

Finance 101: FTE, Funding Formulas? What does it all mean?

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Overview

- **Overview of State and NCCCS Budget**
- **State Budget Process**
- **College Budget Allocation Process**
- **Other Budget Issues**

Please feel free to ask questions at any point!

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State General Fund Budget FY 2020-21

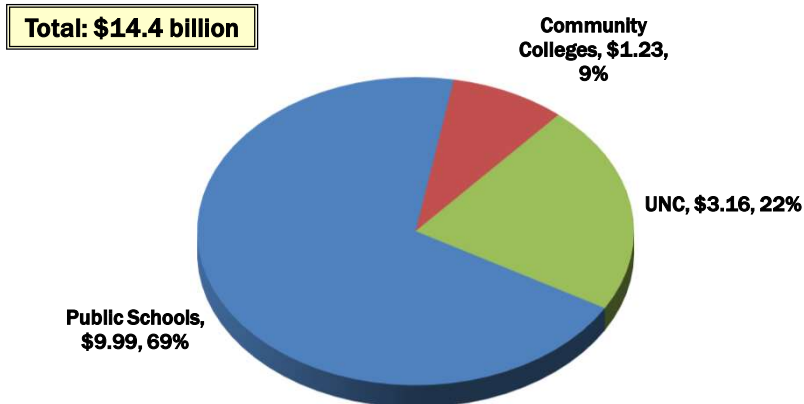
Area	Net Appropriation	% of Total
Education	\$14.4 billion	59%
• Public Schools	• \$10 billion	• 41%
• UNC System	• \$3.2 billion	• 13%
• NCCCS	• \$1.2 billion	• 5%
Health and Human Services	\$5.7 billion	23%
Justice and Public Safety	\$2.7 billion	11%
All Other	\$1.7 billion	7%
Total	\$24.5 billion	100%

Source: Office of State Controller, General Funds Monthly Financial Report, November 30, 2020

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State General Fund Appropriations for Education: FY 2020-21 (in billions)



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Financial Support of Institutions

State

G.S. 115D-31

- Operating costs for instruction, administration, and support services

Local

G.S. 115D-32

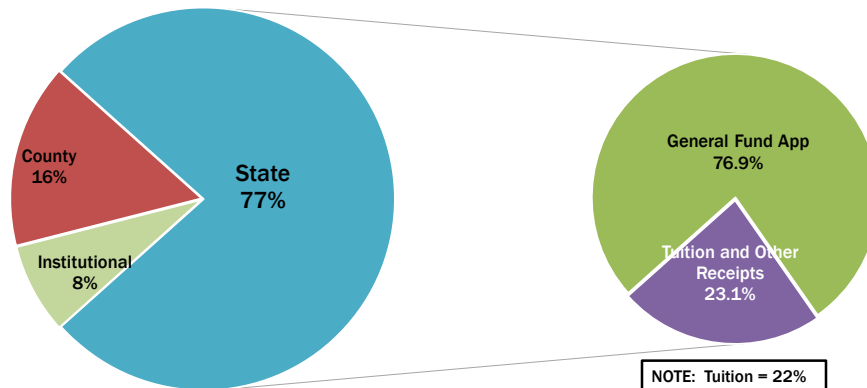
- Operation and maintenance of plant

Capital construction is the legal responsibility of the county. However, G.S. 115D-31 authorizes the State to provide capital funds to local institutions, provided that it is matched on a dollar-to-dollar basis.

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NCCCS Total Operating Funding

