

PROPEL NC

A New Community
College Business
Model for the New
North Carolina
Economy

NC COMMUNITY
COLLEGES
CREATING SUCCESS

North Carolina's investments in economic and workforce development have created booming business and jobs' growth in key sectors that will drive our state's economy for generations to come. Now we need to make sure North Carolinians fill those great North Carolina jobs.

The Challenge

North Carolina does not have enough skilled workers to meet the growing demand in the labor market. If we don't change the way our community colleges do business, our residents and our communities will miss out on this once-in-a-generation period of economic growth. The current infrastructure limits our speed, capacity, and innovation. It needs an overhaul.

Here's what that looks like in practice: We have an upside-down funding model that requires colleges to shift limited resources to operate high priority programs. It is an outdated and rigid approach that doesn't allow for a sharp focus on business needs.

We need to move with urgency. Here's a by-the-numbers look at the coming years:

- NC has been recognized as the **No. 1** state for business for the past two years, which is bringing in thousands of great jobs and creating a short window of opportunity for us to deliver the highly skilled workforce needed to meet this surge in demand;
- **68%** of all jobs will require a post-secondary or high-quality credential;
- By 2031, there are projected to be **576,000** annual job openings in North Carolina;
- For example, North Carolina faces an estimated shortage of **12,500** registered nurses (RNs) by 2033, as well as shortages in major growth sectors including advanced manufacturing, biotechnology, other healthcare occupations, and information technology.

The Solution

PROPEL NC is a first-of-its-kind plan to directly align our program funding to North Carolina's most urgent workforce needs. That means funding is based on outcomes that drive industry development and meet business demand across our 100 counties.

Community colleges are the primary catalysts for economic growth through targeted, affordable and accessible training that prepares students for high-demand, high-wage jobs. Propel NC creates an aligned framework for the legislature to invest in growing North Carolina's economic future. This innovative new funding model positions community colleges to be more nimble and responsive to their local employers' biggest workforce needs by growing and sustaining training programs in the highest-demand and highest-wage sectors of our economy. It's time to innovate the funding model for our community colleges and Propel NC forward!

Who We Serve

- **98%** of NC Community College System students are North Carolinians;
- **More than half** of our community college students are adult learners (25+); and
- **Nearly 80%** of students stay and work in the communities where they learn.

2011 Model (current)	PROPEL NC (future)
Formulaic tier-based approach	Transparent, labor-focused model
Job demand data has no impact on program funding	Courses linked to workforce sectors and prioritized by statewide job demand data
Separation of Curriculum and Workforce Continuing Education funds	Consolidated funding to streamline workforce continuing education, the fastest growing area of college education
Static model with relative parity between program-funding levels	Results-driven model, increased transparency and aligned incentives lead to accountability

More PROPEL NC Advantages
<p>Builds on Recent Legislative Investments: Investments in high-cost faculty salaries and new program start-up funds have ramped up our training capacity, but revenue modernization is needed to balance our abilities to grow enrollment and sustain high-cost, high-demand programs.</p>
<p>Strengthens Rural Communities: Bolsters access to higher education and workforce credentials that support, grow and sustain new and existing business and industry.</p>
<p>Workforce Focused: Employers' priorities are colleges' priorities. Prioritizes key high-demand, high-wage workforce sectors. Improves colleges' flexibility to align credentials with workforce needs.</p>
<p>Targeted Funding: Strategically increases funding only for programs tied to high-demand and high-wage workforce sectors.</p>

Key Changes from Propel NC

The North Carolina Community College System is embarking on a comprehensive overhaul of its funding formula to better align with current and future educational and labor market needs. This transformation includes significant updates in several key areas: Workforce Sectors, Base Funding Enhancement, Enrollment Growth Reserve, and Tuition Receipt Adjustment. These changes are designed to create a more dynamic and responsive funding model that meets rapidly changing workforce demands and the evolving landscape of higher education.

Modernizing the funding model to be more responsive to the labor market will require \$93,019,556 in recurring funding increases and \$6 million in non-recurring funding.

Workforce Sectors

- **Objective:** To revise our resource allocation model to be more responsive to labor-market demand. To fund higher-demand, higher-wage areas at a higher level will require an additional \$68,583,610.
- **Current Model:** Hard to explain, limited responsiveness to changing workforce demands.
- **New Allocation Method:** Transition to a labor-market driven system, with course funding linked to workforce sectors informed by job data. All courses will fall under their relevant sector, with allocations for high-wage, high-demand areas like Healthcare, Engineering and Public Safety funded at a higher level to enable colleges to expand these programs to meet labor market demands. Customized Training and Small Business Center training will now earn FTE funding for colleges, creating an incentive for colleges to offer more of these critical services to local businesses and industries. Traditional transfer and general education sectors will maintain current funding levels.

Proposed Funding Level for New Sectors

Workforce Sectors*	FTE Value	Proposed Cost	Current Costs	Increase
Healthcare I	\$5,340	\$91,882,173	\$82,712,842	\$9,169,331
Engineering and Adv. Manufacturing	5,340	18,346,471	16,677,166	1,669,305
Trades and Transportation	5,340	106,240,637	95,015,615	11,225,022
Information Technology	4,800	56,195,822	48,773,422	7,422,400
Public Safety and First Responders	4,800	96,165,313	67,149,245	29,016,068
Healthcare II	4,800	45,465,273	37,894,701	7,570,572
Customized Training & Small Business Ctr	2,480	1,821,277	0.00	1,821,277

*Only workforce sectors seeking additional funding are included in this display. Sectors not requiring changes in funding are not represented.

Base Funding Enhancement

- **Objective:** Allocate resources colleges need to meet our students where they are, addressing key wrap-around services to keep students enrolled through completion. Provides 5.8% increase in base funding per college, totaling \$24,435,946.
- **Current Funding Structure:** Funding covers six curriculum faculty, one continuing education instructor, and 30 staff positions. Operational costs are marginally covered at 3.2%. Historical spending patterns for colleges: 89% for salaries, 11% for other expenses.
- **New Approach:**
 - Curriculum Base increases from \$512,144 to \$556,678.
 - Continuing Education Base increases from \$85,357 to \$92,779.
 - Institutional and Academic Support Base goes from \$2,845,820 to \$2,993,761.
 - Total budget adjustment from \$3,443,321 to \$3,643,218.
 - Enrollment allotments for FTEs exceeding 750 changes from \$1,926 to \$1,996.

Enrollment Increase Reserve

- **Proposal:** Revise GS 115D-31(e) for a more predictable method of funding enrollment increases in the year they occur. Requesting \$6M in non-recurring funds.
- **Current Method:** GS 115D-31(e) uses excess tuition receipts from the previous year for colleges with enrollment increases over 5%, which lacks predictability.
- **New Approach:**
 - Create an enrollment growth reserve fund with \$6M.
 - Funding at half of the average FTE value (currently \$2,089) per FTE for increases beyond 5% in each category (curriculum, continuing education, basic skills) or total FTE increases over 325 for all categories combined.
 - If growth exceeds \$6M, the value per FTE will be adjusted proportionately.
 - Distribution of funds by February based on reported fall semester FTE.

Tuition Receipt Adjustment

- **Proposal:** Revise GS 115D-31(e) to change method excess tuition receipts are allocated.
- **Current State:** Excess tuition receipts used for colleges with more than 5% enrollment growth, but only allocated in years system has overcollected receipts.
- **New Approach:**
 - Hold excess receipts from the preceding fiscal year at the System Office for potential reversions.
 - If no budget call-back is necessary (usually determined by November/December), return total excess receipts proportionally to all colleges based on actual receipts collected per college.