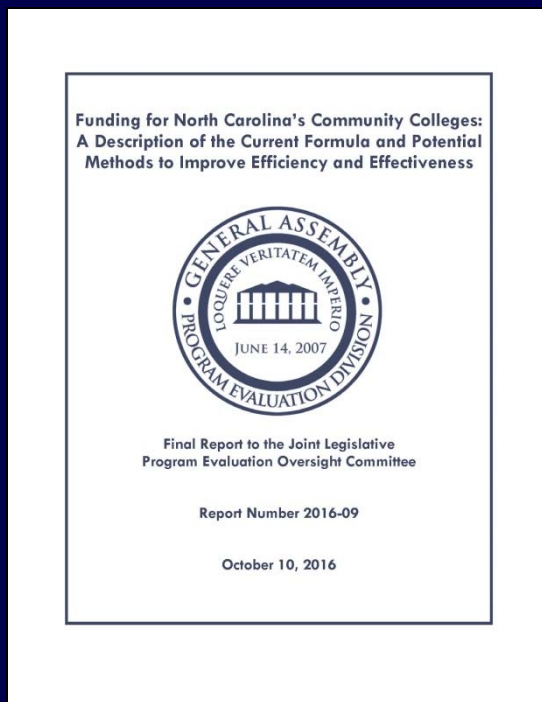
October 10, 2016

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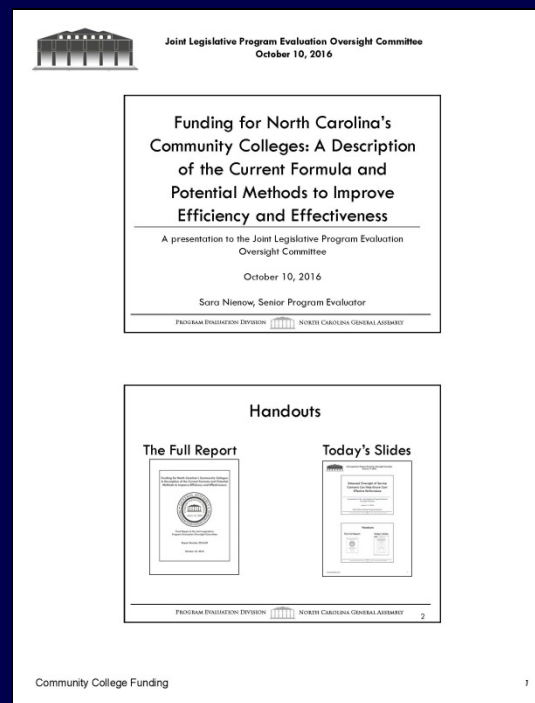


Handouts

The Full Report



Today's Slides



Our Charge

- Examine the funding formula and timing for allocating state appropriations to community colleges
- Team: Sara Nienow, Kiernan McGorty, Janice Hillanbrand

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Overview

- North Carolina's community college funding formula is functional and generally acceptable to State Board and colleges
- Leaders expressed concerns about funding adequacy
- There may be cost-effective ways to improve effectiveness and efficiency



Overview: Ideas for Consideration

- Increase equitable distribution of institutional and academic support
- Provide greater funding stability with stop-loss provision and funding for the Enrollment Growth Reserve
- Align tier funding with course costs
- Refine performance-based funding
- Consider needs-based student funding



Background



Isothermal Community College Surgical Technician Graduates



North Carolina Community College System

- NCCCS is the lead state agency for delivering workforce development training, adult literacy training, and adult education
- 58 colleges \approx 160 locations
- 7% of state's population attended at least one class in FY 2014–15

