



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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

Summary

The Joint Legislative Program Evaluation Oversight Committee's 2015–17 Work Plan directed the Program Evaluation Division to examine the funding formula and timing for allocating state appropriations to community colleges.

As the lead agency for delivering workforce development training, adult literacy training, and adult education programs, North Carolina's community college system consists of 58 colleges located around the state. In Fiscal Year 2014–15, 733,855 individuals, or 7% of the state's residents, attended at least one class at a community college.

The General Assembly appropriated \$1.1 billion to the community college system in Fiscal Year 2016–17. As most states do, North Carolina distributes the majority of this funding to colleges via a funding formula based on student enrollment.

The system's funding formula is functional and generally acceptable to institutions and the State Board of Community Colleges. North Carolina's funding formula is more sophisticated than those used in some other states because it uses a tier system to classify and account for distinct differences in programs and levels of study. A survey of college presidents revealed the majority do not object to the funding formula itself but expressed concerns about the amount of funding in general.

If the General Assembly wishes to change the current funding formula to improve efficiency and effectiveness, changes should be driven by specific legislative objectives. For instance, the General Assembly could consider initiatives to

- increase the equitable distribution of institutional and academic support funds;
- improve funding stability through the use of a stop-loss provision and by funding the Enrollment Growth Reserve;
- align tier funding with course costs;
- refine the existing performance-based funding system; and
- add needs-based funding to the enrollment portion of the formula.

Some of these changes would require increased state investment, whereas others could be done using existing resources.