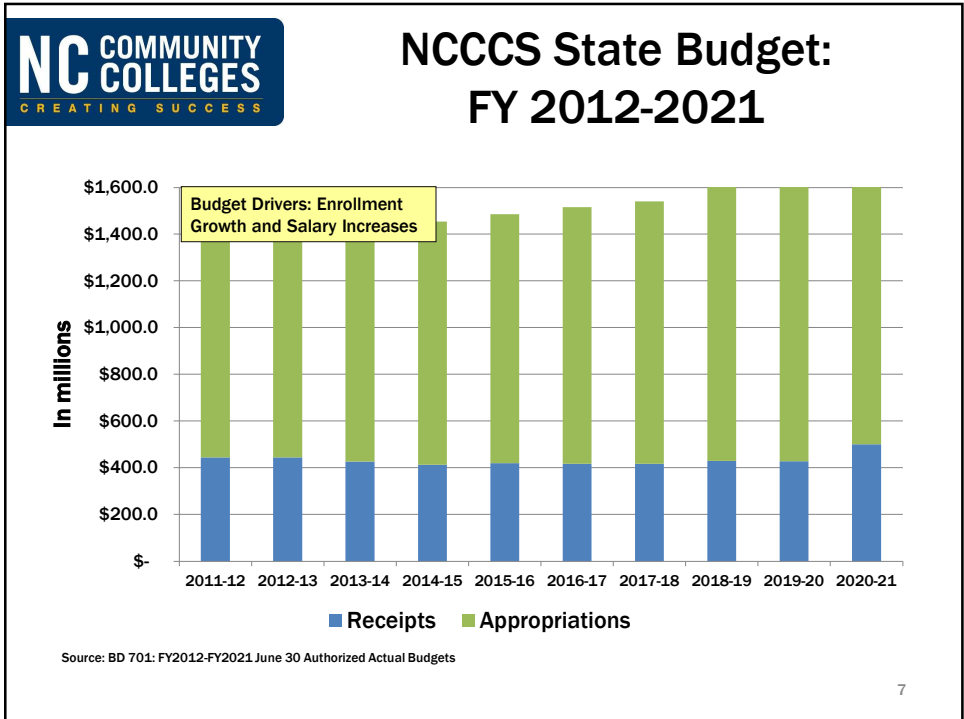


Source: FY2020-21 College Budget Summary (Form 2-1)

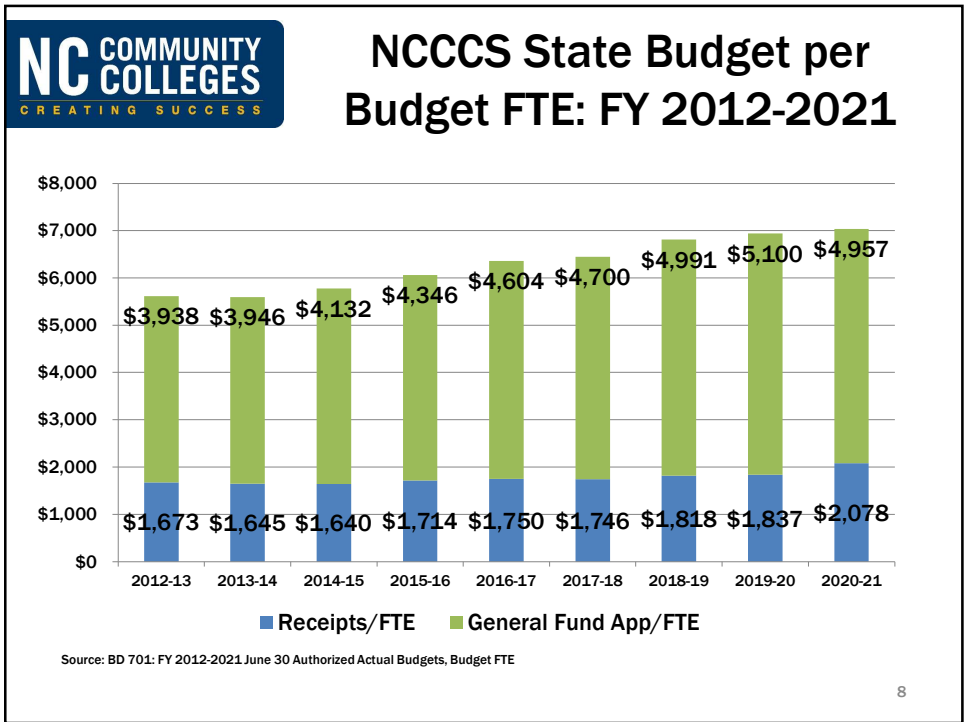
Source: FY2021-22 State Aid Baseline Budget

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Biennial Budget Cycle: FY 2021-23

- **Summer and Fall 2020:**
 - Develop base budget
 - Develop expansion budget request
 - Identify reduction options, if necessary
- **2021 Long Session** (begins in January):
 - Adopt a two-year budget
- **2022 Short Session** (typically begins in May):
 - Adjust second year of the budget

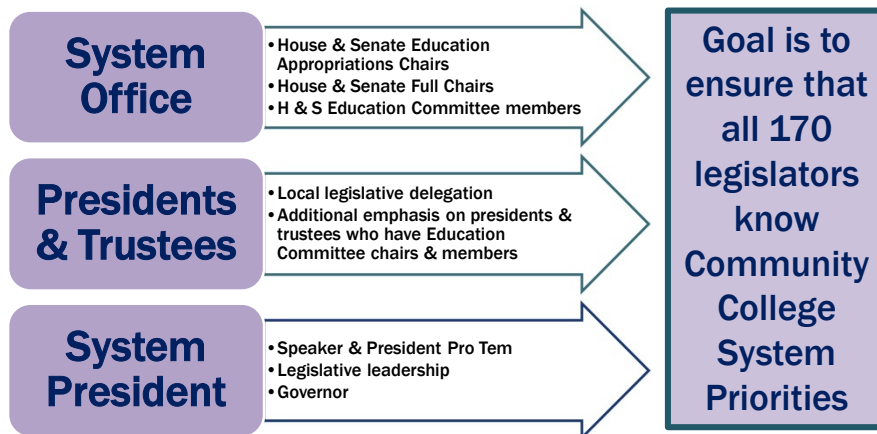
Sources of Budget & Legislative Agenda

NCCCS	Other Sources
NC Association of CC Presidents (NACCCP) Finance & Legislative Committees	Governor's Budget
Begins in mid-summer	Legislators' priorities/interests
Approved by full NACCCP	Legislative Study Commission recommendation
NACACT becoming more involved	Studies done by NCCCS that are mandated by the legislature
Aligns to System Strategic Plan	
State Board of Community Colleges approval	
CONSENSUS BUDGET/LEGISLATIVE PRIORITIES IS ESSENTIAL!	