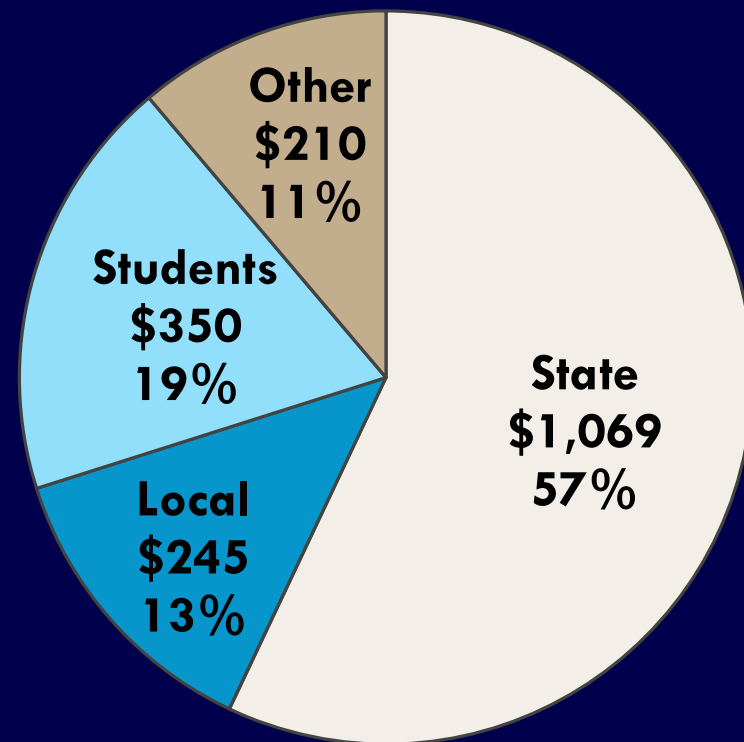
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Funding Composition

- In FY 2015-16, NCCCS generated \$1.9 billion in revenue from state, local, student, and other sources
- Community colleges receive 8.6% of NC's total appropriations for education

FY 2015-16 in Millions of Dollars



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State Investment in Community Colleges

- During the recession (2008–2011), funding for community colleges fell; stabilized and increased from 2012–2016
 - Still below pre-recession levels (-16%)
- Tuition has increased 60% since FY 2007–08
 - Still one of the lowest tuition levels in the country
- Taxpayer return on investment in community colleges \approx \$2.50-\$4.10 per \$1 invested

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How Funding Works



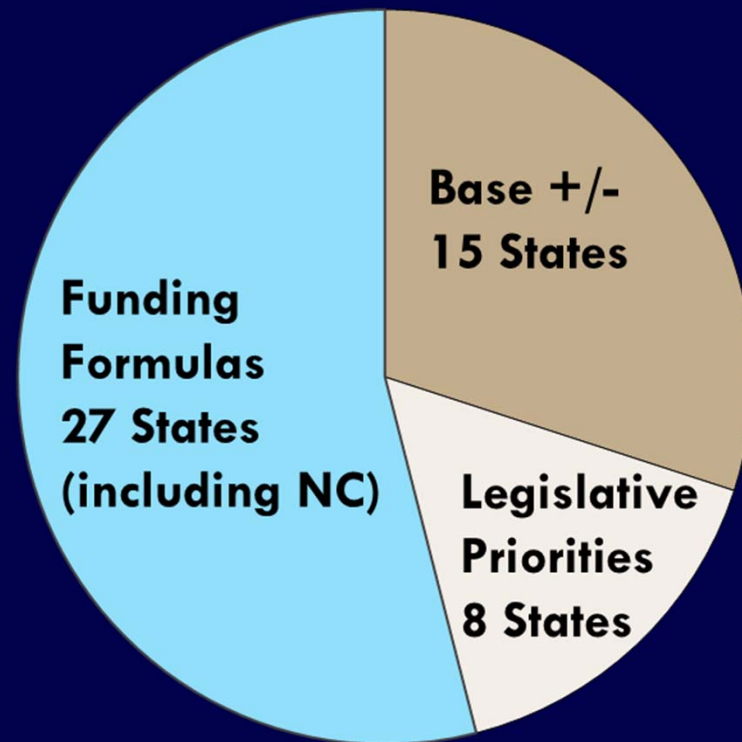
Halifax Community College



How Do States Fund Community Colleges?

Three Major Funding Methods:

1. Base +/-
2. Legislative Priorities
3. Funding Formulas



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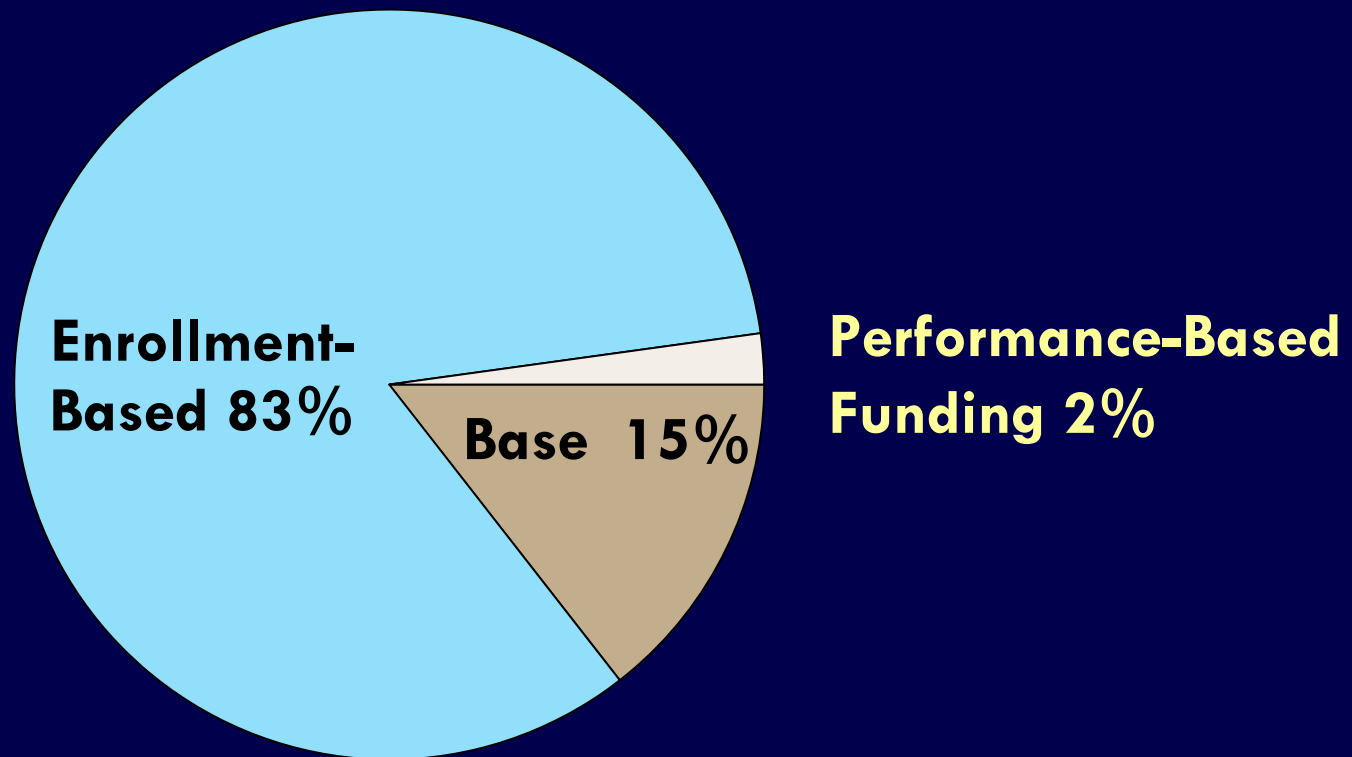


Method for Determining Allotments (Handout)

- Step 1: Calculate each college's budget FTE
- Step 2: Calculate base allocation for each college
- Step 3: Calculate enrollment allocation for each college
- Step 4: Calculate performance-based funding for each college