The Gubernatorial Process

- Per the NC Constitution, the Governor shall:
 - Serve as “Director of the Budget”
 - Prepare and recommend a budget to the General Assembly
 - Administer the budget as enacted by the General Assembly

Legislative Process: Roles & Responsibilities



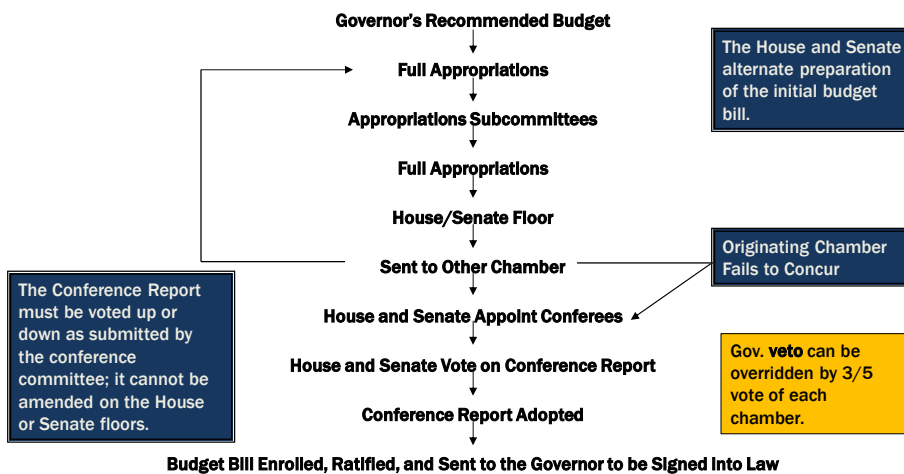
How the General Assembly Develops a Budget

- House & Senate different policy priorities.
- Set spending targets for overall budget & for subcommittees.
 - Recent years, House & Senate have agreed to spending targets prior to budget development.
 - Subcommittees can get additional funds through cuts.
 - Subcommittees do not decide salary increases.
- System President presents CC priorities to House & Senate Education Appropriations Committees.
- **Final budget is product of CC System priorities, other legislative priorities, and funding targets.**

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Legislative Budget Process



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State Board Approval

- **G.S. 115D-5 (a):** “The State Board of Community Colleges may adopt and execute such policies, regulations and standards...to provide for the equitable distribution of State and federal funds to the several institutions.”

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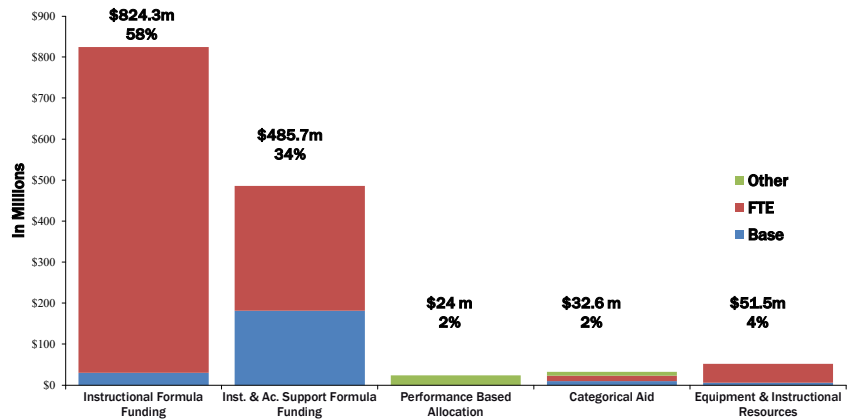
State Budget Allocations

- **Base Allocations** – All colleges get the same amount regardless of size or performance.
- **FTE Allocations** – Depends on the number of FTE students served.
- **Performance-Based Allocations:** Depends on student outcomes.

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College Allotments: Base Budget FY 2021-22



Source: FY 2021-22 Summary of Budget Allocations. Note that this graph only captures funds distributed to colleges through the routine budget allocation process. This graph does NOT account for any subsequent reversions required by the Governor or allocations.