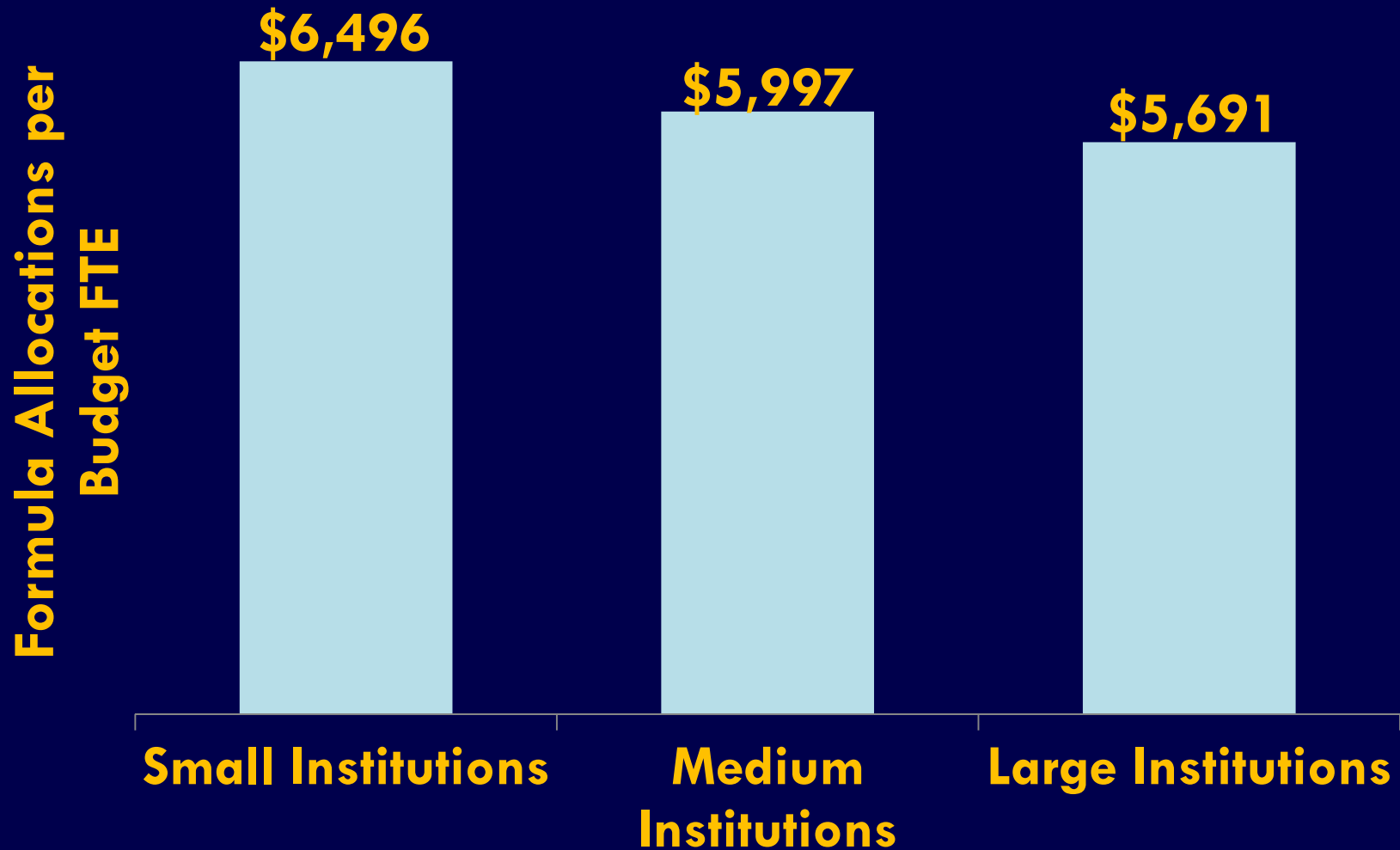
Formula Funding is Distributed According to Three Allocations



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Average Formula Allocation Per Budget FTE by School Size



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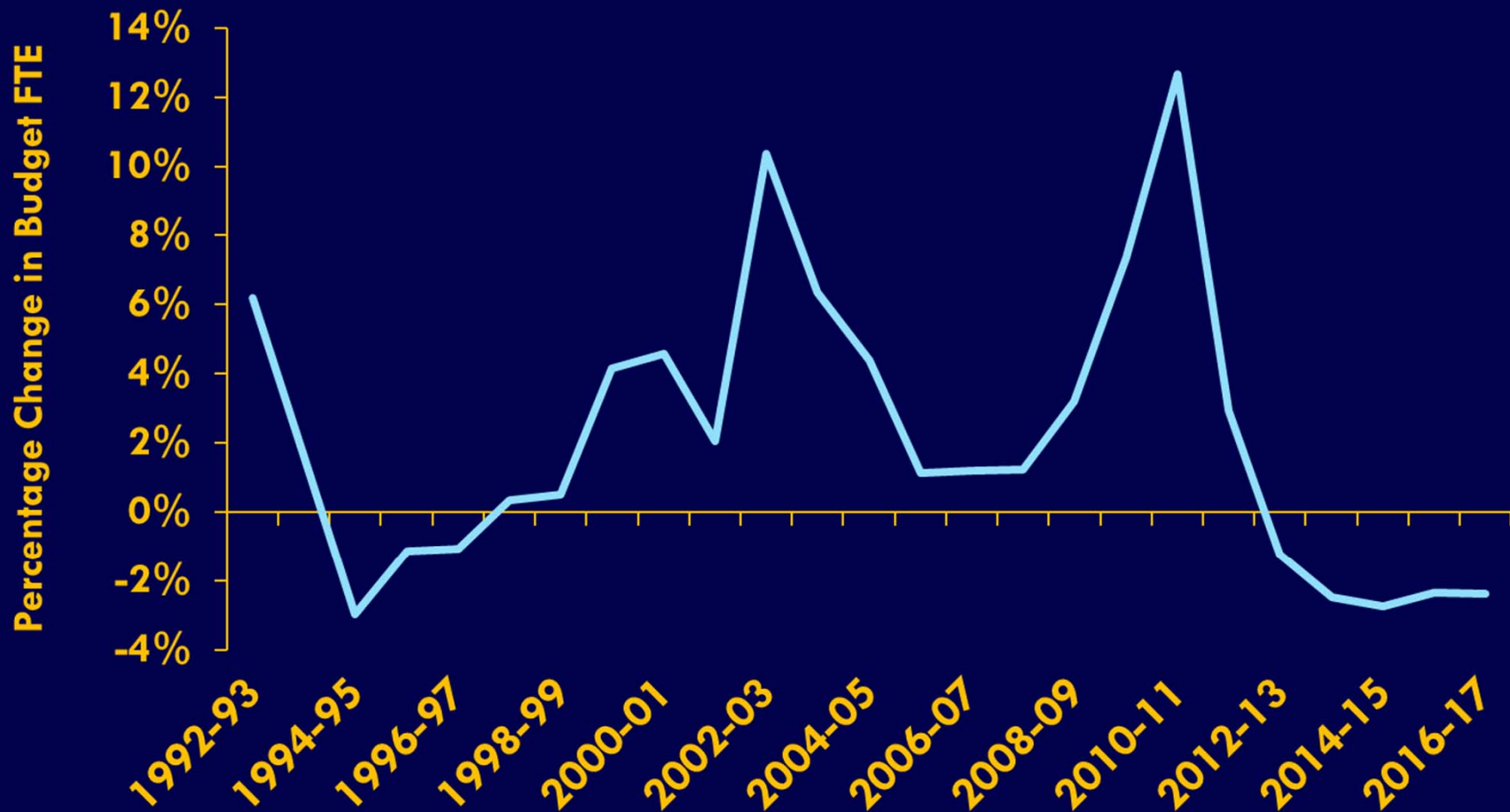
Enrollment Drives Community College Funding

1. Prospective Funding: 1967–1988
2. Funding in Arrears with Stabilization:
1989 to Present
 - Growth and Decline Rule: 1994–1998
 - Rolling Average Rule: 1989–1993 and
1999–present