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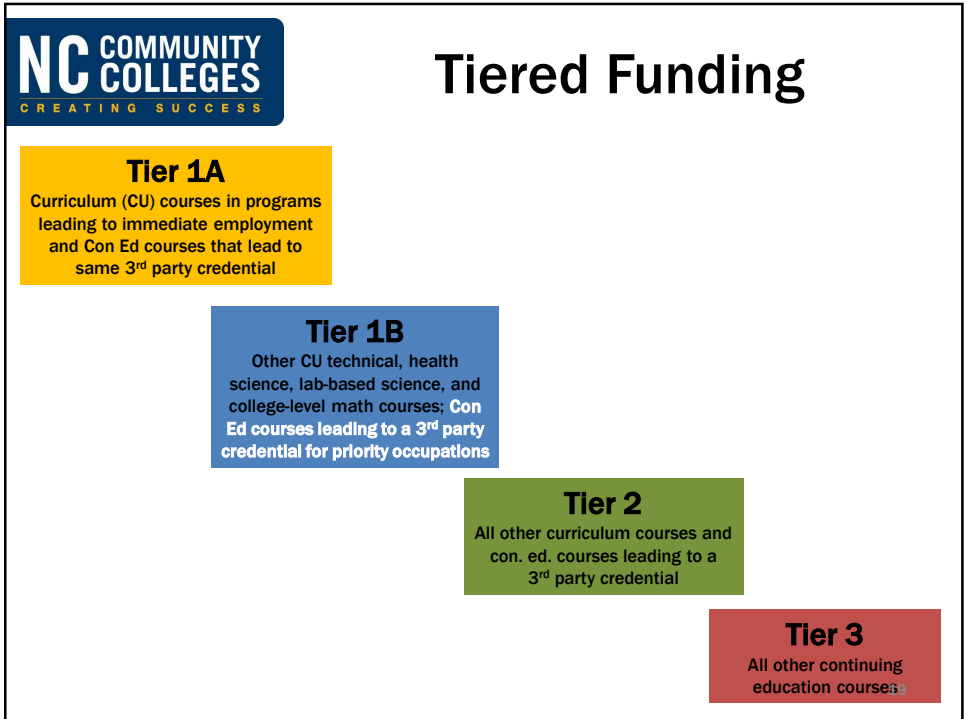
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Budget FTE

- **1 FTE = 512 Student Hours in Membership as defined in 1G SBCCC 100.1(5)**
- **Budget FTE counting period = Summer, Fall, Spring**
- **For each instructional area (curriculum, con ed, and basic skills), a college's budget FTE is determined by calculating the higher of :**
 - the most recent year's actual FTE; or
 - the average of most recent 2 year's actual FTE

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NC COMMUNITY COLLEGES
CREATING SUCCESS

2021-22 BFTE Tier Values: Base Budget

	Tier 1A	Tier 1B	Tier 2	Tier 3
Instruction	\$4,449.55	\$3,936.14	\$3,422.73	\$2,166.59
Institutional & Academic Support (for BFTE > 750)	\$1,688.00	\$1,688.00	\$1,688.00	\$1,688.00

Curriculum – Tiers 1A, 1B, and 2
Workforce Continuing Education – Tiers 1A, 1B, 2, and 3
Basic Skills – Tier 3

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FY 2021-22 Base Allocations: Base Budget

	Amount Per College	System-wide Amount
Curriculum Instruction	\$446,246	\$25,882,268
Con Ed Instruction	\$74,374	\$4,313,692
Inst. & Ac. Support	\$2,484,181	\$144,082,498
Total	\$3,004,801	\$174,278,458

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Budget Flexibility

- The General Assembly has allowed colleges to have flexibility in order to meet individual college needs
- Formulas are for allocation purposes only
- Colleges can spend the money however they choose with the following exceptions:
 - Basic Skills funding may only be used for basic skills programs
 - Federal Perkins (CTE) funding may not be transferred
 - Customized Training funds may not be transferred
 - Certain State-supported allocations approved by the State Board outside the budget package

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Carryforward

- The General Assembly has allowed colleges to carry forward certain unspent appropriations
- Unexpended equipment and library resources may be carried forward and spent over the next 12 months per G.S. 115D-31(c)
- Unexpended performance-based funding may be carried forward per G.S. 115D-31.3(g1)
- Customized Industry Training program funds shall not revert but shall remain available until expended per G.S. 115D-5.1(f2)

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Other Budget Issues

- **Reversions & Spending Freezes**
 - Governor determines will be budget shortfall and requires agencies to revert funds
 - May also freeze travel, hiring, purchasing, etc.
- **Tuition Shortfalls/Budget Call-Backs**
 - Happens when tuition and fee receipts are less than the amount budgeted to be collected
 - Requires colleges to reduce budgets
- **Tuition Increases**
 - General Assembly or Governor usually propose
 - Revenue shortfalls or to fund new programs

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