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Funding Stability as a Policy Objective



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2013 Change from 3-Year to 2-Year Rolling Average

- Resulted in \$21.1 million less funding for community colleges
 - General Assembly provided \$4 million in adjustment funds
 - NC's new two-year average is in line with other southeastern states

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Enrollment Projections

- 86% of community college presidents were against change from three-year to two-year rolling average; 1 / 3 suggested return to using enrollment projections
- Just two states, Montana and Pennsylvania, use enrollment projections
- Projection is difficult due to open enrollment policy



Tiered Funding Model

- Since 2011, NCCCS has used tiers to fund specific courses at different levels
- Tier 1A added in 2013 to encourage colleges to offer programs leading to direct employment

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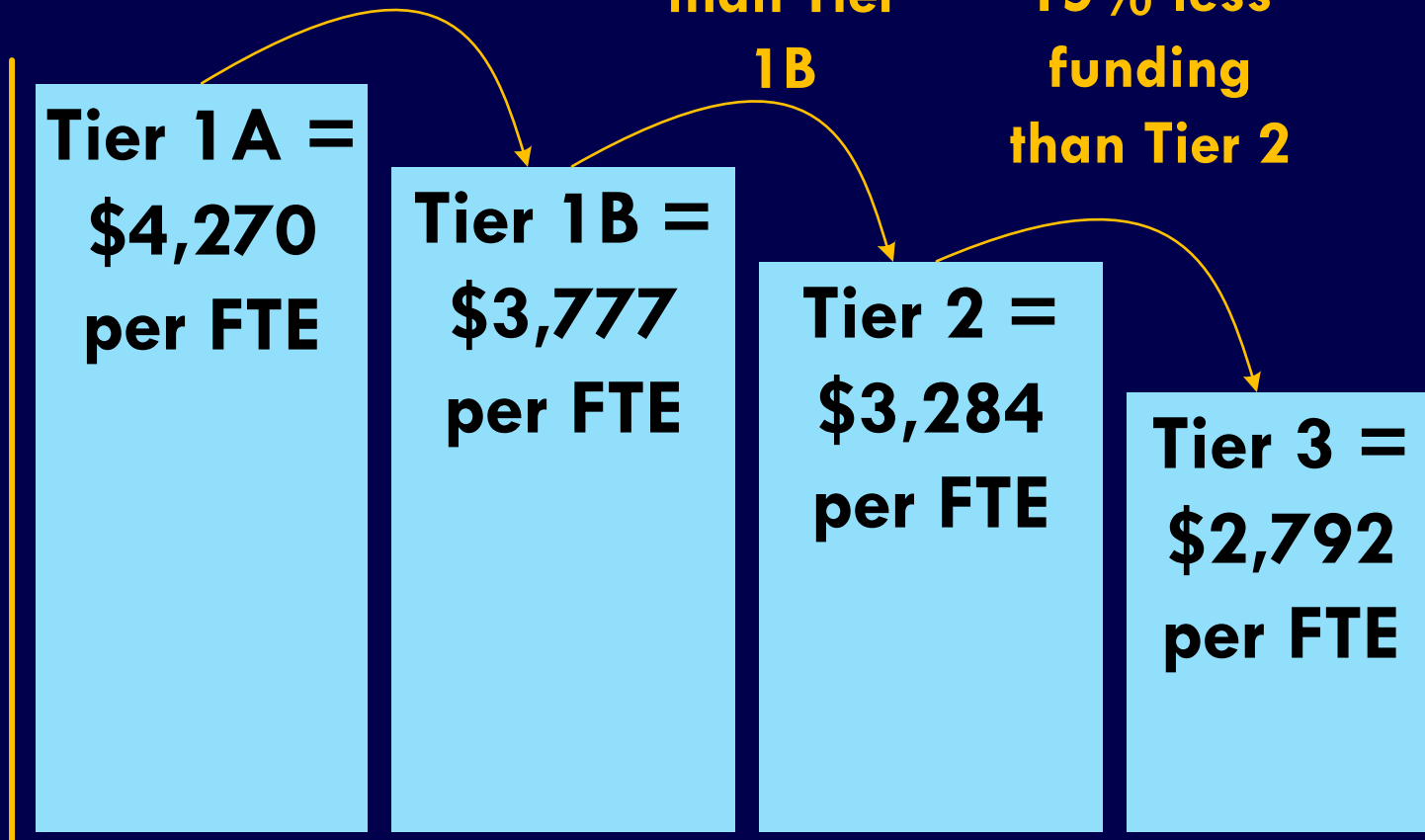


Current Tier Structure

Tier 1B gets
15% less
funding than
Tier 1A

Tier 2 gets
15% less
funding
than Tier
1B

Tier 3 gets
15% less
funding
than Tier 2



Actions in Response to Tier 1A

Actions Colleges Have Taken Since Implementation of Tier 1A	Percentage of Colleges
Increased number of Tier 1A classes offered	49%
Taken steps to establish a priority instructional program in order to offer Tier 1A classes	35%
No action has been taken	29%

- 80% support change to tiered funding
- 82% think Tier 1A correctly identifies regional workforce needs



Performance-Based Funding

- As of 2015, 26 states used performance-based funding to allocate a portion or all of their community college funding
- States distribute appropriations based on outcomes such as course completion, graduation, or passing licensure exams
- Performance-based funding can supplement or entirely replace other community college funding methods

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North Carolina's Current Performance-Based Funding Measures

- Success of students in college-level English and math courses
- First year progression
- Licensure and certification passing rate
- College transfer performance
- Curriculum completion
- Basic skills student progress
- High school equivalency attainment

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Performance-Based Funding Allocations

- Quality component
 - College's performance as compared to a baseline and a goal for each measure
- Impact component
 - Based on the number of students succeeding on each measure

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Performance-Based Funding

- College presidents think the system has made colleges more accountable
- Little evidence to suggest states using performance-based funding achieve better outcomes
 - May be too early to know outcomes of more recent programs
- Proponents believe past problems can be avoided with good program design, better student data systems, and policy refinements

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What options could the General Assembly pursue if it wishes to make changes to the current funding formula to improve efficiency and effectiveness?

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1. Institutional and Academic Support

- Currently based on FTE
- Marked increase in part-time students
 - Part-time students utilize student services
 - Fewer resources per student allocated to colleges with more part-time students
- Could use average of unduplicated headcount and FTE as the basis for institutional and academic support

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2. Provide Greater Funding Stability

- Stability allows colleges to develop long-term plans, keep and attract faculty, and provide student continuity
- Stop-Loss Provision
 - A stop-loss of 5% would provide limited stability
- Enrollment Growth Reserve
 - Exists but has no funds

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3. Align Course Tiers with Cost

- Current tier formula is based on cost of a Tier 2 course and then scaled up or down 15%
- Smaller classes, higher faculty salaries, and specialized equipment make technical classes more expensive
- Direct NCCCS to align tier levels with actual costs

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4. Refine Performance-Based Funding

1. Have colleges compete against historic performance and other colleges
2. Incent the achievement of state goals
 - Currently no measure for priority instructional areas
3. Improve institutional capacity
 - One additional statistician position

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5. Adding Needs-Based Funding to Formula

- Provides weighted funding for students with higher needs (at-risk students)
 - Older students, Pell Grant-eligible, other criteria
- Used in public K-12 system to improve outcomes
- Not currently used by any community college systems across country

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Summary

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Summary: Ideas for Consideration

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- Provide greater funding stability through stop-loss provision and funding for the Enrollment Growth Reserve
- Align tier funding with course costs
- Refine performance-based funding
- Add needs-based student funding



Summary: Response

- The North Carolina Community College System Office reported general agreement with the report



Legislative Options

- Refer report to any appropriate committees



Report available online at
www.ncleg.net/PED/Reports/reports.html

